

TOTAL SA
Form 20-F
April 20, 2006
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

Commission file number: 1-10888

TOTAL S.A.

(Exact Name of Registrant as Specified in Its Charter)

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N/A
(Translation of Registrant's Name into English)

Republic of France
(Jurisdiction of Incorporation or Organization)

TOTAL S.A.

2, place de la Coupole

La Défense 6

92400 Courbevoie

France

(Address of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

**Title of each class
Shares**

**Name of each exchange on which registered
New York Stock Exchange***

American Depositary Shares

New York Stock Exchange

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

615,116,296 Shares, nominal value 10.00 each, as of December 31, 2005

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer Accelerated filer Non-accelerated filer
Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Basis of Presentation	

In general, financial information included in this Annual Report is presented according to International Financial Reporting Standards (IFRS) as adopted by the European Union.

Statements Regarding Competitive Position

Statements made in Item 4. Information on the Company referring to TOTAL's competitive position are based on the Company's belief, and in some cases rely on a range of sources, including investment analysts' reports, independent market studies and TOTAL's internal assessments of market share based on publicly available information about the financial results and performance of market participants.

Additional Information

This Annual Report on Form 20-F reports information primarily regarding TOTAL's business and operations and financial information relating to the fiscal year ended December 31, 2005. For more recent updates regarding TOTAL, you may read and copy any reports, statements or other information TOTAL files with the Securities and Exchange Commission. All of TOTAL's Securities and Exchange Commission filings made after December 31, 2001 are available to the public at the Securities and Exchange Commission web site at <http://www.sec.gov> and from certain commercial document retrieval services. Our website at <http://www.total.com> includes information about our businesses and also includes recent press releases and other publications of TOTAL, including some of our filings with the Securities and Exchange Commission made prior to December 31, 2001. See also Item 10. Additional Information Documents on Display .

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CERTAIN TERMS

Unless the context indicates otherwise, the following terms have the meanings shown below:

acreage	The total area, expressed in acres, over which TOTAL has interests in exploration or production.
ADRs	American Depositary Receipts evidencing ADSs.
ADSs	American Depositary Shares representing the shares of TOTAL S.A.
barrels	Barrels of crude oil, including condensate and natural gas liquids.
Company	TOTAL S.A.
condensate	Light hydrocarbon substances produced with natural gas which condense into liquid at normal temperatures and pressures associated with surface production equipment.
crude oil	Crude oil, including condensate and natural gas liquids.
Group	TOTAL S.A. and its subsidiaries and affiliates. The terms TOTAL and Group are used interchangeably.
hydrocracker	A refinery unit which uses a catalyst and extraordinary high pressure, in the presence of surplus hydrogen, to shorten molecules.
LNG	Liquefied natural gas.
LPG	Liquefied petroleum gas.
proved reserves	Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not of escalations based upon future conditions. The full definition of proved reserves which we are required to follow in presenting such information in our financial results and elsewhere in reports we file with the Securities and Exchange Commission is found in Rule 4-10 of Regulation S-X under the U.S. Securities Act of 1933, as amended.
proved developed reserves	Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing natural forces and mechanisms of primary recovery are included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved. The full definition of proved developed reserves which we are required to follow in presenting such information in our financial results and elsewhere in reports we file with the Securities and Exchange Commission is found in Rule 4-10 of Regulation S-X under the U.S. Securities Act of 1933, as amended.
proved undeveloped reserves	Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion, but does not include reserves attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. The full definition of proved undeveloped reserves which we are required to follow in presenting such information

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in our financial results and elsewhere in reports we file with the Securities and Exchange Commission is found in Rule 4-10 of Regulation S-X under the U.S. Securities Act of 1933, as amended.

steam cracker	A petrochemical plant that turns naphta and light hydrocarbons into ethylene, propylene, and other chemical raw materials.
TOTAL	TOTAL S.A. and its subsidiaries and affiliates. We use such term interchangeably with the term Group. When we refer to the parent holding company alone, we use the term TOTAL S.A. or the Company.
trains	Facilities for converting, liquefying, storing and off-loading natural gas.
TRCV	An aggregate margin for topping, reforming, cracking, visbreaking in Western Europe developed and used internally by TOTAL s management as an indicator of refining margins.
turnarounds	Temporary shutdowns of facilities for maintenance, overhaul and upgrading.

ABBREVIATIONS

b	barrel	k	thousand
cf	cubic feet	M	million
boe	barrel of oil equivalent	B	billion
t	metric ton	W	watt
m ³	cubic meter	TWh	terawatt-hour
/y	per year	Wp	watt peak

CONVERSION TABLE

1 acre	= 0.405 hectares	
1 b	= 42 U.S. gallons	
1 boe	= 1 b of crude oil	= 5,460 cf of gas in 2003 5,497 cf of gas in 2004 and 5,507 cf of gas in 2005 ⁽¹⁾
1 b/d of crude oil	= approximately 50 t/y of crude oil	
1 Bm ³ /y	= approximately 0.1 Bcf/d	
1 m ³	= 35.3147 cf	
1 kilometer	= approximately 0.62 miles	
1 ton	= 1 t	= 1,000 kilograms (approximately 2,205 pounds)
1 ton of crude oil	= 1 t of crude oil	= approximately 7.5b of crude oil (assuming a specific gravity of 37 API)
1 t of LNG	= approximately 8.9 boe	= approximately 48 Mcf of gas
1 Mt/y LNG		= approximately 133 Mcf/d

(1) Natural gas is converted to barrels of oil equivalent using a ratio of cubic feet of natural gas per one barrel. This ratio is based on the actual average equivalent energy content of the TOTAL s natural gas reserves during the applicable periods, and is subject to change. The tabular conversion rate is applicable to TOTAL s natural gas reserves on a group-wide basis.

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Cautionary Statement Concerning Forward-Looking Statements

TOTAL has made certain forward-looking statements in this document and in the documents referred to in, or incorporated by reference into, this Annual Report. Such statements are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of the management of TOTAL and on the information currently available to such management. Forward-looking statements include information concerning forecasts, projections, anticipated synergies, and other information concerning possible or assumed future results of TOTAL, and may be preceded by, followed by, or otherwise include the words believes, expects, anticipates, intends, plans, targets, estimates or similar expressions.

Forward-looking statements are not assurances of results or values. They involve risks, uncertainties and assumptions. TOTAL's future results and share value may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond TOTAL's ability to control or predict. Except for its ongoing obligations to disclose material information as required by applicable securities laws, TOTAL does not have any intention or obligation to update forward-looking statements after the distribution of this document, even if new information, future events or other circumstances have made them incorrect or misleading.

You should understand that various factors, certain of which are discussed elsewhere in this document and in the documents referred to in, or incorporated by reference into, this document, could affect the future results of TOTAL and could cause results to differ materially from those expressed in such forward-looking statements, including:

material adverse changes in general economic conditions or in the markets served by TOTAL, including changes in the prices of oil, natural gas, refined products, petrochemical products and other chemicals, changes in currency exchange rates and currency devaluations, the success and the economic efficiency of oil and natural gas exploration, development and production programs, including without limitation, those that are not controlled and/or operated by TOTAL, uncertainties about estimates of changes in proven and potential reserves and the capabilities of production facilities, uncertainties about the ability to control unit costs in exploration, production, refining and marketing (including refining margins) and chemicals, changes in the current capital expenditure plans of TOTAL, the ability of TOTAL to realize anticipated cost savings, synergies and operating efficiencies, the financial resources of competitors, changes in laws and regulations, including tax and environmental laws and industrial safety regulations, the quality of future opportunities that may be presented to or pursued by TOTAL, the ability to generate cash flows or obtain financing to fund growth and the cost of such financing, the ability to obtain governmental or regulatory approvals, the ability to respond to challenges in international markets, including political or economic conditions, including international armed conflict, and trade and regulatory matters, the ability to complete and integrate appropriate acquisitions, strategic alliances and joint ventures, changes in the political environment that adversely affect exploration, production licenses and contractual rights or impose minimum drilling obligations, price controls, nationalization or expropriation, and regulation of refining and marketing, chemicals and power generating activities, the possibility that other unpredictable events such as labor disputes or industrial accidents will adversely affect the business of TOTAL, and the risk that TOTAL will inadequately hedge the price of crude oil or finished products.

For additional factors, you should read the information set forth under Item 3. Risk Factors, Item 4. Information on the Company Other Matters, Item 5. Operating and Financial Review and Prospects and Item 11. Quantitative and Qualitative Disclosures about Market Risk.

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ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data for TOTAL on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union as of December 31, 2005 for the two-year period ended December 31, 2005 and in accordance with generally accepted accounting principles applicable in the United States (U.S. GAAP) for the five-year period ended December 31, 2005. TOTAL 's consolidated financial statements as of and for the years ended December 31, 2005 and 2004 would not have been different if presented under IFRS as published by the International Accounting Standards Board (IASB) or under IFRS as adopted by the EU . The historical consolidated financial statements of TOTAL for these periods, from which the financial data presented below for such periods are derived, have been audited by Ernst & Young Audit and KPMG S.A., independent registered public accounting firms and the Company 's auditors. All such data should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included elsewhere herein.

The presentation of financial information is made on the following basis: Pursuant to IFRS 1, First-time adoption of International Financial Reporting Standards , the Group has chosen to apply the exemption not to restate business combinations that occurred before January 1, 2004. Consequently, the 1999 Total/PetroFina and the 2000 TotalFina/Elf Aquitaine combinations have been treated as pooling-of-interests under IFRS. Under U.S. GAAP, both combinations are treated as purchases. The Company acquired the remaining shares of PetroFina in the first quarter of 2002 leading to a decrease in minority interests in that quarter (PetroFina was 99.6% owned as of December 31, 2001).

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA**

	2005	2004	2003	2002	2001
	(in millions, except per share data)				
INCOME STATEMENT DATA					
Amounts in accordance with IFRS					
Revenues from sales	122,618	100,481	n/a	n/a	n/a
Operating Income	24,047	16,686	n/a	n/a	n/a
Net income, Group share	12,273	10,868	n/a	n/a	n/a
Basic earnings per Share	20.91	17.99	n/a	n/a	n/a
Diluted earnings per Share	20.78	17.92	n/a	n/a	n/a
Amounts in accordance with U.S. GAAP⁽¹⁾					
Sales	122,618	100,481	85,585	84,883	105,318 ⁽⁵⁾
Net income	11,597 ⁽²⁾	7,221	6,103	6,264	5,271
Basic earnings per Share	19.76	11.95	9.81	9.60	7.73
Diluted earnings per Share	19.64	11.90	9.77	9.53	7.68
CASH FLOW STATEMENT DATA⁽³⁾					
Amounts in accordance with IFRS					
Cash flows provided by operating activities	14,669	14,662	n/a	n/a	n/a
Investments ⁽⁴⁾	11,195	8,904	n/a	n/a	n/a
Amounts in accordance with U.S. GAAP⁽¹⁾					
Cash flows provided by operating activities	14,303	14,055	12,144	10,574	11,782
Investments	10,829	8,294	7,385	8,225	10,045
BALANCE SHEET DATA					
Amounts in accordance with IFRS					
Total assets	106,144	86,767	n/a	n/a	n/a
Non-current financial debt	13,793	11,289	n/a	n/a	n/a
Minority interests	838	810	n/a	n/a	n/a
Shareholders' equity - Group share	40,645	31,608	n/a	n/a	n/a
Amounts in accordance with U.S. GAAP⁽¹⁾					
Total assets	140,972	122,237	120,151	124,873	128,596
Non-current debt	13,573	11,140	10,883	9,533	10,860
Minority interests	835	645	666	731	782
Shareholders' equity	73,055	65,108	66,527	69,096	71,260
DIVIDENDS					
Dividend per share	6.48	5.40	4.70	4.10	3.80

(1) For information concerning the differences between IFRS and U.S. GAAP, see Note 4 of the Notes to the Consolidated Financial Statements included elsewhere herein.

(2) Including changes in accounting policies, as described in Note 4 of the Notes to the Consolidated Financial Statements included elsewhere herein.

(3) See Consolidated Statement of Cash Flows included in the Consolidated Financial Statements included elsewhere herein.

(4) Consists of capital expenditures, exploration costs, subsidiaries acquired and licenses granted.

(5) Sales under U.S. GAAP in 2001 not restated for EITF 02-3 adjustments.

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For information regarding the effects of currency fluctuations on TOTAL's results, see Item 5. Operating and Financial Review and Prospects.

Most currency amounts in this Annual Report on Form 20-F are expressed in euros (euros or) or in U.S. dollars (dollars or \$). For the convenience of the reader, this Annual Report on Form 20-F presents certain translations into dollars of certain euro amounts. Unless otherwise stated, the translation of euros to dollars has been made at the noon buying rate in New York City for cable transfers in euros as certified for customs purposes by The Federal Reserve Bank of New York (the Noon Buying Rate) for December 30, 2005, of \$1.18 per 1.00 (or 0.84 per \$1.00).

The following tables set out the average dollar/euro exchange rate for the years indicated, based on the Noon Buying Rate expressed in dollars per 1.00. Such rates are not used by TOTAL in preparation of its Consolidated Financial Statements included elsewhere herein. No representation is made that the euro could have been converted into dollars at the rates shown or at any other rates for such periods or at such dates.

DOLLAR/EURO EXCHANGE RATES

Year	Average Rate⁽¹⁾
2001	0.89
2002	0.95
2003	1.13
2004	1.25
2005	1.24

(1) The average of the Noon Buying Rate expressed in dollars per euro on the last business day of each full month during the relevant year. The table below shows the high and low dollar/euro exchange rates for the previous six months based on the Noon Buying Rate expressed in dollars per euro.

DOLLAR/EURO EXCHANGE RATES

Period	High	Low
October 2005	1.21	1.19
November 2005	1.21	1.17
December 2005	1.20	1.17
January 2006	1.23	1.20
February 2006	1.21	1.19
March 2006	1.22	1.19

The Noon Buying Rate on April 17, 2006 for the dollar against the euro was \$1.23 per 1.00.

RISK FACTORS

The Group and its businesses are subject to various risks relating to changing competitive, economic, political, legal, social, industry, business and financial conditions. These conditions along with TOTAL's approaches to managing certain of these risks are described below and discussed in greater detail elsewhere, in this Annual Report, particularly under the headings Item 4. Information on the Company Business Overview Other Matters , Item 5. Operating and Financial Review and Prospects and Item 11. Quantitative and Qualitative Disclosures about Market Risk .

Industry and Company Risks

A substantial or extended decline in oil or natural gas prices would have a material adverse effect on our results of operations.

Prices for oil and natural gas historically have fluctuated widely due to many factors over which we have no control. These factors include:

global and regional economic and political developments in resource-producing regions, particularly in the Middle East;

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global and regional supply and demand;
the ability of the Organization of Petroleum Exporting Countries (OPEC) and other producing nations to influence global production levels and prices;
prices of alternative fuels which affect our realized prices under our long-term gas sales contracts;
governmental regulations and actions;
global economic conditions;
cost and availability of new technology; and
weather conditions.

Substantial or extended declines in oil and natural gas prices would adversely affect our results of operations by reducing our profits. For the year 2006, we estimate that a decrease of \$1 per barrel in the price of Brent crude would have the effect of reducing our annual net income by approximately 0.17 B . Lower oil and natural gas prices over prolonged periods may also reduce the economic viability of projects planned or in development, causing us to cancel or postpone capital expansion projects, and may reduce liquidity, thereby potentially decreasing our ability to finance capital expenditures. If we are unable to follow through with capital expansion projects, our opportunities for future revenue and profitability growth would be reduced, which could materially impact our financial condition.

We face foreign exchange risks that could adversely affect our results of operations.

Our business faces foreign exchange risks because a large percentage of our revenues and cash receipts are denominated in U.S. dollars, the international currency of petroleum sales, while a significant portion of our operating expenses and income taxes accrue in euro and other currencies. Movements between the U.S. dollar and euro or other currencies may adversely affect our business by negatively impacting our booked revenues and income. For the year 2006, we estimate that a decrease in the dollar/euro exchange rate of \$0.10 per 1.00 would have, without the use of hedging techniques, a corresponding negative effect on our annual net income of approximately 0.8 B .

Our long-term profitability depends on cost effective discovery and development of new reserves; if we are unsuccessful, our results of operations and financial condition will be materially and adversely affected.

A significant portion of our revenues and the majority of our operating income are derived from the sale of crude oil and natural gas which we extract from underground reserves discovered and developed as part of our Upstream business. In order for this business to continue to be profitable, we continuously need to replace depleted reserves with new proved reserves. Furthermore, we need to accomplish such replacement in a manner that allows subsequent production to be economically viable. However, our ability to discover or acquire and develop new reserves successfully is uncertain and can be negatively affected by a number of factors, including:

unexpected drilling conditions, including pressure or irregularities in geological formations;
equipment failures or accidents;
our inability to develop new technologies that permit access to previously inaccessible fields;
adverse weather conditions;
compliance with unanticipated governmental requirements;
shortages or delays in the availability or delivery of appropriate equipment;
industrial action; and
problems with legal title.

Any of these factors could lead to cost overruns and impair our ability to make discoveries or complete a development project, or to make production economical. If we fail to discover and develop new reserves cost-effectively on a consistent basis, our results of operations, including profits, and our financial condition would be materially and adversely affected.

Our crude oil and natural gas reserve data are only estimates, and subsequent downward adjustments are possible. If actual production from such reserves is lower than current estimates indicate, our results of operations and financial condition will be negatively impacted.

Our proved reserves figures are estimates reflecting applicable reporting 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

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involves making subjective judgments. Consequently, measures of reserves are not precise and are subject to revision. They may be negatively impacted by a variety of factors which could cause such estimates to be adjusted downward in the future, or cause our actual production to be lower than our currently reported proved reserves indicate. The main factors which may cause our proved reserves estimates to be adjusted downward, or actual production to be lower than the amounts implied by our currently reported proved reserves, include:

- a decline in the price of oil or gas, making reserves no longer economically viable to exploit and therefore not classifiable as proved;
- an increase in the price of oil or gas, which may reduce the reserves that we are entitled to under production sharing and buy-back contracts;
- changes in tax rules and other government regulations that make reserves no longer economically viable to exploit;
- the quality and quantity of our geological, technical and economic data, which may prove to be inaccurate;
- the actual production performance of our reservoirs; and
- engineering judgments.

Many of the factors, assumptions and variables involved in estimating reserves are beyond our control and may prove to be incorrect over time. Results of drilling, testing and production after the date of the estimates may require substantial downward revisions in our reserve data. Any downward adjustment would indicate lower future production amounts and may adversely affect our results of operations, including profits as well as our financial condition.

We have significant production and reserves located in politically, economically and socially unstable areas, where the likelihood of material disruption of our operations is relatively high.

A significant portion of our oil and gas production occurs in unstable regions around the world, most significantly Africa, but also the Middle East, Asia/Far East and South America. Approximately 31%, 16%, 10% and 10%, respectively, of our 2005 production came from these four regions. In recent years, a number of the countries in these regions have experienced varying degrees of one or more of the following: economic instability, political volatility, civil war, violent conflict and social unrest. In Africa, certain of the countries in which we have production has recently suffered from some of these conditions. The Middle East in general has recently suffered increased political volatility in connection with violent conflict and social unrest. A number of countries in South America where we have production and other facilities, including Argentina and Venezuela, have suffered from political or economic instability and social unrest and related problems. In the Far East, Indonesia has suffered the majority of these conditions. Any of these conditions alone or in combination could disrupt our operations in any of these regions, causing substantial declines in production. Furthermore, in addition to current production, we are also exploring for and developing new reserves in other regions of the world that are historically characterized by political, social and economic instability, such as the Caspian Sea region where we have a number of large projects currently underway. The occurrence and magnitude of incidents related to economic, social and political instability are unpredictable. It is possible that they could have a material adverse impact on our production and operations in the future.

We are subject to stringent environmental, health and safety laws in numerous jurisdictions around the world and may incur material costs to comply with these laws and regulations.

We incur, and expect to continue to incur, substantial capital and operating expenditures to comply with increasingly complex laws and regulations covering the protection of the natural environment and the promotion of worker health and safety, including:

- costs to prevent, control, eliminate or reduce certain types of air and water emissions,
- remedial measures related to environmental contamination or accidents at various sites, including those owned by third parties,
- compensation of persons claiming damages caused by our activities or accidents, and
- costs in connection with the decommissioning of drilling platforms and other facilities.

If our established financial reserves prove not to be adequate, environmental costs could have a material effect on our results of operations and our financial position. Furthermore, in the countries where we operate or expect to operate in the near future, new laws and regulations, the imposition of tougher license requirements, increasingly strict enforcement or new interpretations of existing laws and regulations or the discovery of previously unknown

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contamination may also cause us to incur material costs resulting from actions taken to comply with such laws and regulations, including:

- modifying operations,
- installing pollution control equipment,
- implementing additional safety measures, and
- performing site clean-ups.

As a further result of any new laws and regulations or other factors, we may also have to curtail or cease certain operations, which could diminish our productivity and materially and adversely impact our results of operations, including profits.

Our operations throughout the developing world are subject to intervention by various governments, which could have an adverse effect on our results of operations.

We have significant exploration and production, and in some cases refining, marketing or chemicals operations, in developing countries whose governmental and regulatory framework is subject to unexpected change and where the enforcement of contractual rights is uncertain. In addition, our exploration and production activity in such countries is often done in conjunction with state-owned entities, for example as part of a joint venture, where the state has a significant degree of control. Potential intervention by governments in such countries can take a wide variety of forms, including:

- the award or denial of exploration and production interests;
- the imposition of specific drilling obligations;
- price and/or production quota controls;
- nationalization or expropriation of our assets;
- cancellation of our license or contract rights;
- increases in taxes and royalties;
- the establishment of production and export limits;
- the renegotiation of contracts;
- payment delays; and
- currency exchange restrictions or currency devaluation.

Imposition of any of these factors by a host government in a developing country where we have substantial operations, including exploration, could cause us to incur material costs or cause our production to decrease, potentially having a material adverse effect on our results of operations, including profits.

We have activities in certain countries which are subject to U.S. sanctions and our activities in Iran could lead to sanctions under relevant U.S. legislation.

We currently have investments in Iran and, to a lesser extent, Syria and Sudan. U.S. legislation and regulations currently impose sanctions on these countries.

In the case of Iran, the United States adopted the Iran Libya Sanctions Act (referred to as ILSA) implementing sanctions against those countries with the objective of denying Iran and Libya the ability to support acts of international terrorism and fund the development or acquisition of weapons destruction. In 2001, 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, sometimes substantially exceeding this figure. In

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2005, TOTAL's average daily production in Iran amounted to 23 kboe/d, approximately 1.0% of its average daily worldwide production. TOTAL expects to continue to invest amounts significantly in excess of \$20

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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. It is possible that the United States may determine that these or other activities will constitute activity prohibited by ILSA and will subject TOTAL to sanctions. 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.

Furthermore, the United States currently imposes economic sanctions, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control and which apply to U.S. persons, with the objective of denying certain countries, including Iran, Syria and Sudan, the ability to support international terrorism and, additionally in the case of Iran and Syria, to pursue weapons of mass destruction and missile programs. TOTAL does not believe that these sanctions are applicable to any of its activities in these countries.

ITEM 4. INFORMATION ON THE COMPANY

HISTORY AND DEVELOPMENT OF THE COMPANY

TOTAL, a French *société anonyme* incorporated on March 28, 1924, together with its subsidiaries and affiliates, is the fourth largest publicly-traded integrated oil and gas company in the world, based on market capitalization. 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) and downstream operations (refining, marketing and the trading and shipping of crude oil and petroleum products). TOTAL also produces base chemicals (petrochemicals and fertilizers), chlorochemicals, intermediates, performance polymers (organized under Arkema since October 2004) and specialty chemicals for the industrial and consumer markets. In addition, TOTAL has interests in the coal mining and power generation sectors, as well as a financial interest in the pharmaceutical sector (Sanofi-Aventis).

TOTAL began its upstream operations in the Middle East in 1924. Since that time, the Group has grown and expanded its operations worldwide. In early 1999 the Group acquired control of PetroFina S.A. (PetroFina or Fina) and in early 2000, the Group 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. The Group, which operated under the name TotalFina from June 1999 to March 2000, and then under the name TotalFinaElf, since May 2003, operates once again under the name TOTAL.

TOTAL's strategy is to grow its upstream activities throughout the world, including reinforcing its position as one of the global leaders in the natural gas and LNG markets; to develop and adapt its refining system and consolidate its position in the marketing segment in Europe, while expanding its positions in the Mediterranean basin, African and Asian markets; and to rationalize and develop its chemicals portfolio by giving priority to improving profitability and to creating a new decentralized entity encompassing the Vinyl Products, Industrial Chemicals, and Performance Products activities. This entity, named Arkema, was created on October 1, 2004 and is expected to become a stand-alone entity when the Company's shareholders vote on a proposed spin-off, thereby allowing the Group to focus its Chemicals activities on petrochemicals (base chemicals and polymers) and specialty chemicals.

The Company's principal address is 2, place de la Coupole, La Défense 6, 92400 Courbevoie, France; its telephone number is (011) 331-4744-4546 and its website is www.total.com.

Basis of Presentation of Financial Information

In general, financial information included in this Annual Report is presented according to International Financial Reporting Standards (IFRS) as adopted by the European Union as of December 31, 2005. TOTAL's consolidated financial statements as of and for the years ended December 31, 2005 and 2004 would not have been different if presented under IFRS as published by the International Accounting Standards Board or under IFRS as adopted by the European Union.

Table of Contents**BUSINESS OVERVIEW**

TOTAL's worldwide operations are conducted through three business segments: Upstream, Downstream, and Chemicals. The table below gives information on the geographic breakdown of TOTAL's activities and is taken from Note 6 of the Notes to the Consolidated Financial Statements included in this Annual Report.

	Far East and					Total
	Rest of		North		Rest of the	
	France	Europe	America	Africa	World	
	(in millions of euros)					
Year ended December 31, 2005						
Non-Group sales	36,406	55,419	19,093	8,304	23,946	143,168
Property, plant and equipment and intangible assets, net	6,300	14,148	4,748	9,546	10,210	44,952
Total expenditures	1,967	2,178	1,691	2,858	2,501	11,195
Year ended December 31, 2004						
Non-Group sales	32,400	46,616	17,986	6,114	18,882	121,998
Property, plant and equipment and intangible assets, net	5,724	13,859	3,096	7,322	8,081	38,082
Total expenditures	2,125	2,060	762	2,004	1,953	8,904

UPSTREAM**Overview of Upstream Activities**

TOTAL's Upstream segment conducts all of the Group's exploration and production activities. In 2005, this segment conducted exploration and production activities in 41 countries and produced oil or gas in 29 of these countries. (See Presentation of Production Activities by Geographic Area below.)

The Upstream segment also includes the Group's Gas & Power activities and the management of the Group's interests in LNG and LPG processing plants. With the Upstream segment's Gas & Power business activities, the Group can conduct its natural gas activities along the entire value chain, both in the more traditional E&P field development and production activities and in newer businesses such as gas liquefaction, transportation, marketing, trading and power generation.

The table below presents non-Group segment sales, adjusted operating income and adjusted net operating income for TOTAL's Upstream segment for the periods indicated.

UPSTREAM SEGMENT FINANCIAL DATA⁽¹⁾

	For the Year Ended	
	December 31,	
	2005	2004
	(in millions of euros)	
Non-Group sales	20,888	15,037
Adjusted operating income	18,421	12,844
Adjusted net operating income	8,029	5,859

(1) See Item 5. Operating and Financial Review and Prospects Results by Business Segment 2005 Compared to 2004 Upstream and Note 5 of the Notes to the Consolidated Financial Statements included in this Annual Report for more detailed information on the Upstream segment together with a description of adjustments.

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 73% of the 2,607 Mboe added to the Upstream segment's proved reserves during the three-year period ended December 31, 2005 (before deducting production and sales of reserves in place and adding any acquisitions of reserves in place during this period). The remaining 27% comes from revisions.

TOTAL continued to follow an active exploration program in 2005, with exploration expenditures of consolidated subsidiaries amounting to 644 M (including unproved property acquisition costs). The principal exploration

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expenditures were made in Nigeria, Angola, the UK, Norway, Congo, the United States, Libya, Algeria, Argentina, Kazakhstan, Colombia, Indonesia and the Netherlands. In 2004, the Group's exploration expenditures amounted to 651 M \$, principally in the United States, Nigeria, Angola, the UK, Libya, Algeria, Congo, Kazakhstan, Norway, Bolivia, the Netherlands, Colombia and Indonesia. In 2003, exploration expenditures were principally in Nigeria, Kazakhstan, the United States, Libya, Angola, the UK, the Netherlands, Norway, Bolivia, Algeria, Congo, Brunei, Brazil and Venezuela.

The development expenditures of the Group's consolidated Exploration & Production subsidiaries amounted to 5.2 B \$ in 2005, primarily in Norway, Angola, Nigeria, Kazakhstan, Indonesia, the UK, Qatar, Congo, Azerbaijan, Gabon, Canada and Yemen. 2004 development expenditures amounted to 4.1 B \$. The principal development investments for 2004 were carried out in Norway, Angola, Nigeria, Indonesia, Kazakhstan, the UK, Qatar, Azerbaijan, the United States, Gabon, Congo, Libya, Trinidad & Tobago, Venezuela and Iran. In 2003, development expenditures were made principally in Norway, Angola, Nigeria, Indonesia, the United States, Iran, the UK, Gabon, Azerbaijan, Qatar, Congo and Venezuela.

Reserves

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

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. 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, disposals 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 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, 2005, 2004 and 2003, see Supplemental Oil and Gas Information (Unaudited), included elsewhere herein.

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 2005 have been determined based on the Brent price on December 31, 2005 (\$58.21/b). As of December 31, 2005, TOTAL's combined proved reserves of crude oil and natural gas were 11,106 Mboe (of which 50% were proved developed reserves). Liquids represented approximately 59% of these reserves and natural gas the remaining 41%. These reserves are located primarily in Europe (Norway, the UK, the Netherlands, Italy and France), Africa (Nigeria, Angola, Congo, Gabon, Libya, Algeria, and Cameroon), Asia and the Far East (Indonesia, Myanmar, Thailand and Brunei), North America (Canada and the United States), the Middle East (United Arab Emirates, Qatar, Yemen, Oman, Iran and Syria), South America (Venezuela, Argentina, Bolivia, Trinidad & Tobago and Colombia), and the Commonwealth of Independent States (CIS) (Kazakhstan, Azerbaijan and Russia).

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). Liquids represented approximately 63% of these reserves and natural gas the remaining 37%. These reserves were located primarily in Europe (Norway, the UK, the Netherlands, Italy and France), Africa (Nigeria, Angola, Congo, Gabon, Algeria, Libya and Cameroon), Asia and the Far East (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 the CIS (Kazakhstan, Azerbaijan and Russia).

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As of December 31, 2003, TOTAL's combined proved reserves of crude oil and natural gas were 11,401 Mboe (of which 52% were proved developed reserves). Liquids represented approximately 64% of these reserves and natural gas the remaining 36%. These reserves were located primarily in Europe (Norway, the UK, the Netherlands, France and Italy), Africa (Nigeria, Angola, Algeria, Congo, Gabon, Libya and Cameroon), Asia and the Far East (Indonesia, Thailand, Myanmar and Brunei), North America (United States and Canada), the Middle East (United Arab Emirates, Oman, Iran, Qatar, Syria and Yemen), South America (Venezuela, Argentina, Bolivia, Colombia and Trinidad & Tobago) and the 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 28% of TOTAL's reserves as of December 31, 2005). Under such contracts, TOTAL is entitled to receive a portion of the production, calculated so that its sale should cover expenses incurred by the Group. With higher oil prices, the volume 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 or buy-back agreements. For this reason, a higher year-end price translates into a decrease in TOTAL's reserves.

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

TOTAL's PROVED RESERVES⁽¹⁾

	Liquids	Natural Gas	Combined
	(Mb)	(Bcf)	(Mboe)
December 31, 2003	7,323	22,267	11,401
Percent change from December 31, 2002	1.3%	3.2%	1.8%
December 31, 2004	7,003	22,785	11,148
Percent change from December 31, 2003	-4.3%	2.3%	-2.2%
December 31, 2005	6,592	24,750	11,106
Percent change from December 31, 2004	-5.9%	8.6%	-0.4%

(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), included elsewhere herein.

Production

TOTAL's average daily production of liquids and natural gas was 2,489 kboe/d in 2005, down 3.7% from 2,585 kboe/d in 2004 (approximately 3% from the increase in oil and gas prices and approximately 0.5% from production shutdowns in the Gulf of Mexico due to hurricane damage, particularly from Hurricane Katrina). In 2003, average production amounted to 2,539 kboe/d. Liquids accounted for approximately 65% and natural gas accounted for approximately 35% of TOTAL's combined liquids and natural gas production in 2005 on an oil equivalent basis.

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

PRODUCTION BY GEOGRAPHIC AREA

	2005			2004			2003		
	Liquids	Natural Gas	Total	Liquids	Natural Gas	Total	Liquids	Natural Gas	Total
Consolidated affiliates	(kb/d)	(Mcf/d)	kboe/d	(kb/d)	(Mcf/d)	kboe/d	(kb/d)	(Mcf/d)	kboe/d
Africa	672	418	751	693	440	776	612	404	689
Algeria	38	141	64	42	160	72	48	194	85
Angola	144	23	148	159	27	164	156		156
Cameroon	12	2	12	13		13	14		14
Congo	91	20	95	87	21	90	91		91
Gabon	94	26	98	99	27	104	104	9	105
Libya	84		84	62		62	42		42
Nigeria	209	206	250	231	205	271	157	201	196
Asia/Far East	29	1,254	248	31	1,224	245	25	1,156	232
Brunei	3	54	13	3	58	14	2	61	14
Indonesia	20	890	182	22	854	177	18	791	168
Myanmar		109	13		110	14		132	16
Thailand	6	201	40	6	202	40	5	172	34
CIS	8	2	9	9		9	8		8
Russia	8	2	9	9		9	8		8
Europe	390	2,063	770	424	2,218	832	460	2,286	880
France	7	117	29	9	143	35	10	153	38
Netherlands	1	283	51	1	330	59	1	324	58
Norway	247	734	383	263	775	406	276	703	405
United Kingdom	135	929	307	151	970	332	173	1,106	379
Middle East	98	28	103	110	39	117	140	37	146
Iran	23		23	26		26	50		50
Qatar	31	3	31	31	1	31	29	1	29
Syria	22	18	25	30	32	36	34	36	40
U.A.E	14	7	16	16	6	17	19		19
Yemen	8		8	7		7	8		8
North America	9	174	41	16	241	61	4	294	59
Canada	<1		<1						
United States	9	174	41	16	241	61	4	294	59
South America	143	586	247	128	474	213	130	363	196
Argentina	11	351	74	11	325	70	12	284	64
Bolivia	3	97	21	3	82	18	2	51	11
Colombia	19	38	26	24	32	30	32	28	37
Trinidad & Tobago	12	2	13						

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Venezuela	98	98	113	90	35	95	84		84
Total consolidated production	1,349	4,525	2,169	1,411	4,636	2,253	1,379	4,540	2,210
Equity and non-consolidated affiliates									
Africa ⁽¹⁾	24	4	25	37	4	37	34		34
Middle East ⁽²⁾	248	251	295	247	254	295	248	246	295
Total equity and non-consolidated affiliates	272	255	320	284	258	332	282	246	329
Worldwide production	1,621	4,780	2,489	1,695	4,894	2,585	1,661	4,786	2,539

(1) Essentially TOTAL's share of Cepsa's production in Algeria

(2) Essentially TOTAL's share in production from concessions in the U.A.E.

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 below for a description of TOTAL's principal producing fields.

As in 2004 and 2003, substantially all of the crude oil production from TOTAL's E&P activities in 2005 was marketed by the Trading-Shipping activities of its Downstream segment. See Downstream Trading-Shipping. The majority of TOTAL's natural gas production is sold under long-term contracts. However, its North American production is sold on a spot basis as is part of its 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

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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.

