TOTAL SA
Form 6-K
September 27, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C.
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
For the period ending June 30, 2005
TOTAL S.A.

(Translation of registrant s name into English)
2, place de la Coupole
La Défense
92400 Courbevoie
France

(Address of principal executive offices)
Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-______________.)

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NOS. 333-104463 AND 333-104463-01) OF TOTAL S.A. AND TOTAL CAPITAL, AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The financial information in this Form 6-K with respect to annual periods has been derived from the audited consolidated financial statements for the year ended December 31, 2004 included in Total S.A. s Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 20, 2005. The financial information in this Form 6-K with respect to the second quarter and first half ended June 30, 2005 has been derived from the unaudited interim consolidated financial statements for the second quarter and first half periods ended June 30, 2005 which have been the subject of a limited review under generally accepted auditing standards in France by the company s auditors. The following discussion should be read in conjunction with the unaudited interim consolidated financial statements and the related notes provided elsewhere in this Form 6-K and with the information, including the audited financial statements and related notes, for the year ended December 31, 2004 in Total s Annual Report on Form 20-F for the year ended December 31, 2004.

Total consolidated accounts

2Q05	**2Q04**	**%**	**in millions of euros** (except for per share data)	**1H05**	**1H04**	**%**
33,073	29,129	+14%	Sales	64,812	56,104	+16%
5,817	4,246	+37%	Operating income	11,930	7,955	+50%
3,079	2,284	+35%	Net income*	6,287	4,374	+44%
5.21	3.75	+39%	Earnings per share (euros)	10.59	7.15	+48%
2,255	1,971	+14%	Investments	4,039	3,608	+12%
377	171	+120%	Divestments at selling price	590	353	+67%
2,697	2,656	+2%	Cash flow from operating activities	6,734	6,765	

**Group share.*

Number of shares

2Q05	**2Q04**	**%**	**in millions**	**1H05**	**1H04**	**%**
591.1	608.9	-3%	Fully-diluted weighted-average shares	593.6	612.0	-3%

Market environment

2Q05	**2Q04**	**%**		**1H05**	**1H04**	**%**
1.26	1.20	-4%*	US$($/)	1.28	1.23	-4%*
51.6	35.4	+46%	Brent ($/b)	49.6	33.7	+47%
45.0	34.4	+31%	European refining margins TRCV ($/t)	38.4	28.0	+37%

**Change in the dollar versus the euro.*

Second quarter 2005 Group results

Operating income

Compared to the second quarter 2004, the oil market environment in the second quarter 2005 was marked by sharply higher oil prices (+46% for Brent) and refining margins (+31% for the TRCV European refining margin indicator). Petrochemical margins were higher on average than in the second quarter 2004 but well below the level of the first quarter 2005.

The 4% decline in the dollar relative to the euro slightly offset the positive impact of changes in the oil and chemicals environment.

In this context, operating income for the second quarter 2005 increased by 37% to 5,817 M   from 4,246 M   in the second quarter 2004.

Net income

Net income increased by 35% to 3,079 M   from 2,284 M   in the second quarter 2004.

During the second quarter 2005, the Group bought back 6.85 million of its shares, or 1.1% of its share capital, for 1.25 billion euros (B).

Earnings per share, based on 591.1 million fully-diluted weighted-average shares, increased by 39% to 5.21 euros in the second quarter 2005 from 3.75 euros in the second quarter 2004. Earnings per share increased at a higher rate than net income due to the accretive effect of the share buy-backs.

Cash flow

Cash flow from operating activities was 2,697 M   in the second quarter 2005 compared to 2,656 M   in the second quarter 2004. Before changes in working capital, which was particularly high at the end of the second quarter 2005, cash flow from operations showed an increase of 25%.

Investments were 2,255 M   in the second quarter 2005 compared to 1,971 M   in the second quarter 2004. Expressed in dollars, the increase was 20% to approximately $2.8 billion.

Divestments in the second quarter 2005 amounted to 377 M , including the sale of 1.85% of Kashagan to KazMunayGas.

Net cash flow[1] was 819 M   compared to 856 M   for the same quarter 2004.

First half 2005 Group results

Operating income

Operating income increased by 50% to 11,930 M   in the first half 2005 from 7,955 M   in the first half 2004.

The 4.0 B   increase in operating income between the first half 2004 and the first half 2005 was due mainly to the overall positive impact of changes in the market environment:

+ 2.4 B   from higher hydrocarbon prices,

+ 0.6 B   from improved conditions for Downstream,

+ 0.5 B   from better market environment for Chemicals, and

+ 0.6 B   from inventory holding gains, partly offset by

- 0.3 B   from the depreciation of the dollar relative to the euro.

