

Rating: Buy
S&P 500: 1280

Total S.A. Positioned to Profit

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 6/30/07 (US\$mm)</i>	37,100
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/sh)</i>	66.27	<i>Natural Gas and Oil Production/Ebitda (%)</i>	72
<i>Pricing Date</i>	8/3/06	<i>Adjusted Reserves/Production NTM</i>	9.8
<i>Shares (mm)</i>	2323	<i>EV/Ebitda</i>	4.9
<i>Market Capitalization (US\$mm)</i>	154,000	<i>PV/Ebitda</i>	5.8
<i>Debt (US\$mm)</i>	29,000	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$mm)</i>	183,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	32.70
<i>Present Value (PV) (US\$mm)</i>	214,000	<i>Present Value Proven Reserves(US\$/boe)</i>	13.57
<i>Net Present Value (US\$/share)</i>	80	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.26
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	8.21
<i>McDep Ratio - EV/PV</i>	0.85	<i>Price/Earnings Next Twelve Months</i>	8
<i>Dividend Yield (%/year)</i>	3.1	<i>Indicated Annual Dividend (US\$/sh)</i>	2.08

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

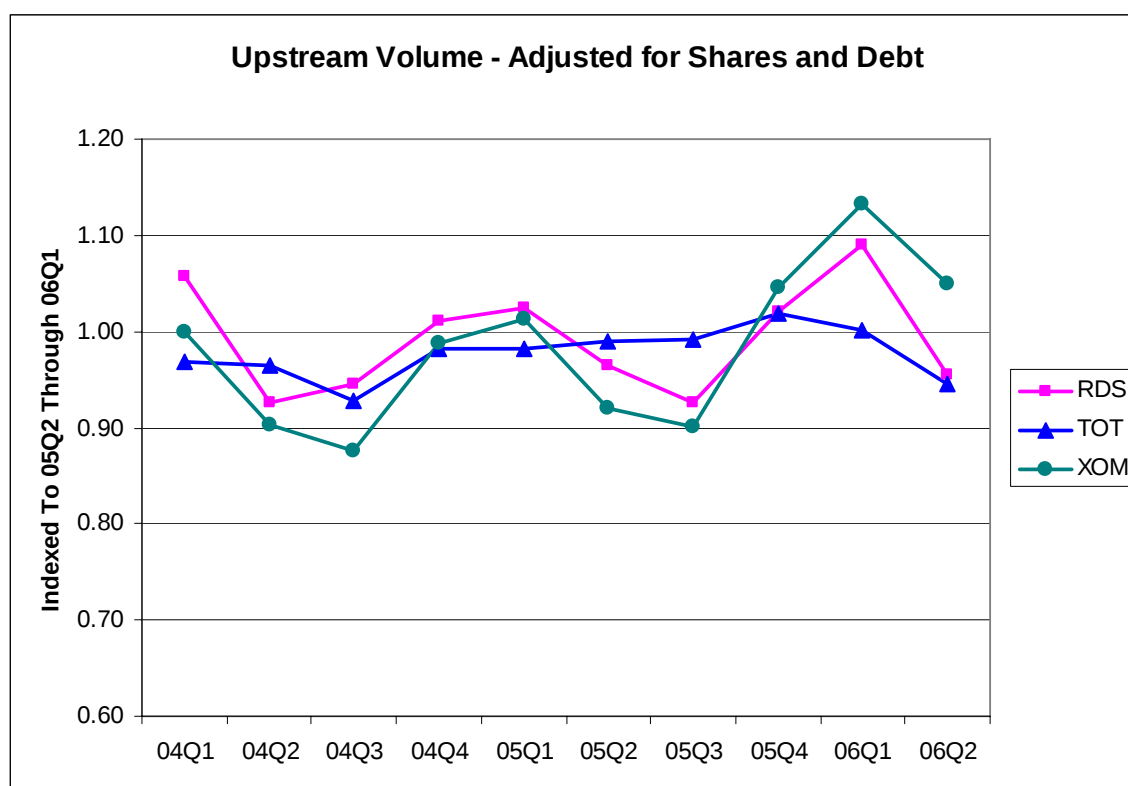
Buy-recommended **Total (TOT)** offers 21% appreciation potential to estimated net present value (NPV) of \$80 a share presuming a long-term oil price of \$60 a barrel. We kept our estimate unchanged when we revised our oil price from \$50 a barrel. That now looks conservative as TOT's NPV is less than implied by our correlation of present value with adjusted reserve life and twelve months cash flow taking account of second quarter results reported August 3. Meanwhile Chief Financial Officer Mr. Robert Castaigne states that second quarter volume would be the lowest of the year with gains expected in the coming quarters. While the company's oil price increased \$18 a barrel from 2005, volumes were reduced 2% in 2006 for higher government take in some types of agreements. Adjusted for oil price effects, shares and debt, actual volumes have been on a flat trend while cash flow per barrel tracks oil price nearly one for one (see charts). Improving refining margins (crack) have also been translating to more cash flow (see chart). Along with a two for one split of American Depositary Shares approved in May, investors received shares of chemical spinoff Arkema (ARKAY) worth about 1.4% of the market value of Total. Well-managed, efficient oil and gas operations position Total to deliver profits to investors.