Presentation of Production Activities by Geographic Area

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

MAIN PRODUCING FIELDS AT DECEMBER 31, 2005⁽¹⁾

	Year of entry into the country	Main Group-operated		Main non-Group-operated		Liquids (L) or Gas (G)
		producing fields (Group share %)		producing fields (Group share %)		
Africa						
Algeria	1952			Hamra (100.00%) Ourhoud (18.00%)(2) RKF (45.28%)(2) Tin Fouye Tabankort (35.00%)		L L L L, G
Angola	1953	Blocks 3-85 and 3-91 (50.00%) Girassol, Jasmim (Block 17) (40.00%)		Block 2-85 (27.50%) Cabinda (Block 0) (10.00%) Kuito (Block 14) (20.00%)		L L L L
Cameroon	1951	Bakingili (25.50%) Ekoundou (25.50%) Kombo (25.50%)		Mokoko (10.00%)		L L L L
Congo	1928	Nkossa (53.50%) Sendji (55.25%) Tchendo (65.00%) Tchibeli (65.00%) Tchibouela (65.00%) Yanga (55.25%)		Loango (50.00%) Zatchi (35.00%)		L L L L L L L
Gabon	1928	Anguille (100.00%) Avocette (57.50%) Baudroie Nord (50.00%) Gonelle (100.00%) Torpille (100.00%)		Rabi Kounga (47.50%)		L L L L L
Libya	1959	Al Jurf (37.50%) Mabruk (75.00%)		El Sharara (7.50%)		L L L
Nigeria	1962	OML 58 (40.00%) OML 99 Amenam-Kpono (30.40%) OML 100 (40.00%) OML 102 (40.00%)		Bonga (12.50%) Shell Petroleum Development Fields (SPDC 10.00%)		L, G L L L L, G
Asia/Far East						
Brunei	1986	Maharaja Lela Jamalulalam (37.50%)				L, G

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Indonesia	1968	Bekapai (50.00%)	L, G
		Handil (50.00%)	L, G
		Peciko (50.00%)	L, G
		Tambora/Tunu (50.00%)	L, G
		Badak (1.05%)	L, G
		Nilam (9.29%)	G
		Nilam (10.58%)	L

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		Main Group-operated	Main non-Group-operated	
	Year of entry into the country	producing fields (Group share %)	producing fields (Group share %)	Liquids (L) or Gas (G)
Myanmar	1992	Yadana (31.24%)		G
Thailand	1990		Bongkot (33.33%)	L, G
CIS				
Russia	1989	Kharyaga (50.00%)		L
Europe				
France	1939	Lacq (100.00%)		L, G
Netherlands	1964	F15a (32.47%) J3a (30.00%) K1a (40.10%) K4a (50.00%) K4b/K5a (26.06%) K5b (25.00%) K6/L7 (56.16%) L4a (55.66%)		G G G G G G G G G
Norway	1965	Skirne (40.00%)	Markham unitized field (14.75%) Aasgard (7.65%) Ekofisk (39.90%) Eldfisk (39.90%) Embla (39.90%) Glitne (21.80%) Heimdal (26.33%) Hod (25.00%) Huldra (24.33%) Kristin (6.00%) Kvitebjorn (5.00%) Mikkell (7.65%) Oseberg (10.00%) Sleipner East (10.00%) Sleipner West/Alpha North (9.41%) Snorre (5.95%) Statfjord East (2.80%) Sygna (2.52%) Tor (48.20%) Tordis (5.60%) Troll (3.69%) Tune (10.00%) Vale (24.24%) Valhall (15.72%) Vigdis (5.60%) Visund (7.70%)	G L, G L, G L, G L G L L, G L, G L, G L, G L L L, G L L, G L L L, G L L, G L L L, G L L L, G L L L, G
United Kingdom	1962	Alwyn, Dunbar, Ellon, Grant, Nuggets (100.00%) Elgin-Franklin (EFOG 46.17%)(3) Forvie North (100.00%) Otter (54.30%)	Alba (12.65%) Armada (12.53%) Bruce (43.25%) Caledonia (12.65%) ETAP (Mungo, Monan) (12.43%) Keith (25.00%) Markham unitized field (7.35%) Nelson (11.53%) SW Seymour (25.00%)	L, G L, G L, G L L, G L, G G L L L, G L, G L L L, G L L L, G L L

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		Main Group-operated	Main non-Group-operated	
	Year of entry into the country	producing fields (Group share %)	producing fields (Group share %)	Liquids (L) or Gas (G)
Middle East				
Iran	1954	Dorood (55.00%)(4)	Balal (46.75%)(5) Sirri (60.00%)(6) South Pars 2 & 3 (40.00%)(7) Various fields onshore (4.00%)(8)	L L L L, G
Oman	1937		North Field NFB (20.00%)	L L, G
Qatar	1938	Al Khalij (100.00%)		L
Syria	1988	Jafra/Qahar (100.00%)(9)		L
Yemen	1987	Kharir/Atuf (28.57%)	Jannah permit (Block 5) (15.00%)	L
U.A.E.	1939	Abu Al Bu Khoosh (75.00%)	Abu Dhabi offshore (13.33%)(10) Abu Dhabi onshore (9.50%)(11) Dubai offshore (27.50%)(12)	L L L L
North America				
Canada	1999		Surmont (50.00%)	L
United States	1957	Aconcagua (50.00%) Bethany (94.86%)(13) Blue (75.00%)(14) Maben (54.07%)(13) MacAllen-Pharr (93.90%)(14) Matterhorn (100.00%) Slick Ranch (91.37%)(13) Virgo (64.00%)	Camden Hills (16.67%) MacAllen-Ranch (20.02%)(14)	G G G G G L, G G G G
South America				
Argentina	1978	Aguada Pichana (27.27%) Argo (37.50%) Canadon Alfa (37.50%) Carina (37.50%) Hidra (37.50%) San Roque (24.71%)		L, G L L, G L, G L L, G
Bolivia	1995		San Alberto (15.00%) San Antonio (15.00%)	L, G L, G
Colombia	1973		Cupiagua (19.00%) Cusiana (19.00%)	L L, G
Trinidad & Tobago	1996		Angostura (30.00%)	L
Venezuela	1981	Jusepin (55.00%)	Yucal Placer (69.50%) Zuata (Sincor) (47.00%)	L G L

- (1) The Group's interest in the local entity is approximately 100% in all cases except TOTAL Gabon (57.90%), TOTAL E&P Cameroun (75.80%), and certain entities in Algeria, Abu Dhabi, Oman and the UK (see notes 2 through 12 below).
- (2) In Algeria, TOTAL has an 18.00% indirect interest in the Ourhoud field and a 45.3% indirect interest in the RKF field via its participation in Cepsa (equity affiliate).
- (3) TOTAL has a 35.8% indirect interest in Elgin-Franklin via its participation in EFOG.
- (4) TOTAL is the operator of the development of Dorood field with a 55.00% interest in the foreign consortium.
- (5) TOTAL has transferred operatorship to the National Iranian Oil Company (NIOC) for the Balal field. The Group has a 46.75% interest in the foreign consortium.
- (6) TOTAL has transferred operatorship to NIOC for the Sirri A & E fields. The Group has a 60.00% interest in the foreign consortium.
- (7) TOTAL has transferred operatorship to NIOC for phases 2&3 of the South Pars field. The Group has a 40.00% interest in the foreign consortium.
- (8) Via Pohol (equity affiliate), TOTAL has a 4.00% interest in Petroleum Development Oman LLC. TOTAL also has a 5.54% interest in the Oman LNG facility.

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- (9) Operated by DEZPC which is 50.00% owned by TOTAL and 50.00% owned by SPC.
- (10) Via ADMA (equity affiliate), TOTAL has a 13.33% interest and participates in the operating company, Abu Dhabi Marine Operating Company.
- (11) Via ADPC (equity affiliate), TOTAL has a 9.50% interest and participates in the operating company, Abu Dhabi Company for Onshore Oil Operation.
- (12) TOTAL has a 25.00% indirect interest via Dubai Marine Areas (equity affiliate) plus a 2.50% direct interest via Total E&P Dubai.
- (13) Assets sold early in 2006.
- (14) Assets in southern Texas sold early in 2006 as part of an exchange for a 17.00% interest in the Tahiti field.

Principal Activities

Africa

TOTAL has been present in Africa since 1928. Its exploration and production operations are primarily located in the countries bordering the Gulf of Guinea and in North Africa. Highlights of 2005 included launching the development of the Akpo field in Nigeria and of Phase 1 of the Moho-Bilondo project in Congo, as well as new exploration success in the Gulf of Guinea and the signature of new production sharing contracts. TOTAL's production in Africa averaged 776 kboe/d in 2005 (including its share in the production of its equity affiliates), representing 31% of the Group's total production and making TOTAL one of the leading international oil companies, based on production, in this area.

Algeria

The Group has been present in Algeria since 1952. Its production comes from the Hamra (100%) and Tin Fouyé Tabankort (TFT) (35%) fields, as well as, through the Group's 45.3% interest in Cepsa, from the RKF and Ourhoud fields. Given the contractual terms for these fields and the increase in oil and gas prices, TOTAL's share of the production amounted to 85 kboe/d in 2005, down from the volumes recorded in previous years: 105 kboe/d in 2004 and 115 kboe/d in 2003.

In 2005, additional development of the TFT field continued with the start of production of the West Zone in September and a project to install a compression unit. The Ourhoud field, where production began at the end of 2002, reached 220 kb/d at the end of 2003. Exploration and appraisal work on the Irharen natural gas field is currently underway on the Timimoun license awarded to TOTAL in 2002. Seismic work was conducted in 2005 on the Béchar prospecting contract in northwest of Timimoun, which was awarded to TOTAL in November 2004. After drilling two exploration wells, the Rhourde El Sid permit in the Berkhine basin was relinquished at the end of 2004.

Angola

TOTAL has been present in Angola since 1953 and holds interests in six production permits, three of which it operates (Blocks 17, 3 and FS/FST) and three it does not, (Blocks 0, 14 and 2) and three exploration permits, one of which it operates (Block 32) and two it does not (Blocks 31 and 33). Over the past few years, in particular 2005, higher oil prices have reduced the Group's entitlement production under TOTAL's production sharing contracts in Angola. The production TOTAL recovered in 2005 averaged 152 kboe/d, compared to 168 kboe/d in 2004 and 160 kboe/d in 2003 (including TOTAL's share in the production of its equity affiliates). Most of the production came from Block 17 (40%, operator) and Block 0 (10%). Between 2003 and 2005, the Jasmim field on Block 17 and the Sanha Bombocco field on Block 0 came on stream and 13 discoveries were made on Blocks 31 and 32.

Deep-offshore Block 17 is TOTAL's principal producing asset in Angola. It is composed of three major production zones: Girassol, which is in production, Dalia, which is under development, and Pazflor, where development studies are underway. The possibility of a fourth major production zone, based on the Cravo and Lirio discoveries, is currently being evaluated. On the Girassol production zone, production from the Girassol field and the Jasmim field, a satellite to Girassol that came on stream in November 2003, averaged nearly 250 kb/d over 2005. The Rosa field is scheduled to come on stream in the first half of 2007 and is expected to maintain the production of the Girassol FPSO (Floating Production, Storage and Offloading) facility at its plateau of 250 kb/d. This development was approved in July 2004 and will connect the Rosa field to the Girassol FPSO which is situated about fifteen kilometers away. Production is scheduled to begin in the first half of 2007. On the second production zone, the development of the Dalia field was launched in 2003. This development is based on subsea wells connected to a new FPSO facility with a production capacity of 240 kb/d. Production is scheduled to begin in the fourth quarter of 2006. Studies for the development of Pazflor, the third production zone, which comprises the

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Perpetua, Zina, Hortensia and Acacia discoveries in the eastern portion of Block 17, also continued in 2005. These studies led to the selection of a FPSO development concept (with a planned production capacity of 200 kb/d) for which basic engineering studies have been launched. Production start-up is currently scheduled in 2010.

On Block 3, the contract for Block 3/80 expired on June 30, 2005, with the exception of the Impala Southeast production license, which expires in July 2006. The facilities and operating responsibility have been transferred to Sonangol P&P. TOTAL remains the operator on Blocks 3/85 and 3/91 (50%). The Sanha Bomboco project on Block 0 (10%) came on stream near the end of 2004 and the Benguela Belize project on Block 14 (20%) came on stream in January 2006. Ultra-deep exploration work conducted in 2005 confirmed the potential of Block 32, which TOTAL operates with a 30% interest. After the discoveries of Gindungo in 2003, Canela and Cola in 2004, the positive results from the Gengibre and Mostarda wells drilled in 2005 confirmed the existence of a probable major production structure in the east-central section of the block. Conceptual development studies were initiated in 2005 for development of these discoveries. Four new discoveries also confirmed the potential of Block 31 (5%). On Block 33 (15%), the partners decided not to extend the exploration period after two new dry wells.

In 2005, TOTAL and its partners decided to initiate basic engineering studies for the Angola LNG project (13.6%), which is intended to develop natural gas reserves in Angola.

The Republic of Angola and the Republic of Congo, with the partners on Block 14 in Angola and the Haute Mer permit in Congo, have formed a joint development area that covers the sectors adjacent to these permits. TOTAL holds a combined interest of 36.75% in this zone through its subsidiaries in Angola (10%) and in Congo (26.75%).

Cameroon

TOTAL's share of production in 2005 averaged 12 kboe/d, compared to 13 kboe/d in 2004 and 14 kboe/d in 2003. TOTAL E&P Cameroun, 75.8% of which is owned by TOTAL, 20% by the state-owned Société Nationale des Hydrocarbures Camerounaise (SNH) and 4.2% by minority shareholders, operates over 65% of the country's production and owns interests in most of the operating concessions granted by the Republic of Cameroon. The Bakingili field (25.5%, operator), discovered in October 2004, came on stream in August 2005. In April 2005, a production sharing contract was signed by TOTAL E&P Cameroun (50%, operator) and the Republic of Cameroon on the Dissoni offshore block. Early in 2006, the government of Cameroon awarded TOTAL 100% of the Bomana exploration block on the offshore Rio Del Rey basin.

Congo

TOTAL has been present in Congo since 1928 and is the operator of more than 50% of the country's production. TOTAL produced an average of 95 kboe/d in 2005, an increase of 5% over 2004 and 2003. In 2005, TOTAL launched Phase 1 of the Moho-Bilondo (53.5%, operator) project, which is expected to come on stream in 2008 with a technical production plateau of 90 kboe/d. TOTAL holds interests ranging from 25.5% to 100% in several exploration and production permits and is the operator on the principal producing fields, Nkossa and Tchibouela. The Republic of Congo and the Republic of Angola, with the partners on the Haute Mer permit in Congo and Block 14 in Angola, have formed a joint development area that covers the sectors adjacent to these permits. TOTAL holds a combined interest of 36.75% in this zone through its subsidiaries in Congo (26.75%) and in Angola (10%).

Under an agreement signed in 2003 with the Republic of Congo, TOTAL sold its 65% interest in the Likouala concession. Over the period from 2003 to 2005, the initial period of the Mer Très Profonde Sud exploration permit was successively extended and is currently due to expire in May 2006. The Haute Mer C exploration permit was awarded in 2003 and the corresponding production sharing contracts have been approved by the Parliament. Effective as of January 1, 2005, TOTAL acquired an additional 2.5% interest on all permits derived from the former Haute Mer exploration permit. This raised its participating interests in the Nkossa, Nsoko and Moho-Bilondo production permits to 53.5% and in the joint development area to 26.75%.

In 2004, the Mobim 1 well drilled on the Moho-Bilondo permit helped to confirm the development project. The operating license was awarded in 2005, which allowed the launch of the first development phase in August 2005. In 2004, the Pégase North exploration well, drilled on the Mer Très Profonde Sud exploration permit, confirmed the potential of this ultra-deepwater permit. A discovery was made on the Boatou 3 exploration well on the Haute Mer C permit in 2005.

Gabon

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TOTAL Gabon is one of the Group's oldest subsidiaries in sub-Saharan Africa. The Group's share of production in 2005 averaged 98 kboe/d, compared to 104 kboe/d in 2004 and 105 kboe/d in 2003. TOTAL Gabon is a

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Gabonese company whose shares are listed on Euronext Paris. TOTAL holds 57.9%, the Republic of Gabon 25.0% and the public float is 17.1%. TOTAL Gabon holds 27 concessions and exploration and production permits. The principal producing fields are Rabi-Kounga (47.5%), Anguille (100%), Gonelle (100%), Baudroie Nord (50%, operator), Torpille (100%) and Avocette (57.5%, operator).

In 2004, TOTAL Gabon signed an exploration and production sharing contract for a new license known as Aloumbé, specifically focused on natural gas exploration. If natural gas is discovered, it would initially be used to enhance oil recovery on the existing fields and, eventually, to satisfy part of the country's future power generation requirements. In 2003, TOTAL Gabon signed an operating and production sharing contract which extended the license on the Rabi Kounga field until 2013, with the possibility of obtaining an additional extension for two five-year periods.

Libya

The Group's share of production in 2005 averaged 84 kboe/d, up 34% compared to 62 kboe/d in 2004 and 42 kboe/d in 2003. The year 2003 was marked by the start of production on the Al Jurf field (37%, operator) and several discoveries were made on Block NC 186 from 2003 to 2005. The Group's production comes from its interests in Block NC 186 (24% in the foreign consortium), Block NC 115 (30% in the foreign consortium), the Mabruk field (75%, operator) and in offshore Block C 137 (75% in the foreign consortium, operator).

On Block 42 2/4 in the Cyrenaic basin, TOTAL (60%, operator) obtained a new permit and signed a production sharing agreement in December 2005 with the state-owned oil company, NOC. The Al Jurf field on Block C 137, which came on stream at the end of 2003, reached its production plateau of 40 kboe/d in 2004. On the Mabruk field, the decision for an additional development project was made in 2004 and an amendment to the contract signed with the Libyan authorities early in 2005 authorizes the development of the deeper Dahra and Garian zones.

Production from Block NC 186 started at the end of 2003 and the development of a large number of structures discovered by past exploration continues; structures A and D are producing, structure B will be developed in 2006, the development of structure H is being approved. Three additional discoveries, I, J and K, were made in 2005. Development work continued on the El Sharara field on Block NC 115. In 2004, production started on two structures, J and O and export capacities were increased. In 2005, two exploration wells were drilled with positive results (structures P and R).

Mauritania

The Group has conducted exploration activities in Mauritania since 2003. Its operations are focused on two production sharing contracts in the Taoudeni basin that covers 58,000 km² in a desert zone in the north eastern section of the country. After signing a preliminary survey contract in 2003 with the Mauritanian government, TOTAL signed two production sharing contracts in January 2005 for onshore Blocks Ta7 and Ta8 in the Taoudeni Basin. An aerial survey of magnetic and gravimetric data began in November 2005.

Morocco

The Group has had no further exploration and production activities in Morocco since the end of 2004. In November 2001, TOTAL had signed a survey agreement on the Dakhla offshore zone, located off the western coast of the Sahara and covering approximately 115,000 km². This agreement provided for the performance of regional geological and geophysical studies to assess the petroleum potential of this zone in water depths up to 3,500 m. The agreement expired in November 2004.

Nigeria

TOTAL has been present in Nigeria since 1962. It operates four production permits (OML) out of the 52 in which it has an interest, and five exploration permits (OPL) out of the eight in which it has an interest. The Group's share of production in 2005 was an average of 250 kboe/d, compared to 271 kboe/d in 2004 and 196 kboe/d in 2003. The years 2003, 2004 and 2005 were marked by a number of discoveries and by the signature of new production sharing contracts.

The fields operated by TOTAL, OML 58, 100, 102 (40%, operator) and OML 99 - Amenam (30.4%, operator) contributed approximately 50% of the Group's Nigerian production in 2004 and 2005. Production from the shallow offshore Amenam field (30.4%, operator) began in 2003 and reached its production plateau of 125 kb/d in the summer of 2004. TOTAL's production also

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comes from its share in the SPDC joint venture (10%), the Ekanga field (40%) and the Bonga field (12.5%), which came on stream in November 2005 and reached a production of 210 kboe/d early in 2006.

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The appraisal of the Usan discovery on OPL 222 (20%, operator) between 2003 and 2005, and the 2004 discovery of the Usan West extension allowed the launch of engineering studies in 2005 and the submission of a development plan to the national oil company, NNPC. This development plan anticipates that production will begin in 2010 with a technical production plateau of 150 kboe/d in 100%.

As part of the joint venture between NNPC and TOTAL, engineering studies were launched for an additional development of the production and processing facilities of OML 58 to increase the production of gas intended for the new liquefaction trains of the LNG plant on Bonny island (NLNG). On the OML 102 permit, a new development phase (Ofon II) was approved and basic engineering was completed in December 2005. The start-up of this new phase, which is expected to produce an additional 70 kboe/d (in 100%), is planned for the end of 2009. TOTAL also continued to develop the Amenam Phase II project to commercialize a portion of the associated gas from the Amenam field to supply NLNG.

For the fields where TOTAL is not the operator, several projects are in the engineering studies phase, including Bonga North and Southwest, Afam (gas and condensates to supply domestic projects), and Gbaran Ubie (gas and condensates to supply future Nigeria LNG trains).

TOTAL is also actively pursuing the development of its deep-offshore discoveries. In 2000, the Group discovered the Akpo field on Block OPL 246 (24%, operator), followed by the Egina and Preowei structures which are being appraised. When approval for the development of the Akpo field was granted by the authorities in April 2005, 50% of this block was converted into OML 130 (guaranteeing long-term production rights). The main Akpo engineering and construction contracts were signed in 2005, and production is scheduled to begin near the end of 2008. The production plateau should reach 225 kb/d (in 100%).

In 2005, TOTAL continued to expand its mining rights by signing several production sharing contracts as operator: OPL 221, OPL 223 (adjacent to Block 222 on which TOTAL made the Usan discovery) and OPL 215. TOTAL also acquired a 40% interest in OPLs 112 and 117 in August 2005.

TOTAL holds 15% of the liquefaction plant operated by Nigeria LNG Company (NLNG). Train 4 came on line in November 2005 and Train 5 began operations in February 2006. In 2004, the shareholders of NLNG decided to invest in Train 6, with commissioning planned for 2007. Studies for a Train 7 with a capacity of 8.5 Mt were initiated in July 2005.

In 2005 and early in 2006, operations on some onshore facilities operated by Shell (SPDC joint venture in which TOTAL holds 10%) were disturbed, which led to production shutdowns in the region of the Niger delta.

Sudan

At the end of 2004, TOTAL (32.5%, operator) updated its production sharing agreement for Block B (118,000 km² in southeast Sudan). As peace gradually returns to the region, it may be possible, as early as 2006, to resume operations that have been suspended for 20 years. In view of the White Nile company's allegations that it has rights over the area where TOTAL and its co-venturers already have exclusive rights, TOTAL has commenced legal proceedings in London in order to protect its position.

Asia/Far East

TOTAL's production in Asia and the Far East, principally from Indonesia, averaged 248 kboe/d in 2005, 245 kboe/d in 2004 and 232 kboe/d in 2003, an increase of 7% over the period. Asia and the Far East represented 10% of the Group's overall production for 2005. Over the period from 2003 to 2005, the Group acquired interests in several exploration permits in Australia, Bangladesh (subject to government approval) and Indonesia.

Australia

After negotiations in 2004, TOTAL signed two agreements early in 2005 to participate in the exploration of two blocks offshore northwestern Australia. Exploration on each of these blocks is planned for 2006. Pursuant to a call for tenders in October 2005, TOTAL was awarded a 30% interest in two new offshore exploration permits north west of Australia in February 2006.

Bangladesh

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At the end of 2005, TOTAL signed an agreement to acquire interests in two exploration blocks offshore Bangladesh. The process of obtaining governmental approval of this agreement is underway. Exploration work is planned in 2006.

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Brunei

TOTAL is the operator of the Maharaja Lela Jamalulalam field located on Block B offshore Brunei Darussalam (37.5%, operator). The Group's share of production averaged 13 kboe/d in 2005 compared to 14 kboe/d in 2004 and 2003. TOTAL continued its exploration work on this block with a 3D seismic study performed at the end of 2004 and interpreted in 2005. TOTAL is also the operator (60%) of deep-offshore exploration Block J, for which a production sharing agreement was signed in March 2003. Exploration operations on the 5,000 km² block remain suspended due to a border dispute with Malaysia.

China

Early in 2006, TOTAL and PetroChina signed a production sharing agreement for the appraisal, development and production of natural gas on the South Sulige block covering an area of approximately 2,390 km² in the Ordos basin in the Inner Mongolia province of China. This agreement remains subject to approval by the Chinese authorities.

Indonesia

TOTAL, present in Indonesia since 1968, operates two offshore blocks in the East Kalimantan area: the Mahakam permit (50%, operator) and the Tengah permit (22.5%). Indonesia represents 7% of the Group's total production, with average production in 2005 of 182 kboe/d, compared to 177 kboe/d in 2004 and 168 kboe/d in 2003, an 8% increase over the period. TOTAL's operations in Indonesia are primarily concentrated on the Mahakam permit which covers several fields, including Peciko and Tunu, the largest gas field in the East Kalimantan zone.

TOTAL delivers its natural gas production to PT Badak, the Indonesian company that operates the Bontang LNG plant. The total capacity of the eight liquefaction trains at the Bontang plant is 22 Mt/y, making it one of the largest capacities in the world. The LNG produced is primarily sold under long-term contracts with Japanese, South Korean and Taiwanese purchasers that use it mainly for power generation. The production operated by TOTAL on the Mahakam permit represents more than two-thirds of the gas volumes delivered to the Bontang plant since 2003. In 2005, the average production delivered amounted to 2,652 Mcf/d of natural gas. A technical production record was set in July 2005 when 2,928 Mcf/d of gas was delivered.

After the start-up of the third and fourth phases in 2004, the development of the Peciko field continued in 2005 with the commissioning of onshore compression units. A fifth phase was launched in 2005 for the installation of a new platform and the drilling of additional wells. On the neighboring Tunu field, the ninth phase of the development is in progress: five additional platforms became operational between mid-2004 and early 2005. The tenth phase, launched in 2004, is under development, while the eleventh phase has just been decided. The project to extend the Tambora field was initiated in 2004. Phase 1 of the new Sisi-Nubi offshore development was launched in 2005. The gas from Sisi-Nubi is expected to be produced beginning in 2007 through existing processing facilities. TOTAL also owns a 50% stake on the Saliki exploration block adjacent to the Mahakam permit.

Malaysia

Since 2001, TOTAL has held a 42.5% interest in the deep-offshore Block SKF permit. Based on the exploration well drilled in 2004, TOTAL is reevaluating the exploration potential of the permit.

Myanmar

TOTAL is the operator of the Yadana field (31.2%, operator). The Group's share of production was 13 kboe/d in 2005, compared to 14 kboe/d in 2004 and 16 kboe/d in 2003. This field, located on offshore blocks M5 and M6, produces natural gas, which is principally delivered to PTT (Thailand's state-owned company) and used in Thai power plants.

Pakistan

TOTAL (40%, operator) held two ultra-deep offshore exploration blocks in the Oman Sea. TOTAL relinquished its interests in these two blocks in 2005 after drilling a dry exploration well in 2004.

Thailand

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The Group's primary asset in Thailand is the Bongkot gas and condensates field (33.3%), where its production averaged 40 kboe/d in 2005, compared to 40 kboe/d in 2004 and 34 kboe/d in 2003. PTT buys all the condensates and natural gas produced. Development phase 3C, which was completed in 2005, included the modification of two existing platforms, the installation of a new well platform and a desulphurization platform. A new development phase 3E was launched early in 2005 for three new well platforms. Production from this phase is expected to begin in late 2006.

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Commonwealth of Independent States (CIS)

TOTAL's average production from CIS countries was 9 kboe/d in 2005, representing 0.4% of the Group's total production and in line with 2004 output. In 2003, production was 8 kboe/d.

Azerbaijan

TOTAL's presence in Azerbaijan is centered on the Shah Deniz field (10%). Under Phase 1 of development for this gas and condensate field, four development wells were drilled between April 2003 and December 2005. The TPG 500 platform was completed at the end of 2005. The first gas sales to Turkey are expected before the end of 2006. The South Caucasus Pipeline Company (SCPC), in which TOTAL holds a 10% interest, is constructing a gas pipeline that will carry gas from Shah Deniz to the Turkish markets. The pipeline should be operational in the second half of 2006. Construction of the 1,770 km BTC (Baku-Tbilissi-Ceyhan) oil pipeline, with an annual operating capacity of 950 kb/d, began in August 2002 and continued in 2005. The Azeri and Georgian sections are now filled with oil. This pipeline, owned by the BTC Co. (TOTAL 5%), will link Baku to the Mediterranean Sea. The first delivery in Ceyhan, Turkey, is scheduled for the spring of 2006.

Kazakhstan

TOTAL is present in Kazakhstan on the North Caspian Sea permit, where the Kashagan field is the principal asset. TOTAL has an 18.5% interest in this permit after closing the sale of 1.85% to KazMunayGas, the state-owned company of the Republic of Kazakhstan, in April 2005.

In 2003 and 2004, positive wells were drilled on the Aktote and Kairain structures. The appraisal programs proposed for these blocks were approved by the authorities in April 2004. An initial appraisal well on the Aktote structure helped to confirm and define this discovery. Exploration activity continued in 2005 with the completion of a 3D seismic campaign on the Aktote and Kairain zones and the preparation and drilling of the Kalamkas 2 well. The interpretation of the results from this well is underway.

On the Kashagan field, the development drilling program which began in 2004 continued in 2005 with the drilling of four additional wells. The Kazakh authorities approved the development plan for this field in February 2004, allowing work to begin on the first of several successive phases for development. Infrastructure and civil engineering work has accelerated and most of the major contracts for the manufacture and construction of both the onshore and offshore facilities have been awarded. The size of the Kashagan field may eventually allow production to be increased to more than 1 Mb/d (in 100%).

Russia

TOTAL has been present in Russia since 1989. The Group's main activity is on the Kharyaga field in the Nenets territory. The Group's production was 9 kboe/d in 2005 and 2004, and 8 kboe/d in 2003. On the Kharyaga field (50%, operator), Phase 2 of development, targeted to raise the production plateau, began in early 2003 and ended in 2005. At the end of 2005, TOTAL and the Russian Federation reached an amicable agreement to resolve a dispute over the interpretation of the production sharing agreement. In 2004, the Group entered into negotiations to acquire 25% of Novatek. This transaction was not completed. In 2005, TOTAL was pre-selected by Gazprom, with four other foreign companies, for possible participation in the giant Shtokman project in the Barents Sea.

Europe

TOTAL's production in Europe averaged 770 kboe/d in 2005, representing 31% of the Group's production. Highlights in Norway from the 2003-2005 period included the start up of production on the Skirne, Kvitebjørn and Kristin fields and new developments on existing fields including Ekofisk Area Growth, Oseberg's structure J and West Flank as well as the North and South Flanks of Valhall. In the UK over this period, satellites of the Alwyn (Forvie North and Nuggets N4) and Armada sites come on stream. In both Norway and the UK the Group made several discoveries and obtained new exploration permits.

France

The Group has operated fields in France since 1939, with its most significant activity being the development and operation of the Lacq gas field, which began in 1957. TOTAL's principal natural gas fields are located in southwest France, primarily at Lacq-Meillon (100%), as well as several smaller natural gas and oil fields in the same region and in the Paris basin. Their average production

was 29 kboe/d in 2005, compared to 35 kboe/d in 2004 and 38 kboe/d in 2003.

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The Lacq 2005 project, which is focused on reinforcing industrial safety standards and optimizing the procedures for gas processing at the Lacq-Meillon field, was successfully completed in 2005. A pilot unit to capture carbon dioxide through oxy-combustion is planned, with operations scheduled to begin in 2008. In a second phase, this project is planned to provide for the reinjection of this gas in a reservoir in southwest France.

Italy

The Tempa Rossa field (50%, operator) in the southern section of the Basilicate region is the Group's principal upstream asset in Italy. After an agreement in principle was signed with the Basilicate region in November 2004, 2005 was devoted to negotiating the final agreement permitting the implementation of the development of the Tempa Rossa heavy-oil field on the Gorgoglione license on the basis of the Development Plan filed in 2003 with the regional authorities. Production is scheduled to begin in 2009 with a planned plateau rate of 50 kb/d.

The Netherlands

TOTAL is the second largest gas operator in the Netherlands, where it has been present for nearly 40 years, with an average share of production of 51 kboe/d in 2005 compared to 59 kboe/d in 2004 and 58 kboe/d in 2003. TOTAL holds 19 offshore production permits, 17 of which it operates, and two exploration permits which it operates (one offshore and one onshore). TOTAL sold certain onshore assets in 2004, including the Zuidwal and Leeuwarden concessions, in an effort to streamline its portfolio. Ten development wells have been drilled over the last three years. During that period, the K5PK compression project was completed in September 2003. The first phase in the restructuring of Block L7 was launched along with major maintenance work with the support of the Seafox hotel platform. Development of the L4G structure, which was approved in October 2004, has commenced, with production expected to start in the first half of 2006.

Norway

Since the late 1960s, the Group has played a major role in the development of a large number of fields in the Norwegian North Sea. Norway is the largest contributor to the Group's production with an average in 2005 of 383 kboe/d compared with 406 kboe/d in 2004 and 405 kboe/d in 2003. TOTAL participated in all recent licensing rounds. The Group was awarded several exploration licenses, including, in June 2004, as the operator with a 40% interest in the prolific Haltenbanken region (Blocks 6406/7 and 8). TOTAL was also awarded the four blocks it requested during the APA2005 licensing round at the end of 2005, including a block, that the Group will operate with a 100% interest, south of the Onyx area. The Onyx SW well discovered hydrocarbons in 2005.

Several fields were developed and put in production in the past three years. At the end of 2005, TOTAL signed an agreement to acquire a 30% interest in the PL211 license in exchange for an additional 5% interest in the Tyrihans field. This license contains the currently undeveloped Victoria discovery. This acquisition became effective upon approval by the Norwegian authorities in early 2006. It raises TOTAL's interest in Victoria to 50%. TOTAL has been appointed the operator of the PL211 license.

On the Valhall field (15.7%), oil production began on the South Flank in May 2003 and on the North Flank in January 2004. The extension of the Vigdis field in the Tampen zone (5.6%) came on stream in October 2003. The gas and condensate fields of Skirne (40%, operator), Kvitebjørn (5.0%) and Sleipner Alpha North (9.4%) came on stream in 2004. Gas production from the Visund field (7.7%) started in October 2005. The subsea development of the high-pressure/high-temperature Kristin field (6.0%) in the Haltenbanken region and the new platform for the Ekofisk Area Growth project both started production in the last quarter of 2005. In the Oseberg area (10.0%), the first well on structure J has been producing since June 2005 and the West Flank oil field began production in February 2006.

The offshore development of the Snøhvit natural gas field (18.4%) and construction of its liquefaction facilities are progressing. The subsea development of the Vilje oil field (24.2%), and the innovative Tordis IOR (5.6%) development in the Tampen area in the North Sea are also underway. These projects are scheduled to start production in 2007. In the Haltenbanken area, development of the Tyrihans oil, gas and condensate field (21.5% after swap) was approved in February 2006. Production is scheduled to start in 2009 with an initial estimated production plateau of 70 kboe/d (in 100%) to be reached in 2011.

Production from the Frigg field (77.0%, operator), which began in 1977, came to an end on October 26, 2004. The field produced a total of 192 billion cubic meters of natural gas, representing a recovery rate of 78%. A large portion of the multi-year decommissioning and site restoration program, approved by the relevant authorities in 2003, was completed during the summer of 2005 as scheduled.

Table of Contents*United Kingdom*

TOTAL has been present in the UK since 1962 and produced an average of 307 kboe/d in 2005, down from 332 kboe/d in 2004 and 379 kboe/d in 2003. The UK contributes more than 12% of the Group's oil and gas production. This production comes from three major zones: Alwyn, Elgin-Franklin and Bruce. The Elgin-Franklin zone, which has been producing since 2001, has made a significant contribution to the Group's activities in the UK. This project, the largest investment made in the British North Sea over the last twenty years, constitutes a technical milestone, combining the development of the deepest reservoirs in the North Sea (5,500 meters) with temperature and pressure conditions that are among the highest in the world.

The British authorities awarded permits to TOTAL, as operator, in three zones on the UK continental shelf during the 22nd licensing round in 2004, and in two zones during the 23rd round in 2005. TOTAL acquired interests of 25% in two zones located near Elgin-Franklin. TOTAL's interest in the first zone (Blocks 30/1b and 30/1c) may increase to up to 50%, depending on the results of the appraisal well to be drilled on the Kessog structure. On the second zone (Block 22/30a) TOTAL is participating in drilling on the Aragorn prospect. Certain marginal assets were sold in 2005 (the Fiddich, Affleck and Enoch/J1 discoveries).

Drilling of the Davan East exploration well, operated by TOTAL, began in September 2005. In 2004, TOTAL, as operator, drilled two exploration/appraisal wells with positive results: Laggan (50%) and Alwyn Staffjord West (100%). TOTAL also participated in the exploration and appraisal of the Maria structure (28.9%). Positive results were recorded on the Maria Horst and Maria Terrasse wells. The West Franklin (46.2%, operator) exploration well drilled in 2003 from the Franklin platform made a discovery.

In the Alwyn zone, the fourth structure in the Nuggets complex was developed and came on stream in October 2003. The Alwyn Staffjord West well began to produce early in 2005. The first well in Phase III of the Dunbar development (100%) started producing at the end of 2005. Development of the Forvie North structure, which is connected to the Alwyn North (100%) facilities, was completed in 2005 and production of gas and condensates began in December 2005. Development of the satellites of Elgin (Glenelg 49.5%, operator) and Franklin (West Franklin) began in 2005 with the drilling of the Glenelg long-offset well, which reached its final depth at the end of 2005. The subsea development of the Maria discovery, which will be connected to the Armada infrastructures, was approved in 2005. Production from Phase II of Alba (Alba Extreme South 12.65%) started in October 2004. The SW Seymour exploration well (25.0%) was connected to the Armada platform and came on stream in March 2003.

In December 2005, the British Department of Industry and the Norwegian Ministry of Petroleum approved the project to remove the surface modules from the MCP01 platform. A portion of the multi-year program to decommission the Frigg facilities and restore the site was completed during the summer of 2005, as was the bypass of MCP01 through the Vesterled gas export line. In the summer of 2004, the shutdowns scheduled for the Alwyn, Dunbar and Saint Fergus facilities (100% 45 days) and the Bruce facilities (43.2% 56 days) allowed for the bypass of the Frigg TP1 and MCP01 platforms through the FUKA gas export line to be completed and the processing and compression modules on the Bruce platform to be installed. A major maintenance program was also carried out on all the facilities.

At the end of 2005, the British government announced a project to increase the supplementary corporation tax on oil and gas operations. As a result the corporation tax (CT) would increase from 40% to 50%. For the fields also subject to the Petroleum Revenue Tax (PRT), the combined tax (CT + PRT) rate would increase from 70% to 75%. Subject to approval by the Parliament, this tax increase will enter into effect as of the start of 2006.

Middle East

TOTAL has been developing long-term partnerships in the Middle East for 80 years. TOTAL's 2005 share of production in the Middle East (including the production of equity affiliates and unconsolidated subsidiaries) declined by 4% in 2005 compared to 2004, principally due to the impact of high oil and gas prices on production obtained from production sharing and buy-back contracts. Production averaged 398 kboe/d in 2005, representing 16% of the Group's total production, compared to 412 kboe/d in 2004 and 411 kboe/d in 2003. Between 2003 and 2005, TOTAL has developed its LNG activities with the launch of the Yemen LNG project and the progress made on the Qatargas II (where finalization of agreements is pending) and Pars LNG projects.

Iran

The Group's production averaged 23 kboe/d in 2005, down from 2004 and 2003, coming from four buy-back contracts on the Sirri, South Pars, Balal and Dorood fields. The Sirri A&E fields (60% interest in foreign consortium) have been operated by the state-owned National Iranian Oil Company (NIOC) since 2001. Average

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production from the offshore South Pars gas and condensate field, in Phases 2 and 3 (40% interest in foreign consortium), was slightly less than 2,000 Mcf/d and 90 kb/d in 2005 (in 100%), down slightly from 2004 because of major maintenance work. After completion of the development phase, production operations have been conducted by NIOC since 2004, with TOTAL's support under a technical assistance contract. The development of the Balal offshore oil field (46.8% interest in foreign consortium) has been completed and the facilities were transferred to NIOC in 2004. The development of the Dorood field (TOTAL, 55% interest in foreign consortium) is nearing completion and TOTAL has started-up some of the onshore facilities.

In 2004, TOTAL signed several agreements with its partners 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 (30%), which will carry out liquefaction activities, and Block 11 of South Pars (60%), which will supply gas to the liquefaction plant. The project calls for the construction of two liquefaction trains, each with an initial capacity of 5 Mt/y of LNG. Under this framework, engineering studies for the natural gas liquefaction plant and for the development of Block 11 of South Pars were launched in 2005.

Kuwait

Since 1997, the Group has provided technical assistance for the upstream activities of the state-owned Kuwait Oil Company (KOC) under an agreement which was renewed in 2005. TOTAL also has a 20% interest in the consortium organized to participate in the bidding process opened to international oil companies for production activities on oil fields in northern Kuwait.

Oman

TOTAL's primary operations in Oman are on Blocks 6 and 53, and in the Oman LNG/Qalhat LNG liquefaction plant. In 2005, the Group's share of production averaged 36 kboe/d, down from 40 kboe/d in 2004. On Block 34, operated by TOTAL (100%), surveys were conducted to assess the oil potential. The block was relinquished in May 2005 after completion of a 2D seismic campaign. On Block 6 operated by Petroleum Development Oman (PDO), in which TOTAL holds a 4% interest, a new concession agreement became effective on January 1, 2005 for a 40-year term. In 2005, TOTAL acquired 2% in the production sharing contract for the Mukhaizna field (Block 53) following the transfer of the contract to Occidental, the operator. The Oman LNG liquefaction plant (5.54%) produced 6.9 Mt in 2005. A third 3.6 Mt/y liquefaction train launched in 2003 within the new company Qalhat LNG came on line at the end of 2005. Oman LNG has a 36.8% interest in the plant (representing an indirect stake of 2.04% for the Group).

Qatar

In Qatar, TOTAL holds interests in the Al Khalij field, the North Field, the Dolphin project, and in the Qatargas liquefaction plant. TOTAL's production in Qatar (including its share in the production of equity affiliates) averaged 57 kboe/d in 2005, at the same level as in 2004, up from 54 kboe/d in 2003. TOTAL holds 20% in the upstream operations of Qatargas, which produces natural gas and condensates on a block in the North Field. The Group also owns a 10% interest in the Qatargas liquefaction plant. The three natural gas liquefaction (LNG) trains produced 9.0 Mt in 2005, compared to 9.1 Mt in 2004. A de-bottlenecking program was completed in June 2005, raising production capacity to 9.7 Mt/y.