Excluding the impact of changes in the market environment, the increase in operating income was due essentially to the positive impact of productivity programs and growth in the Downstream and Chemicals segments.

Net income

Net income in the first half 2005 increased by 44% to 6,287 M   from 4,374 M   in the first half 2004.

[1] Net cash flow = cash flow from operating activities + total

divestitures
investments as
per consolidated
statement of
cash flows.

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During the first half 2005, the Group bought back 11.72 million of its shares, or 1.85% of its capital, for 2.10 B . At June 30, 2005 the number of fully-diluted shares was 589.3 million compared to 607.0 million a year earlier, representing a decrease of 3%.

Earnings per share, based on 593.6 million fully-diluted weighted-average shares, rose to 10.59 euros from 7.15 euros in the first half 2004, an increase of 48%, which is a higher rate of increase than for net income due to the accretive effect of the share buy-backs.

Cash Flow

Cash flow from operating activities was 6,734 M in the first half 2005, in line with the first half 2004. Before changes in working capital, the increase in cash flow was 36%.

In the first half 2005, investments were 4,039 M . Expressed in dollars, they reached approximately $5.2 billion, a 17% increase relative to the first half 2004.

Divestments in the first half 2005 were 590 M .

Net cash flow was 3,285 M in the first half 2005 compared to 3,510 M in the first half 2004.

The net-debt-to-equity ratio[2] was 30.3% at June 30, 2005 compared to 23.9% at March 31, 2005 and 33.6% at June 30, 2004.

Cancellation of outstanding shares

The Board of Directors met on July 19, 2005 and approved the cancellation of 13,527,578 shares. The share capital has been adjusted to 6,214,875,300 represented by 621,487,530 shares with a par value of 10 . This cancellation increases the capacity for share buy-backs. Total has announced that it plans to propose a stock split to its shareholders at the Annual Meeting to be held in May 2006.

Business segment reporting

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

Due to their particular nature or significance, certain transactions qualified as special items are excluded from the business segment figures. Special items affecting operating income and net income include principally restructuring charges, asset impairment charges, gains or losses on sales of assets and other items.

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. However, the Group continues to present the results of its Downstream segment on an as-adjusted basis using the replacement cost method and those of its Chemicals segment on an as-adjusted basis using the LIFO (Last-in, First-out) method in order to ensure the comparability of the Group s results with those of its leading competitors, particularly those that are North American. The inventory valuation effect is the difference between the results according to the FIFO method and the results according to the replacement cost or LIFO methods. The adjusted business segment results (adjusted operating income and adjusted net operating income) are defined as replacement cost results, adjusted for special items.

[2] Net-debt-to-equity ratio = sum of short-term borrowings and bank overdrafts and long-term debt, net of cash and cash equivalents and short-term investments, divided by the sum of

shareholders equity, redeemable preferred shares issued by consolidated subsidiaries and minority interest after expected dividends.

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Upstream

Results

2Q05	2Q04	%	in millions of euros	1H05	1H04	%
4,212	3,164	+33%	Operating income	8,222	5,987	+37%
			Adjustments affecting operating income			
4,212	3,164	+33%	Adjusted operating income	8,222	5,987	+37%
1,887	1,516	+24%	Net operating income	3,695	2,915	+27%
			Adjustments affecting net operating income			
1,887	1,516	+24%	Adjusted net operating income	3,695	2,915	+27%
1,638	1,334	+23%	Investments	3,001	2,548	+18%
262	102	+157%	Divestments at selling price	390	201	+94%
2,731	2,647	+3%	Cash flow from operating activities	4,919	4,979	-1%

Adjusted operating income from the Upstream segment increased by 33% to 4,212 M in the second quarter 2005 from 3,164 M in the second quarter 2004. This increase reflects essentially the benefit of higher hydrocarbon prices, more so for liquids than for gas. Part of this benefit was offset by the decline in the sales-to-production ratio, which was at a particularly high level in the first quarter 2005 and then reversed in the second quarter 2005 to a level that was lower on average than in the second quarter 2004.

For the first half 2005, adjusted operating income from the Upstream segment increased by 37% to 8,222 M compared to 5,987 M in the first half 2004, primarily due to higher hydrocarbon prices.

There were no adjustments affecting Upstream operating income in the first half or second quarter of either 2005 or 2004.

Adjusted net operating income from the Upstream segment rose to 1,887 M in the second quarter 2005, an increase of 24%. This increase, which was more moderate than the increase in adjusted operating income, reflects essentially a higher average tax rate in the second quarter 2005 than in the second quarter 2004. This higher rate was due primarily to an increase in the share of production from Nigerian concessions.

