

# TOTAL

## 1998

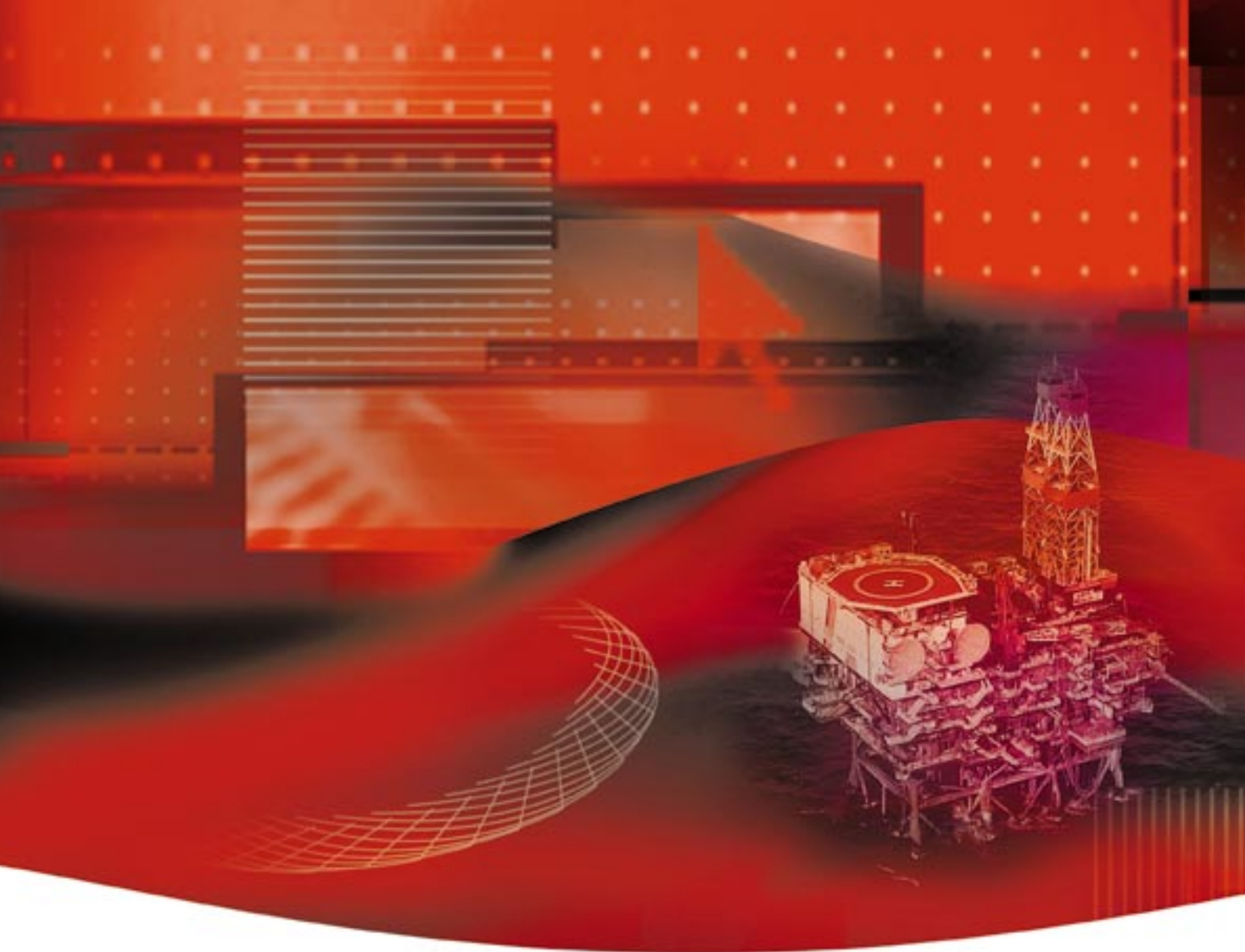
ANNUAL REPORT



1924  
1999

# 75

years of INNOVATION and GROWTH



### *System and Technical Requirements for Running the CD-ROM*

The TOTAL CD-ROM is optimized for the following specifications, which are recommended as minimum standards for compatibility:

- Your computer should be equipped with a 166MHz Pentium processor, or greater
- Running Windows95 with 32MB or Windows NT 4.0 / Windows98 with 48MB or more of available RAM
- 80MB or more of free hard disk space
- Your computer must connect to an 8-bit color monitor (displaying 256 colors) or greater, with 800x600 screen resolution. We recommend a 16-bit color display for optimal viewing of the CD-ROM.
- Your PC should be equipped with a 16-bit sound card.
- Your computer should be equipped with a 16x speed internal CD-ROM drive.

### *Running the CD-ROM*

- Place the CD-ROM in your CD-ROM Drive.
- If you have AutoRun activated, the CD-ROM will automatically start to play.
- If you do not have AutoRun activated, follow these steps:
  1. Locate your CD-ROM drive using either the Windows Explorer or by double clicking on "My Computer".
  2. Once you locate the CD-ROM, double click on the setup.exe file to start the CD-ROM.
- In order for you to use the Excel documents on this CD-ROM, Microsoft Excel must be installed on your computer's hard drive.
- To view the TOTAL web site from the CD-ROM ([www.total.com](http://www.total.com)), Netscape or Internet Explorer must be installed on your computer's hard drive and have an internet connection.