In December 2001, a contract was signed with state-owned Qatar Petroleum providing for the sale of 2,000 Mcf/d of gas from the North Field produced in the Dolphin project (24.5%) for a period of 25 years. This gas will be transported to the United Arab Emirates through a 360-kilometer gas pipeline. The final development plan was approved in December 2003 by the Qatari authorities and the construction contracts were awarded in 2004. Construction is underway on both the Ras Laffan Industrial City site and on the offshore section. On the Al Khalij field (100%), the third development phase for the north zone was completed in September 2004, increasing production to 45 kb/d in 2005. In February 2005, TOTAL signed a memorandum of understanding for TOTAL to acquire a 16.7% interest in the second train of Qatargas II. This integrated project will develop two new LNG trains, each with an annual capacity of 7.8 Mt, with commissioning planned for 2008. The acquisition of this interest is subject to the approval of the relevant authorities. TOTAL also announced in July 2005 a project to locate a research center in the Qatari Scientific and Technical Complex.

Saudi Arabia

TOTAL (30.0%) is in a joint venture with state-owned Saudi Aramco for natural gas exploration in a 200,000 km² area in the southern Rub Al-Khali. The first five-year work period began in January 2004. A 137,800 km² gravimetric survey was conducted in 2004. A seismic campaign launched in 2004 on the same site continued in 2005. Five seismic acquisition teams were operating at the end of 2005.

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In 2005, the Group's production was 25 kboe/d, coming principally from the Jafra and Qahar fields on the Deir Ez Zor permit (100%, operated by DEZPC which is 50% owned by TOTAL). The Deir Ez Zor gas and condensate reprocessing plant (50%), which came on line at the end of 2001, collects, processes and transports approximately 175 Mcf/d of associated gas from the permits in the Deir Ez Zor region. With the expiration of the contract, these facilities were transferred to the state-owned company SGC at the end of 2005.

United Arab Emirates

TOTAL's activities in the United Arab Emirates are located in Abu Dhabi and Dubai, where the Group's presence dates back to 1939 and 1954 respectively. TOTAL's production in 2005 averaged 249 kboe/d, up from 246 kboe/d in 2004 and 2003. In Abu Dhabi, TOTAL holds a 75% interest (operator) in 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.

In addition, TOTAL holds a 15% interest in Abu Dhabi Gas Industries (GASCO), a company that produces butane, propane and condensates from the associated gases produced by the onshore fields. TOTAL also holds 5% of the Abu Dhabi Gas Liquefaction Company (ADGAS), a company that produces LNG, LPG and condensates from the natural gas produced by the offshore fields.

In addition, TOTAL has a 33.3% interest in Ruwais Fertilizer Industries (FERTIL), which manufactures ammonia and urea from methane supplied by the Abu Dhabi National Oil Company (ADNOC). In Dubai, TOTAL holds a 27.5% interest in the Fateh, Falah and Rashid fields through the combination of its 25% interest in Dubai Marine Areas Limited (DUMA) and its 2.5% interest held directly by TOTAL E&P Dubai. TOTAL is also a shareholder (24.5%) in Dolphin Energy Limited, which is expected to begin marketing the natural gas produced by the Dolphin Project in Qatar to the United Arab Emirates in 2007. Natural gas sales agreements were signed in 2003 and 2005, and the Qatari authorities approved the final development plan in December 2003. The construction contracts were awarded and work on the project is progressing.

Yemen

TOTAL is active in the two oil basins in Yemen, as the operator on Block 10 (Masila basin, East Shabwa permit) and as a partner on Block 5 (Marib basin, Jannah permit). Production on the East Shabwa permit (28.6%, operator) averaged 33 kb/d (in 100%) in 2005. The potential of the Basement was confirmed in 2005 with record production on the block. Production averaged 47 kb/d (in 100%) on the Jannah permit (15%) in 2005.

Yemen LNG, the LNG project operated by TOTAL (a 39.6% shareholder after the entry of Kogas), was officially launched in August 2005. This project provides for the construction of two liquefaction trains with a total capacity of 6.7 Mt/y that are scheduled to come on line near the end of 2008. Three long-term LNG sales agreements were signed with Suez (2.5 Mt/y) and Total Gas & Power Ltd (2 Mt/y) for deliveries to the United States over a 20-year period, beginning in 2009, and with Kogas for sales of 2 Mt/y to be delivered to South Korea also over a 20-year period. Under the latter agreement, Kogas acquired a 6% interest in the company YLNG.

North America

The Group's presence in North America dates back to 1957. Between 2003 and 2005, TOTAL strengthened its position in oil sands by increasing its share in the Surmont permit and acquiring Deer Creek Energy Ltd in Canada. In November 2005, TOTAL signed an agreement to exchange TOTAL's four mature onshore fields in southern Texas for a 17% stake in the deep-offshore Tahiti field in the Gulf of Mexico, which is scheduled to begin production in 2008. TOTAL's average production in North America rose from 59 kboe/d in 2003 to 61 kboe/d in 2004 and then fell to an average of 41 kboe/d in 2005, principally due to shutdowns related to hurricane damage in the Gulf of Mexico. Production from North America represented 2% of the Group's total production in 2005.

Canada

In Canada, the Group is active in the Athabasca, Alberta oil sands. Its principal assets are the Surmont permit and, following the acquisition of Deer Creek Energy Ltd in 2005, the Joslyn permit. In Alberta, TOTAL has been participating since 1999 in a pilot project on the Surmont permit in Athabasca to extract bitumen using Steam Assisted Gravity Drainage (SAGD). In December 2003,

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the first development phase, with a capacity of 27 kb/d (in 100%), was approved by the partners. Engineering and construction activities are underway and production start-up is planned for the end of 2006. TOTAL's interest of 43.5%, which it acquired in December 2002, was increased to 50% in April 2005.

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In 2005, TOTAL acquired Deer Creek Energy Ltd through a public tender offer launched in August 2005. This company holds 84% of the Joslyn permit and is the operator. This permit is located about 140 km north of Surmont and most of the oil sands can be extracted using mining techniques. The Joslyn project is to be developed in several phases, the first of which (using SAGD) is scheduled to come on stream in 2006, and is expected to represent total production of approximately 2 billion barrels of bitumen over 30 years. Most of the resources (approximately 90%) will be produced using open-pit mining techniques and the rest by on-site SAGD.

In August 2005, TOTAL acquired a 50% stake in the OSL 001 lease immediately north of Surmont and, in November 2005, 50% of the OSL 006 lease immediately south of Surmont. These leases are now integrated within the Surmont project. In addition, TOTAL acquired 100% of the OSL 874 lease located about 40 km west of Surmont in December 2004 and 100% of the OSL 354 lease about 50 km north of Joslyn in August 2005. In July 2004, TOTAL acquired a 40% interest in three exploration permits located in the Akue area in northeastern British Columbia.

Mexico

TOTAL is conducting various studies in cooperation with Mexico's state-owned PEMEX under a technical cooperation agreement signed in December 2003.

United States

TOTAL has been present in the United States since 1957. In 2005, the Group's average production was 41 kboe/d, compared to 61 kboe/d in 2004 and 59 kboe/d in 2003. Half of the 2005 production comes from four deep-offshore fields in the Gulf of Mexico: Virgo (64%, operator), Aconcagua (50%, operator), Camden Hills (16.7%) and Matterhorn (100%, operator). Production from these fields was affected primarily by Hurricane Ivan in mid-September 2004 (Matterhorn and Virgo restarted only at the end of April 2005), then by Hurricane Katrina at the end of August 2005. Matterhorn and Virgo were still shut down at the beginning of March 2006.

In 2005, TOTAL continued to streamline its portfolio of assets, reducing its number of blocks in the Gulf of Mexico from 147 in late 2004 to 138 in late 2005 and withdrawing from three blocks in Alaska. In November 2005, TOTAL signed an agreement to exchange four onshore fields in southern Texas for a 17% stake in the deep-offshore Tahiti field in the Gulf of Mexico. Tahiti is scheduled to come on stream in 2008 with a production capacity (in 100%) of 125 kb/d and 70 Mcf/d of natural gas. This transaction closed in January 2006. The streamlining of onshore assets continued in 2006 with the sale of two mature onshore assets in eastern Texas and in Mississippi.

South America

The Group's South American production in 2005 averaged 247 kboe/d, up 16% over the 213 kboe/d produced in 2004 and up 26% over the 196 kboe/d produced in 2003. South America represented about 10% of the Group's total production for 2005. Between 2003 and 2005, several projects came on stream: Carina in Argentina in 2005 and Yucal Placer in Venezuela in 2004.

Argentina

TOTAL's average production in 2005 was 74 kboe/d, a 6% increase from 70 kboe/d in 2004 and 16% higher than the 64 kboe/d averaged in 2003. TOTAL holds interests in the two main basins in Argentina: Neuquen (San Roque and Aguada Pichana fields) and Tierra del Fuego (Carina-Aries and Canadon Alfa fields).

On the San Roque field (24.7%, operator), a medium-pressure compression project launched in 2003 is in progress, with commissioning planned for mid-2006. On the Aguada Pichana field (27.3%, operator), the medium-pressure compression unit started in 2003, and a low-pressure project was launched in 2005, with start-up scheduled for 2007.

In the Austral basin, the Carina-Aries development project offshore Tierra del Fuego (37.5%, operator), which was reactivated in 2003, continued with completion of the construction of the offshore infrastructures in 2004 and of the onshore infrastructures in 2005. Drilling of the first wells on Carina was completed in 2005 and drilling of three wells on Aries was completed in January 2006. The Carina field came on stream in June 2005 and the Aries field came on stream in January 2006. The project to install a fourth medium-pressure compressor at the Canadon-Alfa plant in the Austral basin (37.5%) was launched in 2005. This project was undertaken to adapt the injection capacity of the San Martin gas pipeline for gas from Tierra del Fuego to the flow from

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Carina-Aries.

In 2005, TOTAL acquired interests in two exploration blocks: Las Tacanas (50.0%, operator) and Chasquivil (50.0%, operator). The Group made a discovery on the Aguada Pichana permit (Aguada Pichana Norte) in 2005.

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Bolivia

TOTAL holds six permits in Bolivia: San Alberto and San Antonio, both in production (15%), and four permits in the exploration or appraisal phase: Blocks XX West (41%, operator), Aquio and Ipati (80%, operator) and Rio Hondo (50%). TOTAL's average production in 2005 was 21 kboe/d, compared to 18 kboe/d in 2004 and 11 kboe/d in 2003. The San Alberto and San Antonio fields have been producing since 2001 and 2003 respectively. TOTAL is also a partner with Transierra (11%), the operator of the Gasyrg gas pipeline which has been in service since 2003, and owns 9% of the Rio Grande compression station. A successful exploration well, Incahuasi X1, was drilled on the Ipati block in 2004.

In May 2005 a new law was enacted in Bolivia that changed the fiscal and regulatory framework for oil and gas operations. TOTAL has asked the Bolivian authorities to open negotiations in order to maintain the economic terms and a regulatory framework satisfactory to both parties.

Brazil

TOTAL increased its interest in the Curio discovery zone on Block BC2 from 35% to 41.2% in 2005.

Colombia

TOTAL holds a 19% stake in the Cusiana and Cupiagua fields where the Group's share of production was 26 kboe/d in 2005 compared to 30 kboe/d in 2004 and 37 kboe/d in 2003. New agreements were signed in 2005 for the sale of the gas from a new 180 Mcf/d treatment plant, which was started in 2003 and came on line in September 2005. A gas-to-liquids (GTL) project using the gas from Cusiana and Cupiagua is being studied and is the subject of a Memorandum of Understanding signed in 2005 by TOTAL, Ecopetrol and other partners. A new exploration well on the Tangara permit (55%) was being drilled at the end of 2005.

Trinidad & Tobago

TOTAL's principal asset in Trinidad & Tobago is the shallow offshore Grand Angostura field (30%) which came on stream in January 2005.

Venezuela

The Group has interests in the Sincor (47%) and Yucal Placer (69.5%) projects and in the Jusepin field (55%, operator). TOTAL's average production was 113 kb/d in 2005 compared to 95 kb/d in 2004 and 84 kboe/d in 2003, an increase of 35% since 2003.

At the end of 2004, the first major maintenance on Sincor's upgrader, which started operations in March 2002, increased its treatment capacity to more than 200 kb/d of extra heavy oil. Drilling operations resumed in October 2005. On the Yucal Placer field, the initial production phase of 120 Mcf/d, which began in 2004, is producing results in line with projections. On the Jusepin field, TOTAL designed a new development plan that should increase production. This plan has been submitted to the authorities. Talks with the authorities have been underway since 2004 to expand the base of the Group's oil projects. This expansion is particularly targeted at the extra-heavy oil in the Orinoco basin.

In 2005, the Group was informed by the Venezuelan government of a change in the method for calculating royalties. The Group also received a notice of additional tax assessment on the corporate income tax for the years 2001-2004. The Group believes that it has complied with the applicable fiscal and legal provisions. The Group has paid a higher amount of royalties with reservations. The tax assessment is currently being reviewed. In addition, the Venezuelan government requested that, before April 1, 2006, the Jusepin contract be revised and made similar requests to all companies operating under this type of contract. On March 31, 2006, TOTAL indicated that the proposed new terms and conditions resulting from discussions up to that date were not considered to be acceptable but that, nevertheless, TOTAL remained ready to hold further discussions. Jusepin field operations have been conducted by the state-owned Petroleos de Venezuela S.A. (PDVSA) since April 1, 2006.

Table of Contents**Crude Oil and Natural Gas Pipelines**

The table below sets forth TOTAL's interests in crude oil and natural gas pipelines throughout the world as of December 31, 2005.

Pipeline(s)	Origin	Destination	% interest	TOTAL	
				operator	Liquids Gas
FRANCE					
TIGF	Network South West		100.00	X	X
NETHERLANDS					
Nogat pipeline	F15A	Den Helder	23.19		X
West Gas Transport	K13A-K4K5	Den Helder	4.66		X
WGT Extension	Markham	K13-K4K5	23.00		X
NORWAY					
Frostpipe (inhibited)	Lille-Frigg, Froy	Oseberg	36.25		X
Gassled ⁽¹⁾			9.13		X
Heimdal to Brae		Brae	16.76		X
Condensate line	Heimdal				
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	3.70		X
		(Mongstad Refinery)			
UNITED KINGDOM					
Bruce Liquid Export Line	Bruce	Forties (Unity)	43.25		X
Central Area Transmission System (CATS)	Cats Riser Platform	Teeside	0.57		
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
Ninian Pipeline System	Ninian	Sullom Voe	16.00		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	Williams Platform	25.80	X	X
SOUTH AMERICA					
Argentina					
Gas Andes	Neuquen Basin (Argentina)	Santiago (Chile)	56.50	X	X
TGN	Network (Northern Argentina)		19.21	X	X
TGM	TGN	Uruguayana (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 (Uruguayana)	TBG (Porto Alegre)	25.00		X
Colombia					
Ocensa	Cusiana, Cupiagua	Covenas Terminal	15.20		X
Oleoducto de Alta Magdalena	Magdalena Media	Vasconia	1.00		X
Oleoducto de Colombia	Vasconia	Covenas	9.50		X

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ASIA					
Yadana	Yadana (Myanmar)	Ban-I Tong (Thai border)	31.20	X	X
REST OF THE WORLD					
BTC (project)	Baku (Azerbaijan)	Ceylan (Turkey)	5.00	X	
SCP (project)	Baku (Azerbaijan)	Erzurum (Turkey)	10.00		X
Dolphin (project)	Ras Laffan (Qatar)	Taweelah (U.A.E.)	24.50		X

- (1) Gassled: unitization of Norwegian gas pipelines through a joint-venture in which TOTAL has an interest of 9.13%. In addition to the direct share in Gassled, TOTAL has a 14.4% interest in the joint-stock company Norse Gas AS, which holds 3.02% in Gassled.

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Gas & Power

The Gas & Power sector encompasses the marketing and trading of natural gas, liquefied natural gas (LNG) and power, the maritime transport and trading of liquefied petroleum gas (LPG), the transport and storage of natural gas and LNG re-gasification. It also includes power generation from combined cycle gas plants and renewable energies and the production and marketing of coal. TOTAL is continuing to develop its global presence in each of these activities.

Natural Gas

In 2005, TOTAL continued to pursue its strategy of developing its activities downstream from natural gas production to optimize access for its present and future gas production and reserves to traditional (organized around long-term contracts between producers and integrated gas companies) as well as newly (or soon to be) deregulated markets. The majority of TOTAL's natural gas production is sold under long-term contracts. However, a part of its UK, Norwegian and Argentine production as well as substantially all of its North American production are 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. The general trend towards the deregulation of natural gas markets worldwide tends to allow suppliers to more freely access a broader range of customers, leading to new marketing structures that are more flexible than traditional long-term contracts. In this context, TOTAL is developing its trading, marketing and logistic activities to offer its natural gas production to new customers, primarily in the industrial and commercial markets, who are looking for more flexible supply arrangements.

Europe

TOTAL has been active in the downstream portion of the gas chain for more than 60 years. Natural gas transport, marketing and storage were initially developed to complement the Group's domestic production in Lacq (France). Today, TOTAL's objective is to become a leading supplier of gas to European industrial and commercial customers.

In France, the unwinding of the cross-shareholdings between TOTAL and Gaz de France in their jointly-owned transmission and supply subsidiaries in France was completed in the first quarter of 2005. Since April 2005, the Group's transmission and storage activities in southwest France have been brought under a wholly-owned subsidiary, Total Infrastructures Gaz France (TIGF), which operates a transport network of 4,905 km of pipes and two storage units with a combined capacity of 85 Bcf (2.4 Bm³), approximately 22% of the overall natural gas storage capacity in France.¹ In 2005, the construction of the Euskadour pipeline was completed. This pipeline, whose construction was approved in 2003 and started in 2004, is the second pipeline to connect the Atlantic coasts of Spain and France. In 2005, TOTAL sold 260 Bcf (7.4 Bm³) of natural gas to French customers through its new marketing subsidiary Total Energie Gaz (TEGAZ), compared to an overall total of 268 Bcf (7.6 Bm³) sold in France in 2004.

In Spain, since 2001 TOTAL has marketed gas in the industrial and commercial sectors through its participation in Cepsa Gas Comercializadora. TOTAL and Cepsa each have a 35% interest in this company while the Algerian national company Sonatrach owns the remaining 30%. Taking into account TOTAL's 45.3% interest in Cepsa, TOTAL has a direct and indirect interest of approximately 50% in this company. In 2005, Cepsa Gas Comercializadora sold approximately 63 Bcf (1.8 Bm³) of natural gas, compared to approximately 35 Bcf (1 Bm³) in 2004 and 2003. TOTAL is also participating in the studies for the Medgaz gas pipeline project, intended to directly connect Algeria and Spain, in which the Group has a direct interest of 12% and, through its 45.3% interest in Cepsa, an additional indirect interest of 9%.

In the UK, TOTAL's subsidiary Total Gas & Power Ltd sells gas and power to the industrial and commercial markets. This subsidiary also conducts global gas, electricity and LNG trading activities as well as holding a 10% interest in Interconnector UK Ltd, a gas pipeline, connecting Bacton in the UK to Zeebrugge in Belgium. In 2005, Total Gas & Power Ltd marketed 189 Bcf (5.4 Bm³) of natural gas to industrial and commercial customers, compared to 189 Bcf (5.4 Bm³) in 2004 and 177 Bcf (5 Bm³) in 2003. Electricity sales in 2005 amounted to 1.7 TWh in 2005 compared to 1.3 TWh in 2004 and 0.8 TWh in 2003.

¹ Natural Gas Information 2005.

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The Americas

In the United States, TOTAL sold approximately 621 Bcf (17.6 Bm³) of natural gas in 2005, compared to 530 Bcf (15 Bm³) in 2004 and 367 Bcf (10.4 Bm³) in 2003, supplied by its own production and external sources. In South America, TOTAL owns interests in natural gas transport companies in Argentina, Chile and Brazil. In particular, TOTAL's interests include 19.2% of Transportadora de Gas del Norte (TGN), which operates a gas transport network covering the northern half of Argentina, and 56.5% of the companies that own the GasAndes pipeline connecting the TGN network to the Santiago region of Chile. These different assets represent a total integrated network of approximately 9,000 km serving the Argentine, Chilean and Brazilian markets from gas producing basins in Bolivia and Argentina, where the Group has natural gas reserves. The actions taken by the Argentine government after the 2001 economic crisis resulted in an impairment of the assets of TOTAL's Argentine subsidiaries. TOTAL continued its efforts in 2005 to preserve the value of these gas transportation and power generation assets.

Asia

TOTAL markets natural gas, transported through pipelines from Indonesia, Thailand and Myanmar and transported in the form of LNG, in Japan, South Korea and Taiwan. The Group is also developing new LNG outlets in emerging markets, notably in India. In Japan, TOTAL has a 3% stake in DME-Development and a 6% stake in DME-International, alongside nine Japanese corporate partners. These companies aim to develop a new process to obtain DiMethyl Ether (DME), an environmentally-friendly liquid fuel, by converting natural gas into carbon monoxide and hydrogen and then chemically transforming this synthetic gas. Tests at a pilot plant with a capacity of 100 t/d, which began in 2004, continued in 2005. Over 17 kt of DME have been produced in 2 years at this plant in Kushiro on Hokkaido Island. The encouraging results at the pilot plant may lead DME-Development to confirm the potential of this new technology. In 2005, DME-International started feasibility studies for the construction of commercial production units.

Liquefied Natural Gas (LNG)

The Gas & Power sector conducts LNG activities downstream from liquefaction plants: LNG shipping, re-gasification, 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). With these agreements in place, TOTAL is positioned to develop new natural gas liquefaction projects, notably in the Middle East.

Europe

In Europe, TOTAL entered into a partnership agreement with Gaz de France at the end of 2004 which became effective at the beginning of 2005. This agreement will give TOTAL a stake in Fos Cavaou terminal under construction in southern France and should provide TOTAL with a re-gasification capacity of 2.25 Bm³/y (1.7 Mt/y). This terminal has a planned initial capacity of 8.25 Bm³/y (6.1 Mt/y) and is scheduled to begin receiving deliveries of LNG from 2007. Total Gas & Power Ltd signed an agreement in 2004 to purchase 1 Bm³/y (0.7 Mt/y) of LNG from the Snøhvit liquefaction plant (in which TOTAL has an 18.4% interest), intended mainly for marketing in North America and Europe. The first delivery from this plant is expected in the last quarter of 2007.

North America

TOTAL signed an agreement in November 2004 to reserve re-gasification capacity in the United States at the Sabine Pass LNG terminal in Louisiana, whose construction began in April 2005. Under this agreement, TOTAL will have a re-gasification capacity of 7.5 Mt per year (1 Bcf/d) beginning in 2009 for a renewable period of 20 years. TOTAL expects to use this capacity to process LNG from various projects around the world in which it has an interest, particularly those in the Middle East and West Africa. In 2003, TOTAL acquired a 25% interest in the Altamira re-gasification terminal on the eastern coast of Mexico. This terminal is designed to have an initial LNG re-gasification capacity of 5 Mt per year (1.25 Mt/y TOTAL share). Work on this project progressed as scheduled in 2005 and the terminal is expected to begin operations in the last quarter of 2006.

Asia

In April 2005, the Hazira re-gasification terminal on the west coast of the Gujarat state in India was inaugurated, with an initial capacity of 2.5 Mt per year. In 2004, TOTAL acquired a 26% interest in the terminal as well as 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.

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In Qatar, negotiations undertaken in 2004 resulted in the signature of heads of agreement in February 2005 for TOTAL to acquire a 16.7% interest in the second train of Qatargas 2 and to purchase up to 5.2 Mt/y of LNG from Qatargas 2 over a 25-year period. This LNG is expected to be marketed in France, the UK and the United States. The heads of agreement are subject to the approval of the relevant authorities in Qatar and in Europe. Further negotiations to finalize the agreements are underway. In Yemen, TOTAL, through its wholly-owned subsidiary Total Gas & Power Ltd, signed an agreement with Yemen LNG Ltd (in which TOTAL has a 39.6% interest) in July 2005 to purchase 2 Mt/y of LNG over a 20-year period beginning in 2009 to be delivered to the United States. In Iran, among the agreements establishing the framework for the future Pars LNG project (in which TOTAL has a 30% interest), Total Gas & Power Ltd signed an agreement to purchase 3 Mt/y of LNG over a 20-year period. This agreement is conditioned upon the final investment decision for the project for the construction of two liquefaction trains, each with a capacity of 5 Mt/y.

Africa

Total Gas & Power Ltd has an agreement to purchase 0.9 Mt/y of LNG from Nigeria LNG Ltd (in which TOTAL has a 15% interest) over a 20-year period. This agreement became effective with the decision by Nigeria LNG Ltd in July 2004 to launch a sixth liquefaction train at its Bonny liquefaction plant. Deliveries are expected to start in 2007. These volumes, intended mainly for the North American and European markets, are in addition to the 0.2 Mt/y purchased by TOTAL from the fourth and fifth trains at the Bonny plant of Nigeria LNG, delivery of which began early in 2006.

Trading

TOTAL's subsidiary Total Gas & Power Ltd has been trading LNG cargos since 2001. This activity provides TOTAL with flexibility in the supply of gas to its main customers. These cargos originate from major liquefaction plants (in Nigeria, Oman, Abu Dhabi, Algeria and Egypt) which have produced more LNG than they are required to deliver under their long-term sales agreements. The customers for these cargos are mainly located in Europe (France, Spain) and Asia (India, Japan and Taiwan). TOTAL sold 13 spot cargos in 2005, seven in 2004 and 11 in 2003.

Liquefied Petroleum Gas (LPG)

In 2005, TOTAL traded or sold 5 Mt of LPG (butane and propane) around the world, compared to 4.8 Mt in 2004 and 4.7 Mt in 2003. Approximately 1 Mt of this LPG was sold in the Middle East and Asia and sales through coastal trading on small vessels amounted to approximately 1 Mt in Europe while the remaining approximately 3 Mt was sold in the Atlantic and Mediterranean regions on large vessels. Approximately half of these quantities originated from fields or refineries operated by the Group. This LPG trading involves the use of six full-time charter vessels and approximately 70 spot charters. In 2005, TOTAL's activity in this area represented approximately 10% of worldwide seaborne LPG trade.¹ In 2005, TOTAL continued the construction of an underground LPG storage unit in the state of Andhra Pradesh on the east coast of India, which began in November 2003. The start of commercial operations for this terminal is expected in 2007. It has a planned storage capacity of 60 kt and an off-take capacity of 1.2 Mt/y. TOTAL has a 50% interest in this project in partnership with Hindustan Petroleum Company Ltd.

Electricity and cogeneration

TOTAL is participating in a number of natural gas-fired electricity generation facilities 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 is currently a partner in facilities with the capacity to generate more than 5,300 MW of electricity, equivalent to 2,347 MW net to the Group (excluding cogeneration facilities linked to its refining activities). TOTAL also participates in several cogeneration facilities. Cogeneration is a process whereby the steam produced to turn turbines to generate electricity is then used for industrial purposes, such as refining petrochemicals or water desalination. This process can have an energy efficiency in the range of 60% to 85%.

The Taweelah A1 cogeneration plant in Abu Dhabi, which combines power generation and water desalination, has been in operation since May 2003 and is owned and operated by Gulf TOTAL Tractebel Power Cy, in which TOTAL has a 20% interest. Taweelah A1 currently has a total power generation capacity of 1,430 MW and a water

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1 Poten & Partners LPG in World Markets Yearbook 2005.

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desalination capacity of 385,000 m³ per day, making it one of the largest gas-fired cogeneration plants in the world¹, and represents approximately one quarter of the Emirate of Abu Dhabi's power generation and water desalination capacities.

In Thailand, Eastern Power and Electric Company Ltd (EPEC) (TOTAL 28%) has operated the combined cycle gas power plant of Bang Bo, which has a capacity of 350 MW, since March 2003. In 2005 this plant attained the maximum number of hours of availability (8,188 hours) provided for under its contracts. In Argentina, TOTAL owns 63.9% of Central Puerto SA and 70% of Hydroneuquen. Central Puerto SA owns and operates gas-fired power stations in Buenos Aires and in Neuquén, with a total capacity of 2,165 MW. Through its stake in Hydroneuquen, TOTAL owns 41.3% of Piedra del Aguila (HPDA), a 1,400 MW hydroelectric dam located in the Neuquén region.

In Nigeria, TOTAL and its partner, the state-owned NNPC, are participating in two projects to construct gas-fired power generation units. These projects are part of the Nigerian government's policy to develop power generation, stop gas flaring and privatize the power generation sector: the Afam power generation unit (restoration of Afam V, 276 MW capacity and development of Afam VI, 600-660 MW capacity), in which TOTAL has a 10% interest through the SPDC joint venture; and the Obite power generation unit (TOTAL operator, approximately 400 MW combined cycle), within the EPNL joint venture, in which TOTAL has a 40% interest.

In the United Kingdom, in September 2005 TOTAL sold its 40% interest in Humber Power Ltd, which owns a 1,260 MW capacity gas-fired combined cycle power station located on the Humber estuary.

Coal

TOTAL sold approximately 9.5 Mt of coal worldwide in 2005 (compared to 11.3 Mt in 2004 and 11 Mt in 2003). Of this amount, 4.8 Mt was South African steam coal produced by the Group. Approximately 67% of this coal produced by the Group was sold to European utility companies and approximately 20% was sold in Asia. The amount of coal sold by the Group in 2005 was less than that sold in 2004 due to the fact that, pursuant to modifications in the partnership agreements with Xstrata, TOTAL no longer markets Xstrata's share of production under these agreements (approximately 2 Mt/y). The Group's South African coal is exported through the port of Richard's Bay, the largest coal terminal in the world, 5.7% of which is owned by TOTAL.

On the domestic market in South Africa, sales amounted to 0.6 Mt in 2005, primarily to the industrial and metallurgic sectors. TOTAL is also active in coal trading through its wholly-owned subsidiary Total Energy Resources in Hong Kong and through an office established in Jakarta in September 2004. Of the 3 Mt of coal traded in 2005, 70% was sold in Asia. In France, TOTAL, through its subsidiary CDF Energie, is an important distributor of steam coal to the industrial sector (paper, cement, food, residential heating, etc.) with 2005 sales of 2 Mt, approximately 90% of which is produced by diverse sources outside the Group.

Renewable energy

TOTAL is developing its presence in renewable energy as part of its preparation for future energy needs and as part of its sustainable development policy. Currently, the two major components of its activities are solar-photovoltaic energy, where TOTAL has been present since 1983, and wind power. In 2005, TOTAL also decided to participate in the development of a third possibility for renewable energy, wave power.

Solar-photovoltaic power

In solar power, TOTAL has activities that range from the manufacture of photovoltaic cells (Photovoltec) to the design of systems (TENESOL) to the financing of rural electrification projects (Temasol in Morocco and KES in South Africa).

In 2005, Photovoltech, a company specialized in manufacturing photovoltaic cells, of which TOTAL owned 42.5% before increasing its interest to 47.8% in January 2006, had sales of 24 M€. Due to strong demand and the success in marketing the products provided by Photovoltech, overall production capacity, currently approximately 13 MWp/y, is planned to be increased to 20 MWp/y in 2006 and 80 MWp/y in 2008.

In 2005 TOTAL increased its interest in TENESOL (formerly Total Energy), its partnership with EDF, from 35% to 50%. TENESOL specializes in the design, manufacture, marketing and operation of solar-photovoltaic power systems. TENESOL's sales increased by about 40% from 2004 to 2005 (and by approximately 110% from 2003 to 2005), amounting to approximately 140 M€ and corresponding to an effective capacity of 30.5 MWp. Its main

1 Cogeneration and On-Site Power Production, Volume 4, Number 4, July August 2003.

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commercial markets are for network connections in Europe (mainly in Germany) and for decentralized rural electrification and telecommunication systems in the French Overseas Territories. TENESOL owns a solar panel manufacturing plant in South Africa with an annual production capacity of 35 MWp. In the second half of 2005, TENESOL also began production of solar panels at a site temporarily rented in Toulouse while awaiting the construction of a plant in Toulouse designed to have an initial annual production capacity of 15 MWp.

TOTAL is pursuing decentralized rural electrification activities by responding to tender invitations from public authorities in various countries such as Mali, Morocco and South Africa. In South Africa, the project underway to equip 15,000 households, led by Kwazulu Energy Service Company (TOTAL 35%), had equipped almost 10,000 households by the end of 2005, compared to 4,000 at the end of 2004 and 3,000 at the end of 2003. In Morocco, Temasol, 32.2% of which is directly owned by TOTAL and another 35.6% by TENESOL, continued to work on a project awarded in 2002 to equip 16,000 households. In 2004, Temasol was also awarded a project to equip 37,000 households. In 2005, it was awarded part of a project to equip an additional 5,500 households. At the end of 2005, approximately 20,000 of the total of 58,500 households covered by these projects had been equipped, compared to 10,000 at the end of 2004 and 4,200 at the end of 2003.

Wind power

TOTAL operates a wind farm in Mardyck, France and has initiated development studies for both onshore and offshore projects in France, the UK and Spain. The 12 MW capacity Mardyck wind farm in northern France, commissioned in November 2003, produced approximately 26.4 GWh of electricity in 2005. This wind farm allows the comparison of different technologies at the same site in order to prepare for possible larger scale offshore or onshore projects in the future.

In December 2005, TOTAL was selected by the French Ministry of Industry for a wind power project with a 90 MW capacity in the Aveyron region pursuant to a tender invitation organized by the public authorities. Pursuant to the terms of the bid, the construction of the project is subject to obtaining a permit. The efforts to obtain this permit will be coupled with efforts to inform and consult with concerned parties and will also be the object of a public inquiry. The wind farm may be operational in 2008. Work on this project will be conducted by an equal partnership between TOTAL and Harpen, a member of the RWE group, organized as the Eoliennes de Mounès company. TOTAL responded to a call for tenders from the French authorities by submitting a proposal in 2004 to create a wind farm offshore Dunkirk. This proposal was not selected by the French Ministry of Industry, which announced a new tender invitation. TOTAL plans on resubmitting a proposal for this offer.

Wave power

In addition to its participation in the development of solar-photovoltaic and wind power, TOTAL has decided to participate in the development of wave power. In June 2005 TOTAL acquired a 10% interest in a pilot project located offshore Santona, on the northern coast of Spain. Studies are underway to determine the ultimate size of the facilities, including the generation capacity. This research and development project should provide information necessary to better assess the technical and economic potential of this technology.

DOWNSTREAM

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

The table below sets forth sales and operating income (adjusted for special items) for Total's Downstream segment for the periods indicated.

DOWNSTREAM SEGMENT FINANCIAL DATA⁽¹⁾

	For the Year Ended December 31,	
	2005	2004
	(in millions of euros)	
Non-Group sales	99,934	86,896
Adjusted operating income	3,899	3,235
Adjusted net operating income	2,916	2,331

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- (1) See Item 5. Operating and Financial Review and Prospects Results by Business Segment 2005 Compared to 2004 Downstream and Note 5 of the Notes to the Consolidated Financial Statements included in this Annual Report for more detailed information on the Downstream segment together with a description of adjustments.

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Refining & Marketing

On December 31, 2005, TOTAL's worldwide refining capacity was 2,708 kb/d. The Group's refined products sales in 2005 increased to 3,885 kb/d (including trading activities), compared to 3,771 kb/d in 2004 and 3,652 kb/d in 2003. TOTAL is the largest refiner-marketer in Europe¹ and, with a market share of 11%, the largest marketer in Africa². As of December 31, 2005, TOTAL's marketing network consisted of 16,976 retail stations worldwide (compared to 16,857 in 2004 and 17,284 in 2003), of which approximately 50% are owned by the Group. TOTAL's refineries also allow the Group to produce a broad range of specialty products, such as lubricants, liquefied petroleum gas (LPG), jet fuel, petrochemical feedstock, special fluids and bitumens.

At the end of 2003, TOTAL decided to accelerate its program for investment in refining to respond to an increasing demand for diesel fuel in Europe and to take advantage of the price differential between heavy crude oil and light crude oil. This program, which was launched in 2004 with the start of construction of a distillate hydrocracker (DHC) at the Group's refinery in Normandy, France, includes major conversion and desulphurisation projects. Under this program, the Group plans to invest an average of 800 M per year over the period from 2005 to 2010 (excluding capitalization of turnarounds). For its marketing activities, the Group's strategy is to strengthen its existing positions in Europe and Africa and to pursue targeted growth in certain other markets, notably in Asia.

Refining

As of December 31, 2005, TOTAL held interests in 27 refineries (including 13 that it operates), located in Europe, the United States, the French West Indies, Africa and China. TOTAL's activities in Western Europe have a refining capacity of 2,344 kb/d, accounting for more than 85% of the Group's refining capacity and making TOTAL the leading refiner in this region. TOTAL operates 12 refineries in Western Europe. Six are located in France, one in Belgium, one in Germany, two in the United Kingdom, one in Italy and one in the Netherlands. TOTAL also has minority interests in another German refinery (Schwedt) and participates in four refineries in Spain through its interest in Cepsa. In the United States, TOTAL operates the Port Arthur, Texas refinery near the Gulf of Mexico, which has a capacity of 174 kb/d. This refinery benefits from the increasing integration of refining and petrochemical operations.

From 2005 to 2010, TOTAL plans to invest approximately 5 B to adapt the Group's refineries to changes in the oil refining market as well as to improve energy efficiency and industrial safety. Most significantly, these investments are designed to increase the production of diesel fuel, the demand for which continues to grow in Europe. The first project of this type is the construction of a distillate hydrocracker (DHC) at the Normandy refinery in France. The construction of this unit began in the spring of 2004 and the unit is scheduled to enter into operation in the summer of 2006. This project is designed to allow the Group to respond to the growing European demand for light distillates (in particular diesel and jet fuel), to reduce the refineries production of heavy fuel oil and to produce high quality feedstock for lubricants and specialty fluids as well as naphta for the neighbouring steamcracker. The project represents a total investment of approximately 500 M over the period from 2003 to 2006, and includes the construction, at the same time, of a hydrogen production unit expected to cost approximately 100 M. A hydrocracker with a capacity 2.1 Mt is also planned to be built at Cepsa's refinery located in Huelva in Spain and to enter into operation near the end of 2009. This project represents an investment of nearly 1 B.

In addition, these investments are also intended to increase the Group's capacity to refine high-sulphur crude oil in order to adapt to the increasing proportion of heavy and high-sulphur crude oils being imported from the Commonwealth of Independent States (CIS). The first of these projects is the construction of a desulphurization unit at the Lindsey (Immingham) refinery in the United Kingdom. This investment of approximately 0.2 B should allow the plant to raise the proportion of high-sulphur crude that it can process from 10% to 70%. The unit is scheduled to begin operating near the end of 2008. A second project to construct a desulphurization unit at the Donges refinery in France is currently being studied.

These investments will also be used to build a deep-conversion unit in North America to treat heavy crude oil from Venezuela and Mexico. TOTAL is currently studying a project to build a coker that would start operations in 2010. The investment related to this project is estimated at approximately \$0.9 billion. Finally, these investments will be used to improve the reliability and energy efficiency of the Group's refineries, to reduce emissions and for maintenance.

¹ Based on refining capacities and/or sales.

² PFC Energy September 2005.