For the first half 2005, adjusted net operating income from the Upstream segment increased by 27% to 3,695 M compared to 2,915 M in the first half 2004. This smaller percentage increase over the two periods, when compared to operating income from the segment, was also mainly due to the higher effective tax rate in the first half 2005 than in the first half 2004.

There were no adjustments affecting Upstream net operating income in the first half or second quarter of either 2005 or 2004.

Production

2Q05	2Q04	%	Hydrocarbon production	1H05	1H04	%

2,506	2,601	-4%	Combined production (kboe/d)	2,534	2,617	-3%
1,630	1,698	-4%	Liquids (kb/d)	1,643	1,710	-4%
4,797	4,915	-2%	Gas (Mcfd)	4,870	4,933	-1%

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Hydrocarbon production was 2,506 thousand barrels of oil equivalent per day (kboe/d) in the second quarter 2005 compared to 2,601 kboe/d in the second quarter 2004, a decrease of 3.7%. The decrease was due primarily to the negative impact on production of higher prices in the second quarter 2005 versus the second quarter 2004 (price effect) as well as to the remaining effects of shut-downs related to Hurricane Ivan in the Gulf of Mexico. Excluding these impacts, hydrocarbon production was generally unchanged. Increases in Libya, Venezuela, Indonesia, Congo and Trinidad offset the production decline in the North Sea, which was largely attributable to high maintenance activity in Norway.

For the first half 2005, hydrocarbon production was 2,534 kboe/d compared to 2,617 kboe/d in the first half 2004, a decrease of 3.2%, also due primarily to the price effect on production and to a lesser extent to the impact of Hurricane Ivan on production from the Gulf of Mexico in the first half 2005.

Liquids and gas price realizations

2Q05	2Q04	%	Liquids and gas price*	1H05	1H04	%
48.0	34.2	+40%	Average liquids price ($/b)	45.9	32.6	+41%
4.39	3.44	+28%	Average gas price ($/Mbtu)	4.40	3.57	+23%

** Consolidated subsidiaries, excluding fixed margin and buy-back contracts.*

The smaller increase in the average realized price for liquids compared to the increase in Brent reflects the higher differential between light and heavy oil. Gas prices increased in all regions.

Recent highlights

Total continued to expand its exploration acreage by taking a 40% interest in OPL 215 and signing a production sharing contract on OPL 223 in Nigeria, in addition to taking a new exploration block in Cameroon.

Successful exploration activity included a fourth discovery on the Angolan ultra-deep Block 32 (Total-operated 30%), a gas discovery in the Norwegian North Sea on the Onyx SW prospect (Total 20%), a discovery on the Haute Mer C in Congo (Total-operated 100%), a discovery on Aguada Pichana Norte (Total-operated 27%) in Argentina and two new positive wells on OPL 222 (Total-operated 20%) in Nigeria that further confirm the potential of the Usan discovery.

An initial development plan for Usan projecting a start-up by 2010 and a plateau rate of 150 kb/d was approved by NNPC, the concession holder of the block.

The second quarter 2005 also marked the launch of the development of the giant Akpo field (Total-operated 24%) in the Nigerian deep offshore and the Forvie Nord field (Total-operated 100%) in the UK North Sea. In addition, the development plan for the Tyrihans field (Total 26.5%) was submitted to the Norwegian authorities in July 2005. In August 2005 Total launched phase 1 of the Moho-Bilondo project (Total-operated 53.5%) in the Republic of the Congo.

Dolphin Energy (Total 24.5%) announced in May the signature of a contract with the government of Dubai for 25 years of gas sales at the rate of 700 Mcfd, increasing the contracted deliveries to 1.9 Bcfd on average over the long term.

Gas production started up at the Carina-Aries field (Total-operated 37.5%) in Argentina during the second quarter 2005.

Total took a major step forward in developing its Canadian oil sands strategy through the deal signed with Deer Creek Energy Limited pursuant to which the Group launched a friendly cash offer to acquire 100% of common outstanding shares of Deer Creek Energy Limited. Deer Creek Energy Limited holds 84% of the Joslyn lease in Athabasca with an estimated cumulative production of around 2 Bboe of bitumen over 30 years. On September 2, 2005, Total increased its offer for Deer Creek to match a competing proposal. On September 13, 2005, Total announced that it had acquired approximately 78% of the issued and outstanding common shares of Deer Creek and that it was extending its offer to September 26, 2005 to allow for additional tenders. Total also increased its stake in the Surmont project to 50%.

In August 2005, the government of Yemen approved the development plan for the Yemen LNG (Total 42.9%) liquefied natural gas project. In midstream LNG, the Hazira LNG regasification terminal (Total 26%) in India started commercial operations.