The 1998 Annual Report includes, for the first time, a CD Rom containing the relevant 1998 financial and legal information. In addition, the CD Rom includes the 1998 Form 20F and Factbook, which typically are intended for English-speaking investors. These last two documents are included to ensure that all of our shareholders have access to the same information.

The layout of the Annual Report follows the main phases in the history of the TOTAL Group, details of which are to be found both in the Report and on the CD Rom.

## ***C O N T E N T S***

Questions to the Chairman.....	5
Corporate Organization.....	8
TOTAL in 1998 .....	10
Upstream.....	12
Downstream.....	20
Chemicals .....	26
Financial Review .....	31
CD ROM:	
Consolidated Financial Statements .....	F1
Oil and Gas Reserves.....	F40
Parent Company.....	F44

# 1998 KEY FIGURES

The financial figures have been translated solely for convenience into U.S. dollars at the noon buying rate certified by the Federal Reserve Bank of New York on the last business day of 1998 (FRF 5.5870 per US\$), and last business day of 1997 (FRF 6.019 per US\$).

## FINANCIAL DATA

(in millions except per share and percent amount)	1998			1997		
	FRF	€	\$	FRF	€	\$
Sales . . . . .	159,614	24,333	28,569	191,085	29,131	31,747
Operating income of business segments . . . . .	12,430 <sup>(2)</sup>	1,895 <sup>(2)</sup>	2,225 <sup>(2)</sup>	13,623	2,077	2,263
Consolidated net income (Group share) . . . . .	6,916 <sup>(3)</sup>	1,054 <sup>(3)</sup>	1,238 <sup>(3)</sup>	7,611	1,160	1,264
Earnings per share <sup>(1)</sup> . . . . .	28.2 <sup>(3)</sup>	4.29 <sup>(3)</sup>	5.04 <sup>(3)</sup>	31.0	4.73	5.16
Earnings per ADS <sup>(1)</sup> (\$) . . . . .	—	—	2.52	—	—	2.58
Dividend per share . . . . .	13.12	2.0	—	13.0	1.98	—
Shareholders' equity . . . . .	67,865	10,346	12,147	66,632	10,158	11,070
Net debt to equity ratio . . . . .	32.7%	32.7%	32.7%	26.8%	26.8%	26.8%
Return on equity . . . . .	10.9% <sup>(3)</sup>	10.9% <sup>(3)</sup>	10.9% <sup>(3)</sup>	12.7%	12.7%	12.7%
Funds generated from operations . . . . .	17,040	2,598	3,050	16,749 <sup>(4)</sup>	2,553 <sup>(4)</sup>	2,783
Gross capital expenditures . . . . .	21,315	3,249	3,815	22,659	3,454	3,765

## OPERATING HIGHLIGHTS

	1998	1997
Oil production (mb/d) . . . . .	563	532
Gas production (Mcf/d) . . . . .	1,505	1,488
Refinery throughput (mb/d) . . . . .	854	916
Refined oil product sales (mb/d) <sup>(5)</sup> . . . . .	1,403	1,459

### Abbreviations

b . . . . . barrel	/d . . . . . per day	B . . . . . billion
cf . . . . . cubic feet	/y . . . . . per year	T . . . . . trillion
boe . . . . . barrel of oil equivalent	m . . . . . thousand	FRF . . . . . French Franc
t . . . . . metric ton	M . . . . . million	€ . . . . . Euro

- (1) Fully diluted weighted average number of shares.
- (2) In 1998, excluding non-recurring items in operating income: charge for negative inventory effect (-1,572 M FRF; -240 M€), FAS 121 (-584 M FRF; -89 M€).
- (3) In 1998, excluding non-recurring items in net income: charge for negative inventory effect (-1,481 M FRF; -226 M€), FAS 121 (-466 M FRF; -71 M€), gains on sales of assets (+845 M FRF; +129 M€).
- (4) In 1997, the Company covered certain employee pension benefit plans in France for an amount of 2,441 M FRF; 372 M€. Before this non-recurring item, "funds generated from operations" were 19,190 M FRF; 2,925 M€.
- (5) including trading sales.

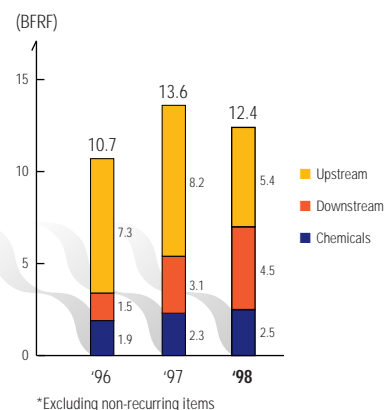
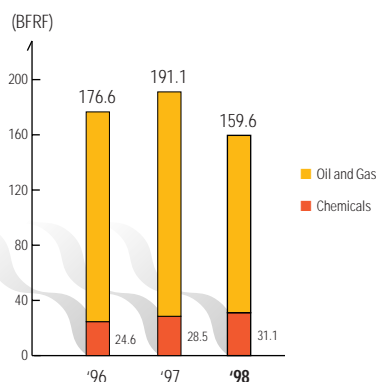