³ To be completed by a crude distillation unit (CDU), a vacuum distillation unit (VDU) and a hydrogen-producing steam methane reforming (SMR) unit.

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In 2005, TOTAL raised its interest in the Rome refinery in Italy to 71.9% by acquiring an additional 14.4% from Shell, who also sold 5.6% of the refinery to ERG. In return, TOTAL sold its 18% interest in the Reichstett refinery in France to Shell. During 2005, six of TOTAL's refineries in Europe were affected by major turnarounds. These turnarounds were also used by TOTAL to adapt the refining units to meet new European requirements for low-sulfur fuels (10 ppm) that come into effect in 2009, to reduce the environmental impact of the units (air and water quality), to increase energy efficiency and to improve safety.

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

CRUDE OIL REFINING CAPACITY⁽¹⁾

	December 31,		
	2005	2004 <i>(kb/d)</i>	2003
Refineries operated by the Group			
Normandy (France)	331	328	343
Provence (France)	158	155	159
Flandres (France)	159	160	160
Donges (France)	229	231	231
Feyzin (France)	118	119	117
Grandpuits (France)	99	99	97
Antwerp (Belgium)	350	352	352
Leuna (Germany)	225	227	220
Rome (Italy) ⁽²⁾	64	52	52
Immingham (UK)	221	223	223
Milford Haven (UK) ⁽³⁾	73	73	73
Vlissingen (Netherlands) ⁽⁴⁾	84	84	84
Port Arthur, Texas (United States)	174	176	176
Sub-total	2,285	2,279	2,287
Other refineries in which the Group has an interest ⁽⁵⁾	423	413	409
Total	2,708	2,692	2,696

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

(2) TOTAL interest on December 31, 2005: 71.9%. TOTAL interest on December 31, 2004 and 2003: 57.5%.

(3) TOTAL interest 70%.

(4) TOTAL interest 55%.

(5) 14 refineries in which TOTAL has interests ranging from 16.7% to 55.6% (seven in Africa, four in Spain, one in Germany, one in Martinique and one in China) and the Reichstett refinery in France in 2003 and 2004.

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

PRODUCTION LEVELS

	2005	2004 <i>(kb/d)</i>	2003
	Gasoline	534	580
Avgas and jet fuel	191	188	177
Kerosene and diesel fuel	639	712	724

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Fuel oils and heating oils	593	552	535
Other products	406	419	419
Total⁽¹⁾	2,363	2,451	2,439
Utilization rate (based on crude refining only)	88%	92% ⁽²⁾	91% ⁽²⁾

(1) Includes TOTAL's 45.3% share of Cepsa.

(2) Revised to reflect calculation based on crude refining only.

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The Group is one of the leading marketers, based on refined product sales, in the combined six largest markets in Europe (France, Spain, Benelux, United Kingdom, Germany and Italy). In September 2005, TOTAL announced the acquisition of ExxonMobil's marketing and distribution affiliates in fourteen African countries, making TOTAL the largest marketer in Africa with a market share of 11%.

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⁾

	2005	2004	2003
		(kb/d)	
France	852	882	917
Rest of Europe ⁽¹⁾	1,537	1,505	1,509
United States	256	257	237
Africa	260	245	232
Rest of World	151	129	87
Total excluding Trading	3,056	3,018	2,982
Trading (Balancing and Export Sales)	829	753	670
Total including Trading	3,885	3,771	3,652

(1) Includes TOTAL's 45.3% share of Cepsa.

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

RETAIL STATIONS

	2005	2004	2003
France ⁽¹⁾	5,459	5,626	5,917
Rest of Europe (excluding Cepsa)	4,937	5,003	5,196
Cepsa ⁽²⁾	1,677	1,697	1,710
Africa	3,505	3,199 ⁽³⁾	3,324
Other countries	1,398	1,332 ⁽³⁾	1,137
Total	16,976	16,857	17,284

(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.

(3) Revised to take into account the transfer of stations in Madagascar from the Africa zone to the category other countries.

Europe

In 2004, the Group completed implementing its program to unify its network under the TOTAL brand. Coupled with a new corporate identity program to provide higher visibility for the TOTAL brand, this program has led to a more coherent and effective commercial

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strategy. TOTAL is among the leaders in Europe for fuel-payment cards, with approximately 3 million holders in 16 European countries. In 2005, more than 4.54 Mm³ of motor fuels were sold and paid by card, compared to 4.41 Mm³ in 2004 and 4.32 Mm³ in 2003. TOTAL has a network of 435 AS24-branded retail stations dedicated to professional transporters in 17 European countries.

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 stores, while benefiting from customer loyalty programs. Elf-branded retail stations offer quality fuels and basic services at prices that are particularly competitive. As of December 31, 2005, the TOTAL-branded network consisted of approximately 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.

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Elsewhere in Europe, TOTAL is developing its network of stations in Belgium, Luxembourg, the Netherlands, Germany, the UK, Italy, Portugal and, through its 45.3% interest in the Spanish company Cepsa, Spain. In 2003 and 2004 the Group took steps to focus its European marketing activities in certain countries where it had a significant market share. These steps included acquiring service stations in Germany from Shell-DEA in 2004 in exchange for service stations in France, the Czech Republic and Hungary and concluding an agreement with Agip Petroli and Galp in 2003 to sell TOTAL-branded stations in Spain in exchange for service stations in Italy and Portugal.

In France in 2005, there was an important round of renewals of motorway service station concessions, concerning a total of 58 motorway concessions including 17 belonging to TOTAL. The Group obtained 12 concessions that it considers to be of high strategic value because of their size and location. In Germany, the major restructuring program launched in 2004 was continued in 2005 with the rationalization of the network's portfolio and the development of non-fuel sales. In the UK, the restructuring program launched in 2003 has had a positive impact and a second phase aiming to further rationalize sites and to develop non-fuel sales will continue in 2006.

In April 2005, TOTAL launched two new high-performance fuels, branded TOTAL EXCELLIUM 98 and TOTAL EXCELLIUM diesel, in France, Belgium, Italy, the Netherlands, the UK and Turkey. These new generation fuels reduce fuel consumption and carbon dioxide emissions, decrease exhaust emissions (in particular carbon monoxide), reduce the noise level upon ignition and clean sensitive engine parts such as injectors and inlet valves. The EXCELLIUM range of products demonstrates TOTAL's commitment to developing innovative and economical technological solutions to respond to its customers needs. At the end of 2005, the results of this initiative, in terms of market penetration, were better than those originally targeted.

In 2005, TOTAL began distributing a urea-based additive called AdBlue for European professional transport vehicles. This product destroys nitrogen oxide in truck exhaust systems in order to meet current and future environmental standards (Euro IV and Euro V). In June 2005, TOTAL inaugurated the first French service station marketing urea, near Lyon. From 2006 to 2008, TOTAL will supply AdBlue in 25 European countries through a network of 400 retail outlets, including 200 in France.

The Group renewed its partnership agreements with car-manufacturers Renault and Peugeot in 2005. These agreements concern research and development (for fuels and lubricants), commercial relations with dealerships and motor sports sponsoring.

Africa

As of December 31, 2005, TOTAL was present in more than 40 African countries and had interests in seven refineries. In 2005, TOTAL strengthened its position in Africa by signing an agreement to acquire the marketing and distribution affiliates of ExxonMobil in 14 African countries (Chad, Djibouti, Eritrea, Ethiopia, Ghana, Guinea Conakry, Liberia, Malawi, Mauritius, Mozambique, Sierra Leone, Togo, Zambia and Zimbabwe). These acquisitions are now effective (with the exception of an interest in Zambia which is still subject to the approval of anti-competition authorities). This acquisition includes 500 service stations and 29 terminals and depots with a capacity of 380,000 m³. With this agreement, TOTAL is reinforcing its presence in western African countries, consolidating its positions in eastern Africa and becoming the largest marketer of petroleum products in Africa.

Asia

As of December 31, 2005, TOTAL is present in 14 Asian countries and has an interest in the refinery at Dalian in China. In March 2005, TOTAL signed a joint-venture agreement with Sinochem in China to develop a network of 200 retail stations in Beijing and the area to the north of the city. The total investment for this project should be approximately \$120 million. Three service stations were operating as of December 31, 2005. A second joint-venture with Sinochem for the creation of 300 service stations in the provinces of Shanghai, Jiangsu and Zhejiang in eastern China with a total investment of approximately \$100 million was signed in September 2005. The first 100 stations under this agreement were approved by the Chinese Ministry of Commerce in December 2005. The remaining 200 stations should be authorized after the petroleum products distribution market in China is completely opened, which is expected to occur in 2006.

TOTAL and Sinochem have been partners for more than 10 years in the WEPEC refinery located in Dalian, in which TOTAL has 22.4% interest and which has a refining capacity of 10 Mt/y. A distillate hydrocracker with a planned capacity of 1.5 Mt/y is under construction and is scheduled to begin operations in 2006. These investments represent a major step forward in TOTAL's strategy of expanding its petroleum products marketing operations in China. In 2005, TOTAL continued to develop its network in the Philippines and in Pakistan.

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Other Countries

In addition to the zones previously mentioned, TOTAL has also developed a significant presence in Turkey and in the Caribbean. In 2004, TOTAL strengthened its positions in the Caribbean with the creation of two new subsidiaries in Jamaica and Puerto Rico. These new subsidiaries complement TOTAL's existing activities in Haiti, the French West Indies, Cuba and Costa Rica.

Specialties

TOTAL produces a wide range of refined petroleum products at its refineries and other facilities. TOTAL is among the leading companies in the European specialty products market, in particular in the bitumens, jet fuels and lubricants markets. TOTAL distributes aviation fuel at 550 airports and markets lubricants in over 150 countries. In 2005, TOTAL strengthened its positions in the Central and Eastern European lubricants market by entering into a joint-venture with the Romanian company Lubriffin. The joint venture is 51% owned by TOTAL and was created to produce and market lubricants and greases for the automotive and industrial markets. TOTAL has continued to develop its international LPG (butane and propane) distribution activities and is the fourth largest international distributor on the basis of volumes sold.

Bio-fuels and hydrogen

The Group plays an active part in the promotion of renewable energies and alternative fuels. In 2005, TOTAL consolidated its position as a major participant among oil companies active in biofuels in Europe by producing 390 kt of ETBE¹ in seven refineries² and incorporating 321 kt of VOME³ in diesel fuels produced at eight European refineries. In May, 2005, TOTAL signed a VOME supply contract with Sofiprot  ol and Diester Industry for periodically increasing quantities of up to 600 kt/y. In July 2005, TOTAL signed a Memorandum of Understanding with Neste Oil for the production of a new generation bio-diesel. TOTAL and Neste Oil are studying the possibility of building, through a 50/50 joint venture, a production plant for this biodiesel at one of TOTAL's refineries in Europe. This new, high-quality bio-diesel should contribute to meeting the objectives defined in Europe for incorporating bio-fuels.

Also in 2005, TOTAL intensified its research efforts for making biomass technologies commercially viable, including both technical procedures (electricity and steam production) and new products (emerging technologies for producing bio-fuels and other bio-products). TOTAL has formed partnerships in the Netherlands (to develop technology for converting wet biomass residues into bio-diesel), Germany (to study various methods of gasifying biomass) and in France (for various research projects supported by the French National Research Agency). TOTAL has also been cooperating with automobile manufacturers to study the use of these bio-fuels in automobile engines.

In 2005, TOTAL continued its research and testing programs for fuel cell technologies and hydrogen fuels. In this area, TOTAL has entered into cooperation agreements for automotive applications (with Renault in 2003 and Delphi in 2001) as well as stationary applications (with Electrabel and Idatech in 2004). Under its partnership with BVG, the largest public transport company in Germany and the operator of buses in Berlin, TOTAL created the hydrogen center of excellence in Berlin. The first public hydrogen fueling station has been operating in Berlin since November 2005. 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 new technology in Europe.

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 appropriate 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.

1 ETBE: Ethyl-Tertio-Butyl-Ether.

2 Including the Algeciras and Huelva refineries (Cepsa).

3 VOME: Vegetable-Oil-Methyl-Esther.

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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

	2005	2004	2003
	(kb/d, except %)		
Sales of crude oil			
Total Sales	4,465	4,720	4,713
Sales to Downstream segment ⁽¹⁾	2,111	2,281	2,165
Sales to external customers	2,354	2,439	2,548
Sales to external customers as a percentage of total sales	53%	52%	54%
Supply of crude oil			
Total supply	4,465	4,720	4,713
Produced by the Group ⁽²⁾⁽³⁾	1,615	1,686	1,608
Purchased from external suppliers	2,850	3,034	3,105
Production by the Group as a percentage of total supply	36%	36%	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 division 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 division 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. All of TOTAL's trading activities are subject to strict internal controls and trading limits.

In 2005, the principal market components reached exceptionally high levels:

	2005	2004	2003	min 2005	max 2005
Brent IPE 1st line	\$/b 55.3	38.0	28.5	40.5 (January)	67.7 (September)
Diesel IPE 1st line	\$/t 507.9	347.5	250.1	361.5 (January)	655.3 (September)
VLCC Ras Tanura Chiba BITR	\$/t 13.9	20.0	12.1	6.7 (June)	30.4 (November)

(IPE: International Petroleum Exchange, now ICE futures)

(1st line: Quotation for first month nearby delivery on the International Petroleum Exchange)

(VLCC: Very Large Crude Carrier. Data estimated from BITR's market quotations. BITR: Baltic International Tanker Routes)

Throughout 2005, the Trading division maintained a high level of activity, trading physical volumes of crude oil and refined products amounting to an average of approximately 5 Mb/d.

Shipping

The principal activity of the Shipping division is to arrange the transportation of crude oil and refined products necessary for Group activities. The Shipping division 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 a number of shipowners, the Group uses

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freight-rate derivative contracts in its shipping activity in order to adjust its exposure to freight-rate fluctuations.

In 2005, the Shipping division of the Group chartered 3,032 voyages to transport approximately 130 Mt of oil. The Shipping division employs a fleet made up of 60 vessels chartered under long-term or medium-term agreements (including six LPG tankers). The fleet is modern, with an average age of approximately six years for crude carriers and less than five years for product carriers, and is predominately comprised of double-hulled vessels.

In 2004, 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 number of vessels decommissioned in 2004 and 2005 was relatively low, due to high spot-chartering rates. The number of new vessels expected to enter into service in 2006, 2007 and 2008 should result in lower freight rates and an increase in the number of single-hulled ships that are decommissioned.

Table of Contents**CHEMICALS**

TOTAL is one of the world's largest integrated chemical producers based on annual sales. The Chemicals segment is organized into the Base Chemicals sector (petrochemicals and fertilizers), the Specialties sector, which includes the Group's rubber processing, resins, adhesives and electroplating activities, and Arkema which, since October 1, 2004, regroups chlorochemicals (formerly part of the Base Chemicals & Polymers sector), intermediates and performance polymers.

In February 2004, TOTAL announced a reorganization of its Chemicals segment to streamline its organization and create a separate entity (alongside its Base Chemicals and Specialties activities) designed to have the flexibility to adapt to market trends and the ability to be more responsive to its customers. This new entity, named Arkema, was 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 is expected to become a stand-alone entity in 2006.¹

In 2005 the Industrial Safety department of the Chemicals segment continued to focus on three key areas: on-the-job safety, safety management systems and risk prevention.

The table below sets forth selected financial information for TOTAL's Chemicals segment for each of the periods indicated. Financial data for the Chemicals segment for 2004 and 2005 are presented according to the new internal organization resulting from the creation of Arkema.

CHEMICALS SEGMENT FINANCIAL DATA⁽¹⁾

	For the Year Ended December 31,	
	2005	2004
	(in millions of euros)	
Non-Group sales	22,326	20,042
Adjusted operating income	1,349	1,138
Adjusted net operating income	957	767

(1) See Item 5. Operating and Financial Review and Prospects Results by Business Segment 2005 Compared to 2004 Downstream and Note 5 of the Notes to the Consolidated Financial Statements included in this Annual Report for more detailed information on the Chemicals segment together with a description of adjustments.

Base Chemicals

TOTAL's Base Chemicals activities encompass petrochemicals, including base petrochemicals (the production of olefins and aromatics), polyethylene, polypropylene and styrenics, as well as fertilizers. Sales reached 10.25 B in 2005, compared to 8.86 B in 2004. Raw materials prices and energy costs were significantly higher in 2005 than in 2004. The resulting increases in the price of monomers and polymers negatively impacted the general level of demand in 2005. In spite of this context, the adjusted operating income from the Base Chemicals activities increased by nearly 15% in 2005 compared to 2004.

Petrochemicals

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

¹ Subject to the approval of the shareholders meeting to be held on May 12, 2006.

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The following tables set forth the production capacities by main product groups and, for 2005, by region of TOTAL's petrochemicals as at the date indicated.

PRODUCTION CAPACITIES

		2005			2004	2003
	Europe	North America	Asia and the Middle East ⁽³⁾	Worldwide	Worldwide	Worldwide
As at December 31, (kt/y)						
Olefins ⁽¹⁾	5,185	1,155	665	7,005	7,055	6,960
Aromatics	2,550	930	645	4,125	4,040	3,870
Polyethylene	1,315	440	280	2,035	2,130	2,186
Polypropylene	1,205	1,070	145	2,420	2,305	2,295
Styrenics ⁽²⁾	1,310	1,350	515	3,175	3,110	3,110

(1) Ethylene, propylene and butadiene.

(2) Styrene, polystyrene and elastomers.

(3) Including minority interest in Qatar and 50% of Samsung-Total Petrochemicals capacities in Daesan (South Korea).

TOTAL's main petrochemicals sites are located in Belgium (Antwerp, Feluy), France (Gonfreville, Carling, Lavéra, Feyzin), and the United States (Port Arthur, Houston and Bayport in Texas, Carville in Louisiana) as well as in Singapore and China (Foshan). Most of these sites are either adjacent to or connected to Group refineries. As a result, most of TOTAL's petrochemicals activities are closely integrated with the Group's refining operations.

On August 1, 2003, TOTAL entered into a 50/50 joint venture with Samsung General Chemicals. This joint venture, named Samsung-Total Petrochemicals, has an integrated site at Daesan in South Korea where it produces a wide range of petrochemicals products and polymers which are marketed in Asia.

TOTAL's objective is to reinforce its position among the leaders in petrochemicals by combining targeted growth with enhanced productivity at its existing large sites. In the more mature markets, TOTAL intends to improve the competitiveness of its existing large sites. In the faster growing Asian markets, TOTAL's strategy is to expand its activities, either from plants located within the more dynamic markets or from sites located in countries benefiting from favorable access to raw materials.

In this context, Samsung-Total Petrochemicals launched an important program in 2005 to expand and upgrade its site at Daesan. This investment targets a significant expansion of the capacities of the steamcracker and of the styrene plant, as well as the construction of a new polypropylene line. These new capacities are scheduled to be put on stream in 2007 and 2008, respectively. In Qatar, TOTAL, through its affiliate Qatofin, is participating in the construction of an ethane-based steam-cracker at Ras Laffan and of a new linear low-density polyethylene at Mesaieed. These two units are planned to be put on stream in 2008.

Base petrochemicals

Base petrochemicals encompasses the olefins and aromatics produced by steamcracking petroleum cuts, mainly naphtha, as well as propylene and aromatics produced in the refineries of the Group. The economic environment for these activities is extremely volatile and margins are strongly influenced by the evolution of the price of naphtha. The year 2005 was characterized by a significant increase in the price of naphtha. The subsequent increase of the prices of steamcracker products had a negative impact on the global level of the demand for derivatives. Olefins production increased by approximately 4% in 2005 compared to 2004 reaching a new record level after having increased by 12% in 2004 compared to 2003.

Polyethylene

Polyethylene is a plastic produced by the polymerization of ethylene manufactured in the Group's steamcrackers. It is principally intended for the packaging, automotive, food, cable and pipe markets. Margins are strongly influenced by the level of demand and by competition from expanding production in the Middle-East, which takes advantage of favorable access to raw materials (ethane, which is associated with crude oil production). In 2005, demand in Asia remained strong and absorbed most of the increased production from the Middle East. In the United States, hurricanes had a significant impact on production. In this environment,

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TOTAL s sales volumes decreased by 3% compared to 2004 after having increased by 5% in 2004 compared to 2003.

Table of Contents***Polypropylene***

Polypropylene is a plastic produced by the polymerization of propylene manufactured in the steam-crackers and refineries of the Group and principally intended for the packaging, appliance, car industry, carpet and household and sanitary goods markets. Margins are primarily influenced by the level of demand and by the availability and price of propylene. In 2005, prices reached record levels which adversely impacted demand, particularly in Europe. Hurricanes also had a negative impact on American demand. In Asia, demand remained weak in the first half of the year but improved in the second half. Sales volumes globally increased by 7% in 2005 compared to 2004, and by 3% in 2004 compared to 2003.

Styrenics

This business unit encompasses styrene monomer, polystyrene and elastomers. Most of the styrene produced by the Group is used in the production of polystyrene. Polystyrene is a plastic principally used in packaging, domestic appliances, electronics and audio-video. Margins are strongly influenced by the level of polystyrene demand as well as by the price of benzene, the principal raw material. In 2005, polystyrene demand was particularly weak in Europe and in North America after moderate growth in 2004. Demand was strong in China in 2005 and 2004, where TOTAL's 2005 sales increased by 22% compared to 2004.

Fertilizers

The Fertilizers business unit (Grande Paroisse) manufactures and markets nitrogen fertilizers, made using natural gas, and complex fertilizers, made using nitrogen, phosphorus and potassium products. Margins are strongly influenced by the price of natural gas. In 2005, sales grew by approximately 7% compared to 2004 after having increased by more than 12% in 2004 compared to 2003. Volumes of nitrogen fertilizers sold in 2005 increased markedly while the demand for complex fertilizers fell sharply.

Grande Paroisse has continued to deal with the consequences of the explosion that struck its Toulouse plant on September 21, 2001 and has continued to make payments, under the French law presumption of civil responsibility, over and above the compensation paid by insurance companies, reaching a cumulative amount approaching 1,165 M as of December 31, 2005.

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 2005, sales for the Specialties sector reached 6.52 B, an 8% increase compared with 2004 in spite of weak demand in Europe, after having increased by 5% in 2004 compared to 2003. The adjusted operating income from the Specialties activities increased by nearly 10% in 2005 compared to 2004.

Rubber processing

Hutchinson manufactures and markets products obtained from rubber processing for the automotive and aerospace industries as well as for consumer markets. Sales increased by approximately 4% in 2005 compared to 2004 after increasing by approximately 3% in 2004 compared to 2003. Industrial sales benefited from strong demand in the defense as well as in the aerospace industry in 2005 and grew by approximately 15% compared to 2004. Sales in the consumer goods sector decreased by approximately 3% due to weaker European consumer spending in 2005. In spite of weak demand in the automotive industry in Europe and North America in 2005, sales to the automotive industry remained stable at their 2004 levels.

Hutchinson strengthened its industrial division in July 2005 by acquiring the French company Techlam, a former affiliate of Safran, a manufacturer of mechanical parts for various industrial segments. Hutchinson continued to pursue its strategy of seeking to develop its positions in growing markets such as Central and Eastern Europe, South America and China.

Resins

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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 2005, in spite of relatively weak demand

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sales grew by approximately 13% compared to 2004, after having increased by 7% in 2004 compared to 2003. In 2005, Cray Valley strengthened its position in the adhesive resins market with the acquisition of Wingtak resins from Goodyear and Sartomer acquired the Kaucuk plant in the Czech Republic. This plant manufactures polybutadiene additives for which the market is expanding.

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 markets. In 2005, sales increased by 6% compared to 2004 after having increased by 3% in 2004 compared to 2003. In 2005 demand remained strong in the United States and Asia but declined in Western Europe, particularly in the consumer sector, and the prices of raw materials increased.

In 2005, Bostik began the construction of two new flooring adhesives plants in Sainville, France and Sidney, Australia. Bostik also acquired various companies in 2005 with positions in the construction, industrial and distribution segments in Turkey (Cekomastik), in the UK (Laybond and Biscem) and in the Philippines (Global Brands). Bostik also acquired AV Syntec specialized in adhesives for the lumber industry in Australia.

Electroplating

Atotech, which encompasses TOTAL s electroplating activities, is the second largest company in this market, based on worldwide sales. In 2005, sales grew by 7% compared to 2004 and by nearly 6% in 2004 compared to 2003. Following a relatively weak first half of 2005, conditions improved in the second half, driven by strong demand from the Asian electronics industry.

In 2005, Atotech acquired KAM, a supplier of biochemical solutions to the automotive industry, as well as two companies that manufacture and market various plating products: Chemeta in Lithuania and Russia and MAG in the Czech Republic and Slovakia. Production capacities at the Guangzhou, China and Neuruppin, Germany sites were expanded in 2005.

Arkema

In 2004, TOTAL reorganized its Chemicals segment by placing its chlorochemicals, intermediates and performance polymers activities in a new entity, which was named Arkema effective October 1, 2004. Arkema has 14 business units organized into three sectors, Vinyl Products, Industrial Chemicals, and Performance Products. Each business unit has worldwide activities with industrial sites in Europe, North America and Asia and commercial affiliates in over 40 countries. Arkema operates six research and development centers; four in France, one in the United States and one in Japan, and employs approximately 1,400 researchers. Arkema allocates approximately 3% of its sales to research and development. Arkema is preparing to become independent following TOTAL s shareholder meeting on May 12, 2006 which will vote on resolutions to spin-off the business. Arkema s sales increased by nearly 8% in 2005 compared to 2004 and its 2005 adjusted operating income was almost twice that as in 2004.

Vinyl Products

The Vinyl Products sector consists of a number of activities ranging from the electrolysis of salt to PVC (Poly Vinyl Chloride) conversion. It includes the manufacture of chlorine-soda, VCM (Vinyl Chloride Monomer), chloromethanes, chlorine derivatives, PVC, a pipes and profiles business (Alphacan), as well as PVC compounds. Its three business units are Chlorochemicals and PVC, Vinyl Compounds and Alphacan. This sector is subject to fluctuating market conditions and intense competition. Arkema intends to remain a major player in Europe and launched a productivity plan in 2005 which would include the shutdown of underperforming plants and the expansion of its most competitive plants. Under this plan the Saint-Auban facility will specialize in its more competitive activities (specialty PVC, T111) and close its loss-making activities; the Saint-Fons facility will refocus on PVC production; the Fos, Lavéra and Berre plants will increase their production capacities; and the PVC production units at the Balan site will be upgraded. The plan contemplates eliminating more than 500 jobs and investing approximately 100 M .

The **Chlorochemicals and PVC** business unit includes chlorine-soda electrolysis (membrane, diaphragm and mercury processes), the production of chemicals immediately downstream (VCM, chloromethanes and chlorine derivatives) and the manufacture of PVC (PVC suspension, PVC paste and copolymers). The **Vinyl Compounds** business unit offers an extensive range of ready-to-use products manufactured by blending PVC with additives

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(plasticizers, stabilizers, colorants). It uses a large number of raw materials, some of which are produced by Arkema (PVC, plasticizers, stabilizers, modifiers). **Alphacan**'s activities lie downstream from PVC production. It manufactures two major product lines, pipes and profiles, primarily by extruding PVC compounds manufactured in its own facilities. The Company primarily supplies the construction market with a range of products for wastewater disposal, drinking water transportation, sanitation, irrigation, heating systems, window profiles.

Industrial Chemicals

The Industrial Chemicals sector groups several chemical intermediates activities into five business units: Acrylics, PMMA (polymethylethacrylate), Thiochemicals, Fluorochemicals and Hydrogen Peroxide. These activities share a number of common characteristics, including complex manufacturing processes and the worldwide markets with significant potential for growth, particularly in Asia. Arkema has production plants in Europe and North America for most of its key products (acrylic acid, methyl methacrylate, PMMA, fluorochemicals, hydrogen peroxide, sulfur derivatives). The business sector is also present in Asia, where it has local production facilities in fluorochemicals, hydrogen peroxide and PMMA.

Industrial Chemicals plans on developing its business through the use of new facilities in Asia, debottlenecking projects in Europe and the United States, implementing cooperative projects with its major partners, and enhancing the reliability of its production plants. The main products within the **Acrylics** business unit include acrylic acid and its derivatives (acrylic esters, super-absorbents), methyl methacrylate, oxo alcohols, phthalic anhydride and dioctylphthalate. Its main markets include coatings (paints, UV curing), super-absorbents, PMMA, plastic additives, water treatment, paper manufacturing and adhesives.

The **PMMA** business unit conducts its worldwide activities as Altuglas International, with the Altuglas® and Plexiglas® trademarks. It is present on three continents with plants in the United States, Mexico, Europe and South Korea. Following a two-fold capacity increase at the Jinhae plant (South Korea) in 2004, this business unit has continued to develop its presence in Asia. The plan to consolidate its entire European sheet production at its two French facilities, Bernouville and Saint-Avold, began a new phase with the startup of an extruded sheet line at Bernouville in May 2005. The plan should be fully implemented by the end of 2006.

The **Thiochemicals** business unit includes sulfur derivatives, amines, oxygenated solvents, and rubber additives. Its markets are highly diverse and include animal feed, the oil industry, water treatment, fine chemicals, polymers and the rubber industry. The start-up of new acrolein and MMP (methylthiopropionaldehyde) plants at the Beaumont facility (United States) was an important event in 2005. This investment illustrates Arkema's commitment to remaining an important supplier of methyl mercaptan to the methionine industry.

The **Fluorochemicals** business unit produces and markets a range of HCFCs (hydrochlorofluorocarbons) and HFCs (hydrofluorocarbons) under the brand Forane®. These products are used primarily in refrigeration (building, motorcar, distribution) and foam manufacture (e.g. blowing agent for polyurethane foam). Some grades are used as monomers for fluorinated polymers (PTFE or polytetrafluoroethylene, PVDF or polyvinylidene fluoride). For Arkema, Fluorochemicals are a worldwide business, with production plants in Europe (France, Spain), the United States and China.

The **Hydrogen Peroxide** business unit targets applications in two major sectors: bleaching and chemicals. Its main products include hydrogen peroxide, sodium chlorate, and hydrazine and its derivatives. Production involves six industrial facilities. Hydrogen peroxide is a global business for Arkema, with production plants in Europe (France, Germany), North America (Canada, United States), and Asia (China). In July 2005, Arkema announced a plan to extend its production capacities in North America by 20 kt/y through investments at its Bécancour facility (Quebec, Canada). The new capacity is due to come on stream in mid-2006. This decision is in line with Arkema's strategy to continue developing this activity. Arkema also increased the capacity of its Shanghai plant (China) in 2004.

Performance Products

The Performance Products sector consists of six business units: Technical Polymers, Specialty Chemicals (Ceca), Organic Peroxides, Additives, Urea Formaldehyde Resins, and Agrochemicals (Cerexagri). These business units have a common objective: provide their various markets with technical solutions adapted to their customers' specific needs. Arkema has strong positions in a number of niche markets, i.e. polyamide 11 and 12, PVDF, molecular sieves, PVC additives (tin-based heat stabilizers, impact modifiers, and acrylic process aids), organic peroxides, as well as pre- and post-harvest treatments for fruits and vegetables. With industrial facilities on three

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continents, Arkema is able to reach markets worldwide. The key factors for the Performance Products sector include the quality of customer relationships, the ability to offer innovative solutions and develop new high value-added products, and the ability to capitalize on the potential offered by growing regional markets.

The **Technical Polymers** business unit consists of a number of product lines (specialty polyamides, PVDF, functional polyolefins) with well-known brands: Rilsan[®], Orgaso[®], Pebax[®], Kynar[®], Evatane[®], Lotryl[®], Lotader[®] and Orevac[®]. A new EVA high content plant came on stream in May 2005 at the Balan site (France). This new plant replaces the former unit at Mont (France) which has been closed. The activities of the **Specialty Chemicals** (Ceca) business unit, which are organized as a subsidiary, involve two sectors: surfactants and interface agents on one hand and adsorption and filtration on the other.

Organic Peroxides are initiators used in a number of areas: commodity polymers (polymerization initiators for low density polyethylene, PVC, polystyrene), acrylic polymers, unsaturated polyesters, and rubber curing. Arkema operates 10 production plants in North and South America, Europe and Asia. The start-up of the Changshu plant, near Shanghai (China) in July 2005 has boosted the Company's base in Asia, which already included production plants in South Korea, India and Japan. Restructuring plans have been announced at Saint-Fons (France) and Spinetta (Italy) in order to improve the competitiveness of the European activities.

The **Additives** business unit includes PVC additives and tin derivatives. Its products include four main groups: impact modifiers and process aids for PVC, heat stabilizers for PVC, coating additives, and catalysts. The business unit has a global presence, with production plants in Europe (Netherlands), the United States, and Asia (China, Japan), and ranks among the worldwide leaders in its main applications. The **Urea Formaldehyde Resins** business unit manufactures and markets urea, formaldehyde and melamine resins for the wood industry (particle boards, plywood, flooring). It operates two production plants, in Villers Saint-Paul (France) and in Leuna (Germany), which is placed to capitalize on the growing demand from Central Europe. The **Agrochemicals** (Cerexagri) business unit focuses its activity on a number of niche sectors of the agrochemicals market, including fruits and vegetables, producing fungicides, insecticides and post-harvest protection specialties.

OTHER MATTERS

Various factors, including certain events or circumstances discussed below, have affected or may affect our business and results.

Political and Economic Factors Which May Affect Business

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 and which might be subject to material modifications by the governments of certain countries. In addition, substantial portions of TOTAL's oil and gas reserves are located in certain countries which may individually be considered politically and economically unstable. These reserves and the related operations are subject to certain risks, including:

- 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,

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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 assurance that such events will not adversely affect TOTAL.

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The Argentine Financial Crisis

In Argentina, the Group has recorded asset impairment charges related to the effects of the financial crisis in this country which had a negative impact on net income (Group share) 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 2005, the entire Middle East represented 16% of the Group's production of oil and gas and 3.4% of the Group's operating income. 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.

Oil and Gas Exploration and Production Considerations

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, shortages or late delivery of equipment or weather conditions (the production of four fields situated in the Gulf of Mexico were affected by hurricane damage, principally by Hurricane Ivan in mid-September 2004 and, to a lesser degree, by Hurricane Katrina at the end of August 2005). Some of these risks may also affect TOTAL's projects and facilities further down in the oil chain.

Regulation

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

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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 audits and ensure 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.

French Regulation

TOTAL S.A., the parent holding company of the Group, is a French société anonyme with principal offices in France where a large number of the Company's top management lives and works. The Group is therefore subject to a wide range of French regulations. Certain matters related to our regulation under French corporate law are described under Item 6. Directors, Senior Management and Employees Board Practices Corporate Governance and Item 10. Additional Information Memorandum and Articles of Association. In accordance with French law, the Group participates in employee benefit plans offering retirement, death and disability, health and special termination benefits. The Group is also subject to French taxation through a consolidated income tax treatment approved by the French Ministry of Finance.

With respect to carrying on operations in France, the Group's exploration activities must be conducted under permits granted by the Minister of Industry. These permits are granted for a maximum of five years, with the possibility of renewing each permit twice (each renewal also for a maximum of five years). Development and production activities in France must be carried out under a concession granted by decree of the French Conseil d'Etat for a period of up to 25 years. When the holder of a French exploration permit makes a discovery, he is entitled to receive a concession for that discovery. In addition to normal corporate income tax, exploration and production activities in France are subject to royalties. For refining operations in France, the Group is required to give one month's prior notice of its intention to acquire, construct or shutdown refining plants. These projects are then subject to regulatory approvals. Retail service stations in France must obtain and renew certain operating permits to perform their business. In particular, highway stations must obtain a license to operate designated sites through a bidding process organized by the relevant highway operators, most of which are wholly or partially owned by the French State. The Group's business activities are also subject to a wide range of French regulations relating to health, safety and the environment. These include a number of directives of the European Commission which have been enacted into French law. Such regulations are discussed below in some detail under Health, Safety and Environment Regulations.

Health, Safety and Environment Regulations

TOTAL is subject in general to extensive and increasingly strict environmental regulation in the European Union. Significant directives which apply to its operations and products, particularly refining and marketing, but also its chemicals and, to a lesser extent, its upstream business, are:

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The directive for a system of Integrated Pollution Prevention and Control (IPPC), a cost/benefit framework used to assess environmental quality standards of, and place potential emissions limits on, large industrial plants, including our refineries and chemical sites.

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Air Quality Framework Directive and related directives on ambient air quality assessment and management, which, among other things, limit emissions for sulfur dioxide, oxides of nitrogen, particulate matter, lead, carbon monoxide, benzene and ozone.

The Sulfur Content Directive, under which sulfur in diesel fuel is limited to 0.2% beginning July 2000, and 0.1% beginning January 2008. Beginning January 2003, sulfur in heavy fuel oil is limited to 1%, with certain exceptions for combustion plants provided that local air quality standards are met.

The Large Combustion Plant Directive, a directive which limits certain emissions from large combustion plants, including sulfur dioxide, nitrogen oxides and particulates; this directive will become effective in 2008.

Automobile emission directives which control and limit exhaust emissions from cars and other motor vehicles.

Under these directives, emission controls will continue to become more stringent over time. From 2005, maximum sulfur levels for gasoline and diesel fuels are 50 ppm and, from 2009, a maximum sulfur content of 10 ppm will be mandatory throughout the EU.

The directive, adopted in September 2003, implementing the Kyoto Protocol within the European Union by establishing a system for greenhouse gas emissions quotas. This system, which entered into effect in January 2005, requires the Member States of the European Union to prepare quotas for industrial activities, in particular the energy sector, and to deliver carbon dioxide emissions permits based on these quotas.

The Major Hazards Directive, which requires emergency planning, public disclosure of emergency plans and ensuring that hazards are assessed, and effective emergency management systems.

The Framework Directive on Waste Disposal, intended to ensure that waste is recovered or disposed of without endangering human health and without using processes or methods which could unduly harm the environment. Numerous related directives regulate specific categories of waste.

Maritime oil spill directives, a number of which were passed in the wake of the Erika spill. The regulations coming into effect in the next few years require that tankers have double hulls and mandate improvements to navigation practices in the English channel.

Numerous water directives impose water quality standards based on the various uses of surface and coastal waters, including ground water, by setting limits on the discharges of many dangerous substances and by imposing information gathering and reporting requirements.

Adopted and effective in 2003, a comprehensive framework water directive has begun progressively replacing the numerous existing directives with a comprehensive set of requirements, including additional regulation obliging member countries to classify all water courses according to their biological, chemical and ecological quality; and to completely ban the discharges of approximately 30 toxic substances by 2017.

Numerous directives regulating the classification, labeling and packaging of chemical substances and their preparation as well as restricting and banning the use of certain chemical substances and products. The European Commission is still in the process of adopting a new system for Registration, Evaluation and Authorization of Chemicals (REACH) which will partially replace or complement the existing rules in this area.

REACH is expected to require the registration of up to 100,000 chemicals, including intermediaries and polymers. In depth economic studies are currently underway to evaluate the costs to the chemicals industry of implementing this new system.

In March 2004, the European Union adopted a Directive on Environmental Liability. Member States have three years from the time of adoption to transpose the directive into their national legislation. The directive seeks to implement a strict liability approach for damage to biodiversity from high-risk operations. Citizens' right to know about activities which potentially harm the environment is ensured through a 1990 directive regarding access to environmental information. In January 2003, this directive was replaced by a subsequent right-to-know directive which goes beyond the previous directive in setting the timescale in which information must be provided and imposing fines for non-compliance. The directive also increases public disclosure of emissions to the environment.