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As a result of the numerous delays, which are difficult to understand, that have occurred since the filing of the application in September 2004, Total has just informed the Russian antitrust authorities of its decision to withdraw its application concerning the acquisition of 25% plus one share of Novatek.

Downstream

Results

2Q05	2Q04	%	in millions of euros	1H05	1H04	%
1,447	974	+49%	Operating income	2,990	1,710	+75%
(503)	(253)	+99%	Adjustments affecting operating income	(1,155)	(436)	+165%
944	721	+31%	Adjusted operating income	1,835	1,274	+44%
1,088	728	+49%	Net operating income	2,216	1,273	+74%
(355)	(184)	+93%	Adjustments affecting net operating income	(805)	(304)	+165%
733	544	+35%	Adjusted net operating income	1,411	969	+46%
359	335	+7%	Investments	576	575	
58	39	+49%	Divestments at selling price	103	82	+26%
(70)	433	ns	Cash flow from operating activities	1,619	2,157	-25%

Adjusted operating income from the Downstream segment in the second quarter 2005 increased to 944 M , an increase of 31% compared to the second quarter 2004. In the second quarter 2005, the Downstream segment benefited from a sharp increase in refining margins that were driven up by strong tension in the Atlantic basin market and by the increase in the light-heavy crude spread. Downstream results for the second quarter 2005 also continued to benefit from the effects of self-help programs. They were, however, also affected by a decrease in refinery throughput resulting from a high level of turnarounds and by strikes that affected most of the refineries in France for parts of May 2005.

The inventory evaluation effect had a negative impact on adjusted operating income for the Downstream segment of 503 M in the second quarter 2005 and of 253 M in the second quarter 2004. There were no special items affecting Downstream operating income in the second quarter of either 2005 or 2004.

For the first half 2005 adjusted operating income for the Downstream segment amounted to 1,835 M , a 44% increase from 1,274 M the first half 2004, primarily due to higher refining margins and also due to the impact of productivity programs.

The inventory evaluation effect had a negative impact on adjusted operating income for the Downstream segment of 1,155 M in the first half 2005 and of 436 M in the first half 2004. There were no special items affecting Downstream operating income in the first half of either 2005 or 2004.

Adjusted net operating income from the Downstream segment increased by 35% to 733 M in the second quarter 2005 from 544 M in the second quarter 2004.

The inventory evaluation effect had a negative impact on adjusted net operating income for the Downstream segment of 355 M in the second quarter 2005 and of 184 M in the second quarter 2004. There were no special items affecting

Downstream net operating income in the second quarter of either 2005 or 2004.

For the first half 2005, adjusted net operating income from the Downstream segment increased to 1,411 M , an increase of 46%, from 969 M in the first half 2004.

The inventory evaluation effect had a negative impact on adjusted net operating income for the Downstream segment of 805 M in the first half 2005 and of 304 M in the first half 2004. There were no special items affecting Downstream net operating income in the first half of either 2005 or 2004.

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The decrease in cash flow from operations from the Downstream segment for both the second quarter and first half 2005 reflects a large increase in working capital, which was due mainly to much higher refined product prices and to trading activities.

Refinery throughput

2Q05	2Q04	%	Refinery throughput (kb/d)	1H05	1H04	%
2,219	2,494	-11%	Total refinery throughput*	2,420	2,494	-3%
831	1,000	-17%	France	939	1,017	-8%
1,055	1,180	-11%	Rest of Europe*	1,152	1,181	-2%
333	314	+6%	Rest of world	329	296	+11%

** Includes share of Cepsa.*

Refinery throughput was 2,219 kb/d in the second quarter 2005, an 11% decline from the same period last year, and the refining utilization rate was 82%. The lower utilization rate was due in roughly equal parts to the effects of the strikes at French refineries and the major turnarounds at Grandpuits, Milford Haven, Antwerp and Normandy.

For the first half 2005, refinery throughput declined 3% to 2,420 kb/d from 2,494 kb/d in the first half 2004 due principally to major turnarounds**.**

Recent highlights

Total announced an agreement to increase its share in the Rome refinery by 20% to 77.5% from 57.5% in exchange for its 18% interest in the Reichstett refinery in France.

In the second quarter 2005, Total launched a new line of high-performance fuels (gasoline and diesel) called TOTAL EXCELLIUM that will be marketed throughout the TOTAL network by the end of 2005.

In early September 2005, Total announced that it had entered into an agreement with ExxonMobil to acquire ExxonMobil s marketing businesses for motor fuels, lubricants, aviation and marine petroleum products in Chad, Djibouti, Ethiopia, Eritrea, Ghana, Guinea, Liberia, Malawi, Mauritius, Mozambique, Sierra Leone, Togo, Zambia and Zimbabwe. This acquisition represents a network of around 500 service stations and 29 terminals and depots and remains subject to any necessary approvals of the relevant authorities in each country.