# 1998 FINANCIAL OVERVIEW

FRF

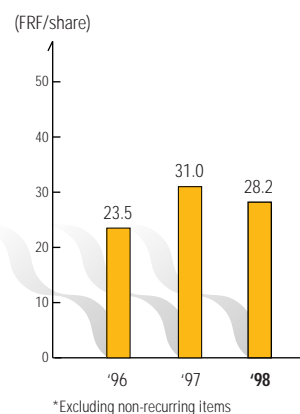
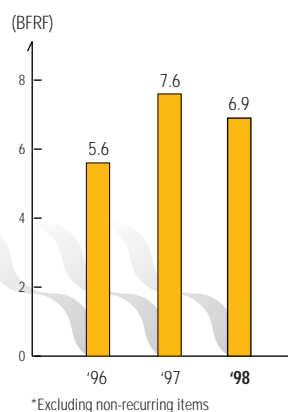
SALES

OPERATING INCOME \*



NET INCOME GROUP SHARE \*

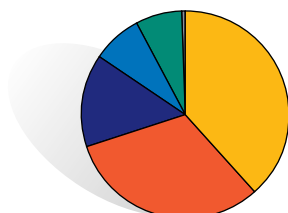
EARNINGS PER SHARE \*



## HUMAN RESOURCES

EMPLOYEES BY  
REGION \*

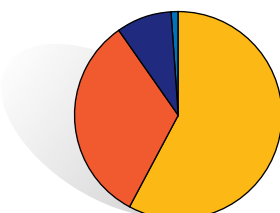
France	38.6%
Rest of Europe	31.5%
Americas	14.5%
Africa & Oceania	7.7%
Far East	7.2%
Middle East	0.5%



