

Rating: Buy
 S&P 500: 1264

Total S.A. LNG Leader

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 12/31/06 (US\$mm)</i>	35,600
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	133.30	<i>Natural Gas and Oil Production/Ebitda (%)</i>	70
<i>Pricing Date</i>	2/3/06	<i>Adjusted Reserves/Production NTM</i>	9.2
<i>Shares (mm)</i>	1176	<i>EV/Ebitda</i>	5.1
<i>Market Capitalization (US\$mm)</i>	157,000	<i>PV/Ebitda</i>	6.0
<i>Debt (US\$mm)</i>	26,000	<i>Undeveloped Reserves (%)</i>	49
<i>Enterprise Value (EV) (US\$mm)</i>	183,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.10
<i>Present Value (PV) (US\$mm)</i>	214,000	<i>Present Value Proven Reserves(US\$/boe)</i>	13.00
<i>Net Present Value (US\$/share)</i>	160	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.17
<i>Debt/Present Value</i>	0.12	<i>Earnings Next Twelve Months (US\$/sh)</i>	15.54
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	9
<i>Dividend Yield (%/year)</i>	2.7	<i>Indicated Annual Dividend (US\$/sh)</i>	3.61

Note: Estimated cash flow and earnings tied to one-year futures prices for oil.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

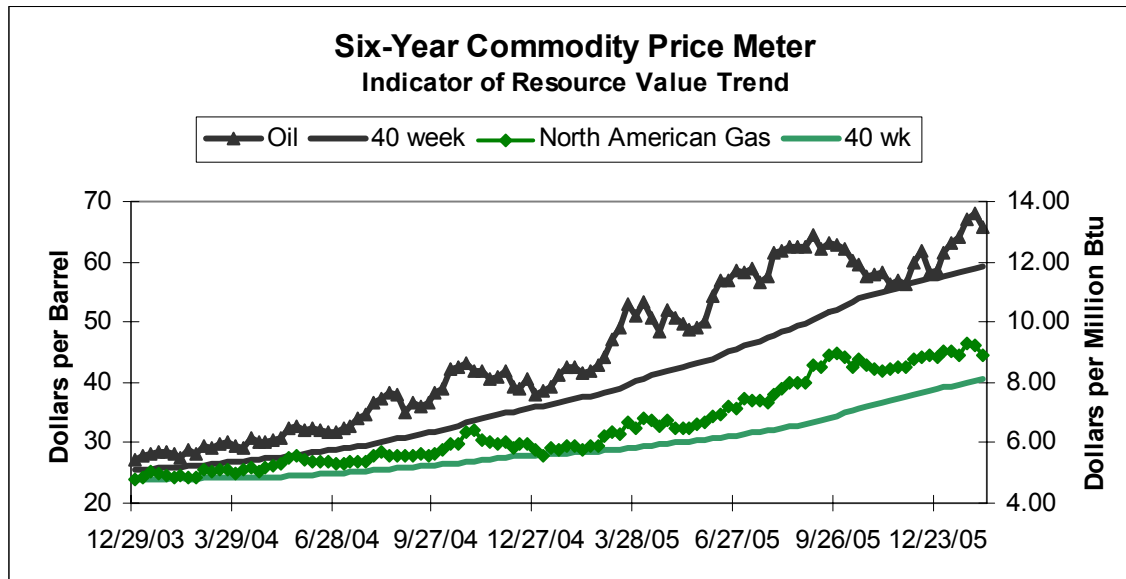
Summary and Recommendation

Ahead of earnings to be released on February 15, the stock of buy-recommended **Total S.A. (TOT)** currently offers 20% appreciation potential to estimated net present value of \$160 a share. Meanwhile, estimated present value presumes a long-term oil price of \$50 a barrel. Futures investors price Light, Sweet Crude Oil at \$67 a barrel for the next six years. Among mega cap peers TOT's McDep Ratio, unlevered multiple of cash flow and adjusted reserve life are close to the medians. The company leads peers in concentration on natural gas outside North America, mostly the rapidly growing liquefied natural gas business. A \$16 billion holding in pharma giant Sanofi-Aventis may be only partially recognized in stock price.

McDep Ratio Relates Oil Price to Opportunity

A McDep Ratio below 1.0 tells us that TOT's market cap and debt, or enterprise value, is less than the estimated present value of its energy resources. The estimate has been increasing with six-year oil futures. Futures price momentum has been positive for more than three years as the current quote stays above the 40-week average (see chart [Six-Year Commodity Price Meter](#)). Six-year oil has tripled in the four years we have been calculating it on a weekly basis. We do not need further gains in oil price to make money in buy recommendations. Yet our vision of \$150 oil in 2010 implies additional scope to exceed common expectations. Meanwhile the McDep Ratio for TOT ranks in the midst of peers (see table [Rank by McDep Ratio](#)).