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Chemicals

Results

2Q05	2Q04	%	in millions of euros	1H05	1H04	%
5,736	4,896	+17%	Sales	11,254	9,569	+18%
2,673	2,018	+32%	Base chemicals	5,260	3,940	+34%
1,659	1,565	+6%	Specialties	3,227	3,031	+6%
1,407	1,317	+7%	Arkema	2,767	2,595	+7%
(3)	(4)	ns	Corporate Chemicals		3	ns
258	195	+32%	Operating income	883	460	+92%
123	(47)	ns	Adjustments affecting operating income	53	(112)	ns
381	148	+157%	Adjusted operating income	936	348	+169%
145	(12)	ns	Base chemicals	497	57	x8.7
150	137	+9%	Specialties	266	256	+4%
78	18	x4.3	Arkema	167	29	x5,8
8	5	ns	Corporate Chemicals	6	6	ns
178	23	x7.7	Net operating income	533	192	+178%
(88)	(86)	+2%	Adjustments affecting net operating income	(124)	(59)	+110%
266	109	+144%	Adjusted net operating income	657	251	+162%
245	262	-6%	Investments	403	434	-7%
8	30	-73%	Divestments at selling price	30	49	-39%
205	34	x6	Cash flow from operating activities	287	(38)	ns

Sales for the Chemicals segment increased by 17% to 5,736 M in the second quarter 2005 from 4,896 M in the second quarter 2004.

For the first half 2005, sales for the Chemicals segment amounted to 11,254 M , an 18% increase compared to 9,569 M in the first half 2004.

Adjusted operating income rose sharply to 381 M in the second quarter 2005 from 148 M in the second quarter 2004. Market conditions for base chemicals were more favorable in the second quarter 2005 than in the second quarter 2004, but they were significantly weaker relative to the first quarter 2005, particularly in Europe. Results also benefited from an improvement in the utilization rate of the steamcrackers. Specialties continued to perform well. Arkema posted much stronger results compared to the second quarter 2004, particularly in industrial chemicals.

In the second quarter 2005, the inventory evaluation effect had a positive impact of 112 M on Chemicals adjusted operating income and the exclusion of special items, consisting of impairments, had a positive of impact of 11 M . In the second quarter 2004, the inventory evaluation effect had a negative impact of 47 M on Chemicals adjusted operating income and there were no special items.

For the first half 2005, adjusted operating income from the Chemicals segment rose sharply to 936 M compared to 348 M in the first half 2004 due to a rebound in petrochemicals margins.

In the first half 2005, the inventory evaluation effect had a positive impact of 42 M on Chemicals adjusted operating income and the exclusion of special items, consisting of impairments, had a positive of impact of

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11 M . In the first half 2004, the inventory evaluation effect had a negative impact of 112 M on Chemicals adjusted operating income and there were no special items.
Adjusted net operating income from the Chemicals segment increased to 266 M in the second quarter 2005 from 109 M in the second quarter 2004.
In the second quarter 2005, the inventory evaluation effect had a positive impact of 73 M on Chemicals adjusted net operating income and the exclusion of special items, consisting of impairments and restructuring charges, had a positive of impact of 15 M . In the second quarter 2004, the inventory evaluation effect had a negative impact of 31 M on Chemicals adjusted net operating income and the exclusion of special items, consisting of an additional provision of 98 M for Toulouse-AZF, restructuring charges and other items, had a positive of impact of 117 M .
For the first half 2005, adjusted net operating income from the Chemicals segment increased to 657 M from 251 M in the first half 2004.
In the first half 2005, the inventory evaluation effect had a positive impact of 26 M on Chemicals adjusted net operating income and the exclusion of special items, consisting principally of impairments with some restructuring charges, had a positive impact of 98 M . In the first half 2004, the inventory evaluation effect had a negative impact of 75 M on Chemicals adjusted net operating income and the exclusion of special items, consisting of an additional provision of 98 M for Toulouse-AZF, restructuring charges and other items, had a positive of impact of 134 M .

Recent highlights

The construction contracts were awarded for the ethane cracker project at Ras Laffan in Qatar (Total 22%). Start-up is projected in 2008.
Samsung Total Petrochemicals completed the debottlenecking of the aromatics plant in Daesan, South Korea with an increase in capacity of about 25%.
At the beginning of September, the Group finalized the acquisition of the Goodyear Tire & Rubber Company s petroleum hydrocarbon resin business.