A directive implementing the Aarhus Convention concerning certain public participation rights in a variety of activities affecting the environment was adopted in May 2003. Member States have a period of two years to implement the new procedural rules in their national systems.

In the United States, where TOTAL's operations are much smaller than in Europe, it is also subject to significant environmental and safety regulation. Of particular relevance to TOTAL's lines of business there are:

The Comprehensive Environmental Response, Compensation, and Liability Act (also known as CERCLA or Superfund), under which waste generators, site owners, facility operators and certain other parties can

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be strictly liable for the entire cost of remediating sites contaminated by spills or waste disposal regardless of fault or the amount of waste sent to the site. Additionally, each state has laws similar to CERCLA.

Maritime oil spill laws and regulations, particularly the Oil Pollution Act of 1990 which was passed in the wake of the Exxon Valdez spill and which significantly increases oil spill prevention requirements, spill response planning obligations and spill liability for tankers and barges transporting oil, offshore oil platform facilities and onshore terminals.

The Clean Air Act and its regulations, which require, among other things, new fuel specifications and sulphur reductions, enhanced control and monitoring of major sources of specified and hazardous air pollutants; stringent air emission limits and new operating permits for chemical plants, refineries, marine and distribution terminals; and risk management plans for the storage of hazardous substances.

The Clean Water Act, which regulates the discharge of wastewater and other pollutants from both onshore and offshore operations and, among other things, requires industrial facilities to obtain permits for most surface water discharges, install control equipment, implement operational controls and preventative measures, including spill prevention and control plans and the control of stormwater runoff.

The Resource Conservation and Recovery Act (RCRA) regulates the storage, handling, treatment, transportation and disposal of hazardous and non-hazardous wastes and imposes corrective action requirements on regulated activities which mandate the investigation and remediation of potentially contaminated areas at these facilities.

Other significant U.S. environmental legislation includes the Toxic Substances Control Act which regulates the development, testing, import, export and introduction of new chemical products into commerce; the Occupational Safety and Health Act which imposes workplace safety and health, training and process standards to reduce the risks of chemical exposure and injury to employees; the Emergency Planning and Community Right-to-Know Act which requires emergency planning and spill notification as well as public disclosure of chemical usage and emissions.

Proceedings instituted by governmental authorities are pending or known to be contemplated against TOTAL and certain of its subsidiaries under applicable environmental laws which could result in monetary sanctions in excess of \$100,000. No individual proceeding is, nor are the proceedings as a group, expected to have a material adverse effect on TOTAL's consolidated financial position or profitability.

Operational Risks Related to the Environment and Safety

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 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

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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 and Management

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.

On sites with significant technological risks, risk analyses are performed for new developments, updated in case of planned significant modifications of existing equipment, and periodically re-evaluated. To harmonize these analyses 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 application of the French law of July 30, 2003. These Risk Prevention Plans will implement various urbanization measures in order to reduce risks to urban environments surrounding industrial sites. The texts implementing these aspects of the law of July 30, 2003 were published at the end of 2005.

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. These studies are based upon a common methodology. In countries where prior authorization and supervision is required, the projects are not undertaken without informing the relevant authorities of the studies.

For new products, risk characterizations and evaluations are performed. Furthermore, Life Cycle Analyses (ACV) for related risks are performed on certain products to study all the stages of a products' existence since their conception until the end of their 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 obligations is reflected in its Environmental contingencies and Asset retirement obligations (see Note 20 of the Notes to the Consolidated Financial Statements).

The forthcoming expenses related to Asset retirement obligations are accounted for in accordance with the principles described in Note 1 paragraph P of the Notes to the Consolidated Financial Statements.

Risk evaluations lead to the establishment of management measures that are designed to prevent and decrease the environmental impacts, to minimize the risks of accidents and to limit 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 or assessment of 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, an action plan was defined for the 2002-2005 period, focused on two initiatives for improvement: reducing the frequency and seriousness of on-the-job accidents and increasing mastery of industrial risks. The results related reducing on the job accidents are in line with goals, with a 59% decrease in the rate of accidents (with or without time-lost) per million hours worked over the last four years (compared to a goal of 60%). In terms of industrial risks, initiatives under the plan have included specific organization steps and behaviour as well as actions to minimize risks and increase safety for people and equipment. For example, the Downstream and Chemicals segments have made specific investments related to the protection of units, reinforcement of control rooms and security of logistics (stored volumes, transportation chains). The Group has set new goals for the 2006-2009 period in these two areas, and intends to actively pursue its policy for improving the safety of its activities.

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In parallel, an environmental action plan was put in place over the period from 2002 to 2007. It contains quantified goals for the reducing green house gas emissions, water pollution and sulfur dioxide emissions. It plans for ISO

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14001 certification for 75% of the Group's major sites by 2007. The evaluation of these activities is the subject of regular, coordinated reporting. Other parameters are surveyed and measured. Among other actions, the Chemicals and Refining & Marketing activities decided in 2005 to launch programs to significantly reduce emissions and pollution over a five year period, and will introduce corresponding investment programs.

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.

Insurance and Risk Management

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 2005, the amount of risk kept by OIRC after reinsurance was \$27.5 million per incident - property damage and loss of operations .

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.

These programs are contracted with first-class insurers (or reinsurers and mutual insurance companies of the oil industry through OIRC).

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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).

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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 2005 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.

For example, for the highest estimated risk of the Group (the Alwyn field in the UK), the insurance cap was \$1.1 billion in 2005.

Coverage of loss of operations was provided in 2005 for the Refining and Chemicals sectors for a compensation period of three years (Refining) or 2 years (Chemicals), also based on the identified worst-case disaster scenarios and on insurance market conditions (combined limits for property and loss of operations). Moreover, deductibles for material damages fluctuate between \$0.1 million and \$5 million depending on the level of risk, and are carried by the subsidiary.

As a result of less favorable insurance terms available on the market on January 1, 2006, the Group reduced its coverage for civil liability to \$735 million, increased the amount of property insurance retained by its reinsurance captive to \$50 million and terminated its coverage for loss of operations.

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.

Competition

The Group 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, Royal Dutch Shell, BP and Chevron. At the end of 2005, TOTAL ranked fourth among international oil companies in terms of market capitalization.

E-Commerce

In 2005, TOTAL continued to implement new technologies aimed at improving efficiency, particularly in purchasing, logistics and sales. The purchasing department of the Group has been implementing *e-Purchasing* initiatives (electronic supply, on-line negotiating and bidding) within Group entities. On-line negotiating tools are used in various purchasing activities, including industrial services (engineering, maintenance, etc.). In *e-Procurement*, the number of electronic orders sent, as well as the number of participating suppliers involved, continue to increase.

TOTAL's use of internet sales continues to increase, particularly in its marketing activities and through its on-line ordering portals opened to Group clients. A significant number of transactions (more than 200,000 on-line orders in 2005) has led to an increasing amount of sales (over 5 B in 2005). Bitumens, heavy fuel, gasoline, diesel and fuels are sold through these online services. In 2006, TOTAL anticipates making new products and services available through the internet. After a successful pilot program in 2004, in 2005 *e-Transit* initiatives (cooperative internet-based international transport management) were widely implemented in Exploration & Production subsidiaries as well as in certain of Arkema's activities. Other Group entities (for example, Hutchinson in the specialty chemicals industry) are prepared to introduce these services in 2006. TOTAL has also implemented *e-Booking* solutions for business travel. These allow employees to make on-line travel arrangements while benefiting from the Group's programs in this area, particularly negotiated air fares. *e-Invoicing* (electronic billing) initiatives continued in 2005, with the implementation of several projects anticipated in 2006.

ORGANIZATIONAL STRUCTURE

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TOTAL S.A. is the parent company of the TOTAL Group. As of December 31, 2005, there were 787 consolidated subsidiaries, of which 682 were fully consolidated, 11 were proportionately consolidated, and 94 were accounted for under the equity method. For a list of the Principal Subsidiaries of the Company, see Note 34 of the Notes to the Consolidated Financial Statements.

Table of Contents**PROPERTY, PLANTS AND EQUIPMENT**

TOTAL has freehold and leasehold interests in numerous countries throughout the world, none of which is material to TOTAL. See Business Overview Upstream for a description of TOTAL's reserves and sources of crude oil and natural gas.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Management's Discussion and Analysis is the Company's analysis of its financial performance and of significant trends that may affect its future performance. It should be read in conjunction with the Consolidated Financial Statements included elsewhere in this Annual Report. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which differ in certain respects from U.S. GAAP. For a description of such differences and a reconciliation of net income and shareholders' equity to U.S. GAAP, see Note 4 of the Notes to the Consolidated Financial Statements. This section contains forward-looking statements which are subject to risks and uncertainties. For a list of important factors that could cause actual results to differ materially from those expressed in the forward-looking statements, see Cautionary Statement Concerning Forward-Looking Statements on page v.

OVERVIEW

TOTAL's operating results are generally affected by a variety of factors, including movements in crude oil prices and refining margins, which are both generally denominated in dollars, and in exchange rates, particularly the value of the euro against the dollar. Higher crude oil prices generally have a positive effect on the operating income of TOTAL, as its Upstream oil and gas business benefits from the resulting increase in prices realized from production. Lower crude oil prices generally have a corresponding negative effect. The effect of changes in crude oil prices on TOTAL's Downstream activities depends upon the speed at which the prices of refined petroleum products adjust to reflect such changes. TOTAL's operating results are also affected by general economic and political conditions and changes in governmental laws and regulations. For more information, see Item 3. Key Information Risk Factors and Item 4. Information on the Company Other Matters.

2005 compared to 2004 results

In 2005, TOTAL's operating income was 24,047 M compared to 16,686 M in 2004. The 7.4 B, or 44%, increase in operating income was mainly due to the positive impacts of higher hydrocarbon prices, higher European refining margins and to generally more favorable Chemicals market conditions and to the lower negative impact of restructuring and impairment charges on operating income in 2005 compared to 2004. Hurricanes in the Gulf of Mexico had a negative impact on operating income for all segments in 2005. The positive impact of ongoing self-help programs in 2005 offset the negative impacts of higher costs in the Upstream segment and strikes in France.

TOTAL's net income was 12,273 M compared to 10,868 M in 2004. The 13% increase in net income in 2005 compared to 2004 was mainly due to the increase in operating income, which was partially offset by a higher effective tax rate and the net negative difference in 2005 compared to 2004 of the impact of items related to TOTAL's equity share of Sanofi-Aventis.

The Group's total expenditures were 11,195 M in 2005 compared to 8,904 M in 2004. The 26% increase in expenditures in 2005 includes 1.1 B in the Upstream segment for the acquisition of Deer Creek Energy Ltd.

1 Net income under U.S. GAAP was 11,597 M in 2005 (including changes in accounting policies, as described in Note 4 to the Notes to the Consolidated Financial Statements) compared to 7,221 M in 2004. For all periods presented, the difference in net income under IFRS and under U.S. GAAP reflected the difference in accounting treatment primarily of goodwill and purchase accounting related to Elf Aquitaine and Petrofina and the Sanofi-Aventis merger, derivative instruments and hedging activities, impairment of assets and employee benefits.

2 Total expenditures include intangible assets and property, plant and equipment additions; exploration costs directly charged to expenses; acquisitions of subsidiaries, net of cash acquired; investments in equity affiliates and other securities; and increases in long-term loans.

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Divestments in 2005 amounted to 1,088 M , including for the sale of 1.85% of the Kashagan permit to KazMunayGas and the sale of TOTAL 's interest in Humber Power in the UK. In both 2005 and 2004, the main source of funding for expenditures was cash from operating activities.

Outlook

TOTAL 's management measures the Group 's performance, makes investment decisions and sets future objectives including for return on average capital employed (ROACE)² for each segment.

In the Upstream segment, TOTAL is pursuing a strategy of profitable growth that it expects to translate into production growth of close to 4% per year on average between 2005 and 2010³. This growth should be particularly significant in Africa, where the growth rate is expected to be 7% per year on average through 2010³. Beyond 2010 the portfolio of projects offers strong visibility, due in particular to continued exploration success over the past years and to new giant gas and heavy oil projects.

In the Downstream segment, the contribution of new conversion and desulphurization projects combined with ongoing productivity programs should allow the segment to achieve a ROACE of 20% by 2010 and increase cash flow from operating activities by 0.9 B per year in an environment of \$25/t⁴ European refining margins (TRCV).

In petrochemicals, TOTAL 's objective is to continue to increase its polymers production, particularly in Asia and the Middle East, while reducing its fixed cost per unit. The Chemicals segment continues to target a ROACE of 12% at mid-cycle by 2010. As for renewable energies, in an important development in the wind energy business, TOTAL has been selected to build the largest onshore wind farm project in France in the Aveyron region. The 90 MW project is expected to start up in 2008. In addition, the Group expects a five-fold increase in the production of its photovoltaic cells and plans to build a new solar panel factory in Toulouse, France.

Implementing the Group 's growth strategy depends on a sustained investment program. The 2006 budget for capital expenditures is approximately 11 B , including approximately 8 B for the Upstream segment. Over the period 2006-2010 investments should remain relatively stable. The net-debt-to-equity ratio⁶ for the Group is targeted to remain in the range of 25% to 30%. TOTAL intends to pursue a dynamic dividend policy. Future dividends will, however, depend on the Company 's earnings, financial position and other factors⁷. In addition to dividends, the Company expects to continue to buy back its shares using cash flows from operations that are available after paying the dividend and funding the investment program.

TOTAL expects that the 2006-2007 period will be notable for the size and number of major Upstream project start-ups, including among them Dalia, BBLT and Rosa in Angola, Dolphin in Qatar, Surmont and Joslyn in Canada as well as the start-up of the hydrocracker at the Normandy refinery. The contribution of these start-ups is expected to be significant by the end of 2006. During 2006, TOTAL expects to rebalance its Chemicals portfolio by spinning off Arkema, which is one of the proposals shareholders will vote on at the May 12, 2006 Annual Meeting. Since the start of 2006, the oil market environment has remained globally favorable. Oil and gas prices have remained high but refining margins retreated below the level of the fourth quarter 2005.

CRITICAL ACCOUNTING POLICIES

A summary of the Group accounting policies is included in Note 1 of the Notes to the Consolidated Financial Statements. Management believes that the application of these policies on a consistent basis enables the Group to report useful and reliable information about the Group 's financial condition and results of operations.

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- 1 For a discussion of the risks and uncertainties related to these targets and expectations, see Cautionary Statement Concerning Forward-Looking Statements .
 - 2 ROACE = adjusted net operating income divided by the average capital employed using replacement costs. ROACE objectives are set with reference to certain assumptions about the future operating environment. For more information on ROACE, see Results by Business Segment 2005 compared to 2004 .
 - 3 Based on \$40/b Brent oil price.
 - 4 Approximate average TRCV margin over the past five years.
 - 5 Based on 1 = \$1.2, excluding acquisitions.
 - 6 This ratio comprises the sum of the Group 's current borrowings and bank overdrafts and its non-current debt, net of cash and cash equivalents and short-term investments, divided by the sum of shareholder 's equity, redeemable preferred shares issued by consolidated subsidiaries and

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minority interest after expected dividends.

- 7 The payment and amount of dividends are subject to the recommendation of the Board of Directors and resolution by the company's shareholders. For more information, see Item 8. Financial Information Dividend Policy .

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The preparation of financial statements in accordance with IFRS requires management to make estimates and apply assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of preparation of the financial statements and reported income and expenses for the period. Estimates and judgments are used in the Group's oil and gas accounting for reserves, assets and depreciation in application of the successful efforts method, valuation of long-lived assets, environmental remediation and restoration of sites estimations, accounting for pensions and post-retirement benefits and in the context of the computation of income taxes. Management reviews these estimates and assumptions on a continuous basis, by reference to past experience and various other factors considered as reasonable which form the basis for assessing the book value of assets and liabilities. Actual results may differ significantly from these estimates, if different assumptions or circumstances apply.

Lastly, where the accounting treatment of a specific transaction is not addressed by any accounting standards or interpretation, management applies judgment to define and apply accounting policies that will lead to relevant and reliable information, so that the financial statements:

- give a true and fair view of the Group's financial position, financial performance and cash flows;
- reflect the substance of transactions;
- are neutral;
- are prepared on a prudent basis; and
- are complete in all material aspects.

The following summary provides further information about the critical accounting policies, which could have a significant impact for the results of the Group and should be read in conjunction with Note 1 of the Notes to the Consolidated Financial Statements.

The assessment of critical accounting policies below is not meant to be an all-inclusive discussion of the uncertainties of financial results that can occur from the application of the full range of the Company's accounting policies. Materially different financial results could occur in the application of other accounting policies as well. Likewise, materially different results can occur upon the adoption of new accounting standards promulgated by the various rule-making bodies. For a discussion of the Company's transition to IFRS in 2005, see [Transition to International Financial Reporting Standards \(IFRS\)](#) below.

Successful efforts method of oil and gas accounting

The Group follows the successful efforts method of accounting for its oil and gas activities. The Group's oil and gas reserves are estimated by the Group's petroleum engineers in accordance with industry standards and SEC regulations. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Accordingly, these estimates do not include probable or possible reserves. Estimated oil and gas reserves are based on available reservoir data and prices and costs in the accounting period during which the estimate is made and are subject to future revision. The Group reassesses its oil and gas reserves at least once a year on all its properties.

Exploration leasehold acquisition costs are capitalized when acquired. During the exploration phase, management exercises judgment on the probability that prospects ultimately would partially or fully fail to find proved oil and gas reserves. Based on this judgmental approach, a leasehold impairment charge may be determined. This position is assessed and adjusted throughout the contractual period of the leasehold based in particular on the results of exploratory activity and the impairment is adjusted prospectively.

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:

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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.

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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, 2005, the Company had capitalized 219 M of exploratory drilling costs on this basis.

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, 2005, exploratory drilling costs capitalized on this basis amounted to 108 M and mainly related to four projects.

See Note 4 paragraph L of the Notes to the Consolidated Financial Statements for additional information.

The successful efforts method, among other things, requires that the capitalized costs for proved oil and gas properties (which include the costs of drilling successful wells) be amortized on the basis of reserves that are produced in a period as a percentage of the total estimated proved reserves. The impact of changes in estimated proved reserves are dealt with prospectively by amortizing the remaining book value of the asset over the expected future production. If proved reserve estimates are revised downward, earnings could be affected by higher depreciation expense or an immediate write-down of the property's book value. Conversely, if the oil and gas quantities were revised upwards, future per-barrel depreciation and depletion expense would be lower.

Valuation of long-lived assets

In addition to oil and gas assets that could become impaired under the application of successful efforts accounting, other assets could become impaired and require write-down if circumstances warrant. Conditions that could cause an asset to become impaired include lower-than-forecasted commodity sales prices, changes in the Group's business plans or a significant adverse change in the local or national business climate. The amount of an impairment charge would be based on estimates of an asset's fair value compared with its book value. The fair value usually is based on the present values of expected future cash flows using assumptions commensurate with the risks involved in the asset group. The expected future cash flows used for impairment reviews are based on judgmental assessments of future production volumes, prices and costs, considering information available at the date of review.

Dismantling, asset retirement obligations and environmental remediation

When legal and contractual obligations require it, the Group, upon application of International Accounting Standard (IAS) 37 and IAS 16, records provisions for the future decommissioning of production facilities at the end of their economic lives. Management makes judgments and estimates in recording liabilities. Most of these removal obligations are many years in the future and the precise requirements that will have to be met when the removal event actually occurs are uncertain. Asset removal technologies and costs are constantly changing, as well as political, environmental, safety and public expectations.

The Group also makes judgments and estimates in recording costs and establishing provisions for environmental clean-up and remediation costs which are based on current information on costs and expected plans for remediation. For environmental provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology.

Pensions and post-retirement benefits

Accounting for pensions and other post-retirement benefits involves judgments about uncertain events, including estimated retirement dates, salary levels at retirement, mortality rates, rates of return on plan assets, determination of discount rates for measuring plan obligations, healthcare cost-trend rates and rates of utilization of healthcare services by retirees. These assumptions are based on the environment in each country. The assumptions used are reviewed at the end of each year and may vary from year-to-year, based on the evolution of the situation, which will affect future results of operations. Any differences between these assumptions and the actual outcome will also impact future results of operations.

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The significant assumptions used to account for pensions and other post-retirement benefits are determined as follows:

Discount and inflation rates reflect the rates at which the benefits could be effectively settled, taking into account the duration of the obligation. Indications used in selecting the discount rate include rates of annuity contracts and rates of return on high-quality fixed-income investments (such as government bonds). The inflation rates reflect market conditions observed country by country.

Salary increase assumptions (when relevant) are determined by each entity. They reflect an estimate of the actual future salary levels of the individual employees involved, including future changes attributed to general price levels (consistent with inflation rate assumptions), productivity, seniority, promotion and other factors.

Healthcare cost trend assumptions (when relevant) reflect an estimate of the actual future changes in the cost of the healthcare related benefits provided to the plan participants and are based on past and current healthcare cost trends including healthcare inflation, changes in healthcare utilization, and changes in health status of the participants.

Demographic assumptions such as mortality, disability and turnover reflect the best estimate of these future events for the individual employees involved, based principally on available actuarial data.

Determination of expected rates of return on assets is made through compound averaging. For each plan, there are taken into account the distribution of investments among bonds, equities and cash and the expected rates of return on bonds, equities and cash. A weighted-average rate is then calculated.

The effect pensions had on results of operations, cash flow and liquidity is fully set out in Note 19 of the Notes to the Consolidated Financial Statements. Net periodic benefit charge in 2005 amounted to 335 M and the Company's contributions to pension plans were 323 M.

Differences between projected and actual costs and between the projected return and the actual return on plan assets routinely occur and are called actuarial gains and losses. The Group applies the corridor method to amortize its actuarial losses and gains. This method amortizes the net cumulative actuarial gains and losses that exceed 10% of the greater of (i) the present value of the defined benefit obligation and (ii) the fair value of plan assets, over the average expected remaining working lives of the employees participating in the plan.

The unrecognized actuarial losses of pension benefits as at December 31, 2005 were 777 M compared to 127 M for 2004. The increase in unrecognized actuarial losses is explained by a decrease in discount rates in 2005, that was partially offset by actuarial gains due to an increase in the value of plan assets. As explained above, pension accounting principles require that such actuarial losses be deferred and amortized over future periods, in the Company's case 15 years.

While the Company has not completed its calculations for 2006, it is considering a decreased weighted-average return for the year (6.14% compared to the 2005 rate of 6.57%), mainly due to the decrease in discount rates in 2005. The Company does not believe that it will be significantly modifying its discount rate in the near future.

The Company's estimates indicate that a 1% increase or decrease in the expected rate of return on pension plan assets would have caused a 54 M decrease or increase, respectively, in the 2005 net periodic pension cost. The estimated impact on benefit charge of the amortization of the unrecognized actuarial losses of 777 M as at December 31, 2005, is 5 M for 2006, compared to none in 2005.

Income tax computation

The computation of the Group's income tax expense requires the interpretation of complex tax laws and regulations in many taxing jurisdictions around the world, the determination of expected outcomes from pending litigation, and the assessment of audit findings that are performed by numerous taxing authorities. Actual income tax expense may differ from management's estimates.

Transition to International Financial Reporting Standards (IFRS)

Effective from January 1, 2005, TOTAL's consolidated financial statements as of and for the years ended December 31, 2005 and 2004 are prepared on the basis of IFRS as adopted by the European Union as of December 31, 2005. For the periods ending and

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as of December 31, 2005 and December 31, 2004, TOTAL's consolidated financial statements would not have been different if presented under IFRS as published by the IASB or under IFRS as adopted by the EU.

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Specific information on the first-time application of IFRS is provided in the Introduction of the Notes to the Consolidated Financial Statements. Information on the transition from French GAAP to IFRS is presented in Note 33 of the Notes to the Consolidated Financial Statements, including:

French GAAP to IFRS reconciliation of Shareholders' equity as of January 1, 2004 and December 31, 2004; and
French GAAP to IFRS reconciliation of Net Income for the year ended December 31, 2004.

GROUP RESULTS 2005 COMPARED TO 2004

	As of and for the year ended December 31,	
	2005	2004
	(in M€, except per share data)	
Sales	143,168	121,998
Operating Income	24,047	16,686
Net income (Group share)	12,273	10,868
Diluted earnings per share	20.78	17.92
Investments	11,195	8,904
Total divestitures	1,088	1,192
Cash flow from operating activities	14,669	14,662

The 2005 oil market environment was more favorable than in 2004. The average Brent oil price increased by 42% to \$54.5 per barrel in 2005 from \$38.3 per barrel in 2004 and the European refining margins indicator used by TOTAL's management (TRCV) rose sharply to \$41.6 per ton from \$32.8 per ton in 2004. The average dollar-euro exchange rate was unchanged at 1.24 dollars per euro. The environment for Chemicals activities was generally more favorable in 2005 than in 2004.

TOTAL's consolidated sales increased by 17% to 143.2 B€ in 2005 from 122.0 B€ in 2004. Operating income increased by 44% to 24,047 M€ in 2005 from 16,686 M€ in 2004. The 7.4 B€, or 44%, increase in operating income reflects the positive impact of higher hydrocarbon prices, the stronger refining environment, improved market conditions for Chemicals activities. Productivity improvements in the Downstream and Chemicals segments were more than offset by less favorable conditions for marketing activities, the impact of hurricanes in the Gulf of Mexico on the Group's activities, higher costs in the Upstream segment and the impact of strikes in France. Asset impairment and restructuring charges and provisions, mainly in the Chemicals segment, had a negative impact on operating income of 420 M€ in 2005 (including about 300 M€ related to Arkema). In 2004, asset impairment and restructuring charges and provisions, comprised mainly of asset impairment charges in the vinyl products and polyethylene activities in Europe, had a negative impact of 901 M€.

TOTAL's net income was 12,273 M€ in 2005 compared with 10,868 M€ in 2004. The 13% increase in net income in 2005 compared to 2004 was mainly due to the increase in operating income, which was partially offset by the net negative difference between the 542 M€ negative impact on net income in 2005 of TOTAL's equity share of the amortization of intangibles related to the Sanofi-Aventis merger and of special items recorded by Sanofi-Aventis and the positive impact of 2,286 M€ on net income in 2004 due to a dilution gain related to the Sanofi-Aventis merger (after taking into account TOTAL's equity share of the amortization of intangible assets also related to the Sanofi-Aventis merger) as well as the negative impact of the higher effective tax rate in 2005.

Over the course of 2005, the Group bought back 18.3 million of its shares, or nearly 3% of its share capital, for 3,485 M€. Earnings per share, based on 590.5 million fully-diluted weighted-average shares, rose to 20.78 euros in 2005 from 17.92 euros in 2004, an increase of 16%, which is higher than the increase in net income due to the accretive effect of the share buy-backs.

RESULTS BY BUSINESS SEGMENT 2005 COMPARED TO 2004**Business Segment Reporting**

The financial information for each business segment is reported on the same basis as that 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 excluded from the

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- 1 Net income under U.S. GAAP was 11,597 M in 2005 compared to 7,221 M in 2004. For all periods presented, the difference in net income under IFRS and under U.S. GAAP reflected the difference in accounting treatment primarily of goodwill and purchase accounting related to Elf Aquitaine and PetroFina and the Sanofi-Aventis merger, derivative instruments and hedging activities, impairments of assets and employee benefits.

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business segment figures. In general, special items relate to transactions that are significant, infrequent or unusual. However, in certain instances, certain transactions such as restructuring costs or assets disposals, which are not considered to be representative of normal course of business, may be qualified as special items although they may have occurred in prior years or are likely to recur in following years.

In accordance with International Accounting Standard (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. The adjusted results of the Downstream segment and Chemicals segment are presented according to the replacement cost method in order to ensure the comparability of the Group's results with those of its competitors, mainly North American. In the replacement cost method, which approximates the LIFO (Last-In, First-Out) method, the variation of inventory value in the income statement is determined by the average prices of the period rather than the historical value. The inventory valuation effect is the difference between the results according to the FIFO method and the replacement cost method. The adjusted business segment results (adjusted operating income and adjusted net operating income) are defined as replacement cost results, adjusted for special items. For further information on the adjustments affecting operating income on a segment-by-segment basis, and for a reconciliation of segment figures to figures reported in the Company's audited consolidated financial statements, see Note 5 of the Notes to the Consolidated Financial Statements.

In addition, the Group measures performance at the segment level on the basis of net operating income and adjusted net operating income. Net operating income comprises operating income at the segment level after deducting the amortization and the depreciation of intangible assets other than leasehold rights, translation adjustments and gains or losses on the sale of assets, as well as all other income and expenses related to capital employed (dividends from non-consolidated companies, equity in income in affiliates, capitalized interest expenses), and after income taxes applicable to the above. The income and expenses not included in net operating income which are included in net income are only interest expenses related to long-term liabilities net of interest earned on cash and cash equivalents, after applicable income taxes (net cost of net debt and minority interests). Adjusted net operating income excludes the effect of the adjustments (special items and the inventory valuation effect) described above.

The tables below set forth each of TOTAL's business segment's sales, operating income, reconciling items (equity in income (loss) of affiliates and other items and tax on net operating income) of net operating income to operating income, net operating income, adjustments to net operating income, adjusted net operating income, investments, divestments and ROACE for each of the years ended December 31, 2005 and 2004. For a discussion of the manner of calculating net operating income and ROACE, see Note 2 (Main indicators of the information by business segment) of the Notes to the Consolidated Financial Statements.

	Upstream	Downstream (in millions of euros)	Chemicals
2005			
Non-Group sales	20,888	99,934	22,326
Operating income	18,421	5,096	997
Equity in income (loss) of affiliates and other items	587	422	(641)
Tax on net operating income	(10,979)	(1,570)	(198)
Net operating income	8,029	3,948	158
Adjustments affecting net operating income		(1,032)	799
Adjusted net operating income ⁽¹⁾	8,029	2,916	957
Investments	8,111	1,779	1,115
Total divestitures	692	204	59
2004			
Non-Group sales	15,037	86,896	20,042
Operating income	12,844	3,638	553
Equity in income (loss) of affiliates and other items	148	95	(522)
Tax on net operating income	(7,281)	(1,131)	(53)
Net operating income	5,711	2,602	(22)
Adjustments affecting net operating income	148	(271)	789
Adjusted net operating income ⁽¹⁾	5,859	2,331	767
Investments	6,202	1,675	949
Total divestitures	637	200	122

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ROACE	Upstream	Downstream	Chemicals
2005	40%	28%	11%
2004	36%	25%	9%

(1) Adjusted for special items and the inventory valuation effect.

Upstream

Upstream segment sales (excluding sales to other segments) were 20,888 M in 2005 compared to 15,037 M in 2004, reflecting the positive impact of higher hydrocarbon prices, which were only partially offset by a decline in production volumes notably due to hurricanes in the Gulf of Mexico and maintenance in the North Sea.

Adjusted net operating income from the Upstream segment increased by 37% to 8,029 M in 2005 from 5,859 M in 2004. This nearly 2.2 B increase in adjusted net operating income from the Upstream segment was due to an estimated positive impact of 2.4 B from the stronger oil and gas market environment which was partially offset by an estimated negative impact of approximately 0.15 B of lower production, excluding the effect of higher hydrocarbon prices on entitlement volumes under production sharing and buy-back contracts, that was essentially due to hurricanes in the Gulf of Mexico, and by other factors, including higher costs, with an estimated negative impact of less than 0.1 B. There were no adjustments affecting Upstream net operating income in 2005. In 2004, the exclusion of special items (comprised primarily of asset impairment charges) had a positive impact of 148 M on adjusted net operating income. Upstream ROACE was 40% in 2005 compared to 36% in 2004, reflecting primarily the increase in adjusted net operating income.

In 2005, net operating income amounted to 8,029 M (for 2004, 5,711 M) from operating income of 18,421 M (for 2004, 12,844 M), with the difference between these two measurements resulting primarily from taxes on net operating income of 10,979 M (for 2004, 7,281 M), offset by income from equity affiliates and other items of 587 M (for 2004, 148 M).

Oil and gas production declined by 3.7% to 2,489 kboe/d in 2005 from 2,585 kboe/d in 2004. Adjusted for the negative impact of higher oil and gas prices on entitlement volumes from production sharing and buy-back contracts and excluding the impact of the hurricanes in the Gulf of Mexico, the Group's production remained stable in 2005 compared to 2004. Production growth mainly from Venezuela, Libya, Indonesia, Trinidad & Tobago and Argentina was offset by decreases in the North Sea (due, in particular, to the decommissioning of Frigg) and Syria.

The Upstream segment's proved reserves declined by 0.4% to 11,106 Mboe at December 31, 2005 from 11,148 Mboe at December 31, 2004. This slight decline includes the negative impact of the higher year-end 2005 price on the calculation of proved reserves. See Item 4. Information on the Company Business Overview Upstream Reserves Proved Reserves for a table showing changes in proved reserves by year and Supplemental Oil and Gas Information (Unaudited) contained elsewhere herein for additional information on proved reserves, including tables showing changes in proved reserves by region.

Total capital expenditures of the Upstream segment increased by 31% to 8,111 M in 2005 from 6,202 M in 2004. In 2005, development expenditures mainly included the following projects: Kashagan in Kazakhstan; Ekofisk and Snohvit in Norway; Dalia, Rosa and BBLT in Angola; Tunu-Tambora in Indonesia; Dolphin in Qatar; Forvie in the UK; Akpo and Bonga in Nigeria. In 2005, 1.1 B was dedicated to the acquisition of Deer Creek Energy Ltd in Canada. In 2004, capital expenditures were made mainly in France, Angola, Nigeria, Norway, Kazakhstan, the United States and Venezuela.

Strategically, TOTAL plans to continue to increase the weight of the Upstream segment within its overall activities. The Group's priority is to increase its hydrocarbon production, notably through the development of large projects, including conventional oil and gas, midstream gas, LNG, and enhanced recovery projects, while maintaining high profitability.

Downstream

Downstream segment sales (excluding sales to other segments) increased to 99,934 M in 2005 compared to 86,896 M in 2004. Refinery throughput declined by 3% to 2,410 kb/d in 2005 from 2,496 kb/d in 2004. The refinery utilization rate fell to 88% in 2005 from 92% in 2004 largely due to the effect of strikes in France and Hurricane Rita in the United States. Excluding the impact of the strikes and Hurricane Rita, the refinery utilization would have been 91%, slightly lower than the rate in 2004 due to a larger program of major turnarounds. There are fewer major turnarounds scheduled for 2006 than in 2005.

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Adjusted net operating income from the Downstream segment rose to 2,916 M in 2005 from 2,331 M in 2004, an increase of 25%. The stronger Downstream environment had a positive impact estimated at 0.6 B . Self-help

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programs contributed approximately 0.1 B , but this contribution was more than offset by an estimated 0.2 B negative impact from strikes in France and Hurricane Rita in the United States. The inventory valuation effect had a negative impact on adjusted net operating income of 1,032 M in 2005 and 349 M in 2004. Downstream ROACE increased to 28% in 2005 from 25% in 2004, reflecting primarily the increase in adjusted net operating income. There were no special items in the Downstream segment in 2005 while in 2004 the exclusion of special items had a positive impact of 78 M on adjusted net operating income from the Downstream segment.

In 2005, net operating income amounted to 3,948 M (for 2004, 2,602 M) from operating income of 5,096 M (for 2004, 3,638 M), with the difference between these two measurements resulting primarily from taxes on net operating income of 1,570 M (for 2004, 1,131 M), offset by income from equity affiliates and other items of 422 M (for 2004, 95 M).

Total capital expenditures by the Downstream segment were 1,779 M in 2005 compared to 1,675 M in 2004. Downstream investments in 2005 included 0.2 B for the construction of the distillate hydrocracker at the Normandy refinery, which is expected to start operations in 2006 as well as the acquisition of marketing activities in 14 African countries. TOTAL has committed to a stronger refinery investment program of about 800 M per year for the period 2006-2010 to upgrade its units so that they can process more high-sulfur crude and produce more high-quality light products. TOTAL plans to pursue its strategy of strengthening its positions in Europe and Africa and selectively growing in Asia, while improving returns through capital discipline and productivity gains.

Chemicals

Chemicals segment sales (excluding sales to other segments) increased by 11% to 22,326 M in 2005 from 20,042 M in 2004, primarily in response to an overall improved market environment for Chemicals. Adjusted net operating income from the Chemicals segment was 957 M in 2005 compared to 767 M in 2004, reflecting improvement in the operating income for each of the three sectors, Base chemicals, Specialities and Arkema. Market conditions for base chemicals were volatile during 2005, with a very favorable first quarter followed by margin weakness resulting from erratic customer demand linked to volatile raw material prices. Higher 2005 operating income from Arkema reflected the benefits of restructurings. Specialities performed well despite higher raw material costs.

The inventory valuation effect had a negative impact on adjusted net operating income for the Chemicals segment of 50 M in 2005 and 157 M in 2004. In 2005, the exclusion of special items (comprised mainly of restructuring charges, impairments and provisions for environmental liabilities in the Chemicals segment) had a positive impact of 849 M on adjusted net operating income. In 2004, the exclusion of special items (comprised mainly of asset impairments in the European vinyl products and polyethelene activities of the Chemicals segment as well as a provision for environmental remediation, also in the Chemical segment) had a positive impact of 946 M on adjusted net operating income. For further information on the impairment charges, including facts and circumstances giving rise to certain of them, see Note 5 paragraph D of the Notes to the Consolidated Financial Statements.

In 2005, net operating income amounted to 158 M (for 2004, a loss of 22 M) from operating income of 997 M (for 2004, 553 M), with the difference between these two measurements resulting primarily from losses from equity affiliates and other items of 641 M (for 2004, a loss of 522 M), as well as from taxes on net operating income of 198 M (for 2004, 53 M).

Chemicals ROACE was 11% in 2005 compared to 9% in 2004, reflecting primarily the increase in adjusted net operating income. Excluding the Arkema sector, which is expected to be spun off in 2006, the Chemicals ROACE would have been 12% in 2005. Total capital expenditures by the Chemicals segment increased to 1,115 M in 2005 compared to 949 M in 2004. Capital expenditures in both years were made mainly in Europe, the United States and Asia. In the Chemicals segment, the Group is targeting growth in high potential areas such as Asia while continuing to implement productivity programs. TOTAL has announced a strategic reorganization that involves spinning off Arkema, which includes the Chlorochemicals and Intermediates & Performance Polymers activities.

LIQUIDITY AND CAPITAL RESOURCES

TOTAL s cash requirements for working capital, share buy-backs, capital expenditures and acquisitions over the past two years were financed primarily by a combination of funds generated from operations, borrowings and divestments of non-core assets. The Group continually monitors the balance between cash flow from operating activities and net expenditures. In the Company s opinion, its working capital is sufficient for its present requirements.

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The largest part (approximately 90%) of TOTAL's capital expenditures are made up of additions to intangible assets and property, plant and equipment, with the remainder attributable to investments in financial assets. In the Upstream segment, as described in more detail under Supplemental Oil and Gas Information Costs incurred, capital expenditures are principally development costs (approximately 70% mainly for construction of new production facilities), exploration expenditures (successful or unsuccessful, approximately 9%) and acquisitions of proved and unproved properties (approximately 15%). In the Downstream segment, about 55% of capital expenditures are related to refining activities (essentially 54% for upgrading units and 46% for new construction), the balance being used in marketing/retail activities and for information systems. In the Chemicals segment, capital expenditures relate to all activities, and are split between upgrading units (approximately 80%) and new construction (approximately 20%).