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Rank by McDep Ratio: Market Cap and Debt to Present Value

	Symbol/ Rating	Price (\$/sh) 3-Feb 2006	Shares (mm)	Market Cap (\$mm)	Net Present Value (\$/sh)	Debt/ Present Value	McDep Ratio		
Mega Cap									
	BP	B	69.14	3,501	242,000	77.00	0.11	0.91	
	Total S.A.	TOT	B	133.30	1,176	157,000	160.00	0.12	0.85
	Exxon Mobil Corporation	XOM	B	61.39	6,211	381,000	74.00	0.04	0.84
	Royal Dutch Shell plc	RDS-A	B	64.89	3,293	214,000	80.00	0.11	0.83
	ConocoPhillips	COP	B	62.50	1,693	106,000	95.00	0.22	0.73
	Chevron Corporation	CVX	B	57.50	2,236	129,000	85.00	0.11	0.71
	<i>Total or Median</i>				<i>1,229,000</i>		<i>0.11</i>	<i>0.83</i>	

Low Cash Flow Multiple

Unlevered cash flow multiples in single digits attest to low valuation (see table [Rank by EV/Ebitda](#)). Cash flow estimated for the next twelve months, Ebitda NTM, reflects latest futures prices. Reserve life is measured as adjusted reserves divided by next twelve months production. TOT's adjusted reserve life index of 9.2 years is near the median of peers as is unlevered cash flow multiple, EV/Ebitda.

LNG Concentration

Each oil and gas stock has its own unique mix of energy resources (see table [Business Segments](#)). TOT's business mix includes a greater emphasis on Rest of World natural gas. Now in the oil era, the world is moving to the natural gas era where Total is well-positioned.

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Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.

	Symbol/ Rating		Price (\$/sh) 3-Feb 2006	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Mega Cap								
BP plc	BP	B	69.14	9.5	6.1	5.6	9	3.1
Exxon Mobil Corporation	XOM	B	61.39	11.2	6.3	5.3	9	2.1
Total S.A.	TOT	B	133.30	9.2	6.0	5.1	9	2.7
Royal Dutch Shell plc	RDS-A	B	64.89	7.4	5.6	4.6	9	3.4
ConocoPhillips	COP	B	62.50	10.9	5.5	4.1	6	2.0
Chevron Corporation	CVX	B	57.50	9.7	5.5	3.9	7	3.1
	<i>Median</i>			9.6	5.8	4.9	9	2.9

Home Country and Business Segments

	Symbol/ Rating		Non- U.S. Domicile	North Amer. Natural Gas (%)	Rest of World Natural Gas (%)	Oil Prod'n (%)	Down- stream (%)	Total Present Value (US\$mm)
Mega Cap								
Exxon Mobil Corporation	XOM	B		10	20	37	33	481,000
BP plc	BP	B	UK	10	12	42	36	302,000
Royal Dutch Shell plc	RDS-A	B	UK	3	19	32	46	295,000
Total S.A.	TOT	B	France	-	28	37	35	214,000
Chevron Corporation	CVX	B		9	9	51	30	214,000
ConocoPhillips	COP	B		23	7	43	28	207,000
	<i>Total or Median</i>			9	15	40	34	1,713,000

Correlation Verifies Present Value in Real Time

Our underlying quantitative method for estimating present value projects cash flows years into the future and brings them to the present by applying a real discount rate, currently 7% a year. Around that traditional discounted cash flow analysis (DCF) we deal with uncertainty on a qualitative basis. "Option value" to us, for example, is "upside potential". After awhile DCF analyses fall into a pattern where differences among companies depend mostly on first year cash flow and reserve life. Meanwhile input information is continually changing as companies make new disclosures, each on a different day or at a different hour and commodity prices fluctuate. We aggregate latest information into a correlation analysis that determines a real-time present value approximation. When that approximation deviates too much from our steady, official estimate of present value and we cannot justify the difference with company-specific explanation, we change the official estimate. Net present value indicated by the current correlation is about \$9 a share lower than our ongoing standard estimate for the company (see table Functional Cash Flow and Present Value). The simplified correlation overlooks much of the company's holding in Sanofi-Aventis worth about \$14 a share.