\*Consolidated subsidiaries with 57,166 employees at year end 1998

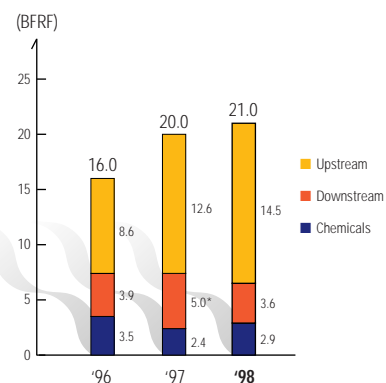
EMPLOYEES BY  
SEGMENT \*

Chemicals	58.0%
Downstream	32.3%
Upstream	8.7%
Holding	1.0%

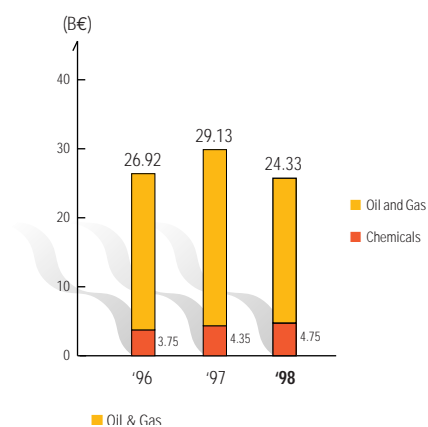


\*Consolidated subsidiaries with 57,166 employees at year end 1998

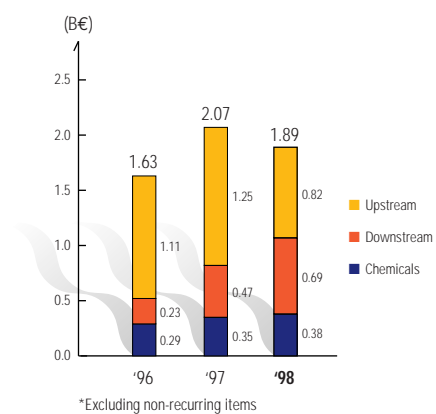
GROSS INVESTMENT  
BY SEGMENT



## SALES

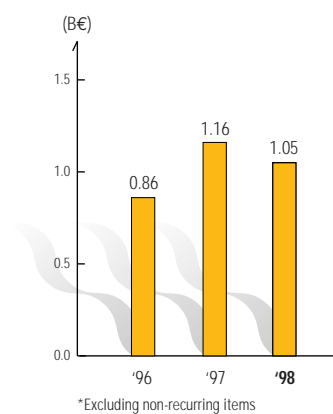


## OPERATING INCOME \*



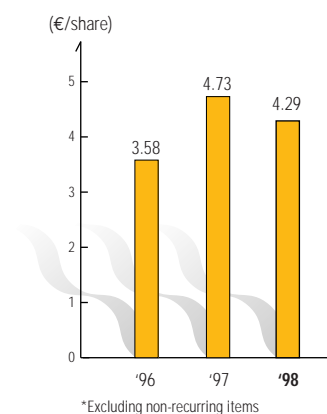
\*Excluding non-recurring items

## NET INCOME GROUP SHARE \*

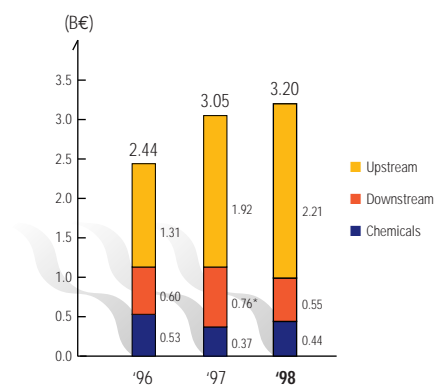


\*Excluding non-recurring items

## EARNINGS PER SHARE \*

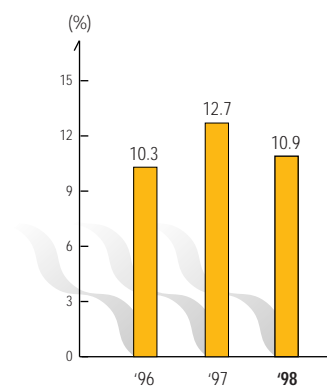


\*Excluding non-recurring items

GROSS INVESTMENT  
BY SEGMENT

\*Includes the purchase of two VLCC oil tankers, excludes Topna merger

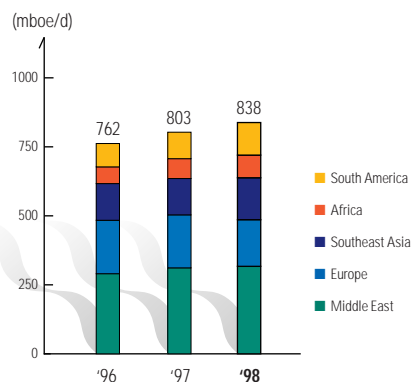
## RETURN ON EQUITY



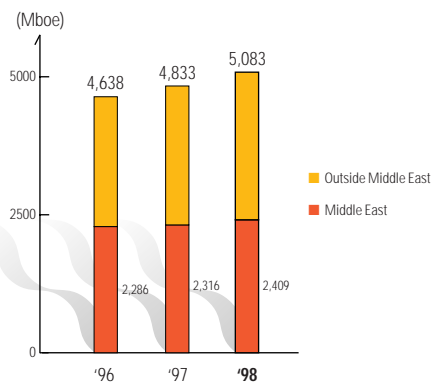
# BUSINESS SEGMENTS OVERVIEW

## UPSTREAM

### Oil and Gas Production

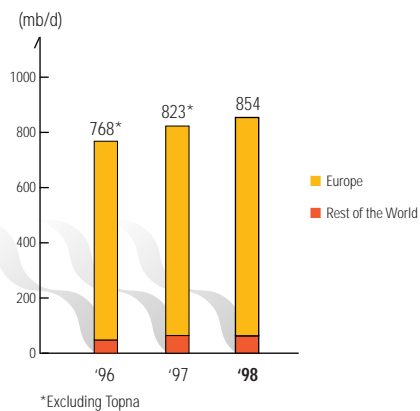


### Oil and Gas Reserves

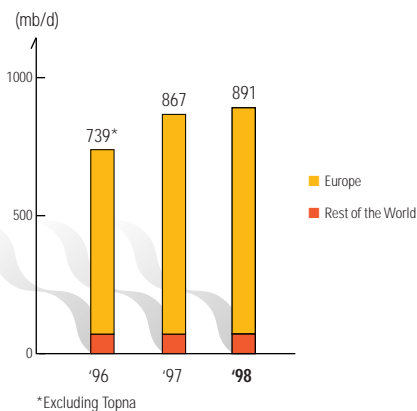


## DOWNSTREAM

### Refining Throughput



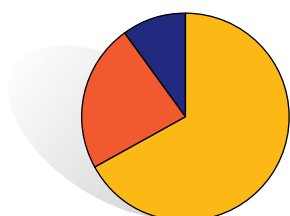
### Refining Capacity at Year-end



## CHEMICALS

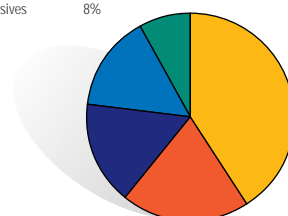
### Chemical Sales by Region

Europe	67%
North America	23%
Other	10%



### Chemical Sales by Segment

Hutchinson	41%
Resins	20%
Inks	16%
Paints	15%
Adhesives	8%



## CHAIRMAN'S FOREWORD

---

In 1999, all of us with an interest in TOTAL can look back on an impressive history as we celebrate the company's 75th anniversary. This year marks a turning point for TOTAL, for in addition to reflecting on the successes of the past, we mark a new beginning and a significant change in scale with the creation of TOTAL FINA.

I am proud to share with you this exciting chapter in the history of TOTAL. Given the importance of the merger and the level of interest expressed on the subject, I have devoted a substantial portion of the "Questions to the Chairman" section to the TOTAL FINA merger.

In these times, important events are affecting the nature of our industry and the very shape of our company. This is a decisive stage in the development of TOTAL, a time when all of us here at TOTAL are cooperating with such determination to carry out these changes. Now, more so than any other time, I invite you to read through this annual report and witness the remarkable success of TOTAL.





*"With its strong growth prospects, we expect your Group will rank among the top companies in the world oil industry, in terms of competitiveness and productivity, during the coming decade."*

**Thierry Desmarest**

### *How do you assess TOTAL's results for 1998?*

"In 1998, TOTAL posted net income before non-recurring items of FRF 6.9 billion (€1.05 billion), compared to FRF 7.6 billion (€1.16 billion) the previous year. This result was achieved in a less favorable environment, with the price of crude falling from an average of more than \$19 per barrel in 1997 to less than \$13 in 1998. Compared with the results posted by other major international oil companies, TOTAL's profit decline of only 9% is remarkable performance indeed, and it illustrates the Group's ability to cope with a deterioration of its business environment".

### *How is it that TOTAL was better able to resist the slump in crude prices?*

"The Group's key strengths here have been growth, high-quality projects and a balanced portfolio. Our results have also been helped by the success of the various cost-cutting and productivity programs that we have implemented rigorously over the past years in each of our three business segments".