Summary and outlook

For the 12 months ended June 30, 2005, the return on average capital employed (ROACE)[3] was 36% for Upstream, 30% for Downstream and 13% for Chemicals. Calculated for the same period, return on equity for the Group was 34%.
During its latest strategic update, the Group announced that over the period from 2004 to 2010 Total s annual production should increase on average by 3 - 4%. Total s LNG production should increase by an average of 10% per year to 2010.
The investment program (excluding acquisitions) is in line with the amount of $11 billion budgeted for 2005. For the period from 2006 to 2010, the Group estimates that it will invest from $11 to 12 billion per year, including increasing its Upstream investments by approximately $1 billion per year as compared to previous estimates, with approximately half of this estimated amount of increased Upstream investment to cover higher costs and the remainder for new projects and increased spending for exploration. Over the period from 2005 to 2010, Total expects to invest approximately 1.7 B per year on average in the Downstream segment, including approximately 800 M per year (excluding capitalization of major turnarounds and equity share of Cepsa s investments) in refining.
Preparations for the Arkema spin-off, expected to launch in the spring of 2006, are progressing as planned.
The Group has continued to buy back shares and in July and August 2005 bought back 3.36 million shares[4] for 0.69 B , bringing the level of the buy-backs since the start of the year to more than 2% of the share capital.
Since the beginning of the third quarter 2005, oil prices and refining margins have remained at high levels.

[3] Group ROACE = net operating income divided by the average capital employed between the

beginning and the end of the period. Segment ROACE = adjusted net operating income divided by the average capital employed using replacement cost between the beginning and the end of the period.

4 Including 0.57 million shares which are reserved for share grants as per the decision of the Board on July 19, 2005.

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Forward-looking statements

This document may contain statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements are intended as Forward-Looking Statements under the Private Securities Litigation Reform Act of 1995. These statements may generally, but not always, be identified by the use of words such as anticipates , should , expects , estimates , believes or similar expressions. In particular, forward-looking statements include (i) certain statements with regard to management aims and objectives, planned expansion, investment or other projects, expected or targeted production volume, capacity or rate, the date or period in which production is scheduled or expected to come on stream or a project or action is scheduled or expected to be completed, (ii) the statements with respect to the Group s dividend policy, the manner in which the Group uses cash surpluses, the cost savings target of the Group, return on average capital employed, production targets, breakeven points, targeted performance improvements and effect on pre-tax results, and levels of annual investment and (iii) the statements with regard to trends in the trading environment, oil and gas prices, refining, marketing and chemicals margins, inventory and product stock levels, supply capacity, profitability, results of operations, liquidity or financial position. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including:

Future levels of industry product supply, demand and pricing;

Political instability, including international armed conflict, and economic growth in relevant areas of the world;

Development and use of new technology and successful partnering;

The actions of competitors;

Natural disasters and other changes in business conditions;

Wars and acts of terrorism or sabotage;

Other factors discussed under Risk Factors , Item 4 Information on the Company Other Matters , Item 5 Operating and Financial Review and Prospects and Cautionary Statement Concerning Forward-Looking Statements in our Annual Report on Form 20-F for the year ended December 31, 2004.

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Operating information by segment
Second quarter and first half 2005

Upstream

2Q05	2Q04	%	Combined production by region (kboe/d)	1H05	1H04	%
793	880	-10%	Europe	812	885	-8%
790	794	-1%	Africa	797	795	
57	78	-27%	North America	47	72	-35%
234	233		Far East	245	239	+3%
380	382	-1%	Middle East	387	400	-3%
243	226	+8%	South America	237	218	+9%
9	8	+13%	Rest of world	9	8	+13%
2,506	**2,601**	**-4%**	**Total**	**2,534**	**2,617**	**-3%**

2Q05	2Q04	%	Liquids production by region (kb/d)	1H05	1H04	%
397	439	-10%	Europe	406	444	-9%
706	723	-2%	Africa	714	722	-1%
16	25	-36%	North America	11	21	-48%
29	31	-6%	Far East	29	31	-6%
332	332		Middle East	335	347	-3%
141	140	+1%	South America	140	137	+2%
9	8	+13%	Rest of world	8	8	
1,630	**1,698**	**-4%**	**Total**	**1,643**	**1,710**	**-4%**

2Q05	2Q04	%	Gas production by region (Mcfd)	1H05	1H04	%
2,154	2,395	-10%	Europe	2,206	2,404	-8%
451	378	+19%	Africa	451	384	+17%
218	280	-22%	North America	191	269	-29%
1,145	1,124	+2%	Far East	1,200	1,152	+4%
256	267	-4%	Middle East	276	285	-3%
571	471	+21%	South America	544	439	+24%
2		ns	Rest of world	2		ns
4,797	**4,915**	**-2%**	**Total**	**4,870**	**4,933**	**-1%**