For detailed information on expenditures by business segment, please refer to the discussion of Company Results for each segment above.

TOTAL's capital expenditures were 11,195 M in 2005 compared to 8,904 M in 2004, representing an increase of 26%. During 2005, 72% of the expenditures were made by the Upstream segment, 16% by the Downstream segment, 10% by the Chemicals segment and 2% by Corporate. During 2004, 71% of the expenditures were made by the Upstream segment, 18% by the Downstream segment, 10% by the Chemicals segment and 1% by Corporate. The main source of funding for such expenditures has been cash from operating activities.

Cash flow from operating activities was 14,669 M in 2005 compared to 14,662 M in 2004. TOTAL's non-current financial debt was 13,793 M at year-end 2005 compared 11,289 M at year-end 2004. For further information on the Company's level of borrowing and the type of financial instruments, including maturity profile of debt and currency and interest rate structure, see Note 21 of the Notes to the Consolidated Financial Statements included in this Annual Report. For further information on the Company's treasury policies, including the use of instruments for hedging purposes and the currencies in which cash and cash equivalents are held, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Total divestitures, based on selling price and net of cash sold, were 1,088 M in 2005 compared to 1,192 in 2004 M. In 2005, the Group sold 1.85% of Kashagan to KazMunayGas and its interest in the UK power generation company Humber Power. In 2004, TOTAL sold certain financial assets and non-strategic operating assets in the Upstream, Downstream and Chemicals segments and also transferred certain assets to Gaz de France in an asset swap.

Shareholders' equity increased by 9,065 M to 41,483 M at December 31, 2005 from 32,418 M at December 31, 2004. Changes to shareholders' equity in 2005 were due primarily to the addition of net income, offset by the cancellation of treasury shares, the payment of the annual dividend and translation adjustments. During 2005, TOTAL repurchased 18.3 million shares for 3.5 B. During 2004, TOTAL repurchased 22.55 million of its own shares for approximately 3.6 B.

As of December 31, 2005, TOTAL's net-debt-to-equity ratio, which is the sum of its current borrowings, net current financial instruments and non-current financial debt net of its hedging instruments of non-current financial debt, cash and cash equivalents divided by the sum of shareholders' equity, redeemable preferred shares issued by consolidated subsidiaries and minority interest after expected dividends, was 32% compared to 30.7% at year-end 2004. Over the 2004-2005 period, TOTAL used its net cash flow (cash flow from operating activities less total expenditures plus total divestitures) to maintain this ratio in its target range of around 25 to 30% primarily by managing net debt (financial short-term debt plus non-current debt less cash and cash equivalents), while higher net income increased shareholders' equity and repurchases and cancellations of shares decreased shareholders' equity. As of December 31, 2005, TOTAL S.A. had \$7,335 million of long-term confirmed lines of credit, of which \$7,293 million were unused.

In 2006, the Company expects to use net cash flow after dividends to maintain its net debt-to-equity ratio in the targeted range of around 25 to 30% and to continue to repurchase shares of the Company depending on the market environment and the level of divestments.

OFF-BALANCE SHEET ARRANGEMENTS

Neither TOTAL S.A. nor any other members of the Group has any off-balance sheet arrangements that currently have or are reasonably likely to have a material future effect on the Group's financial condition, changes in financial condition, revenues or expenses, results of operation, liquidity, capital expenditure or capital resources. See Note 24 of the Notes to the Consolidated Financial Statements for information on the Company's commitments and contingencies.

Table of Contents**CONTRACTUAL OBLIGATIONS**

	Payment due by period				Total
	Less than	More than			
		1 year	1-3 years	3-5 years	
	(in millions of euros)				
Non-current debt obligations ⁽¹⁾		4,715	4,163	4,060	12,938
Current debt obligations ⁽²⁾	903				903
Capital (finance) lease obligations ⁽³⁾	51	97	82	199	429
Asset retirement obligations ⁽⁴⁾	174	256	190	3,090	3,710
Operating lease obligations ⁽³⁾	273	380	214	441	1,308
Purchase obligations ⁽⁵⁾	3,402	3,461	4,651	12,663	24,177
Total	4,803	8,909	9,300	20,453	43,465

- (1) Non-current debt obligations is included in the items Non-current financial debt and Hedging instruments of non-current financial debt of the balance sheet. It includes the non-current portion of issue swaps and swaps hedging debenture loans, and excludes non-current capital lease obligations of 378 M .
- (2) The current portion of non-current debt is included in the items Current borrowings and Current financial instruments of the balance sheet. It includes the current portion of issue swaps and swaps hedging debenture loans and excludes the current portion of capital lease obligations of 51 M .
- (3) Capital (finance) lease obligations and operating lease obligations: the Group leases real estate, service stations, ships, and other equipment through non-cancelable capital and operating leases. These amounts represent the future minimum lease payments on non-cancelable leases to which the Group is committed as of December 31, 2005.
- (4) The discounted present value of upstream asset retirement obligations, primarily asset removal costs at the completion date.
- (5) Purchase obligations are obligations under contractual agreements to purchase goods or services, including capital projects, that are enforceable and legally binding on the company, and that specify all significant terms, including the amount and the timing of the payments. These obligations include mainly: hydrocarbon unconditional purchase contracts (except where an active, highly-liquid market exists and which are expected to be re-sold shortly after purchase), booking of transport capacities in pipelines, unconditional exploration works and development works in Upstream, and contracts for capital investment projects in Downstream. This disclosure does not include contractual exploration obligations with host states where a monetary value is not attributed, purchases of booking capacities in pipelines where the Group has a participation superior to the capacity used, and purchase obligation commitments on fields where the Group is not the operator.
- The Group has other obligations in connection with pension plans which are described in Note 19 of the Notes to the Consolidated Financial Statements. As these obligations are not contractually fixed as to timing and amount, they have not been included in this disclosure. Other non-current liabilities, detailed in Note 20 of the Notes to the Consolidated Financial Statements, are liabilities related to risks that are probable and amounts that can be reasonably estimated. However, no contractual agreements exist related to the settlement of such liabilities, and the timing of the settlement is not known.

RESEARCH AND DEVELOPMENT

The Group strategy for research and development is focused on its three business segments, principally in the following areas:

Exploration and Production technology to allow access, at acceptable costs, to new energy resources (high-pressure/high-temperature, deep offshore, heavy crude oils, polyphasic transportation, acidic gas) as well as environment-friendly technologies such as reduction of greenhouse gas emissions, capture and sequestration of CO₂ produced by the Group's units, containment of acidic gas emissions and efficient use of water in the upstream industrial process.

Refining technology to allow the identification, anticipation and the reduction of constraints linked to the operation of facilities, the evolution of specifications and the control of environmental emissions, including by exploitation of biofuels and, more generally, bioenergy, and marketing technology allowing the creation of innovative products representing sales

opportunities.

Chemical processes to increase competitiveness, quality, safety and respect of the environment, in particular on the following themes: new catalyst and polymerization technologies, new products (bio-polymers and bio-degradable polymers, elastomers, anti-vibration systems, new coatings) as well as nano-technologies.

Research and development costs amounted to 676 M in 2005 (or 0.5% of sales) compared to 635 M in 2004. The number of employees dedicated to research and development activities in 2005 was 5,312 compared to 5,257 in 2004.

Table of Contents**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

In accordance with French law governing a *société anonyme*, the Company's affairs are managed by its Board of Directors and by its Chairman, President-Chief Executive Officer, who has full executive authority to manage the affairs of the Company.

DIRECTORS AND SENIOR MANAGEMENT**Board of Directors**

As of February 28, 2006, the Company's Board of Directors was comprised of 16 members. The Company's *statuts* provide that the number of members of TOTAL's Board of Directors may be within an unspecified range permitted by French law, which sets the maximum number of at 18. The members are elected by the shareholders of the Company entitled to vote at ordinary general shareholders meetings.

The Company's *statuts* currently provide that each director elected by the shareholders may serve for a term not to exceed three years. In addition to reviewing and monitoring the Company's business, the powers generally held by the Board of Directors include the preparation of the Company's year-end accounts, the presentation of the accounts to the shareholders and the convening of shareholders meetings. Under French law, directors may be held liable, either individually or jointly with other directors, for their actions if these actions are contrary to the interests of the company.

The table below sets forth, as of February 28, 2006 the name, year of initial appointment, year of expiration of term, age, principal business activities outside of the Company, and number of shares owned of each director of the Company.

Name	Director		Age	Principal Business Activities Outside of the Company	Number of
	Since	Expires			Shares
Thierry Desmarest, Chairman	1995	2007	60	Chairman and President-Chief Executive Officer of TOTAL S.A., Director of Sanofi-Aventis (pharmaceuticals), Member of the Supervisory Board of Air Liquide (industrial and medical gases and related services) and of Areva (nuclear power), Chairman and President-Chief Executive Officer of Elf Aquitaine.	73,300
Daniel Boeuf	2004	2007	57	Head of Training and Skills Management, Specialties sector, TOTAL FRANCE. Chairman of the Supervisory Board of the Total Actionnariat France employee investment fund.	1,229 ⁽¹⁾
Daniel Bouton ⁽²⁾	1997	2006	55	Chairman and Chief Executive Officer of Société Générale (retail, corporate and investment bank), Director of Schneider Electric S.A. (electrical distribution, industrial control and automation), and of Veolia Environnement (environmental services).	800
Bertrand Collomb	2000	2006	63	Chairman of the Board of Lafarge (construction materials) and Vice-Chairman of Unilever (foods, home care and personal care).	1,178

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Name	Director		Age	Principal Business Activities Outside of the Company	Number of
	Since	Expires			Shares
Paul Desmarais Jr. ⁽³⁾⁽⁴⁾	2002	2008	51	Chairman of the Board and Co-chief Executive Officer of Power Corporation of Canada (management and holding company, financial services and communications sectors), Vice-Chairman and Acting Managing Director of Pargesa Holding (holding company, media, energy, water, waste services and specialty minerals sectors), Vice-Chairman of the Board of Imerys, (minerals processing), Directors and Member of the Management Committee of Great West (financial services holding company, life and health insurance, investment and retirement savings and reinsurance businesses, of Groupe Bruxelles Lambert (holding company, industrial companies of diversified sectors), and of the London Insurance Group Inc. (insurance), Director of Suez (energy, environment, water and waste services).	Owned 500
Jacques Friedmann ⁽⁵⁾	2000	2006	73	Director of LVMH (luxury goods).	1,519
Bertrand Jacquillat	1996	2008	61	University Professor. Co-founder and Chairman and Chief Executive Officer of Associés en Finance (financial analysis and valuation), Member of the Supervisory Board of Klépierre (commercial real estate management).	900
Antoine Jeancourt-Galignani	1994	2006	69	Former Chairman of Assurances Générales de France (insurance), Chairman of the Supervisory Board of Euro Disney SCA (operator of Disneyland Resort Paris), Director of Société Générale (retail, corporate and investment banking), Gecina (real estate) and of Kaufman & Broad (residential and commercial development and construction).	1,085
Anne Lauvergeon ⁽⁶⁾	2000	2006	46	Chairman of the Management Board of Areva (nuclear power and connectors), Director of Suez (energy, environment, water and waste services), Vice-Chairman of the Supervisory Board of Safran (aerospace, defense and communications).	500
Lord Peter Levene of Portsoken	2005	2008	64	Chairman of Lloyd's (insurance), International Financial Services London (financial services industry organization) and of General Dynamics UK Ltd (defense).	500
Maurice Lippens	2003	2008	62	Chairman of Fortis (banking, insurance and investment services), Director of Suez-Tractebel (energy and power), Groupe Bruxelles Lambert (holding company for industrial companies in diversified sectors) and Belgacom (telecommunications).	800

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Name	Director		Age	Principal Business Activities Outside of the Company	Number of
	Since	Expires			Shares
Michel Pébereau ⁽⁵⁾	2000	2006	63	Chairman of BNP Paribas (retail, corporate and investment banking), Director of Lafarge (construction materials) and Saint-Gobain (producer, processor and distributor of materials), Member of the Supervisory Board of AXA (insurance, asset management and financial services). President of the European Banking Federation (professional organization).	Owned 589
Thierry de Rudder ⁽³⁾	1999	2007	56	Acting Managing Director of Groupe Bruxelles Lambert (holding company for industrial companies in diversified sectors), Director of Suez (energy, environment, water, waste services and power) and Imerys (minerals processing).	989
Jürgen Sarrazin	2000	2006	70	Former Chairman of the Management Board of Dresdner Bank (commercial and investment banking).	1,477
Serge Tchuruk	1989	2007	68	Chairman and Chief Executive Officer of Alcatel (communications), Director of Thales (defense, aerospace and information technology).	24,574
Pierre Vaillaud	2000	2006	71	Former Chairman and Chief Executive Officer of Elf Aquitaine and of Technip, Director of Technip (engineering, technological and construction services in the oil and gas and petrochemical sectors), Member of the Supervisory Board of Cegelec (energy and electrical power, automation, instrumentation and control systems, information and communication technologies) and Oddo Pinatton (independent brokerage company).	500

(1) Corresponding to 600 TOTAL shares and approximately 629 shares of the TOTAL Actionnariat France employee investment fund, each of which corresponds to approximately one TOTAL share.

(2) Mr. Bouton is Chairman and Chief Executive Officer of Société Générale, which, to the Company's knowledge, owns less than 0.1% of the Company's shares and 0.1% of the voting rights. Mr. Bouton disclaims beneficial ownership of such shares.

(3) Messrs. de Rudder and Desmarais Jr are Managing Director and Director, respectively, of Bruxelles Lambert Group (Belgium), which acting in concert with Compagnie Nationale à Portefeuille and Kermadec S.A., to the Company's knowledge, owns 5.2% of the Company's shares and 8.3% of the voting rights. Messrs. de Rudder and Desmarais Jr. disclaim beneficial ownership of such shares.

(4) Corresponding to 1,000 ADRs.

(5) Mr. Pébereau is Chairman of BNP Paribas and, until May 2005, Mr. Friedmann was a director of BNP Paribas. To the Company's knowledge, BNP Paribas owns 0.2% of the Company's shares and 0.3% of the voting rights. Messrs. Pébereau and Friedmann disclaim beneficial ownership of such shares.

(6) Ms. Lauvergeon is Chairman of the Managing Board of Areva, which, to the Company's knowledge, owns 0.3% of the Company's shares and 0.6% of the voting rights. Ms. Lauvergeon disclaims beneficial ownership of such shares.

Executive Officers

Pursuant to the Company's *statuts*, general management of the Company is performed under the responsibility of either the Chairman of the Board of Directors (*Président du Conseil d'Administration*) or by another person appointed by the Board of Directors and bearing the title President-Chief Executive Officer (*Directeur Général*). The Board of Directors selects one of these methods of exercising general management and once the determination is made, it remains in effect until a contrary decision is made. Acting on a proposal of the Nominating & Compensation Committee, on May 14, 2004 the Board of Directors resolved to continue to entrust the general management of the Company to the Chairman of the Board. This decision has not been modified.

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Under French law, the President-Chief Executive Officer has full executive authority to manage the affairs of the Company. Pursuant to the Company's *statuts*, he or she has broad powers to act on behalf of the Company and to represent the Company in dealings with third parties, subject only to those powers expressly reserved to the Board of Directors or the shareholders. The President-Chief Executive Officer determines, and is responsible for the implementation of, the goals, strategies and budgets for the Company's different businesses, which are reviewed and monitored by the Board of Directors.

When general management of the Company is assumed by the Chairman, the legal, regulatory or statutory provisions relative to the President are applicable to him or her, and he or she takes the title of Chairman of the Board, President-Chief Executive Officer (*Président-directeur général*). When the Board of Directors determines the separate functions of Chairman of the Board of Directors and President-Chief Executive Officer of the Company, the Board appoints a President-Chief Executive Officer, who need not be a member of the Board of Directors, sets the term for his or her appointment, and the degree of his or her powers. Neither the Chairman nor the President-Chief Executive Officer may continue in office beyond his or her sixty-fifth birthday.

The Board of Directors is authorized to appoint up to two Vice Chairmen (*Vice Président du Conseil d'Administration*). On the basis of a proposal by the Company's President-Chief Executive Officer, the Board of Directors may also appoint Executive Vice Presidents to assist the President-Chief Executive Officer. In 2003, TOTAL amended its Articles of Incorporation to provide for the election of one Director to represent employee shareholders. Mr. Daniel Boeuf was appointed as this director at the shareholders meeting held on May 14, 2004.

The management of the Company is carried out by the Executive Committee and the Management Committee. The Executive Committee is the primary decision-making body of the Group. It implements the strategy formulated by the Board of Directors and authorizes related investments. The Executive Committee meets twice monthly, or as often as necessary. The Management Committee facilitates coordination between the various units of the Company, monitors the results of the operational divisions and reviews the activity reports of the functional divisions. It includes all members of the Executive Committee (seven persons) as well as 22 senior managers from the various operational and functional divisions.

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The table below sets forth the name of each executive officer of the Company as of February 28, 2006, his position with the Group and the year in which he began serving as an executive officer. Each executive officer devotes all of his business activities to the Group:

Name	Position	Officer Since
Thierry Desmarest	Chairman and President-Chief Executive Officer of TOTAL	1989
François Cornélis ⁽¹⁾	Executive Vice-President of TOTAL, and President of Chemicals	1999
Robert Castaigne	Executive Vice-President of TOTAL, and Chief Financial Officer	1990
Yves-Louis Darricarrère	Executive Vice-President of TOTAL, and President of Gas & Power	2000
Christophe de Margerie	Executive Vice-President of TOTAL, and President of Exploration & Production	1992
Jean-Paul Vettier ⁽²⁾	Executive Vice-President of TOTAL, and President of Refining & Marketing	1990
Bruno Weymuller	Executive Vice-President of TOTAL, and President of Strategy & Risk Assessment	2000
Michel Bénézit ⁽²⁾	Senior Vice-President, Northern Europe, Exploration & Production	1995
Philippe Boisseau	Senior Vice-President, Middle East, Exploration & Production	2005
Alain Champeaux	Senior Vice-President, Overseas, Refining & Marketing	1999
Pierre-Christian Clout	Senior Vice-President, Chairman and CEO of Hutchinson	2002
Jean-Claude Company	Senior Vice-President, Refining, Refining & Marketing	1995
Jean-Pierre Cordier	Senior Vice-President, Executive Career Management	2004
Jean-Michel Gires	Senior Vice-President, Sustainable Development and Environment	2003
Philippe Goebel	Senior Vice-President, Performance Products, Arkema	2002
François Groh	Senior Vice-President, President of Trading-Shipping	2002
Jean-Jacques Guilbaud	Senior Vice-President, Human Resources and Corporate Communications	1998
Ian Howat	Senior Vice-President, Corporate Strategy	1995
Jean-Marc Jaubert	Senior Vice-President, Industrial Safety	2004
Pierre Klein	Senior Vice-President, Administration, Refining & Marketing	2002
Patrick de La Chevardièrre	Senior Vice-President, Deputy Chief Financial Officer	2005
Jean-Bernard Lartigue	Senior Vice-President, President TOTAL Petrochemicals	2000
Thierry Le Hénaff	Senior Vice-President, Chairman and CEO of Arkema	2004
Jean-Marie Masset	Senior Vice-President, Geosciences, Exploration & Production	2002
Charles Mattenet	Senior Vice-President, Asia and the Far East, Exploration & Production	2002
Eric de Menten	Senior Vice-President, Marketing Europe, Refining & Marketing	2002
Jean Privey	Senior Vice-President, Africa, Exploration & Production	2002
André Tricoire	Senior Vice-President, Marketing France, Refining & Marketing	2000
Hugues Woestelandt	Senior Vice-President, Specialties & Fertilizers, Chemicals	1998
Charles Paris de Bollardièrre	Treasurer	1999

(1) Vice-Chairman of the Executive Committee.

(2) As of April 1, 2006, Michel Bénézit replaced Mr. Vettier as Executive Vice-President of TOTAL, and President of Refining & Marketing. There are no family relationships between any director and executive officer. No director or executive officer was elected or appointed as a result of any arrangement or understanding with any third party.

COMPENSATION

In 2005, the aggregate amount paid directly or indirectly by the French and foreign affiliates of the Company as compensation to the executive officers of TOTAL (30 executive officers) as a group was 18.8 M , including 8.8 M paid to the seven members of the Executive Committee. Variable compensation accounted for 43% of the aggregate amount paid to executive officers in 2005. 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 to be paid for services rendered in 2005 amounted to 3,154,623 euros. This compensation, set by the Board of Directors, is composed of a fixed base salary of 1,451,235 euros in 2005 and a variable portion, to be paid in 2006, which amounted to 1,703,388 euros. The variable portion is

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calculated by taking into account the Group's return on equity during the relevant fiscal year, comparing the results to those of the other major international oil companies and taking into account future prospects that emerged due to the actions taken in the year in question. Mr. Thierry Desmarest's total gross compensation was 2,809,268 euros for services rendered in 2004, composed of a fixed base salary of 1,297,051 euros and a variable portion of 1,512,217 euros paid in 2005. Mr. Desmarest does not receive any benefits in kind.

The amount paid to the members of the Board of Directors as directors' fees was 0.84 M in 2005 in accordance with the decision of the shareholders meeting held on May 14, 2004. There were 16 directors as of December 31, 2005 compared with 15 as of December 31, 2004.

The aggregate amount of directors' fees paid in 2005 was distributed as follows:

a fixed amount of 15,000 euros per director (paid *pro rata temporis* in case of a change during the period);
an amount of 5,000 euros per director for each meeting of the Board of Directors, of the Audit Committee or of the Nominating & Compensation Committee attended (this amount is increased to 7,000 euros for directors residing outside of France).

The table below sets forth the total gross compensation, including benefits in kind, paid to each of the directors in 2005.

Director	2005 Compensation ()
Thierry Desmarest	2,963,452
Daniel Boeuf	150,529 ⁽¹⁾
Daniel Bouton	45,000
Bertrand Collomb	30,000
Paul Desmarais Jr	43,000
Jacques Friedmann	80,000
Bertrand Jacquillat	80,000
Antoine Jeancourt-Galignani	45,000
Anne Lauvergeon	40,000
Lord Peter Levene of Portsoken	23,410
Maurice Lippens	57,000
Michel Pébereau	55,000
Thierry de Rudder	106,000
Jürgen Sarrazin	50,000
Serge Tchuruk	50,000
Pierre Vaillaud	178,906 ⁽²⁾

(1) Including the salary (105,529 euros) received by Mr. Boeuf as an employee of Total France, a subsidiary of TOTAL S.A.

(2) Including pension payments totaling 133,906 euros received by Mr. Vaillaud related to his past employment by the Group.

None of the directors of TOTAL S.A. have service contracts which provide for benefits upon termination of employment. There is no specific pension scheme for the Chairman or Mr. Boeuf, who are eligible for the same complementary pension schemes as similarly situated executives of the Group.

In addition to the pension plan for Group employees, the Chairman is eligible for a Group-funded complementary pension plan that applies to senior managers whose annual compensation is greater than the annual social security threshold multiplied by eight. As of December 31, 2005, the Group's pension commitments for the Chairman are the equivalent of an annual pension amounting to 16.4% of the Chairman's 2005 compensation. This pension is tied to the French Association for Complementary Pensions Schemes (ARRCO) index. The Chairman is also eligible for a payment upon retirement provided for under the French national collective-bargaining agreement for the petroleum industry. The Company also funds a life insurance policy which guarantees a payment, upon death, equal to two years' salary (both fixed and variable), increased to three years upon accidental death, as well as, in case of invalidity, a payment proportional to the degree of invalidity.

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The Company has funded a complementary pension for Mr. Tchuruk related to his previous employment by the Group. After retirement, the amount paid per year to Mr. Tchuruk under this complementary pension would amount to approximately 70,000 euros, based upon calculations as of December 31, 2005. The Company has also funded a complementary pension for Mr. Vaillaud related to his previous employment by the Group. Mr. Vaillaud receives an annual complementary pension of approximately 135,000 euros, based upon calculations as of December 31,

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2005. Each of these pensions is tied to the ARRCO index. The benefits provided for the executive officers include indemnities paid when retiring and supplementary pension schemes that represent an obligation of 108.9 M as of December 31, 2005. The related pension cost amounted to 9.2 M in 2005.

For information on stock option grants to directors and executive officers in 2005, see [Share Ownership](#) [Options held by Directors and Executive Officers](#) below.

BOARD PRACTICES

Corporate Governance

The Company's corporate governance practices conform with those generally followed by companies listed in France. TOTAL actively examines corporate governance matters. In particular, the Group maintains a policy of transparency regarding the compensation of and the allocation of stock options and restricted stock grants to its corporate officers. In 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 in this area, 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. A copy of this code of ethics is included as an exhibit to this annual report. See [Item 16B. Code of Ethics](#). 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. At its meeting on July 19, 2005, the Board of Directors amended the Audit Committee's charter to clarify its role in supervising the independent auditors and the criteria for the independence of its members. The Board also approved the Audit Committee's procedures for complaints or concerns regarding accounting, internal accounting controls or auditing matters. The shareholders meeting held on May 14, 2004 appointed a director, Mr. Daniel Boeuf, representing employee shareholders.

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, for whom the requirements are more flexible) and comply strictly with provisions regarding the use of material non-public information. The requirement to hold a minimum of 500 shares while in office is accepted by each Director as a restriction on his ability to freely dispose of these shares.

In addition to stipulating 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 Board of Directors' mission is to determine the strategic vision for the Group and supervise the implementation of this vision.

With the exception of the powers and authority expressly reserved for shareholders and within the limits of the company's stated purpose, the Board may address any issue related to the operation of the Company and take any decision concerning the matters falling within its purview. Within this framework, the Board:

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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;

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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 practices.

Board Meetings

The Board of Directors, in most circumstances, is convened after receiving written notice at least eight days in advance. Documents that are to be examined to inform the Board's decisions are, when possible, included with the convening notice. Otherwise, the documents are delivered as soon as possible thereafter. At each meeting, the minutes of the preceding meeting are submitted for the approval of the Board.

The Board held six meetings in 2005, with an average attendance of 90.30%. On January 11, 2005, the Board examined the 2005 budget, the Group growth strategy, insurance policy and finance strategy and received a report on Ethics Committee activities. On February 16, 2005, the Board examined the Chemicals segment strategy, the parent company and consolidated 2004 financial statements, the convening of the annual shareholders meeting and compensation of the Chairman for 2005 and evaluated the independence of the directors and Board practices. On May 3, 2005, the Board examined earnings for the first quarter 2005, a presentation on the 2004 accounts under IFRS, the strategy for the Gas & Power sector and the preparation for the annual shareholders meeting. On July 19, 2005, the Board examined estimated earnings for the second quarter and first half 2005, corporate governance (in particular, amendments to the Audit Committee Charter and adoption of a procedure for complaints and concerns regarding accounting, internal accounting controls or auditing matters), the allocation of stock options and restricted stock grants, and the long-term plan for the Exploration & Production sector. On September 6, 2005, the Board examined the presentation of earnings for the second quarter and first half 2005 and mid-2005 outlook, the strategic outlook for the Refining & Marketing sector, the acquisition of Deer Creek Energy Ltd and a presentation on the Yemen LNG project. On November 3, 2005, the Board examined the third quarter 2005 earnings, the distribution of a preliminary dividend, the Group strategy and five-year plan and the terms of the capital increase reserved for Group employees.

The Audit Committee

The mission of the Company's Audit Committee is to assist the Board of Directors in ensuring effective internal control and oversight and appropriate disclosure of information to shareholders and the financial markets. The Audit Committee is specifically responsible for:

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Recommending the appointment of auditors and their compensation and ensuring their independence;
Establishing the rules for the use of auditors for non-audit services;

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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;

Ensuring implementation of internal control procedures and evaluating their effectiveness with the assistance of the internal audit department;

Ensuring 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;

Being regularly informed of completed audits, examining internal audit reports and other reports (external auditors, annual report, etc.), supervising compliance with the code of ethics for financial officers;

Examining risk monitoring and oversight procedures;

Examining 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, upon the Board's request;

Annually reviewing significant litigation;

Implementing and ensuring compliance with the Financial Code of Ethics;

Proposing to the Board the implementation of a procedure, open to employees, shareholders and others, for complaints or concerns regarding accounting, internal accounting controls or auditing matters; and

Examining the procedure for booking the Group's proved reserves.

The committee is made up of at least three directors designated by the Board of Directors. Members must be independent directors. In selecting the members of the committee, the Board pays particular attention to their financial and accounting qualifications. Members of the Audit Committee may receive from the Company and its subsidiaries only (i) the directors' fees paid for their services 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. The committee meets at least four times a year to examine the consolidated annual and quarterly financial statements.

The Audit Committee may meet with the President-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 independent 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. Friedmann, who has also been appointed as audit committee financial expert. As of December 31, 2005, the committee members' length of service as directors of TOTAL was five years, nine years, and six years, respectively.

Audit Committee Activity in 2005

The Audit Committee met on seven occasions in 2005, with an effective attendance rate of 100%. At its meeting on February 14, 2005, the committee reviewed the accounts for the fourth quarter 2004 and the consolidated earnings of the Group and parent company accounts of TOTAL S.A. for 2004 as well as the draft report of the Chairman on internal control procedures. A presentation was also made on the internal audit work plan for 2005. The meeting on March 30, 2005 was dedicated to reviewing the consolidated financial statements under IFRS and U.S. GAAP. The committee also discussed the independent auditors' fees, the outlook for 2005, currency risk management and the accounting treatment of derivatives. In the second quarter, the committee met on May 2, 2005 to review the consolidated accounts for the first quarter. On June 29, 2005 the committee reviewed the results of its self-evaluation, which had been conducted with the assistance of an external consultant. This evaluation was favorable overall and presented suggestions for improving certain practices. At this meeting, the committee also modified its charter and evaluated the progress of the implementation of the internal control provisions under the Sarbanes-Oxley Act. In the second half of 2005, at its meeting on August 3, the committee reviewed the accounts for the second quarter and the first half of 2005. On October 17, the committee examined the current state of the project to spin-off Arkema and a study of the changes in working capital of the Group. On November 2, the committee reviewed the accounts for the third quarter 2005 and the budget for the work of the independent auditors. Each quarter, the committee reviewed the financial condition of the Group and the work performed by the internal audit department.

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The Nominating & Compensation Committee

The principal objectives of this 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 the corporate governance rules and regulations that are applicable to the Company; and to 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 President-Chief Executive Officer, and prepare any report that the Company must submit on these subjects. With respect to nominations, the committee assists the Board in the selection of directors, corporate officers, and directors as committee members; and recommends annually to the Board the list of directors who may be considered as independent directors of the Company. With respect to compensation, the committee makes recommendations and proposals to the Board regarding (i) compensation, the retirement and pension system, in-kind benefits, and other financial benefits of the executive directors of TOTAL S.A., including retirement, and (ii) allocations of stock subscription or purchase options and specifically allocations to individual executive directors; and examines the compensation of members of the Executive Committee, including stock option plans, restricted stock grants and plans based on movements in share price (equity-based plans), retirement and pension systems, and benefits in-kind.

The committee is made up of at least three Directors designated by the Board of Directors. Independent directors must represent a majority of the members. Members of the Nominating & 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 Nominating & 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 President-Chief Executive Officer of the Company to submit recommendations and proposals. The latter may not be present for deliberations regarding his own situation. While appropriately maintaining the confidentiality of discussions, the committee may request that the President-Chief Executive Officer provide it with the assistance of 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 2005 with an average of two-thirds attendance. Its members are Mr. Bertrand Collomb, Mr. Michel Pebereau and Mr. 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 and proposed the list of independent directors, according to generally recognized criteria for corporate governance. 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 report mentioned above. 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.

At its meeting on February 7, 2005, the Board confirmed that Mr. Bouton, Mr. Collomb, Mr. Desmarais, Mr. Friedman, Mr. Jacquillat, Mr. Jeancourt-Galignani, Ms. Lauvergeon, Mr. Lippens, Mr. Pébereau, Mr. de Rudder, Mr. Sarrazin, Mr. Tchuruk and Mr. Vaillaud were independent directors.

On February 16, 2005, the Board reviewed its practices. Acting upon the proposal of the Nominating & Compensation Committee, the Board decided to maintain the practices adopted at its meeting held on February 18, 2004. These practices include a calendar of six meetings per year, with additional meetings when warranted by the circumstances, annual reviews of the strategy of the Group and of each sector (Exploration & Production, Gas & Power, Refining & Marketing, Chemicals) and continuing the number and missions of the existing committees. Another self-evaluation will be conducted at the end of 2006.

Furthermore, the Board acknowledged that there was no potential conflict of interest between TOTAL and its Directors. The committee also proposed modifications to the rules for the distribution of directors' fees, which were approved by the Board.

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Summary of Significant Differences between French Corporate Governance Practices and the NYSE's Corporate Governance Standards

Overview

The following paragraphs provide a brief, general summary of significant differences between the corporate governance standards followed by TOTAL under French law and guidelines and those required by the listing standards of the New York Stock Exchange (the NYSE) for U.S. companies that have common stock listed on the NYSE.

The principal sources of corporate governance standards in France are the French Commercial Code (*Code de Commerce*) and the French Financial and Monetary Code (*Code monétaire et financier*), both as amended in August 2003 by the French Financial Security Act (*Loi de sécurité financière*), as well as a number of general recommendations and guidelines on corporate governance, most notably the AFEP-MEDEF Report (a consolidated version of reports issued in 1995, 1998 and 2002 published in October 2003). The AFEP-MEDEF Report includes, among others, recommendations relating to the role and operation of the board of directors (creation, composition and evaluation of the board of directors and the audit, compensation and nominating committees) and the independence criteria for board members. The French Financial Security Act prohibits statutory auditors from providing certain non-audit services and defines certain criteria for the independence of auditors. In France, the independence of statutory auditors is also monitored by an independent body, the High Council for Statutory Auditors (*Haut Conseil du commissariat aux comptes*).

Composition of Board of Directors; Independence

The NYSE listing standards provide that the board of directors of a U.S. listed company must consist of a majority of independent directors and that certain committees must consist solely of independent directors. A director qualifies as independent only if the board affirmatively determines that the director has no material relationship with the company, either directly or indirectly. In addition, the listing standards enumerate a number of relationships that preclude independence.

French law does not contain any independence requirement for the members of the board of directors of a French company and the functions of board chairman and chief executive officer are frequently performed by the same person. The AFEP-MEDEF Report recommends, however, that at least half of the members of the board of directors be independent in companies that have a dispersed ownership structure and no controlling shareholder. The report states that a director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to color his or her judgment. The report also enumerates specific criteria for determining independence, which are on the whole consistent with the goals of the NYSE's rules although the specific tests under the two standards may vary on some points.

Based on the proposal of the Nominating & Compensation Committee, the Board of Directors of TOTAL considers that all of the directors of the Company are independent with the exceptions of Mr. Desmarest, Chairman and President-Chief Executive Officer of the Company, and Mr. Boeuf, the director representing employee shareholders.

Board committees

Overview. The NYSE listing standards require that a U.S. listed company have an audit committee, a nominating/corporate governance committee and a compensation committee. Each of these committees must consist solely of independent directors and must have a written charter that addresses certain matters specified in the listing standards.

French law requires neither the establishment of board committees nor the adoption of written charters. The AFEP-MEDEF Report recommends, however, that the board of directors set up an audit committee, a nominating committee and a compensation committee, indicating that the nominating and compensation committees may form one committee. The report also recommends that at least two-thirds of the audit committee members and a majority of the members of each of the compensation committee and the nominating committee be independent directors.

TOTAL has established an Audit Committee and a combined Nominating & Compensation Committee and considers all of the members of these committees to be independent. For the membership of each committee, see Corporate Governance above. Each of these committees has a charter that defines the scope of its activity.

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Audit committee. The NYSE listing standards contain detailed requirements for the audit committees of U.S. listed companies. Some, but not all, of these requirements also apply to non-U.S. listed companies, such as TOTAL.

The AFEP-MEDEF Report recommends that French public companies establish an audit committee that is responsible for, among other things, examining the company's risk exposures and material off-balance sheet commitments and the scope of consolidation, reviewing the financial statements, managing the process of selecting the statutory auditors, expressing an opinion on the amount of their fees and monitoring compliance with the rules designated to ensure auditor independence, regularly interviewing statutory auditors without executive management present and which may call outside experts if necessary.

Although the audit committee recommendations of the AFEP-MEDEF Report are less detailed than those contained in the NYSE listing standards, the NYSE listing standards and the AFEP-MEDEF Report share the goal of establishing a system for overseeing the company's accounting that is independent from management and of ensuring the auditor's independence. As a result, they address similar topics, and there is some overlap.

For the specific tasks performed by the Audit Committee of TOTAL, which exceed those recommended by the AFEP-MEDEF Report, see Corporate Governance The Audit Committee above.

One structural difference between the legal status of the audit committee of a U.S. listed company and that of a French listed company concerns the degree of the committee's involvement in managing the relationship between the company and the auditor. French law requires French companies that publish consolidated financial statements, such as TOTAL, to have two co-auditors. While the NYSE listing standards require that the audit committee of a U.S. listed company have direct responsibility for the appointment, compensation, retention, and oversight of the work of the auditor, French law provides that the election of the co-auditors is the sole responsibility of the shareholders meeting. In making its decision, the shareholders meeting may rely on proposals submitted to it by the board of directors, the decision of the latter being taken upon consultation with the audit committee. The shareholders meeting elects the auditors for an audit period of six fiscal years. The auditors may only be dismissed by a court and only on grounds of professional negligence or the incapacity to perform their mission.

Disclosure

The NYSE listing standards require U.S. listed companies to adopt, and post on their websites, a set of corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession, and an annual performance evaluation. In addition, the chief executive officer of a U.S. listed company must certify to the NYSE annually that he or she is not aware of any violations by the company of the NYSE's corporate governance listing standards. The certification must be disclosed in the company's annual report to shareholders.

French law requires neither the adoption of such guidelines nor the publication of such certifications. The AFEP-MEDEF Report recommends, however, that the board of directors of a French public company perform annual self-evaluations and that a formal evaluation by an outside consultant be undertaken every three years, which for TOTAL took place in November and December 2003, and that shareholders be informed each year in the annual report of the evaluations.

Code of business conduct and ethics

The NYSE listing standards require each U.S. listed company to adopt, and post on its website, a code of business conduct and ethics for its directors, officers and employees. There is no similar requirement or recommendation under French law. However, under the SEC's rules and regulations, all companies required to submit periodic reports to the SEC, including TOTAL, must disclose in their annual reports whether they have adopted a code of ethics for their principal executive officer and senior financial officers. In addition, they must file a copy of the code with the SEC, post the text of the code on their website or undertake to provide a copy upon request to any person without charge. There is significant, though not complete, overlap between the code of ethics required by the NYSE listing standards and the code of ethics for senior financial officers required by the SEC's rules. For a discussion of the code of ethics adopted by TOTAL, see Corporate Governance above.

Table of Contents**EMPLOYEES**

At December 31, 2005, TOTAL employed 112,877 people worldwide, primarily in Europe, compared with 111,401 at December 31, 2004 and 110,783 at December 31, 2003. The tables below set forth the divisions and geographic location in which employees worked at December 31, 2005, 2004 and 2003.