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Total
Functional Cash Flow and Present Value

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
Rest of World Natural Gas	8,360	9.9	7.1	59,000	28%
Oil	16,500	8.9	4.8	80,000	37%
Downstream	10,740		7.0	75,000	35%
	35,600	9.2	6.0	214,000	100%
Debt (US\$mm)				26,000	
Net Present Value (US\$mm)				188,000	
Shares (mm)				1,176	
Net Present Value - Standard Estimate (US\$/sh)				160	
Net Present Value - Approximation by Correlation (US\$/sh)				151	

Futures Prices and Company Disclosures Propel Estimated Cash Flow by Quarter

Cash flow for the next year is projected from a base through the latest reported quarter (see table Next Twelve Months Operating and Financial Estimates). Company disclosures provide the clues for future volumes and costs as well as geographic and quality differences in price. Futures prices from the New York Mercantile Exchange determine industry benchmarks for the next year in our model.

Kurt H. Wulff, CFA

Total S.A.
Next Twelve Months Operating and Financial Estimates

	<i>Q4</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>12/31/06</i>
Volume									
Natural Gas (mmcf)	5,323	4,491	5,323	4,889	4,945	4,797	4,491	5,323	4,889
Oil (mbd)	1,684	1,607	1,607	1,625	1,607	1,607	1,607	1,607	1,607
Total gas & oil (mmb)	237	217	229	891	219	219	217	229	884
Price									
Dollar (euro/\$)	1.30	1.22	1.20	1.25	1.20	1.20	1.20	1.20	1.20
Natural gas (\$/mmbtu)	4.40	4.65	4.88	4.60	5.13	5.38	5.65	5.93	5.53
Oil (\$/bbl)									
WTI Cushing	48.31	62.52	60.02	56.31	64.95	66.12	67.39	67.94	66.60
Brent	44.00	61.50	59.04	54.93	63.89	65.04	66.29	66.83	65.21
Company	43.48	57.80	55.49	51.55	60.04	61.13	62.30	62.81	61.58
Refining Margin									
NY Harbor 3-2-1 (\$/bbl)	5.72	16.70	9.06	10.63	6.97	11.66	12.52	10.17	10.33
Europe (\$/t)	42.40	44.30	24.39	36.35	18.76	31.38	33.70	27.37	27.80
Revenue (mmeuro)									
Natural gas	1,658	1,575	1,989	6,579	1,898	1,954	1,942	2,417	8,211
Oil	5,182	7,004	6,822	24,498	7,222	7,434	7,661	7,723	30,040
Total production	6,839	8,579	8,811	31,077	9,120	9,389	9,603	10,140	38,251
Other	27,993	29,835	29,835	100,498	29,835	29,835	29,835	29,835	119,339
Total	34,832	38,414	38,646	131,575	38,955	39,224	39,438	39,975	157,590
Expense									
Production	3,122	3,909	4,025	13,508	4,179	4,313	4,420	4,689	17,602
Other	25,778	28,236	27,605	93,050	27,605	27,605	27,605	27,605	110,420
Ebitda (mmeuro)									
Production	3,717	4,671	4,786	17,569	4,941	5,075	5,182	5,451	20,649
Other	2,215	1,599	2,230	7,448	2,230	2,230	2,230	2,230	8,920
Total Ebitda	5,932	6,270	7,016	25,017	7,171	7,305	7,412	7,681	29,569
Exploration	151	113	113	390	113	113	110	110	446
Deprec., Deplet., & Amort.	1,794	1,277	1,277	5,053	1,277	1,400	1,400	1,400	5,477
Excess tax and other	(1,090)	(1,466)							
Operating Income									
Upstream	3,460	5,199							
Downstream	1,192	981							
Chemicals	425	166							
Total operating income	5,077	6,346							
Excess tax and other	1,090	1,466							
Ebit	3,987	4,880	5,626	19,574	5,781	5,792	5,902	6,171	23,646
Interest	118	67	67	234	67	67	67	67	268
Ebt	3,869	4,813	5,559	19,340	5,714	5,725	5,835	6,104	23,378
Income Tax	1,354	1,684	1,946	6,769	2,000	2,004	2,042	2,136	8,182
Net Income (mmeuro)	2,515	3,128	3,614	12,571	3,714	3,721	3,793	3,967	15,196
Shares (millions)	1,218	1,176	1,176	1,181	1,176	1,176	1,176	1,176	1,176
Per share (euro)	2.07	2.66	3.07	10.64	3.16	3.16	3.23	3.37	12.92
Ebitda Margin (E&P)	54%	54%	54%	57%	54%	54%	54%	54%	54%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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