Downstream

2Q05	2Q04	%	Refined product sales by region (kb/d)*	1H05	1H04	%
2,467	2,594	-5%	Europe	2,665	2,694	-1%
339	308	+10%	Africa	329	294	+12%
612	636	-4%	United States	601	608	-1%
258	200	+29%	Rest of world	240	194	+24%
3,676	**3,738**	**-2%**	**Total***	**3,834**	**3,790**	**+1%**

**Includes equity share in Cepsa and trading.*

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TOTAL
FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME *(unaudited)*

2nd quarter 2005	2nd quarter 2004	Amounts in millions of euros (1)	1st half 2005	1st half 2004
33,073	29,129	Sales	64,812	56,104
(5,246)	(5,444)	Excise taxes	(10,297)	(10,634)
27,827	23,685	Revenues from sales	54,515	45,470
(14,909)	(13,129)	Purchases, net of inventory variation	(29,786)	(25,168)
(5,701)	(4,931)	Other operating expenses	(10,136)	(9,663)
(92)	(109)	Unsuccessful exploration costs	(164)	(182)
(1,308)	(1,270)	Depreciation, depletion, and amortization of tangible assets	(2,499)	(2,502)
		Operating income		
(100)	(87)	Corporate	(165)	(202)
5,917	4,333	Business segments	12,095	8,157
5,817	**4,246**	**Total operating income**	**11,930**	**7,955**
38	72	Other income	42	146
(7)	(298)	Other expense	(179)	(395)
(297)	(211)	Financial charge on debt	(551)	(364)
217	181	Financial income on cash and cash equivalents and equity securities	401	286
(80)	(30)	Cost of net debt	(150)	(78)
116	125	Other financial income	204	189
(57)	(58)	Other financial expense	(123)	(104)
(2,988)	(2,054)	Income taxes	(5,887)	(3,851)
321	342	Equity in income (loss) of affiliates	616	634
3,160	**2,345**	**Consolidated net income**	**6,453**	**4,496**
3,079	2,284	Group share	6,287	4,374
81	61	Minority interests and dividends on subsidiaries redeemable preferred shares	166	122
5.21	3.75	Earnings per share (euros)	10.59	7.15

(1) Except for earnings per share.

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CONSOLIDATED BALANCE SHEET

	Amounts in millions of euros			
	June 30, 2005 *(unaudited)*	**March 31, 2005** *(unaudited)*	**December 31, 2004**	**June 30, 2004** *(unaudited)*
ASSETS				
NON-CURRENT ASSETS				
Intangible assets, net	3,319	3,274	3,176	3,622
Property, plant, and equipment, net	38,290	36,184	34,906	35,744
Equity affiliates: investments and loans	11,927	11,298	10,680	8,209
Other investments	1,212	1,156	1,198	1,313
Other non-current assets	2,056	2,033	2,351	2,398
Total non-current assets	**56,804**	**53,945**	**52,311**	**51,286**
CURRENT ASSETS				
Inventories, net	11,499	10,459	9,264	8,347
Accounts receivable, net	17,250	16,593	14,025	14,214
Prepaid expenses and other current assets	5,542	5,258	5,314	4,681
Cash and cash equivalents	13,577	12,548	3,860	11,326
Total current assets	**47,868**	**44,858**	**32,463**	**38,568**
TOTAL ASSETS	**104,672**	**98,803**	**84,774**	**89,854**
LIABILITIES & SHAREHOLDERS EQUITY				
EQUITY				
Common shares	6,359	6,358	6,350	6,538
Paid-in surplus and retained earnings	36,397	35,023	31,717	29,431
Cumulative translation adjustment	920	(481)	(1,429)	610
Treasury shares	(7,067)	(5,848)	(5,030)	(6,486)
SHAREHOLDERS EQUITY GROUP SHARE	**36,609**	**35,052**	**31,608**	**30,093**
Minority interest and subsidiaries redeemable preferred shares	**708**	**846**	**810**	**1,062**
TOTAL EQUITY	**37,317**	**35,898**	**32,418**	**31,155**
LONG-TERM LIABILITIES				
Deferred income taxes	7,485	6,700	6,402	6,094
Employee benefits	3,609	3,592	3,607	3,848
Other liabilities	6,626	6,497	6,274	6,196
Total long-term liabilities	**17,720**	**16,789**	**16,283**	**16,138**