Kurt H. Wulff, CFA

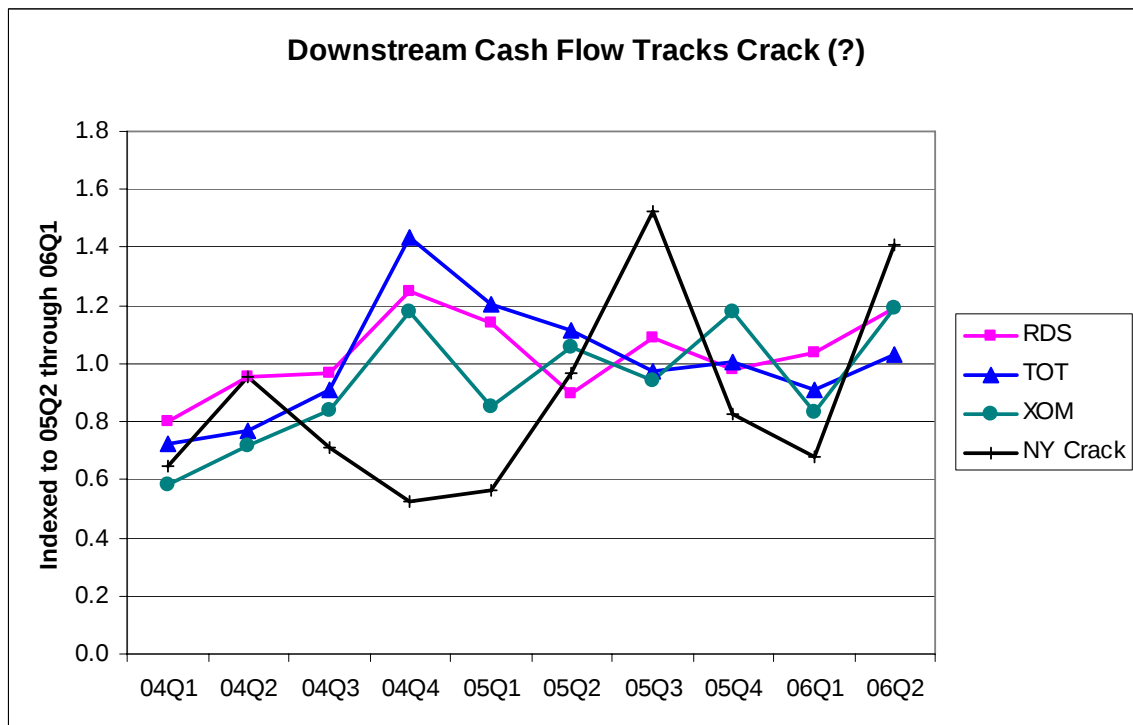
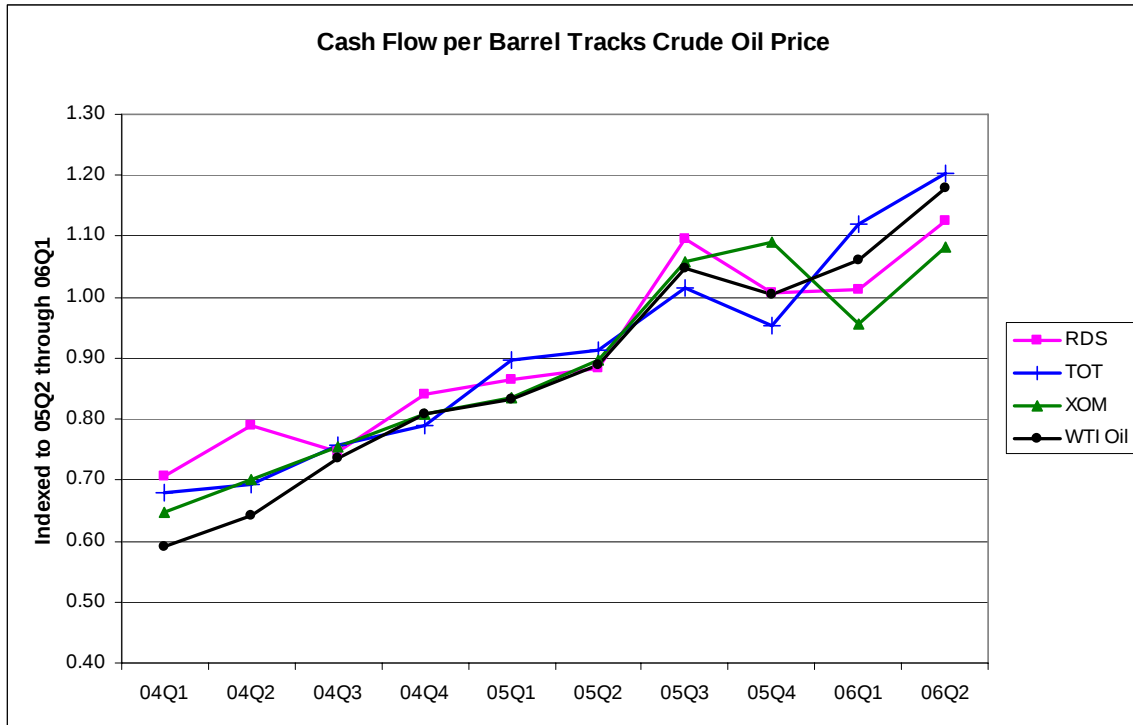
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Total
Functional Cash Flow and Present Value