### *What are the Group's strong points in its different business segments?*

"One of TOTAL's major assets is its high growth potential in the Upstream. In 1998, the

Group's reserve base continued to grow, reaching more than 5 billion barrels of oil equivalent, or 16 years of production. In 1998, TOTAL was able to considerably strengthen its Upstream position while at the same time meeting Group profitability targets. Among the highlights in 1998 were two major discoveries on Block 14 in Angola, the launch of the Sincor project in Venezuela, production start-up on the Sirri field in Iran, and additions to the Group's deep-offshore acreage.

In the Refining-Marketing segment, TOTAL continued to reduce costs and make productivity gains. Indeed, progress here has been quite spectacular, with the break-even point of the Group's European refineries being brought down from \$21 per metric ton in 1992 to the current level of \$13. This improvement in refinery performance was a major factor in the 50% increase in Downstream operating results in 1998, in a context of favorable refining margins. TOTAL's results were also given a boost by the rapid and profitable development of the Group's marketing network in Africa and around the Mediterranean rim. Sales of specialty products, LPG and lubricants were also strong.

TOTAL's Chemicals segment continued to grow with sales having passed the FRF 30 billion mark. This significant growth, both in existing business and via acquisitions, has been self-financed. The Chemicals segment

continues to make a stable and meaningful contribution to Group financial results”.

### *Is the fall in crude prices likely to mean a change in strategy for TOTAL?*

“The fall in crude prices observed in 1998 is a reminder of the cyclical nature of the oil industry, and it confirms the necessity of rigorous business management. Current policy is to strengthen the Group’s ability to resist any downturn in the operating environment. The fall in crude price — far from requiring a shift in strategy — amply confirms the wisdom of TOTAL’s strategy. Our strategy is to promote growth in the Exploration-Production segment by pursuing new technology-driven projects with low break-even points while maintaining a geographically-balanced portfolio; to pursue productivity gains in the Refining-Marketing segment while improving the valorization of our production and expanding our presence in growth markets; and to strengthen the Chemicals segment both by self-help programs and through internal and external growth. This strategy is designed to ensure continued growth in all the Group’s main business segments, along with enhanced productivity and a suitable balance of activities”.

### *Does this worsening of the business environment mean some projects could become unprofitable?*

“We expect that all of our current projects will break even with a crude price of less

than \$10 per barrel, so none of them are compromised. They are all going ahead on schedule, thus allowing TOTAL to meet its production targets”.

### *Why did TOTAL decide to merge with PetroFina?*

“TOTAL has for some time been looking for an alliance that would bolster its Downstream segment, which lacked critical mass in some countries. PetroFina was the ideal partner for an alliance; the Belgian company has high-quality industrial assets and a very similar corporate culture. This merger is a major milestone in TOTAL’s development. The combined Group will be much stronger, more competitive in each business segment and better able to cope with the uncertainties of the world oil environment.

Furthermore, the alliance with PetroFina is in line with TOTAL’s current strategy. The increased financial resources of TOTAL FINA will be employed first of all to bolster growth in both production and hydrocarbon reserves via high-quality projects with low technical costs that are better able to resist a weak oil price environment. In the Refining-Marketing segment, investment will continue to be rigorously selective, and the combined assets of the new Group should lead to greater operating efficiency and allow TOTAL FINA to achieve critical mass in certain European markets. This in turn will allow us to better optimize our operations and enhance Downstream profitability. In the Chemicals segment, the merger with PetroFina, with its

very competitive petrochemicals business, will mean a broader asset base, allowing the Group to pursue a policy of expansion based on a combination of internal growth and selective acquisitions. By the year 2005, the Group should achieve a new equilibrium, with 50% of capital employed being invested in the Upstream, 30% going to the Downstream and the remaining 20% in the Chemicals segment. At that stage the Group will be considerably bigger, and the equilibrium will be set at a much higher level regarding both oil and gas production and refining capacity, meaning that the Group will have built a sustainable position as one of the most competitive companies in the international oil industry”.

### *How will the merger between TOTAL and PetroFina affect each of the Group’s three core business segments?*

“The merger will have a positive impact on each segment. TOTAL’s earlier objective for the Upstream segment was to produce 1 million barrels of oil equivalent per day (boe/d) by the year 2000 and 1.25 million boe/d by 2005. Thanks to the merger, TOTAL FINA will be able to reach the 1.25 million boe/d mark by the year 2000, with a target of 1.5 million boe/d by 2005. The new Group will have a quality asset portfolio with excellent geographical of reserves and production for both oil and gas between the OECD countries and emerging countries. By combining the assets of the two partners, we will be able to generate meaningful synergies in the North Sea and to

strengthen our positions in the deep offshore, both in the United States and Angola.

In the Refining-Marketing segment, the merger with PetroFina will consolidate the Group's positions in the European countries where TOTAL's market share lacked critical mass. TOTAL FINA will be the third-largest player on the European refining scene, with very sound market positions in Benelux, France, the United Kingdom, Germany, Spain and Italy. Joint management of both refineries and marketing networks should lead to major gains in operating efficiency. In north-western Europe, cooperation between TOTAL refineries and the PetroFina refinery and petrochemicals sites in Antwerp and Feluy will mean a major reduction in the upgrading investments necessary to meet the new European Union motor-fuel specifications.