	Upstream	Downstream	Chemicals	Corporate	Total
2005	14,849	34,611	62,214	1,203	112,877
2004	14,597	34,045	61,570	1,189	111,401
2003	14,017	34,410	61,212	1,144	110,783

		Rest of France	Rest of Europe	Rest of the World	Total
2005		48,751	30,140	33,986	112,877
2004		49,174	29,711	32,516	111,401
2003		49,637	30,128	31,018	110,783

TOTAL believes that the relationship between its management and labor unions is, in general, satisfactory.

SHARE OWNERSHIP**Shares Held by Directors and Executive Officers**

Each director elected by the shareholders of the Company at the shareholders meeting must own beneficially at least 500 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) during his or her term of office (see table presenting the Board of Directors).

None of the directors or executive officers beneficially owned, or held options to purchase, 1% or more of the shares of the Company.

On February 28, 2006, based on registered shares held and information received from the Directors (and including, in the case of Mr. Boeuf, shares held via the TOTAL Actionnariat France Employee Savings Plan), the members of the Board of Directors including the Chairman held 108,499 shares and the executive officers held 339,408 shares.

Options Held by Directors and Officers

As of February 28, 2006, Mr. Desmarest is the only executive officer who is also a director. His share subscription and purchase options are included in the table below and presented on an individual basis in an additional table thereafter. Mr. Boeuf is the only other director holding options. As of February 28, 2006 Mr. Boeuf has been granted 180 share subscription options under the 2005 plan, and had exercised the 600 purchase options he had received under the 2001 plan prior to January 1, 2004.

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**TOTAL SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED TO
EXECUTIVE OFFICERS⁽¹⁾ AS A GROUP AS OF FEBRUARY 28, 2006**

	1998	1999	2000	2001	2002	2003	2004	2005	Total
	Purchase Plan	Purchase Plan	Purchase Plan	Purchase Plan	Purchase Plan	Subscription Plan	Subscription Plan	Subscription Plan	
Exercise price (in euro)	93.76	113.00	162.70	168.20	158.30	133.20	159.40	198.90	
Expiration date	03/17/2006	06/15/2007	07/11/2008	07/10/2009	07/09/2010	07/16/2011	07/20/2012	07/19/2013	
Options granted prior to January 1, 2005	126,200	206,000	242,300	302,850	332,300	358,000	421,500		1,989,150
Outstanding options as of January 1, 2005	31,651	152,320	242,300	302,850	332,300	358,000	421,500		1,840,921
Options granted in fiscal year 2005								370,040	370,040
Options exercised in fiscal year 2005	14,789	90,451	79,000			33,003			217,243
Outstanding options as of December 31, 2005	16,862	61,869	163,300	302,850	332,300	324,997	421,500	370,040	1,993,718
Options exercised between January 1 and February 28, 2006	7,862	100	20,400	53,800		2,050			84,212
Outstanding options as of February 28, 2006	9,000	61,769	142,900	249,050	332,300	322,947	421,500	370,040	1,909,506

(1) Executive officers as of December 31, 2005.

**TOTAL SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED TO
MR. THIERRY DESMAREST, CHAIRMAN OF THE BOARD, PRESIDENT-
CHIEF EXECUTIVE OFFICER OF TOTAL S.A.**

	1998	1999	2000	2001	2002	2003	2004	2005	Total
	Purchase Plan	Purchase Plan	Purchase Plan	Purchase Plan	Purchase Plan	Subscription Plan	Subscription Plan	Subscription Plan	
Exercise price (in euros)	93.76	113.00	162.70	168.20	158.30	133.20	159.40	198.90	
Expiration date	03/17/2006	06/15/2007	07/11/2008	07/10/2009	07/09/2010	07/16/2011	07/20/2012	07/19/2013	
Options granted prior to January 1, 2005	30,000	40,000	50,000	75,000	60,000	60,000	60,000		375,000
Outstanding options as of January 1, 2005		18,000	50,000	75,000	60,000	60,000	60,000		323,000
Options granted in fiscal year 2005								60,000	60,000
Options exercised in fiscal year 2005		12,000	37,000			16,000			65,000
Outstanding options as of December 31, 2005		6,000	13,000	75,000	60,000	44,000	60,000	60,000	318,000

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Options exercised between January 1 and February 28, 2006		13,000	20,000				33,000
Outstanding options as of February 28, 2006	6,000		55,000	60,000	44,000	60,000	60,000 285,000

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As of February 28, 2006, the directors and executive officers of the Company coming from Elf Aquitaine as a group also held options to subscribe for Elf Aquitaine shares. Pursuant to the public exchange offer on Elf Aquitaine shares, the Company committed itself to guarantee to the holders of Elf Aquitaine share subscription and purchase options, at the end of the period referred to in Article 163 bis C of the French General 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).

ELF AQUITAINE SHARE SUBSCRIPTION OPTIONS GRANTED TO EXECUTIVE OFFICERS**COMING FROM ELF AQUITAINE (AS OF FEBRUARY 28, 2006), ENTITLED TO BE****EXCHANGED, IN THE EVENT OF EXERCISE, FOR TOTAL SHARES**

	1998	1999	1998	
	Plan	Plan n°1	MTI Plan	Total
Exercise price per Elf Aquitaine share (in euro)	105.95	115.60	105.95	
Expiration date	03/31/2005	03/30/2009	03/31/2005	
Options granted prior to January 1, 2005	29,050	18,190	83,505	130,745
Outstanding options as of January 1, 2005	1,000	10,390	14,050	25,440
Options exercised in fiscal year 2005	1,000	5,795	14,050	20,845
Outstanding options as of December 31, 2005		4,595		4,595
Options exercised between January 1 and February 28, 2006		841		841
Outstanding options as of February 28, 2006		3,754		3,754
Corresponding number of TOTAL shares ⁽¹⁾		5,487		5,487

(1) Assumes the maximum number of shares are exchanged (19 TOTAL shares for 13 Elf Aquitaine shares).

Share Subscription and Purchase Plans

At the May 21, 1997 shareholders meeting, the shareholders approved a share purchase plan under which the Board of Directors was authorized to grant options to purchase previously issued shares, which have been repurchased by the Company on the open market, to employees and executives of the Company and its subsidiaries (the 1997 Authorization). At the May 17, 2001 shareholders meeting, the shareholders approved a new authorization to grant options to subscribe for shares and options to purchase previously issued shares, not exceeding 3% of the total number of outstanding shares, to employees and executives of the Company and its subsidiaries (the 2001 Authorization). At the May 14, 2004 shareholders meeting, the shareholders approved a new authorization to grant options to subscribe for shares and options to purchase previously issued shares, not exceeding 3% of the total number of outstanding shares, to employees and executives of the Company and its subsidiaries (the 2004 Authorization).

The table below sets forth options granted by the Board of Directors.

	Number of Shares Subject to		
	Date of Board of	Outstanding Unexercised	Exercise
	Directors Meeting	Options as of February 28, 2006	Price
1997 Authorization	March 17, 1998	77,029	93.76
	June 15, 1999	477,309	113.00
	July 11, 2000	1,507,569	162.70
			Expiration Date
			March 17, 2006
			June 15, 2007
			July 11, 2008

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2001 Authorization	July 10, 2001	2,039,911	168.20	July 10, 2009
	July 9, 2002	2,816,520	158.30	July 9, 2010
	July 16, 2003	2,787,573	133.20	July 16, 2011
2004 Authorization	July 20, 2004	3,352,330	159.40	July 20, 2012
	July 19, 2005	1,522,320	198.90	July 19, 2013

Table of Contents**Restricted Share Grants**

At the May 17, 2005 shareholders meeting, the shareholders approved a restricted shares plan under which the Board of Directors was authorized to grant existing or newly created shares to employees and executives of the Company and its subsidiaries (the 2005 Authorization). The grant of these shares will become final (acquisition of the right to restricted shares) after a 2-year vesting period, subject to the performance of the Group. Moreover, the transfer of the restricted shares, once vested, will be restricted for a two-year mandatory holding period from the date of the final grant.

	Date of Board of Directors Meeting	Number of Restricted Share Grants Subject to Conditions as of February 28, 2006	Average purchase price of the shares by the Company (in euros per share)	Date of the Board of Directors meeting deciding the restricted shares grant	Date of final grant of restricted shares (end of the vesting period)	Transfer authorized as from (end of the mandatory holding period)
2005 Authorization	July 19, 2005	568,482	206.49	July 19, 2005	July 20, 2007	July 20, 2009
TOTAL RESTRICTED SHARE GRANTS TO						

EXECUTIVE OFFICERS⁽¹⁾ AS A GROUP AS OF FEBRUARY 28, 2006

	Plan 2005
Date of the shareholders meeting	May 17, 2005
Date of Board of Directors meeting	July 19, 2005
Number of restricted shares grants	
Outstanding restricted shares grants as of January 1, 2005	
Restricted shares grants notified in fiscal year 2005	13,692
Restricted shares grants cancelled in fiscal year 2005	0
Outstanding restricted shares grants as of December 31, 2005	13,692
Final grant of restricted shares as of December 31, 2005	
Outstanding restricted shares grants as of February 28, 2006	13,692
Final grant of restricted shares as of February 28, 2006	

(1) Executive officers as of December 31, 2005.

Mr. Desmarest, Chairman of the Board of Directors, is not a grantee of the 2005 Plan of restricted shares. Mr. Boeuf, Director of TOTAL S.A. representing employee shareholders, has been granted 104 restricted shares.

See Note 25 of the Notes to the Consolidated Financial Statements for more detailed information on employee restricted share grants, share subscription and share purchase plans, including the Company's commitment to guarantee the holders of Elf Aquitaine share subscription options the possibility to exchange their future Elf Aquitaine shares for TOTAL shares.

Capital Increase Reserved for Employees

At the shareholders meeting held on May 17, 2005, the shareholders delegated to the Board of Directors the authority to increase the share capital of the Company, in one or more transactions and within a maximum period of twenty-six months from the date of the meeting, by an amount not exceeding 1.5% of the share capital outstanding on the date of the meeting of the Board of Directors at which a decision to proceed with an issuance is made, reserving subscriptions for such issuance to the Company employees participating in a company savings plan. It was specified that the amount of any such capital increase reserved for Company employees will be counted against the aggregate maximum nominal amount of shares capital increases authorized by the shareholders meeting held on May 17, 2005 for issuing new ordinary shares or other securities granting immediate or future access to the Company's share capital with preferential subscription rights (4 B in par value).

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Pursuant to this delegation of authority, the Board of Directors, during its November 3, 2005 meeting, implemented a first capital increase reserved for employees within the limit of 3 million shares at a price of 166.60 euros, with dividend rights as of the January 1, 2005. The subscription period ran from February 6, 2006, to February 24, 2006 and 2,785,330 shares were subscribed.

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

MAJOR SHAREHOLDERS

As of February 28, 2006, to the Company's knowledge, TOTAL Actionnariat France, an employee investment fund, held 15,904,866 shares representing 2.6% of the Company's shares and 5.1% of the voting rights in the Company. In addition, Parjointco N.V., jointly held by Frère-Bourgeois S.A. mainly through Compagnie Nationale à Portefeuille and by the Desmarais family, indirectly controls Bruxelles Lambert Group. As of February 28, 2006, to the Company's knowledge, Bruxelles Lambert Group held 23,485,126 shares, or 3.8%, of the Company's shares representing 7.0% of the voting rights in the Company. Compagnie Nationale à Portefeuille also holds, on its own right, 8,214,740 shares representing 1.3% of the share capital and 1.3% of the voting rights in the Company. Therefore, Compagnie Nationale à Portefeuille declared to the AMF on January 19, 2006 that it had an indirect participation, through the combination of its own holdings and those of Bruxelles Lambert Group, of 5.2% in the Company share capital and 8.3% of the voting rights. Neither TOTAL Actionnariat France, Compagnie Nationale à Portefeuille nor Bruxelles Lambert Group has voting rights different from other shareholders of the Company having held their shares in registered form for over two years.

As of February 28, 2006, there were 91,412,062 ADSs outstanding in the United States, representing 7.4% of the total outstanding shares.

The Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person. The Company does not know of any arrangements that may, at a subsequent date, result in a change of control of TOTAL. The so-called "golden share" of the French State, which previously allowed the State to restrict the transfer of control of Elf Aquitaine, was abrogated on October 3, 2002 and has no further effect. For more information see Item 10. Additional Information Memorandum and Articles of Association Other Issues Specific Rights of the French State in the Share Capital of Elf Aquitaine .

RELATED PARTY TRANSACTIONS

The Group's main transactions with related parties (principally all the investments carried under the equity method) and the balances receivable from and payable to them are shown in Note 30 of the Notes to the Consolidated Financial Statements included elsewhere herein.

In the ordinary course of its business, TOTAL enters into transactions with various organizations with which certain of its directors or executive officers may be associated, but no such transactions of a material or unusual nature have been entered into during the period commencing on January 1, 2005 and ending on February 28, 2006.

ITEM 8. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS AND OTHER SUPPLEMENTAL INFORMATION

See pages F-1 through F-92 and S-1 through S-11 for TOTAL's consolidated financial statements and other supplemental information.

Litigation

While it is not feasible to predict the outcome of the pending claims, proceedings, and investigations described below with certainty, management is of the opinion that their ultimate disposition should not have a material adverse effect on the Company's financial position, cash flows, or results of operations.

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

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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.

On December 12, 2004, Grande Paroisse, TOTAL S.A, the greater agglomeration of Toulouse (CAGT), the *Caisse des Dépôts et Consignations* and its subsidiary ICADE signed a memorandum of understanding, under the supervision of the city of Toulouse, providing that after depollution of the site, Grande Paroisse would donate a

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portion of the site as a green zone to the CAGT and portion of a site as an industrial zone to ICADE. TOTAL S.A. guaranteed the obligations of Grande Paroisse and also granted a 10 M endowment to the InNaBioSanté research foundation in the framework of the cancer research center anticipated by the city for the site.

Ongoing investigations have not yet determined the cause of the explosion but the hypothesis that the explosion was caused by Grande Paroisse through the accidental mixing of hundreds of kilos of a chlorine compound at a storage site for ammonium nitrate was discredited over the course of the investigation. Proceedings against ten of the eleven Grande Paroisse employees charged during the criminal investigation conducted by the Toulouse Regional Court (*Tribunal de Grande Instance*) were dismissed and this dismissal was upheld by the Appeals Court of Toulouse. This investigation is still examining possible causes, without yet having drawn conclusions.

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 and related expenses has been increased to 2.05 B (compared to 1.95 B in 2004). This figure exceeds by 1.25 B Grande Paroisse's insurance cover for legal liability (capped at 0.8 B). The provision for potential liability and complementary claims was increased by 100 M in 2005, and as a result the total unused provision stands at 133 M as of December 31, 2005, compared to a provision of 110 M as of December 31, 2004.

Antitrust investigations

Following investigations into certain commercial practices in the chemicals industry in the United States, Arkema and certain other chemical subsidiaries of the Group are involved in several civil liability lawsuits in the United States and Canada for violations of antitrust laws. TOTAL S.A. has been named in certain of these suits as the parent company.

In Europe, the European Commission commenced investigations in 2000, 2003 and 2004 into alleged anti-competitive practices involving certain products sold by Arkema France¹ or its subsidiaries. Under one of these investigations, in January 2005 the European Commission fined Arkema France 13.5 M and jointly fined Arkema France and Elf Aquitaine 45 M. Arkema France and Elf Aquitaine have appealed to the Court of First Instance of the European Union. The Commission notified Arkema France, TOTAL S.A. and Elf Aquitaine of complaints concerning two other product lines in January and August 2005, respectively. Arkema France has cooperated with the authorities in these procedures and investigations. No facts have been alleged that would implicate TOTAL S.A. or Elf Aquitaine in these practices.

Although since 2001 an antitrust compliance program for employees has been launched by Arkema, it cannot be excluded that further proceedings involving entities of the Arkema group (and TOTAL S.A. and Elf Aquitaine as well) would nonetheless be launched by relevant regularities authorities.

As part of the spin-off of the Arkema group from TOTAL, TOTAL S.A. or certain other Group companies have given guarantees to Arkema² or its subsidiaries to cover the risks related to proceedings for anticompetitive practices that occurred prior to the spin-off. These guarantees cover, for a period of ten years, 90% of any amount paid by a company in the Arkema group under (i) fines set by the competition authorities of the European Union or of a member state for violating anti-cartel rules, (ii) fines set by American competition authorities or courts for federal anti-trust or state anti-cartel violations, (iii) civil damages that may be awarded in civil suits based on the facts and circumstances giving rise to the fines mentioned above, and (iv) certain expenses related to these proceedings. The guarantee covering the risks related to violations of competition law in Europe only applies to payments over a threshold of 176.5 M. These guarantees become void if an individual or an entity, whether acting alone or in concert with others, becomes the holder, either directly or indirectly, of more than one third of the voting rights of Arkema or if the Arkema group transfers, whether in one or several transactions and irrespective of the method of transfer, assets representing over 50% of the enterprise value of the Arkema group as of the date of transfer in question. Likewise, the Arkema group will indemnify TOTAL S.A. or any Group company for 10% of any amounts that TOTAL S.A. or any Group Company may be fined as a part of the proceedings covered by these guarantees.

¹ New corporate name of Arkema as from April 18, 2006.

² New corporate name to be taken by the holding company of the Arkema group as from April 18, 2006.

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Given the discretionary powers granted to the European Commission for determining fines, it is not currently possible to determine with certainty the outcome of these investigations and lawsuits. In 2005, given the Commission's stated intention to more severely punish anti-competitive practices and taking into account the Commission's recent decisions in this area, the Group has reevaluated the amount of the related provisions recorded in its consolidated financial statements at the end of 2005.

The Group has increased the provisions recorded in its consolidated financial statements as of December 31, 2005 to cover the risks described above to 482 M, an increase of 292 M compared to those booked as of December 31, 2004.

Moreover, as a result of investigations commenced by the European Commission 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. TOTAL S.A. and Elf Aquitaine are contesting their liability and the method of determining these fines. Although it is not possible to predict the outcome of these proceedings, the Group believes that they will not have a material adverse effect on its financial condition or results.

Sinking of the Erika

Following the sinking in December 1999 of the Erika, a tanker that was transporting products belonging to one of the Group companies and pursuant to the Company's commitments in these respects, the clean up of parts of the coastline, the pumping of the remaining cargo out of the wreck and the processing of more than 200,000 tons of waste was completed in 2000 and 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. As part of this criminal investigation, on February 1, 2006, the investigating judge brought charges in the *Tribunal Correctionnel de Paris* against 15 persons, including four entities, TOTAL S.A. and two of its subsidiaries responsible for shipping have been charged with marine pollution and as accessories to the endangerment of human life. An employee responsible for the management of shipping was charged with the same offenses, as well as with the failure to take action to limit the damage from an accident. TOTAL believes that the violations with which the Group and its employee were charged are without substance as a matter of fact and as a matter of law.

Buncefield

On December 11, 2005, several explosions followed by a major fire occurred at Buncefield, north of London, in an oil storage depot operated by HOSL, a company in which the British subsidiary of TOTAL holds 60% and another oil major holds 40%. The explosion injured forty people, most of whom suffered slight wounds, and caused substantial property damage to the depot and the buildings and homes located nearby. The causes of the explosion are still not known and liabilities have not been established. The Group is insured for damage to its facilities, operating losses and civil liability claims from third parties, and believes that, based on the current information available, this accident should not have a significant impact on its financial position, cash flows or results.

Myanmar

Under the Belgian universal jurisdiction laws of June 16, 1993 and February 10, 1999, a complaint was filed in Belgium on April 25, 2002 against the Company, its Chairman and the former president of its subsidiary in Myanmar. These laws were repealed by the Belgian law of August 5, 2003 on serious violations of international human rights, which also provided a procedure for terminating certain proceedings that were underway. In this framework, the Belgian *Cour de Cassation* terminated the proceedings against TOTAL in a decision dated June 29, 2005.

A complaint in France, filed with the Regional Court of Nanterre (*Tribunal de Grande Instance*) on August 26, 2002, was made by eight Burmese citizens who claim that they were forced by the Burmese Army to provide labor on the gas pipeline built by a subsidiary of TOTAL 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 has always maintained 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.

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Nonetheless, TOTAL and the association representing the eight Burmese citizens entered into a settlement agreement to terminate the proceedings. This agreement provides that TOTAL will create a solidarity fund with an endowment of 5.2 M for humanitarian ends. These funds are intended as compensation for the eight plaintiffs as well as for any other person who can demonstrate being subjected to similar conditions near the construction zone of the pipeline. The larger part of the fund will be used to finance humanitarian actions for the sake of Burmese refugees in the area.

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.

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 limited 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 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, 2005, 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.

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.

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) entered into various contracts concerning their investments in and cooperation regarding Cepsa. As of December 31, 2005, TOTAL held 36.97% of Cepsa's capital through its 99.48% 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 SCH, 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 tender offer on September 26, 2003 for 16% of Cepsa's share capital at a price of 28 euros per share. On October 7, 2003, TOTAL transmitted to the *Comisión Nacional del Mercado de Valores (CNMV)* the contracts it had entered into with SCH, as stipulated by Spanish Law 26/2003 of July 17, 2003 regarding transparency for listed companies.

Given 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 arbitration clauses in the relevant agreements between SCH and TOTAL, it had initiated arbitration proceedings before the Netherlands Arbitration Institute at the Hague on October 13, 2003. 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 (NAI) at the Hague rendered a decision imposing provisional measures pending final judgment on the merits of the case. On April 3, 2006, the NAI published its decision under which TOTAL was awarded the right to recover the 8.31% of Cepsa currently indirectly held through Somaen Dos and the right to exercise its call

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option for 4.35% of Cepsa held by SCH at a current price estimated to be less than 5.00 per share.

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Dividend Policy

The Company has paid dividends on its share capital in each year since 1946. Future dividends will depend on the Company's earnings, financial condition and other factors. The payment and amount of dividends are subject to the recommendation of the Board of Directors and resolution by the Company's shareholders at an annual shareholders meeting.

For the 2005 fiscal year, the Board of Directors proposed a dividend of 6.48 per share. This proposed dividend will be voted on by the shareholders meeting to be held on May 12, 2006. An interim dividend of 3.00 per share was paid on November 24, 2005. If approved, the balance of 3.48 per share will be paid on May 18, 2006.

Dividends paid to holders of ADSs will be subject to a charge by the Depositary for any expenses incurred by the Depositary in the conversion of euro to dollars. See "Taxation" under "Item 10. Additional Information" for a summary of certain United States federal and French tax consequences to holders of shares and ADSs.

SIGNIFICANT CHANGES

For a description of significant changes that have occurred since the date of the Company's Consolidated Financial Statements, see "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects", which include descriptions of certain recent 2006 activities.

ITEM 9. THE OFFER AND LISTING

MARKETS

The principal trading market for the shares is the *Eurolist* of Euronext Paris. The shares are also listed on Euronext Brussels and the London Stock Exchange, and are quoted on SEAQ International.

OFFER AND LISTING DETAILS

Trading on Euronext Paris

Official trading of listed securities on Euronext Paris, including the shares, is transacted through French investment service providers that are members of Euronext Paris and takes place continuously on each business day in Paris from 9:00 a.m. to 5:25 p.m. (Paris time), with a fixing of the closing price at 5:30 p.m. Euronext Paris may suspend or resume trading in a security listed on Eurolist if the quoted price of the security exceeds certain price limits defined by the regulations of Euronext Paris.

From April 1, 2006, all the markets of Euronext Paris settle and transfer ownership three trading days after a transaction (T+3). Highly liquid shares, including those of the Company, are eligible for deferred settlement (*Service à Règlement Différé - SRD*). Payment and delivery for shares under the SRD occurs on the last trading day of each month. Use of the SRD service requires payment of a commission. Under this system, the determination date for settlement the following month occurs on the fifth trading day prior to the last trading day (inclusive) of each month.

In France, the shares are included in the principal index published by Euronext Paris (the CAC 40 Index). The CAC 40 Index is derived daily by comparing the total market capitalization of 40 stocks included in the *Eurolist* of Euronext Paris to the total market capitalization of the same stocks on December 31, 1987. Adjustments are made to allow for expansion of the sample due to new issues. The CAC 40 Index indicates trends in the French stock market as a whole and is one of the most widely followed stock price indices in France. In the United Kingdom, the shares are listed in both the FTSE Eurotop 100 and FTSEurofirst 300 index. As a result of the creation of Euronext, the shares are included in Euronext 100, the index representing Euronext's blue chip companies based on market capitalization. The shares are also included in the Dow Jones STOXX 50 and Dow Jones Euro STOXX 50, blue chip indices comprised of the 50 most highly capitalized and most actively traded equities throughout Europe and within the European Monetary Union, respectively. Since June 2000, the shares have been included in the Dow Jones Global Titans Index which consists of 50 global companies selected based on market capitalization, book value, assets, revenue and earnings.

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The table below sets forth, for the periods indicated, the reported high and low quoted prices in euros for the currently outstanding shares on Euronext Paris.

	Price Per Share	
	High	Low
2001	179.80	126.00
2002	179.40	121.20
2003	147.90	110.50
2004	171.80	139.40
First Quarter	154.70	139.40
Second Quarter	164.50	146.90
Third Quarter	171.80	153.60
Fourth Quarter	170.60	157.30
2005	229.10	158.00
First Quarter	184.10	158.00
Second Quarter	196.60	171.40
Third Quarter	229.10	192.10
Fourth Quarter	228.20	199.00
October	228.20	199.00
November	224.20	205.80
December	220.40	210.60
2006 (through April 17)	232.60	205.70
First Quarter	232.60	205.70
January	232.60	213.20
February	228.10	210.30
March	221.40	205.70
Second Quarter (through April 17)	226.60	215.40

Trading on the New York Stock Exchange

ADSs have been listed on the New York Stock Exchange since October 25, 1991. The Bank of New York serves as depositary with respect to the ADSs traded on the New York Stock Exchange. Each ADS represents one-half of a share.

The table below sets forth, for the periods indicated, the reported high and low prices quoted in dollars for the currently outstanding ADSs on the New York Stock Exchange.

	Price Per ADS	
	High	Low
2001	77.84	58.10
2002	83.24	60.30
2003	93.47	60.95
2004	110.56	87.76
First Quarter	95.46	87.76
Second Quarter	99.67	89.75
Third Quarter	105.56	93.54
Fourth Quarter	110.56	101.39
2005	137.95	103.73
First Quarter	122.75	103.73
Second Quarter	119.99	108.41
Third Quarter	137.95	117.22
Fourth Quarter	135.17	119.52
October	135.17	119.52
November	131.41	120.98
December	131.85	124.34

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2006 (through April 17)	139.52	123.04
First Quarter	139.52	123.04
January	139.52	128.31
February	138.54	125.42
March	134.05	123.04
Second Quarter (through April 17)	136.55	131.82

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ITEM 10. ADDITIONAL INFORMATION

MEMORANDUM AND ARTICLES OF ASSOCIATION

Register Information

TOTAL S.A. is registered with the Nanterre Trade Register under the registration number 542 051 180.

Objects and Purposes

The Company's purpose can be found in Article 3 of its *statuts*. Generally, the Company may engage in all activities relating to (i) the exploration and extraction of mining deposits and the performance of industrial refining, processing, and trading of these materials, as well as their derivatives and by-products; (ii) the production and distribution of all forms of energy; (iii) the chemicals, rubber and health industries; (iv) the transportation and shipping of hydrocarbons and other products or materials relating to the Company's business purpose; and (v) all financial, commercial, and industrial operations and operations relating to any fixed or unfixed assets and real estate, acquisitions of interests or holdings in any business or company that may relate to any of the above-mentioned purposes or to any similar or related purposes, of such nature as to promote the Company's extension or its development.

Director Issues

Compensation

Directors receive attendance fees, the maximum aggregate amount of which, determined by the shareholders acting at a shareholders meeting, remains in effect until a new decision is made. The Board of Directors may apportion this amount among its members in whatever way it considers appropriate. The Board may also grant its Chairman compensation in addition to attendance fees.

Retirement

The number of directors of TOTAL who are acting in their own capacity or as permanent representatives of a legal entity and are over 70 years old may not exceed one-third of the number of directors in office at the end of the fiscal year. If such number is exceeded, the oldest Board member is automatically deemed to have resigned. Directors who are the permanent representative of a legal person may not continue in office beyond their seventieth birthday.

Shareholdings

Each director must own at least 500 shares of TOTAL during his or her term of office.

Election

Directors are elected for a term of three years. In 2003, TOTAL amended its Articles of Incorporation to provide for the election of one director to represent employee shareholders. This director was appointed at the shareholders meeting held on May 14, 2004.

Description of Shares

The following is a summary of the material rights of holders of fully paid shares and is based on the *statuts* of the Company and French Company Law as codified in Volume II of the French Commercial Code (referred to herein as the "French Company Law"). For more complete information, please read the *statuts* of TOTAL, a copy of which has been filed as an exhibit to this Annual Report.

Dividend rights

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The Company may make dividend distributions to its shareholders from net income in each fiscal year, after deduction of the overhead and other social charges, as well as of any amortization of the business assets and of any provisions for commercial and industrial contingencies, as reduced by any loss carried forward from prior years, and less any contributions to reserves or amounts that the shareholders decide to carry forward. These distributions are also subject to the requirements of French Company Law and the Company's *statuts*.

Under French Company Law, the Company must allocate 5% of its net profits in each fiscal year to a legal reserve fund until the amount in that fund is equal to 10% of the nominal amount of its share capital.

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The Company's *statuts* provide that its shareholders may decide to allocate all or a part of any distributable profits among special or general reserves, to carry them forward to the next fiscal year as retained earnings, or to allocate them to the shareholders as dividends. The *statuts* provide that the remainder of any distributable profits shall be distributed among the shareholders in the form of dividends, either in cash or in shares.

Under French Company Law, the Company must distribute dividends to its shareholders pro rata according to their shareholdings. Dividends are payable to holders of outstanding shares on the date fixed by the shareholders meeting approving the distribution of dividends or, in the case of interim dividends, on the date fixed by the Company's Board of Directors at the meeting that approves the distribution of interim dividends. Under French Company Law, dividends not claimed within five years of the date of payment revert to the French State.

Voting rights

Each shareholder of the Company is entitled to the number of votes he or she possesses or for which he or she holds proxies. According to French Company Law, voting rights may not be exercised in respect of fractional shares.

Each registered share that is fully paid and registered in the name of the same shareholder for a continuous period of at least two years is granted a double voting right after such two-year period. Upon capital increase by capitalization of reserves, profits or premiums on shares, a double voting right is granted to each registered share allocated to a shareholder relating to previously existing shares that already carry double voting rights. The double voting right is automatically canceled when the Share is converted into a bearer share or when the share is transferred, unless the transfer is due to inheritance, division of community property between spouses, or a donation during the lifetime of the shareholder to the benefit of a spouse or relatives eligible to inherit.

In certain circumstances, French Company Law limits a shareholder's right to vote:

Shares held by the Company or entities controlled by the Company, which cannot be voted;

Shares held by shareholders making a contribution in-kind to the Company, which cannot be voted with respect to resolutions relating to such in-kind contributions; and

Shares held by interested parties, which cannot be voted with respect to resolutions relating to such shareholders.

Under the Company's *statuts*, the voting rights exercisable by a shareholder, directly, indirectly or by proxy, at any shareholders meeting are limited to 10% of the total number of voting rights attached to the Shares on the date of such shareholders meeting. This 10% limitation may be increased by taking into account double voting rights held directly or indirectly by the shareholder or by proxy, provided that the voting rights exercisable by a shareholder at any shareholders meeting may never exceed 20% of the total number of voting rights attached to the shares.

These limitations on voting lapse automatically if any individual or entity acting alone or in concert with an individual or entity holds at least two-thirds of the total number of shares as a result of a tender offer for 100% of the shares.

Liquidation rights

In the event the Company is liquidated, its assets remaining after payment of its debts, liquidation expenses and all of its other remaining obligations will first be distributed to repay the nominal value of the shares. After these payments have been made, any surplus will be distributed pro rata among the holders of shares based on the nominal value of their shareholdings.

Future capital calls

Shareholders are not liable to the Company for further capital calls other than the nominal value of their shares.

Preferential subscription rights

Holders of shares have preferential rights to subscribe on a pro rata basis for additional shares issued for cash. Shareholders may waive their preferential rights, either individually or, under certain circumstances, as a group at an extraordinary general meeting.

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During the subscription period relating to a particular offering of shares, shareholders may transfer their preferential subscription rights that they have not previously waived.

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Changes in share capital

Under French Company Law, the Company may increase its share capital only with the approval of its shareholders at an extraordinary general meeting (or with a delegation of authority from its shareholders). There are two methods to increase share capital: (i) by issuing additional shares, including the creation of a new class of securities and (ii) by increasing the nominal value of existing shares. The Company may issue additional shares for cash or for assets contributed in kind, upon the conversion of debt securities, or other securities giving access to its share capital, that it may have issued, by capitalization of its reserves, profits or issuance premiums or, subject to certain conditions, in satisfaction of its indebtedness.

Under French Company Law, TOTAL may decrease its share capital only with the approval of its shareholders at an extraordinary general meeting (or with a delegation of authority from its shareholders). There are two methods to reduce share capital: (i) by reducing the number of shares outstanding and (ii) by decreasing the nominal value of existing shares. The conditions under which the share capital may be reduced will vary depending upon whether the reduction is attributable to losses. The Company may reduce the number of outstanding shares either by an exchange of shares or by the repurchase and cancellation of its shares. Any decrease must meet the requirements of French Company Law, which states that all the holders of shares in each class of shares must be treated equally, unless the affected shareholders otherwise agree.

Form of shares

The Company has only one class of shares. As a result of the conversion of the share capital into euros, the par value of each share of common stock was changed from FRF 50 to 10.00 on June 15, 1999. Shares may be held in either bearer or registered form. Shares traded on the *Eurolist* of Euronext Paris S.A. are cleared and settled through Euroclear France. The Company may use any lawful means to identify holders of shares, including a procedure known as *titres au porteur identifiable* according to which Euroclear France will, upon the Company's request, disclose to the Company the name, nationality, address and number of shares held by each shareholder in bearer form. The information may only be requested by the Company and may not be communicated to third parties.

Holding of shares

Under French Company Law concerning the dematerialization of securities, the ownership rights of shareholders are represented by book entries instead of share certificates (other than certificates representing French securities which are outstanding exclusively outside the territory of France and are not held by French residents). Registered shares are entered into an account maintained by the Company or by a representative that it has nominated, while shares in bearer form must be held in an account maintained by an accredited financial intermediary on the shareholder's behalf.

For all shares in registered form, the Company maintains a share account with Euroclear France which is administered by BNP Paribas Securities Services. In addition, the Company maintains accounts in the name of each registered shareholder either directly or, at a shareholder's request, through a shareholder's accredited intermediary, in separate accounts maintained by BNP Paribas Securities Services on behalf of the Company. Each shareholder's account shows the name and number of shares held and, in the case of shares registered through an accredited financial intermediary, the fact that they are so held. BNP Paribas Securities Services, as a matter of course, issues confirmations to each registered shareholder as to shares registered in a shareholder's account, but these confirmations do not constitute documents of title.

Shares held in bearer form are held and registered on the shareholder's behalf in an account maintained by an accredited financial intermediary and are credited to an account at Euroclear France maintained by the intermediary. Each accredited financial intermediary maintains a record of shares held through it and will issue certificates of inscription for the shares that it holds. Transfers of shares held in bearer form only may be made through accredited financial intermediaries and Euroclear France.

Cancellation of treasury shares

The Board of Directors of the Company may cancel treasury shares owned by the Company in accordance with French Company Law up to a maximum of 10% of the share capital within any period of 24 months.

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Description of TOTAL Share Certificates

The TOTAL share certificates are issued by Euroclear France. French law allows Euroclear France to create certificates representing French securities provided that these certificates are intended to be outstanding exclusively outside the territory of France and cannot be held by residents of France. Furthermore, TOTAL share certificates may not be held by a foreign resident in France, either personally or in the form of a bank deposit, but the coupons and rights may be exercised in France.

Certificates for TOTAL shares are either in bearer form or registered in a securities trading account. Under Euroclear France regulations applicable to bearer stock certificates, TOTAL share certificates cannot be categorized as secondary securities, such as ADSs, issued by a foreign company to represent TOTAL shares.

TOTAL share certificates have the characteristics of a bearer security, meaning:

negotiable outside France;
transmission by delivery; and
fungibility of the TOTAL share certificate, which may be converted freely from bearer form to registration in an account.

All rights attached to TOTAL shares must be exercised directly by the bearer of the TOTAL share certificates.

Description of TOTAL ADRs

The following is a general description of the depositary arrangement, including a summary of all material provisions of the deposit agreement pursuant to which ADSs are issued. The deposit agreement is among the Company, The Bank of New York, as depositary, and the holders from time to time of ADRs. For more complete information, please read the deposit agreement and the Form of ADR itself, copies of which are attached as Exhibit 1 to the registration statement on Form F-6 (Reg. No. 333-107311) filed with the Securities and Exchange Commission on July 24, 2003. Additional copies of the deposit agreement are available for inspection at the Corporate Trust Office of the depositary in New York, which is presently located at 101 Barclay Street, New York, New York 10286. The depositary's principal executive office is located at One Wall Street, New York, New York 10286.

ADRs

ADRs evidencing the ADSs are issuable by the depositary pursuant to the deposit agreement. An ADR may evidence any number of ADSs. Each ADS represents one-half of one share deposited under the deposit agreement.

Deposit and withdrawal of shares

All references to the deposit, surrender, delivery, transfer and withdrawal of the shares when referring to shares not in certificated form, refer to book-entry transfers and do not contemplate the physical transfer of certificates representing the shares.

Upon receipt of notice, as provided in the deposit agreement, of a deposit with the custodian in Paris, and subject to the terms of the deposit agreement, the depositary will execute and deliver through its Corporate Trust Office to the holders of such ADSs, ADRs registered in the names of those holders for the number of ADSs requested by each holder. This execution and delivery will occur only upon payment to the depositary of a fee for the execution and delivery of the ADRs and of all taxes, governmental charges and fees.

Upon surrender of ADRs at the Corporate Trust Office of the depositary and payment of the fee of the depositary, and of all taxes and governmental charges, and subject to the provisions of the deposit agreement and the *statuts* of the Company, ADR holders are entitled to the transfer of deposited securities to an account in the name of such holder as shall be designated by such holder maintained by the Company in the case of shares in registered form, or by an accredited financial institution, as in the case of shares in bearer form. The depositary will not accept for surrender an ADR representing fewer than two ADSs or integral multiples thereof.

The forwarding of documents of title for delivery at the Corporate Trust Office of the depositary in New York City will be at the request, risk and expense of the ADR holder.

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Pre-release of ADRs

In certain circumstances, subject to the provisions of the deposit agreement, The Bank of New York may issue ADRs before deposit of the underlying Shares. This issuance is a pre-release. The Bank of New York may also deliver shares prior to receipt and cancellation of ADRs (even if they are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying Shares are delivered to The Bank of New York. The Bank of New York may receive ADRs instead of shares to close out a pre-release. The Bank of New York may pre-release ADRs only under the following conditions:

before or at the time of the pre-release, the person to whom the pre-release is being made must represent to The Bank of New York in writing that it or its customer owns the shares or ADRs to be deposited;
the pre-release must be fully collateralized with cash or other collateral that The Bank of New York considers appropriate;
and

The Bank of New York must be able to close out the pre-release on not more than five business days' notice.

In addition, The Bank of New York will limit the number of ADRs that may be outstanding at any time as a result of pre-release. The Bank of New York, however, may disregard the limit from time to time, if it thinks it is appropriate to do so.