	<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	9,290	11.0	6.9	64,000	30%
Oil	17,500	9.1	5.2	91,000	42%
Downstream	10,210		5.9	60,000	28%
	37,000	9.8	5.8	215,000	100%
Debt (US\$mm)				29,000	
Net Present Value (US\$mm)				186,000	
Shares (mm)				2,323	
Net Present Value - Standard Estimate (US\$/sh)				80	
Net Present Value - Approximation by Correlation (US\$/sh)				85	



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

	Q2	Year	Q1	Q2	Q3E	Q4E	Year	Q1E	Next Twelve Months
	6/30/05	2005	3/31/06	6/30/06	9/30/06	12/31/06	2006E	3/31/07	6/30/07
Volume									
Natural Gas (mmcf)	4,797	4,781	4,795	4,501	4,491	4,896	4,671	4,795	4,671
Oil (mbd)	1,630	1,621	1,560	1,466	1,466	1,466	1,489	1,466	1,466
Total gas & oil (mmb)	221	883	212	202	204	210	828	204	819
Total gas & oil (mbd)	2,430	2,418	2,359	2,216	2,215	2,282	2,268	2,265	2,244
Price									
Dollar (euro/\$)	1.26	1.25	1.20	1.26	1.28	1.28	1.25	1.28	1.28
Natural gas (\$/mmbtu)	4.39	4.81	6.16	5.75	6.04	6.34	6.08	6.66	6.50
Oil (\$/bbl)									
WTI Cushing	53.05	56.31	63.33	70.47	74.40	76.40	71.15	77.82	76.74
Brent	51.60	54.40	61.80	69.60	73.48	75.46	70.09	76.86	72.65
Company	48.00	51.30	58.80	66.20	69.90	71.77	66.53	73.11	72.09
Total gas & oil (\$/bbl)	40.87	43.90	51.40	55.47	58.51	59.71	56.22	61.41	60.62
NY Harbor 3-2-1 (\$/bbl)	10.59	10.63	7.40	15.39	16.07	10.91	12.44	11.71	13.99
Europe (\$/t)	45.00	41.63	25.80	38.30	39.38	26.74	32.56	28.70	34.29
Revenue (mmeuro)									
Natural gas	1,521	6,740	2,215	1,872	1,953	2,235	8,275	2,249	8,677
Oil	5,651	24,383	6,880	7,019	7,379	7,577	28,855	7,551	30,194
Total production	7,172	31,124	9,095	8,891	9,332	9,812	37,130	9,799	38,872
Other	20,655	101,747	25,903	26,877	26,877	26,877	106,534	26,877	107,508
Total	27,827	132,871	34,998	35,768	36,209	36,689	143,664	36,676	146,380
Expense									
Production	3,020	13,747	3,960	3,891	4,111	4,352	16,314	4,346	17,220
Other	18,879	94,826	24,385	25,233	24,877	24,877	99,372	24,877	99,508
Ebitda (mmeuro)									
Production	4,151	17,376	5,135	5,000	5,039	5,299	20,473	5,292	20,991
Other	1,776	6,921	1,518	1,644	2,000	2,000	7,162	2,000	8,000
Total Ebitda	5,927	24,297	6,653	6,644	7,039	7,299	27,635	7,292	28,991
Exploration	92	431	115	146	146	146	553	146	584
Deprec., Deplet., & Amort.	1,308	5,161	1,285	1,212	1,212	1,212	4,921	1,212	5,036
Excess tax and other	(910)	(5,521)	(1,784)	(1,386)					
Operating Income									
Upstream	4,212	18,421	5,601	5,376					
Downstream	944	3,899	856	1,036					
Chemicals	381	1,266	219	191					
Total operating income	5,437	24,226	7,037	6,672					
Excess tax and other	910	5,521	1,784	1,386					
Ebit	4,527	18,705	5,253	5,286	5,681	5,941	22,161	5,934	23,371
Interest	53	233	60	104	104	104	372	104	416
Ebt	4,474	18,472	5,193	5,182	5,577	5,837	21,789	5,830	22,955
Income Tax	1,566	6,465	1,818	1,814	1,952	2,043	7,626	2,040	8,034
Net Income (mmeuro)	2,908	12,007	3,376	3,368	3,625	3,794	14,163	3,789	14,921
Shares (millions)	2,364	2,361	2,336	2,323	2,323	2,323	2,326	2,323	2,323
Per share (euro)	1.23	5.09	1.45	1.45	1.56	1.63	6.09	1.63	6.42
Ebitda Margin (E&P)	58%	56%	56%	56%	54%	54%	55%	54%	54%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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