By merging the Group's Chemicals businesses with those of PetroFina, which include a very high-quality petrochemicals arm with low break-even points, we will broaden our asset base and endow TOTAL FINA with a top-quality and well-balanced Chemicals segment".

#### *Will TOTAL shareholders benefit from the merger with PetroFina?*

"The merger will create value for TOTAL shareholders. As from 2000, the merger will generate major synergy savings which will translate to a recurring increase in operating profit of more than FRF 2 billion (€300 million) in 2001 and more than FRF 3 billion (€460 million) in 2002. By the year 2000, the Group's net

profit per share will be better than the profit TOTAL would have posted without the merger, and by 2002 profit per share will be 10%-15% better, depending on the operating environment at the time. TOTAL FINA's sound financial position will provide the foundation to self-finance strong growth and to improve profitability of the combined Group".

#### *Is TOTAL likely to sell off any assets?*

"Given the increased scope of TOTAL FINA, the Group will have certain assets with returns that are either too weak or only marginal in terms of the new Group's objectives. It would be preferable to dispose of these assets. The proceeds from their sale, which should amount to between FRF 5 billion and FRF 10 billion (€750 million to 1,500 million) over the next two years, will primarily help finance TOTAL FINA's ambitious Upstream development program".

#### *What are the keys to success in this new endeavor?*

"For the merger to be successful in the short term, the synergies we are banking on will have to be realized quickly. In the past, TOTAL has always met its stated objectives with regard to productivity gains, and the same dedication will be applied to this new stage in our development. But for the merger to be a lasting success, it will have to be carried out with the wholehearted support of the employees of both companies. The staff of TOTAL and PetroFina already know a great

deal about each other and, most importantly, they share the same corporate culture. I am confident that their professionalism and keen motivation will ensure that TOTAL FINA has every chance of success".

#### *How do you see TOTAL FINA ten years from now?*

"Oil currently accounts for about 40% of world energy demand, with gas meeting a further 20% of energy needs. In ten years, those two figures will be 40% and 25% respectively. With its sound reserves of both oil and gas, TOTAL FINA is well placed to meet growing demand. Compared to other major oil companies, TOTAL FINA is particularly well placed in terms of production growth potential, and this gives us a real competitive edge. Continued growth in the Group's hydrocarbons production will enable us to better resist a depressed oil environment and allow TOTAL FINA to improve both profits and return on capital invested.

Over the last ten years, the Group has greatly improved its ranking among the major international oil companies. From 13th place in the world rankings ten years ago, TOTAL had risen to 8th or 9th position — depending on parameters used — before the merger with PetroFina. The new combined Group will be the fifth-largest oil company in the world. With its strong growth prospects, we expect TOTAL FINA will rank among the top companies in the world oil industry, in terms of competitiveness and productivity, during the coming decade".



*The photo shows the Chairman, T. Desmarest, in the center. The other members of the Executive Committee are, from left to right: (foreground) D. Valot and J-P. Seeuws; (background) A. Madec, J-P. Vettier and R. Castaigne. The other members of the Management Committee are, from left to right: P-R. Bauquis, J-C. Company, J-J. Guilbaud, M. Bénézit, C. Brice, H. Woestelandt, C. de Margerie, I. Howat and P. Proust.*

TOTAL's three business sectors are organized into profit centers: Upstream, Downstream and Chemicals.

Upstream includes TOTAL Exploration & Production (TEP) operations, Middle East operations and TOTAL Gas - Electricity and Other Energy Sources.

Downstream includes TOTAL Refining and Marketing as well as Trading and Shipping activities.

Chemicals includes rubber processing with Hutchinson and the four coatings businesses, with Bostik adhesives, Coates inks, Kalon paints, and Cray Valley and Sartomer, which together comprise the resins division.

The profit centers are supported by the parent company's Functional Divisions: Finance, Strategy, Human Resources and Communication and Legal Affairs and Agreements.

The management of TOTAL is carried out through the Executive Committee (COMEX) and the Management Committee (CODIR).

The COMEX is our primary decision-making body for matters of overall strategy and investment authority. It is also responsible for preparing corporate Board decisions. COMEX members are Thierry Desmarest, Chairman and CEO; Alain Madec, President of Strategy and Finance; Jean-Paul Vettier, President of Refining and Marketing; Robert Castaigne, Chief Financial Officer; Daniel Valot, President of Exploration and Production and Jean-Pierre Seeuws, President of Chemicals. The Executive Committee meets every two weeks or as necessary.

The CODIR facilitates internal coordination, monitors the results of the Operational Divisions, and reviews the reports of the

Functional Divisions. The CODIR includes the members of the COMEX and nine senior managers of the Functional and Operational Divisions. This committee meets once a month. In addition to the COMEX members, the CODIR includes Pierre-René Bauquis, Michel Bénézit, Claude Brice, Jean-Claude Company, Jean-Jacques Guilbaud, Ian Howat, Christophe de Margerie, Pierre Proust, Hugues Woestelandt.

NB: In connection with the TOTAL-PetroFina merger, François Cornélis, Chairman of PetroFina, will become Vice-Chairman of the TOTAL FINA Executive Committee, to be chaired by Thierry Desmarest.