Dividends, other distributions and rights

Whenever the depositary receives any cash dividend or cash distribution from the Company, the depositary will, to the extent that in its judgment it can convert euros or any other foreign currency on a reasonable basis into dollars and transfer the resulting dollars to the United States:

convert all cash dividends and other cash distributions that it receives on the underlying deposited securities into dollars;
and
distribute the amount received net of any expense, taxes, governmental charges incurred by the depositary in connection with the conversion, to the holders of the ADRs in proportion to the number of the ADSs representing shares held by each holder.

The amount distributed will be reduced by any amounts required to be withheld by the Company or the French paying agent on account of taxes. The depositary may convert euros into dollars by sale or in any other manner that it may determine. If the depositary determines in its judgment that any foreign currency received cannot be converted on a reasonable basis and transferred to the United States, the depositary may, after consultation with the Company, distribute the foreign currency received by it or, at its discretion, hold the foreign currency, uninvested and without liability for interest, for the respective accounts of the holders of the ADRs entitled to receive the amounts. The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, the holder may lose some or all of the value.

The depositary will use reasonable efforts to follow the procedures established by the French Treasury for eligible U.S. Holders of ADRs to recover the excess 10% French withholding tax initially withheld and deducted in respect of dividends distributed to them and any fiscal or tax credit payment to be made to them by the French Treasury. To effect this recovery, the depositary will provide U.S. Holders of depositary receipts registered on the books of the depositary with the appropriate French tax forms and instructions, which will be provided by the Company to the depositary. Upon receipt by the depositary of properly completed and executed forms, the depositary will promptly cause them to be filed with the appropriate French tax authorities. Upon receipt of any resulting remittance, the depositary will distribute to the holders of the Company ADRs entitled to remittance, as soon as practicable, the remittance converted into dollars, net of expenses incurred by the depositary in connection with conversion.

If any distribution by the Company consists of a dividend in, or free distribution of, shares, the depositary may, upon prior consultation with and approval of the Company, and will, if the Company so requests, issue an amount of ADRs evidencing ADSs representing the amount of Shares received as a dividend or free distribution. The depositary will distribute to the holders of outstanding ADRs, in proportion to their holding and subject to the provisions of the deposit agreement, including the withholding of taxes and governmental charges and the payment of fees, additional ADRs evidencing an aggregate number of ADSs representing the number of shares received as a dividend or free distribution.

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In lieu of distributing fractional ADSs, the depositary will sell the amount of the Shares represented by the aggregate amount of shares representing fractional ADSs and distribute the net proceeds in accordance with the provisions of the deposit agreement.

If additional ADSs are not so distributed, each ADS will represent the additional shares distributed. The Company and the depositary will not offer the shares to holders of ADRs unless a registration statement is in effect with respect to the securities represented by those rights under the Securities Act of 1933, as amended (the Securities Act) or the offer and sale of such shares to the holders are exempt from registration under the provisions of the Securities Act.

Record dates

Whenever:

- any cash dividend or other cash distribution becomes payable or any distribution other than cash is made;
- rights are issued with respect to the underlying deposited securities;
- for any reason the depositary causes, at the Company's election, a change in the number of shares represented by each ADS; or
- the depositary receives notice of any meeting of holders of the shares,

the depositary will fix a record date, after consultation with the Company if the date is to be different from any payment date established by the Company in respect of the shares, for the determination of the holders of ADSs who are entitled to receive the dividend, distribution or rights. The depositary will, further, give instructions for the exercise of voting rights at any such meeting or for fixing the date on or after which each ADS will represent a changed number of shares, subject to the provisions of the deposit agreement.

Voting of the deposited securities

As soon as practicable after receipt by the depositary of a notice of any meeting of shareholders of the Company, the depositary will mail a notice to the holders of the ADRs registered on the books of the depositary which will contain:

- a summary in English of the notice of such meeting;
- a statement that the holders of ADRs at the close of business on a specified record date will be entitled, subject to any applicable provisions of French Company Law, the Company's *statuts* and the shares, to instruct the depositary to exercise the voting rights, if any, pertaining to the shares represented by their ADSs;
- summaries in English of any materials or other documents provided by the Company for the purpose of enabling holders of the ADRs to exercise voting rights; and
- a statement as to the manner in which instructions for exercising voting rights may be given to the depositary, including a statement as to the manner in which the shares with respect to which the depositary does not receive properly completed voting instructions or receives a blank proxy will be voted, and stating the date established by the depositary for the receipt of those instructions.

The depositary intends so far as practicable to vote or cause to be voted the amount of the shares evidenced by the ADSs in accordance with the nondiscretionary instructions of the holders of ADSs. The depositary has agreed not to vote any of the shares so evidenced unless (i) it has received instructions from the record holders of ADRs or (ii) in accordance with the last statement of the paragraph above, if it does not receive properly completed voting instructions or it receives a blank proxy. Ownership of two ADRs or integral multiples of ADRs is required to exercise such voting rights subject to appropriate adjustment.

In accordance with French Company Law and the *statuts* of the Company, shares that have been fully paid and registered in the name of the same holder for a continuous period of at least two years will be entitled to double voting rights. Similarly, holders of ADSs that have been held in the same name for a continuous period of two years or more and representing shares held in registered form for two years or more are entitled to double voting rights. No other ADSs will be entitled to double voting rights. Therefore, in order to be eligible for double voting rights, each holder of the ADSs must (i) request that the depositary hold Shares in registered form and (ii) hold the ADRs in registered form (i.e., registered in the name of such holder in the books of the depositary).

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Liability of ADR holders for taxes

The holders of ADRs will be responsible for any tax or other governmental charge that becomes payable with respect to any ADRs or any underlying deposited securities evidenced by any of the ADRs.

Amendment and termination of the deposit agreement

The ADRs and the deposit agreement may at any time be amended by written agreement between the Company and the depository. Any amendment which:

imposes or increases any fees or charges, other than taxes and other governmental charges, registration fees, cable, telex, or facsimile transmission costs, deliver costs or other such expenses; or
which otherwise prejudices any substantial existing rights of holders of the ADRs,
will not take effect as to outstanding ADRs until the expiration of 90 days after written notice of the amendment has been mailed to the holders of outstanding ADRs registered on the books of the depository.

Every holder of ADRs at the time such amendment becomes effective will be deemed, if such notice shall have been mailed to the holder, by continuing to hold such ADRs, to consent to the amendment and to be bound by the deposit agreement or ADRs as amended. In no event may any amendment impair the right of any holder of ADRs to surrender his or her ADRs and receive the shares of the Company and any property represented by the ADR, except in accordance with applicable law. In the event that the depository resigns, is removed or is otherwise substituted and the Company enters into a new deposit agreement, holders of ADRs will be notified by the successor depository.

Whenever so directed by the Company, the depository has agreed to terminate the deposit agreement by mailing notice of such termination to the holders of all then outstanding ADRs registered on the books of the depository at least 30 days prior to the date fixed in the notice for the termination. The depository may likewise terminate the deposit agreement by mailing notice of the termination to the Company and the holders of outstanding ADRs registered on the books of the depository, if at any time 60 days after the depository shall have delivered to the Company a written notice of its resignation, a successor depository shall not have been appointed and accepted its appointment as provided in the deposit agreement.

The depository will mail notice of the termination to the registered holders of ADRs then outstanding at least 30 days prior to the date fixed in the notice for the termination. On and after the date of termination, each holder shall, upon:

surrender of the holder's ADRs at the Corporate Trust Office;
payment of the fees of the depository for the surrender of the ADRs provided in the deposit agreement; and
payment of any applicable taxes and governmental charges;
be entitled to delivery, to the holder or upon his or her order, of the amount of deposited TOTAL securities represented by the ADRs.

If any of the ADRs remain outstanding after the date of termination, the depository will discontinue the registration of transfers of the ADRs, will suspend the distribution of dividends to the holders of the ADRs, and will not give any further notices or perform any further acts under the deposit agreement. The depository will, however:

continue to collect dividends and other distributions pertaining to the underlying deposited securities;
sell rights as provided in the deposit agreement; and
continue to deliver the underlying deposited securities, together with any dividends or other distributions received, and the net proceeds of the sale of any rights or other property, in exchange for surrendered ADRs after deducting, in each case, fees and expenses of the depository for the surrender of the ADRs, expenses for the account of the holders of the ADRs in accordance with the provisions of the deposit agreement, and taxes and governmental charges.

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At any time after the expiration of one year from the date of termination, the depositary may sell:

the underlying deposited securities and any other property represented by the ADSs; and hold the net proceeds, together with any other cash then held, unsegregated and without liability for interest, for the pro rata benefit of the holders of the ADRs that have not been surrendered, in which case, the holders will become general creditors of the depositary with respect to such proceeds.

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Charges of depositary

The depositary will charge the party to whom the ADRs are issued and the party surrendering the ADRs for delivery of shares or other underlying securities, a fee not in excess of \$5 per 100 ADSs for the issuance or surrender, respectively, of ADRs. The depositary will also charge holders of the ADRs a fee for, and will deduct the fee from, the distribution of proceeds from the sale of rights pursuant to the deposit agreement. This fee will be in an amount equal to the fee that would have been charged as a result of the deposit by holders of Shares received in exercise of rights distributed to them had such rights not been sold by the depositary and the net proceeds distributed.

In addition, the following charges will be incurred by any party depositing or withdrawing shares, surrendering the ADRs or to whom the ADRs are issued, whenever applicable:

- taxes and other governmental charges;
- any applicable registration fees for the registration of transfers of shares generally on the share register of the Company and applicable to transfers of shares to the name of the depositary or the custodian on the making of deposits or withdrawals under the deposit agreement;
- any cable, telex and facsimile charges provided in the deposit agreement;
- and expenses incurred by the depositary in the conversion of foreign currency pursuant to the deposit agreement.

The charges and expenses of the custodian are for the sole account of the depositary.

Transfer of ADRs

The ADRs are transferable on the books of the depositary, provided that the depositary may close the transfer books, after consultation with or at the request of the Company, at any time or from time to time, when deemed expedient by the depositary in connection with the performance of its duties. Holders of the ADRs will have the right to inspect the transfer books, subject to certain conditions provided in the deposit agreement.

As a condition precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any of the ADRs, the delivery of any distribution thereon or the withdrawal of the underlying deposited securities, the depositary or the custodian may require payment of a sum sufficient to reimburse it for any share transfer, registration or conversion fee and payments of any applicable fees provided in the deposit agreement.

The depositary may refuse to effect any transfer of any of the ADRs or any withdrawal of the underlying deposited securities until all tax or other governmental charges payable with respect to the ADRs or deposited securities are paid. The depositary may also withhold any dividends or other distributions or, after attempting by reasonable means to notify the holder of any of the ADRs, may sell for the account of the holder any part or all of the underlying deposited securities evidenced by the ADRs, and may apply such dividends or other distributions or the proceeds of any sale to the payment of a tax or other governmental charge, with the holder of the ADRs remaining liable for any deficiency.

The delivery, transfer and registration of transfer of the ADRs generally may be suspended during any period when the transfer books of the depositary are closed, or if any such action is deemed necessary or advisable by the depositary or the Company at any time or from time to time, subject to the provisions of the deposit agreement.

The surrender of outstanding ADRs and the withdrawal of the underlying deposited securities may not be suspended subject only to:

- temporary delays caused by closing the transfer books of the depositary or the Company for the deposit of shares of the Company in connection with voting at a shareholders meeting or the payment of dividends;
- the payment of fees, taxes and similar charges; and
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of the underlying deposited securities.

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Notices and reports

The Company will furnish to the depositary for distribution to the holders of ADRs:

annual reports containing audited consolidated financial statements, semi-annual reports that will include unaudited summary financial information;
summaries of notices of shareholders meetings; and
other reports and summaries that are generally distributed by the Company to its shareholders.

The depositary will arrange for the mailing of copies of such reports and summaries in English to all record holders of the ADSs.

Compliance with U.S. securities laws

Notwithstanding anything in the deposit agreement to the contrary, the Company and the depositary each agrees that it will not exercise any rights it has under the deposit agreement to permit the withdrawal or delivery of the underlying deposited securities in a manner which would violate U.S. securities laws.

Governing law

The deposit agreement is governed by the laws of the State of New York.

Other Issues

Shareholders meetings

French companies may hold either ordinary or extraordinary general meetings of shareholders. Ordinary general meetings are required for matters that are not specifically reserved by law to the extraordinary general meetings: the election of the members of the Board of Directors, the appointment of statutory auditors, the approval of a management report prepared by the Board of Directors, the approval of the annual financial statements, the declaration of dividends and the issuance of bonds. Extraordinary general meetings are required for approval of amendments to a company's *statuts*, modification of shareholders rights, mergers, increases or decreases in share capital, including a waiver of preferential subscription rights, the creation of a new class of shares, the authorization of the issuance of investment certificates or securities convertible, exchangeable or redeemable into shares and for the sale or transfer of substantially all of a company's assets.

The Company's Board of Directors is required to convene an annual general meeting of shareholders for approval of the annual financial statements. This meeting must be held within six months of the end of the fiscal year. However, the president of the *Tribunal de Commerce* of Nanterre, the local French commercial court, may order an extension of this six-month period. The Company may convene other ordinary and extraordinary meetings at any time during the year. Meetings of shareholders may be convened by the Board of Directors or, if it fails to call a meeting, by the Company's statutory auditors or by a court-appointed agent. A shareholder or shareholders holding at least 5% of the share capital, the employee committee or another interested party under certain exceptional circumstances, may request that the court appoint an agent. The notice of meeting must state the agenda for the meeting.

French Company Law requires that a preliminary notice of a listed company's general shareholders meeting be published in the *Bulletin des annonces légales obligatoires* (BALO) at least 30 days prior to the meeting. The preliminary notice must first be sent to the *Autorité des marchés financiers* with an indication of the date it is to be published in the BALO. The preliminary notice must include the agenda of the meeting and the proposed resolutions that will be submitted to a shareholders' vote. Within 10 days of publication, one or more shareholders holding a certain percentage of the Company's share capital determined on the basis of a formula related to capitalization may propose additional resolutions.

Notice of a shareholders meeting is sent by mail at least 15 days before the meeting to all holders of registered shares who have held their Shares for more than one month. However, in the case where the original meeting was adjourned because a quorum was not met, this time period is reduced to six days.

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Attendance and the exercise of voting rights at both ordinary and extraordinary general meetings of shareholders are subject to certain conditions. Under the Company's *statuts*, in order to participate in any shareholders meeting, the owners 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 (*certificat d immobilisation des titres au porteur*) prepared by the broker who keeps their accounts, recording the non-transferability of the securities until the

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meeting date at the places indicated in the meeting notice. The owners of registered shares entered in an account maintained by the Company must be entered into the Company's registers at least one day before the day scheduled for the meeting.

Subject to the above restrictions, all of the Company's shareholders have the right to participate in the Company's shareholders meetings, either in person or by proxy. No shareholder may delegate voting authority to another person except the shareholder's spouse or another shareholder or, if the shareholder is not a resident of France, by a registered intermediary in conformity with applicable regulations. Shareholders may vote, either in person, by proxy or by mail, and each is entitled to as many votes as he or she possesses or as many shares as he or she holds proxies for. If the shareholder is a legal entity, it may be represented by a legal representative. A shareholder may grant a proxy to the Company by returning a blank proxy form. In this last case, the chairman of the shareholders meeting may vote the shares in favor of all resolutions proposed or agreed to by the Board of Directors and against all others. The Company will send proxy forms to shareholders upon request. In order to be counted, proxies must be received at least one day prior to the shareholders meeting at the Company's registered office or at another address indicated in the notice convening the meeting. Under French Company Law, Shares held by entities controlled directly or indirectly by the Company are not entitled to voting rights. There is no requirement that a shareholder have a minimum number of shares in order to be able to attend or be represented at shareholders meetings.

Under French Company Law, a quorum requires the presence, in person or by proxy, including those voting by mail, of shareholders having at least 20% of the shares entitled to vote in the case of an ordinary general shareholders meeting or at an extraordinary general meeting where shareholders are voting on a capital increase by capitalization of reserves, profits or share premium, or 25% of the shares entitled to vote in the case of any other extraordinary general shareholders meeting. If a quorum is not present at any meeting, the meeting is adjourned. There is no quorum requirement when an ordinary general meeting is reconvened, but the reconvened meeting may consider only questions which were on the agenda of the adjourned meeting. When an extraordinary general meeting is reconvened, the quorum required is 20% of the shares entitled to vote, except where the reconvened meeting is considering capital increases through capitalization of reserves, profits or share premium. For these matters, no quorum is required at the reconvened meeting. If a quorum is not present at a reconvened meeting requiring a quorum, then the meeting may be adjourned for a maximum of two months.

At an ordinary general meeting, approval of any resolution requires the affirmative vote of a simple majority of the votes of the shareholders present or represented by proxy. The approval of any resolution at an extraordinary general meeting requires the affirmative vote of a two-thirds majority of the votes cast, except that any resolution to approve a capital increase by capitalization of reserves profits, or share premium only requires the affirmative vote of a simple majority of the votes cast. Notwithstanding these rules, an unanimous vote is required to increase shareholders' liabilities. Abstention from voting by those present or represented by proxy is counted as a vote against any resolution submitted to a vote.

As set forth in the Company's *statuts*, shareholders meetings are held at the Company's registered office or at any other location specified in the written notice.

Ownership of shares by non-French persons

There is no limitation on the right of non-resident or foreign shareholders to vote securities of the Company, either under French Company Law or under the *statuts* of the Company.

Requirement for holdings exceeding certain percentages

French Company Law provides that any individual or entity, acting alone or in concert with others, that holds, directly or indirectly, more than 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50%, 66 2/3%, 90% or 95% of the outstanding shares or the voting rights attached to the shares, or that increases or decreases its shareholding or voting rights by any of the above percentages must notify the Company by registered letter, with return receipt, within 5 business days of crossing that threshold, of the number of shares and voting rights it holds. An individual or entity must also notify the AMF, the self-regulatory organization that has general regulatory authority over the French stock exchanges and whose members include representatives of French stockbrokers, by registered letter, with return receipt, within five trading days of crossing that threshold. Any shareholder who fails to comply with these requirements will have its voting rights in excess of such thresholds suspended for a period of two years from the date such shareholder complies with the notification requirements and may have all or part of its voting rights suspended for up to five years by the commercial court at the request of the Company's Chairman, any of the Company's shareholders or the *Autorité des marchés financiers*. In addition, every shareholder who, directly or

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indirectly, acting alone or in concert with others, acquires ownership or control of shares representing 10% or 20% of the Company's share capital must notify the Company and the *Autorité des marchés financiers* of its intentions for the 12 months following such acquisition. Failure to comply with this notification of intentions will result in the suspension of the voting rights attached to the shares exceeding this 10% or 20% threshold held by the shareholder for a period of two years from the date on which the shareholder has cured such default and, upon a decision of the commercial court part or all the shares held by such shareholder may be suspended for up to five years.

In addition, the Company's *statuts* provide that 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 Company's share capital or voting rights or of securities that may include future voting rights or future access to share capital or voting rights, must notify the Company by registered letter with return receipt requested, within 15 calendar days of crossing such threshold. Failure to comply with these notification provisions will result in the suspension of the voting rights attached to the shares exceeding this 1% threshold held by the shareholder if requested at a shareholder's meeting by one or more shareholders holding shares representing at least 3% of the share capital.

Any individual or legal entity whose direct or indirect holding of shares falls below each of the levels mentioned must also notify the Company in the manner and within the time limits set forth above.

Subject to certain limited exemptions, any person, or persons acting in concert, owning in excess of 33 1/3% of the share capital or voting rights of the Company must initiate a public tender offer for the balance of the share capital, voting rights and securities giving access to such share capital or voting rights.

Specific Rights of the French State in the Share Capital of Elf Aquitaine

The share capital of Elf Aquitaine previously included a specific share providing specific rights to the French Republic, following the conversion of a common share decided by the decree dated December 13, 1993. This decree provided in particular for a right of approval in case a party or a group of parties are increasing their ownership of capital or voting rights above defined thresholds. The French Government abrogated the specific share by decree on October 3, 2002.

MATERIAL CONTRACTS

There have been no material contracts (not entered into in the ordinary course of business) entered into by members of the Group since March 31, 2004.

EXCHANGE CONTROLS

Under current French exchange control regulations, no limits exist on the amount of payments that TOTAL may remit to residents of the United States. Laws and regulations concerning foreign exchange controls do require, however, that an accredited intermediary must handle all payments or transfer of funds made by a French resident to a non-resident.

TAXATION

General

This section describes the material United States federal income tax and French tax consequences of owning and disposing of shares and ADSs of TOTAL to U.S. Holders that hold their shares or ADSs as capital assets for tax purposes. A U.S. Holder is a beneficial owner of shares or ADSs that is (i) a citizen or resident of the United States for United States federal income tax purposes, (ii) a domestic corporation or other domestic entity treated as a corporation for United States federal income tax purposes, (iii) an estate whose income is subject to United States federal income tax regardless of its source, or (iv) a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

This section does not apply to members of special classes of holders subject to special rules, including:

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dealers in securities,
traders in securities that elect to use a mark-to-market method of accounting for their securities holdings,
tax-exempt organizations,
life insurance companies,
persons liable for alternative minimum tax,
persons that actually or constructively own 5% or more of the share capital or voting rights in TOTAL,
persons that hold the shares or ADSs as part of a straddle or a hedging or conversion transaction, or
U.S. Holders whose functional currency is not the U.S. dollar.

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In addition, the discussion of the material French tax consequences is limited to U.S. Holders that (i) are residents of the United States for purposes of the Treaty (as defined below), (ii) do not maintain a permanent establishment or fixed base in France to which the shares or ADSs are attributable and through which the respective U.S. Holders carry on, or have carried on, a business (or, if the holder is an individual, performs or has performed independent personal services), and (iii) are otherwise eligible for the benefits of the Treaty in respect of income and gain from the shares or ADSs. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, and with respect to the description of the material French tax consequences, the laws of the Republic of France and French tax regulations, all as currently in effect, as well as on the Convention Between the United States of America and the Republic of France for the Avoidance of Double Taxation (the Treaty). These laws are subject to change, possibly on a retroactive basis.

Holders are urged to consult their own tax advisor regarding the United States federal, state and local, and French and other tax consequences of owning and disposing shares or ADSs of TOTAL in their respective circumstances. In particular, a holder is encouraged to confirm whether the holder is a U.S. Holder eligible for the benefits of the Treaty with its advisor.

Taxation of Dividends

French taxes

Dividends paid to non-residents of France are subject to French withholding tax at a rate of 25% unless the rate is reduced pursuant to a tax treaty or similar agreement. Under the Treaty, a U.S. Holder generally is entitled to a reduced rate of French withholding tax of 15% with respect to dividends, provided the ownership of shares or ADSs is not effectively connected with a permanent establishment or a fixed base in France and certain other requirements are satisfied.

In France, companies may pay dividends only out of income remaining after tax has been paid. Until December 31, 2004, when dividends were received by shareholders resident in France, such persons were under certain circumstances entitled to a tax credit (*Avoir fiscal*) representing a portion of the underlying tax paid at the corporate level.

The French Finance Law of 2004, which reformed the taxation of dividends, repealed the benefit of the *Avoir fiscal*. Instead, for dividends received in 2005 and for those received as from January 1, 2006, French resident shareholders who are individuals are taxed respectively on only 50% and 60% of the amount of dividends. In addition, French resident shareholders who are individuals are entitled to a new tax credit (*Crédit d'impôt*) equal to 50% of the amount of dividends they received but with an overall annual cap of 230 or, as the case may be, 115 depending on the marital status of the individual holder.

Under French domestic law, shareholders who are not resident of France for tax purposes are not eligible to the benefit of the *Crédit d'impôt*. However, U.S. Holders who benefit from the Treaty may be entitled to the refund of the *Crédit d'impôt* (less applicable withholding tax).

With respect to dividends distributed as from January 1, 2005, the administrative guidelines issued on February 25, 2005 (4 J-1-05) (the February 25, 2005 Administrative Guidelines) 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 to those U.S. Holders that may benefit from the so-called simplified procedure (within the meaning of the February 25, 2005 Administrative Guidelines).

Under the simplified procedure, U.S. 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 the U.S. 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;

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(ii) the U.S. financial institution managing the U.S. Holder's securities account provides to the French paying agent a list of the eligible U.S. Holders and other pieces of information set forth in the February 25, 2005 Administrative Guidelines. Furthermore, the financial institution managing the U.S. Holders' securities account should certify that each U.S. 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 U.S. Holder's identity and tax residence are known by the French paying agent, the latter may release such U.S. 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 U.S. Holder.

U.S. 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 U.S. 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 together with the first request of immediate application of the 15% withholding tax and at French Tax 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.

For a U.S. 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 U.S. Holder may, however, be entitled to a refund of the withholding tax in excess of the 15% rate under the standard, as opposed to the simplified, procedure, provided that the U.S. Holder furnishes to the French paying agent an application for refund on form RF 1A EU-No 5052 (or any other relevant form to be issued by the French tax authorities), certified by the U.S. financial institution managing the U.S. Holder's securities account, before December 31 of the second year following the date of payment of the withholding tax at the 25% rate to the French tax authorities. Any French withholding tax refund is generally expected to be paid within twelve months from the filing of form RF 1A EU-No 5052 (or any other relevant form to be issued by the French tax authorities). However, it will not be paid before January 15 of the year following the year in which the dividend was paid.

Copies of form RF 1A EU-No 5052 (or any other relevant form to be issued by the French tax authorities) as well as the form of the certificate of residence and the U.S. financial institution certification, together with instructions, are (or will be, as soon as practical) available from the U.S. Internal Revenue Service and the French Centre des Impôts des Non-Residents at 9, rue d Uzès, 75094 Paris Cedex 2, France.

These forms, together with instructions, will also be provided by the Depositary to all U.S. Holders of ADRs registered with the Depositary. The Depositary will use reasonable efforts to follow the procedures established by the French tax authorities for U.S. Holders to benefit from the immediate application of the 15% French withholding tax rate or, as the case may be, recover the excess 10% French withholding tax initially withheld and deducted in respect of dividends distributed to them by the Company, and obtain, in respect to dividend distributions made as from January 1, 2005 to U.S. Holders who are individuals, the refund of the *Crédit d'impôt* (less applicable withholding tax), in accordance with the procedures established by the French tax authorities. To effect such benefit, recovery and/or refund, the Depositary shall advise such U.S. Holder to return the relevant forms to it properly completed and executed. Upon receipt of the relevant forms properly completed and executed by such U.S. Holder, the Depositary shall cause them to be filed with the appropriate French tax authorities, and upon receipt of any resulting remittance, the Depositary shall distribute to the U.S. Holder entitled thereto, as soon as practicable, the proceeds thereof in U.S. Dollars.

The identity and address of the French paying agent is available from the Company.

United States taxation

For United States federal income tax purposes, the gross amount of dividend a U.S. Holder must include in gross income equals the amount paid by TOTAL plus any amount of the *Crédit d'impôt* described above (see French Taxes above) transferred to the U.S. Holder with respect to this amount (including any French tax withheld with

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respect to the distribution made by TOTAL and the *Crédit d'impôt*) to the extent of the current and accumulated earnings and profits of TOTAL (as determined for United States federal income tax purposes). The dividend will be income from foreign sources. Dividends paid to a noncorporate U.S. Holder in taxable years beginning 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 period 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 U.S. corporation under Section 243 of the Code. The dividend is taxable to the U.S. Holder when the holder, in the case of shares, or the Depositary, in the case of ADSs, receives the dividend, actually or constructively. To the extent that an amount received by a U.S. Holder exceeds the allocable share of the Company's current and accumulated earnings and profits, it will be applied first to reduce such holder's tax basis in shares or ADSs owned by such holder and then, to the extent it exceeds the holder's tax basis, it will constitute capital gain.

The amount of any dividend distribution includible in the income of a U.S. Holder equals the U.S. dollar value of the euro payment made, determined at the spot dollar/euro exchange rate on the date the dividend distribution is includible in the U.S. Holder's income, regardless of whether the payment is in fact converted into U.S. dollars. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in the U.S. Holder's income to the date the payment is converted into U.S. dollars will generally be treated as ordinary income or loss from sources within the United States and will not be eligible for the special tax rate applicable to qualified dividend income.

Subject to certain conditions and limitations, French taxes withheld in accordance with the Treaty will be eligible for credit against the U.S. Holder's United States federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. In addition, special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. For this purpose, dividends distributed by the Company and the related *Crédit d'impôt* payments paid in taxable years beginning before January 1, 2007 generally will constitute passive income, or, in the case of certain U.S. Holders, financial services income, and dividends paid in taxable years beginning after December 31, 2006 will, depending on your circumstances, be passive or general income. Alternatively, a U.S. Holder may claim all foreign taxes paid as an itemized deduction in lieu of claiming a foreign tax credit.

Taxation of Disposition of Shares

In general, a U.S. Holder who is eligible for the benefits of the Treaty will not be subject to French tax on any capital gain from the sale or exchange of the ADSs or redemption of the underlying shares unless those ADSs or shares form part of a business property of a permanent establishment or fixed base that the U.S. Holder has in France. Special rules may apply to individuals who are residents of more than one country.

No transfer duty applies to the transfer of shares of the Company; provided that the transfer is subject to registration formalities and therefore to a 1.1% registration duty assessed on the higher of the purchase price and the market value of the shares (subject to a maximum assessment of 4,000 per transfer) if such transfer is evidenced by written agreement executed in France.

For United States federal income tax purposes, a U.S. Holder generally will recognize capital gain or loss upon the sale or disposition of shares or ADSs equal to the difference between the U.S. dollar value of the amount realized on the sale or disposition and the holder's tax basis, determined in U.S. dollars, in the shares or ADSs. The gain or loss generally will be United States source gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period of the shares or ADSs is more than one year at the time of the disposition. Long-term capital gain of a non-corporate U.S. Holder that is recognized on or after May 6, 2003 and before January 1, 2009 is taxed at a maximum rate of 15%. The deductibility of capital losses is subject to limitation.

French Estate and Gift Taxes

In general, a transfer of ADSs or shares by gift or by reason of the death of a U.S. Holder that would otherwise be subject to French gift or inheritance tax, respectively, will not be subject to such French tax by reason of the Convention between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Estates, Inheritances and Gifts, dated November 24, 1978, unless the donor or the transferor is domiciled in France at the time of making the gift, or at

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the time of his death, or if the ADSs or shares were used in, or held for use in, the conduct of a business through a permanent establishment or a fixed base in France.

French Wealth Tax

The French wealth tax does not apply to a U.S. Holder (i) that is not an individual, or (ii) in the case of individuals who are eligible for the benefits of the Treaty and who own, alone or with related persons, directly or indirectly, TOTAL shares which give right to less than 25 per cent of TOTAL's earnings.

United States State and Local Taxes

In addition to United States federal income tax, U.S. Holders of shares or ADSs may be subject to U.S. state and local taxes with respect to their shares or ADSs. U.S. Holders should consult their own tax advisors.

DIVIDENDS AND PAYING AGENTS

After BNP Paribas Securities Services performs centralizing procedures, dividends are paid through the accounts of financial intermediaries participating in Euroclear France's direct payment procedures. The Bank of New York acts as paying agent for dividends distributed to ADS holders.

DOCUMENTS ON DISPLAY

TOTAL files annual, periodic, and other reports and information with the Securities and Exchange Commission. You may read and copy any reports, statements or other information TOTAL files with the Securities and Exchange Commission at the Securities and Exchange Commission's public reference rooms by calling the Securities and Exchange Commission for more information at 1-800-SEC-0330. All of TOTAL's Securities and Exchange Commission filings made after December 31, 2001 are available to the public at the Securities and Exchange Commission web site at <http://www.sec.gov> and from certain commercial document retrieval services. TOTAL's website at <http://www.total.com> includes information about our businesses and also includes recent press releases and other publications of TOTAL, including some of our filings with the Securities and Exchange Commission made prior to December 31, 2001. You may also read and copy any document the Company files with the Securities and Exchange Commission at the offices of The New York Stock Exchange, 20 Broad Street, New York, New York 10005.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 2006, the Company estimates that an increase or decrease of \$1 per barrel in the price of Brent crude would respectively improve or reduce annual operating income by approximately 0.41 B¹. 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 operating income by approximately 0.09 B¹.

All of the Company's activities are in various degrees sensitive to fluctuations in the dollar/euro exchange rate. For the year 2006, the Company estimates that a strengthening or weakening of the U.S. dollar against the euro by 0.10 euro per dollar would respectively improve or reduce annual operating income, expressed in euros, by approximately 1.6 B¹.

The Company's results, in particular in the Chemicals segment, also depend on the overall economic environment.

2006 SENSITIVITIES

	Scenario	Change	Estimated impact on operating income
U.S. Dollar (\$)	1.20 \$/€	+0.1 per \$	+1.6 B
Brent	40-50\$/b	+1 \$/b	+0.41 B
European refining margins TRCV	25 \$/t	+1 \$/t	+0.09 B

1 Calculated with a base case exchange rate of \$1.20 dollars per euro.

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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 its international oil trading activities, the Company follows a policy of not selling its future oil and gas production for future delivery. However, in connection with these trading activities, the Company, like most other oil companies, uses energy derivative instruments to adjust its exposure to prices fluctuations of crude oil, refined products, natural gas and power. The Group also uses freight rate derivatives contracts in its Shipping activities to adjust its exposure to freight-rate fluctuations. In order to hedge against this risk, the Company uses various instruments such as futures, forwards, swaps and options on organized and over-the-counter markets.

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; 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.

The notional and fair values of derivatives as of December 31, 2005, were as follows:

	As of December 31,			
	Notional value	2005		Fair Value
		assets ⁽¹⁾	liabilities ⁽¹⁾	
	(in millions of euros)			
Assets/(Liabilities)				
Commodities instruments on crude oil, petroleum products and freight rates				
Petroleum products and crude oil swaps ⁽¹⁾	5,474	6,356	13	13
Forward freight agreements	46	47		
Forwards ⁽²⁾	4,839	5,156	(14)	(14)
Options ⁽³⁾	5,426	3,770	79	79
Futures ⁽⁴⁾	627	2,045	(35)	(35)
Options on futures ⁽³⁾	398	178	13	13
Total Commodities instruments on crude oil, petroleum products and freight rates			56	56
Commodities instruments on gas and power				
Swaps ⁽¹⁾	1,205	1,017	28	28
Forwards	7,656	9,080	(623)	(623)
Options ⁽³⁾	60	41		
Futures ⁽⁴⁾	177	43	35	35
Total Commodities instruments on gas and power			(560)	(560)
Total			(504)	(504)
Total of fair value not recognized in the balance sheet				

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- (1) Swaps (including Contracts for differences): the Notional value columns correspond to receive-fixed and pay-fixed swaps.
- (2) Forwards: contracts resulting in physical delivery are accounted for as derivative commodity contracts and included in the amounts shown.
- (3) Options: the Notional value columns correspond to the nominal value of options (calls or puts) purchased and sold, valued based on the strike price.
- (4) Futures: the Notional value columns correspond to the net purchasing/selling positions, valued based on the closing rate on the organized exchange market.

To measure market risks related to the prices of oil and gas products, the Company uses a value at risk method. Under this method, for the Company's crude oil and refined products trading activities, there is a 97.5% probability that unfavorable daily market variations would result in a loss of less than 7.7 M per day defined as the value at risk, based on positions as of December 31, 2005. Over the year 2005, the average value at risk was 9.7 M, the low value at risk was 4.2 M, the high value at risk was 17.6 M.

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As part of its natural gas trading 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 4.6 M per day, based on positions as of December 31, 2005. Over the year 2005, the average value at risk was 3.6 M, the low value at risk was 1.6 M, the high value at risk was 8.4 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.

FINANCIAL MARKETS RELATED RISKS

Within its financing and cash management activities, the Company uses derivative instruments in order to manage its exposure to changes in interest rates and foreign exchange rates. This includes mainly interest rates and currency swaps. The Group might also use, on an occasional basis, futures, caps, floors and options contracts. The current operations and their accounting treatment are detailed in Notes 1L, 21 and 28 of the Notes to the Consolidated Financial Statements.

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, the Financial Control Department handles the daily monitoring of limits and positions and validates results. It values financial instruments and, if necessary, performs sensitivity analysis.

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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, 2005	Notional amount ⁽¹⁾							
Assets / (liabilities)	Fair Value	Total	2006	2007	2008	2009	2010	2011 and after
Financial instruments hedging non-current financial debt								
Issue swaps and swap hedging debenture issues non-current (liabilities)	(128)	4,387						
Issue swaps and swap hedging debenture issues non-current (assets)	450	6,166						
Issue swaps and swap hedging debenture issues non-current	322	10,553		1,854	1,960	2,137	1,782	2,820
Non-current currency and interest rate swaps hedging bank loans								
	27	76		76				
Issue swaps and swap hedging debenture issues less than one year (liabilities)	(6)	167						
Issue swaps and swap hedging debenture issues less than one year (assets)	44	381						
Issue swaps and swap hedging debenture issues less than one year	38	548	548					
Financial instruments hedging net investment								
	n/a	n/a						
Financial instruments held for trading								
Other interest rate swaps assets	7	4,960						
Other interest rate swaps liabilities	(4)	9,022						
Other swaps assets and liabilities	3	13,982	13,976				5	1
Currency swaps and forward exchange contracts assets	283	8,579						
Currency swaps and forward exchange contracts liabilities	(23)	2,372						
Currency swaps and forward exchange contracts assets and liabilities	260	10,951	10,542	77	44	88	16	184

(1) These amounts set the levels of notional involvement and are not indicative of a contingent gain or loss.

Most long-term swaps (interest rate and/or currency swaps, issue swaps or swaps hedging debenture issues) are aimed 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.

Currency Exposure

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The Group seeks to minimize the currency exposure of each entity by reference to its functional currency (primarily the euro, U.S. dollar, pound 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, when it does so it typically uses options.

With respect to currency exposure linked to long-term assets in foreign currencies, the Company has a hedging policy which results in reducing the associated currency exposure by financing in the same currency.

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Short-term net currency exposure is periodically monitored with limits set by the Company's management. The Group's central treasury entities manage 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.

Short-Term Interest Rate Exposure and Cash

Cash balances, which are primarily composed of euros 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.

Interest Rate Risk on Long-Term Debt

The Company's policy consists of incurring long-term debt primarily at a floating rate, or at a fixed rate depending on opportunities at the issuance with regards to the level of interest rates, in U.S. dollars or in euros according to the general corporate purposes. 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 the date indicated, of an increase or decrease of 10% in the interest rate yield curves in each of the currencies.

As of December 31, 2005	Carrying amount	Estimated fair value	Change in fair value with a 10% interest rate increase	Change in fair value with a 10% interest rate decrease
Assets / (Liabilities)				
Debenture loans (non-current portion, before swaps)	(11,025)	(11,025)	126	(129)
Issue swaps and swaps hedging debenture loans (liabilities)	(128)	(128)	(62)	63
Issue swaps and swaps hedging debenture loans (assets)	450	450	(53)	54
Fixed-rate bank loans	(411)	(406)	7	(7)
Current portion of long term debt after swaps (excluding capital lease obligations)	(920)	(919)	1	(1)
Other interest rates swaps	3	3	(3)	3
Currency swaps and forward exchange contracts	260	260	4	(4)
Currency options				

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 two fiscal years, was essentially related to the evolution of the U.S. dollar and is set forth in the table below:

Dollar/Eu