LONG-TERM DEBT	**11,485**	**10,795**	**9,773**	**10,782**
CURRENT LIABILITIES				
Accounts payable	12,721	13,080	11,672	11,185
Other creditors and accrued liabilities	12,507	12,529	11,148	10,057
Short-term borrowings and bank overdrafts	12,922	9,712	3,480	10,537
Total current liabilities	**38,150**	**35,321**	**26,300**	**31,779**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**104,672**	**98,803**	**84,774**	**89,854**

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CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

2nd quarter 2005	2nd quarter 2004	Amounts in millions of euros	1st half 2005	1st half 2004
		CASH FLOW FROM OPERATING ACTIVITIES		
3,160	2,345	Consolidated net income	6,453	4,496
1,357	1,334	Depreciation, depletion, and amortization	2,600	2,610
315	150	Long-term liabilities, valuation allowances, and deferred taxes	864	227
		Impact of coverage of pension benefit plans		
92	109	Unsuccessful exploration costs	164	182
(38)	(72)	(Gains)/Losses on sales of assets	(42)	(146)
19	41	Equity in income of affiliates (in excess of)/less than dividends received	(176)	(204)
32	41	Other changes, net	43	111
4,937	**3,948**	**Cash flow from operating activities before changes in working capital**	**9,906**	**7,276**
(2,240)	(1,292)	(Increase)/Decrease in operating assets and liabilities	(3,172)	(511)
2,697	**2,656**	**CASH FLOW FROM OPERATING ACTIVITIES (1)**	**6,734**	**6,765**
		CASH FLOW USED IN INVESTING ACTIVITIES		
(1,983)	(1,613)	Intangible assets and property, plant, and equipment additions	(3,496)	(2,908)
(68)	(85)	Exploration expenditures charged to expenses	(139)	(158)
	(9)	Acquisitions of subsidiaries, net of cash acquired		(9)
(57)	(58)	Investments in equity affiliates and other securities	(72)	(89)
(147)	(206)	Increase in long-term loans	(332)	(444)
(2,255)	**(1,971)**	**Investments**	**(4,039)**	**(3,608)**
180	69	Proceeds from sale of intangible assets and property, plant, and equipment	194	143
		Proceeds from sale of subsidiaries, net of cash sold	11	1
38	15	Proceeds from sale of non-current investments	43	41
159	87	Repayment of long-term loans	342	168
377	**171**	**Total divestitures**	**590**	**353**
(1,878)	**(1,800)**	**CASH FLOW USED IN INVESTING ACTIVITIES**	**(3,449)**	**(3,255)**
		CASH FLOW FROM FINANCING ACTIVITIES		
		Issuance and repayment of shares:		

	371	Parent company s shareholders		371
(1,211)	(1,275)	Purchase of treasury shares	(2,019)	(1,908)
9	43	Minority shareholders	71	82
(118)		Subsidiaries redeemable preferred shares	(156)	
		Cash dividends paid:		
(1,764)	(2,853)	- Parent company s shareholders	(1,765)	(2,853)
(124)	(137)	- Minority shareholders	(152)	(141)
349	15	Net issuance/(repayment) of long-term debt	1,038	1,240
2,240	(1,792)	Increase/(Decrease) in short-term borrowings and bank overdrafts	8,192	5,869
	(2)	Other changes, net	(1)	(3)
(619)	**(5,630)**	**CASH FLOW FROM FINANCING ACTIVITIES**	**5,208**	**2,657**
200	**(4,774)**	**Net increase/decrease in cash and cash equivalents**	**8,493**	**6,167**
829	(90)	Effect of exchange rates and changes in reporting entity on cash and cash equivalents	1,224	299
12,548	16,190	Cash and cash equivalents at the beginning of the period	3,860	4,860
13,577	**11,326**	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**	**13,577**	**11,326**

(1) Including payments relating to the Toulouse AZF plant explosion, offset by a long-term liability write-back of 41 million euros for the second quarter 2005 and 51 million euros for the first half 2005.

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
(unaudited)

(Amounts in millions of euros)	Common shares issued Number	Common shares issued Amount	Paid-in surplus and retained earnings	Cumulative translation adjustment	Treasury shares Number	Treasury shares Amount	Shareholders' equity	Subsidiaries' redeemable preferred shares	Minority interest	Total equity
As of January 1, 2004 (French GAAP)	**649,118,236**	**6,491**	**30,408**	**(3,268)**	**(26,256,899)**	**(3,225)**	**30,406**	**396**	**664**	**31,466**
IFRS adjustments			(3,048)	3,268	(10,855,206)	(1,388)	(1,168)		19	(1,149)
As of January 1, 2004 (IFRS)	**649,118,236**	**6,491**	**27,360**		**(37,112,105)**	**(4,613)**	**29,238**	**396**	**683**	**30,317**