The Management Committee will include 18 persons. In addition to the members of the Executive Committee, it will include Michel Bénézit, Wayne Brenckle, Claude Brice, Axel de Broqueville, Jean-Claude Company, Michel-Marc Delcommune, Pierre-Marie de Leener, Jean-Jacques Guilbaud, Ian Howat, Christophe de Margerie, Hugues Woestelandt.

These provisions will go into effect upon receipt of approval by the European anti-trust authorities of the TOTAL-PetroFina merger.



## BOARD OF DIRECTORS

On January 14, 1999, shareholders voted to approve the appointment\* of three new directors, Baron Albert Frère, Paul Desmarais and Thierry de Rudder. With the three new directors, TOTAL Board of Directors will include Thierry Desmarest, François-Xavier Ortoli, Jérôme Monod, Michel François-Poncet, Serge Tchuruk, Jean Syrota, Antoine Jeancourt-Galignani, Lord Alexander of Weedon QC, Bertrand Jacquillat, Daniel Bouton, Bruno Ribeyron-Montmartin, Didier Houssin, Baron Albert Frère, Paul Desmarais and Thierry de Rudder.

\* *contingent upon the receipt of approval from the European anti-trust authorities for the TOTAL-PetroFina merger*

## BOARD COMMITTEES

In 1995, the Group established two special Committees which continued their work during 1998.

- The Appointments and Compensation Committee studies and submits to the Board all proposals concerning the appointment of new members and corporate representatives, executive compensation and stock option plans. This committee is made up of : Michel François-Poncet, Jérôme Monod, Serge Tchuruk and Thierry Desmarest, except on issues that personally concern him.
- The Audit Committee advises the Board on the quality of the accounts and the internal auditing procedures for the company. The members of this committee are: François-Xavier Ortoli, Thierry de Rudder and Jean Syrota.

## 1998 BOARD MEETINGS AGENDA

The Board met six times in 1998. The agendas included the following major points:

- January: Preliminary financial statements for 1997.
- March: Definitive 1997 financial statements for 1997 (consolidated financial statements, parent company statements); agenda of the 1998 Combined General Meeting.
- May: Nomination of the Chairman.
- September: Financial statements for the first half of 1998 (consolidated statements, parent company statements).
- November: TOTAL-PetroFina merger. Convening of a special annual meeting.
- December: Five-year plans and 1999 budget.

### *Creation of the Compagnie Française des Pétroles*

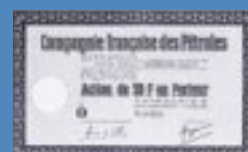


**1923** — By letter dated September 20, 1923, Raymond Poincaré, Prime Minister, gave to Ernest Mercier the job of creating a company responsible for “developing oil production under French control”. Ernest Mercier ran the Compagnie Française des Pétroles until 1940.

### *Agreements with the French State*

**1924** — CFP was officially formed on March 28, 1924 with the conditions for its relationship with the French State governed by two agreements dated May 17, 1924 and July 5, 1931.

### *CFP is listed on the Stock Exchange*



**1929** — CFP stock was first listed on the Paris Bourse in 1929. In 1973, the stock was listed on the London Stock Exchange. TOTAL stock was listed on the New York Stock Exchange in 1991.

## UPSTREAM

TOTAL IN

1998



### STRATEGY

In the European downstream segment, TOTAL is continuing to improve the underlying profitability of its refining and marketing business. In a highly competitive market, the program aimed at reducing the refinery breakeven point was stepped up. Making further inroads in the European refining market after the creation of TOTAL FINA will result in greater operating flexibility and an improved situation in terms of the new fuel specifications. With a well-established market share in Europe, the new combination, through its marketing network, will continue to build on customer loyalty by offering high-quality products and services. In the other areas, capital investments were reserved for high growth markets, mainly the Mediterranean, Africa and Asia. The program of selective capital investments with a rapid return was adjusted to allow the sector to maintain a positive net cash flow and to improve performance.

### ACHIEVEMENTS

In 1998, TOTAL had a refinery output of 854,000 b/d and refined product sales of 1,403 kb/d. Downstream operating results rose sharply for the second consecutive year. This was the result of two factors: stronger refining margins in Europe and of productivity gains making it possible to lower to \$13/ton the breakeven point of the European refineries; and an effective marketing policy coupled with the control of fixed costs. Operating income stood at FRF 4.6 billion, a 50% increase over the previous year. In 1998, TOTAL continued to install new information and communications systems designed to meet the demands of the Euro and to address the Y2K issues. These new systems will help reduce the cost of information systems and will improve productivity as a whole, particularly for marketing with its network of 7,800 service stations. The IGCC (Industrial Gas Combined Cycle) project to improve the valorization of the heavy fuel cuts was launched at the Normandy refinery. Specialty products is a growing business for TOTAL, especially LPG which was further developed in France, Argentina, Philippines, China and Vietnam.



## CHEMICALS



## STRATEGY

TOTAL is one of the fastest-growing major oil companies in the industry in terms of production and oil and gas reserves. Our goal is to bolster this growth in the years to come. To that end, the Upstream segment is maintaining a high rate of capital expenditures while concentrating its activities on high potential exploration programs and large-scale, income-producing projects. The combination of our geographic diversification and the expertise of our teams allows us to better manage the risks inherent in each sector within the industry. In addition to discovering and developing major fields, we are seeking opportunities to capture better value from the natural gas market, e.g., in the LNG business or as a supplier to electrical power plants. Continuing to grow the production base while reducing the cost structure will enable us to better withstand fluctuations in the price of crude oil. In the Upstream segment, our primary aim is to increase the share of capital employed and to raise its contribution to earnings.



## ACHIEVEMENTS

TOTAL continued its policy of obtaining new permits and quality projects on an on-going basis, concentrating on streamlining its assets and portfolio while balancing risks and exercising care in allocating its financial resources. Oil and natural gas production rose to 838,000 boe/d in 1998, and proved reserves increased to 5,083 million boe, continuing a trend in the growth of production and reserves that began in the early nineties. TOTAL continues to rank among the top oil companies in terms of its reserve replacement rate and replacement cost per barrel. The development of large-scale new fields such as Angola Block 14, Sirri and South Pars in Iran, and the launching of the huge Sincor project in Venezuela will ensure continued production growth in the years to come. Exploration was particularly successful in 1998, with major extensions and discoveries in Angola, Venezuela, Bolivia, Indonesia, Thailand and the North Sea. We extended our deep-water acreage by adding new blocks in the Gulf of Mexico, Nigeria and Gabon.

## DOWNSTREAM

## STRATEGY

The Chemicals segment makes a substantial contribution to TOTAL's earnings while providing stability. We expect this segment to grow, through a combination of internal and external means, and to improve its profitability through productivity programs, research on high value-added products and synergies resulting from acquisitions. In an era of consolidations and globalization, the combination of chemicals from TOTAL and PetroFina will create a well-balanced core business of quality chemicals capable of self-financed growth. In the Chemicals segment, the capital employed will be split approximately as two-thirds for Specialty Chemicals and one-third for petrochemicals.

## ACHIEVEMENTS

Through a combination of internal and external growth, specialty chemicals sales rose by 9.1% in 1998 to FRF 31.1 billion, and operating results increased by 8.7% to FRF 2.5 billion. Hutchinson, a leader in rubber-based products for automotive, industrial and consumer products, strengthened its market position by opening new plants in the United States, Spain and China. Bostik, in the Adhesives sector, completed the consolidation of Mydrin and opened new production units in the United States and Germany. Resins, a leader in gel coats, further strengthened its position in Spain with the acquisition of the Resisa company, and, in the United States. Kalon, the third largest decorative paints company in Europe, faced a more difficult operating environment and restructured its French operations. In an economic environment which remains difficult in Europe, the Inks operation, as a part of Coates, focused on launching a program to modernize and specialize its industrial tool, starting with the consolidation of its operations in Spain.



# UPSTREAM

## *Exploration-Production, Middle East and Gas*

### *CONTINUED GROWTH IN RESERVES AND PRODUCTION IN 1998*

In 1998, TOTAL increased its oil and gas reserves for the ninth consecutive year. Reserves increased by 5.2% in 1998 to 5,083 billion barrels of oil equivalent (boe) with gas accounting for 40% of this amount. Hydrocarbon production increased by 4.4% in 1998 to 838,000 boe/d, of which 32.8% was gas.

TOTAL's 1996-1998 average three-year reserve replacement rate of 229% and finding cost of \$4/boe continues to rank it among the most successful oil companies.

TOTAL is one of the world's leading companies in the liquefied natural gas (LNG) market with sales (net to the company) of 3.7 million tons of LNG in 1998.

Upstream operating income totaled FRF 5.4 billion in 1998, or 43% of consolidated operating income, excluding non-recurring items.

Capital expenditures totaled FRF 14.5 billion, an increase of 16% over 1997.

For TOTAL, 1998 was an exceptionally busy year in terms of renewing its portfolio of

Exploration/Production assets. New permits were acquired in Argentina, Bolivia, Indonesia and the North Sea for conventional land and sea exploration, while in deep offshore, substantial positions were acquired in Nigeria, Gabon and the Gulf of Mexico (USA).

At the same time, TOTAL divested certain non-strategic or isolated assets and interests, primarily in the US (e.g., TOTAL Minatome Corporation's sale), Great Britain and Indonesia (Tuban field).



*Discovery by the Iraq Petroleum Company of the Iraqi oil field of Kirkouk*



**1927** — This discovery marks the beginning of the Group's business in the Middle East.

*IPC develops operations in the Emirates of the Gulf*



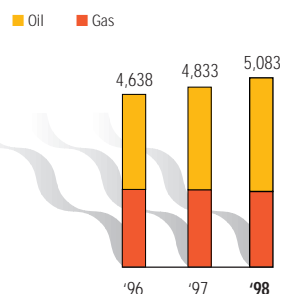
**1939** — Fifty years later, Abu Dhabi will be the Middle Eastern country where TOTAL has its largest presence.

## MIDDLE EAST

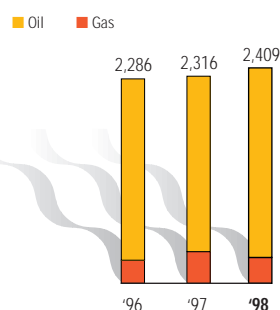
In 1998, the Middle East accounted for 48% of the Group's hydrocarbon reserves, and its share in production reached a plateau rate of 38% with 317,000 boe/d, a 2.9 % increase over the previous year. The increase results from an increase in gas production, mainly in Qatar.

In Iran, under the development contract signed in 1995, oil production began on the Sirri A field (TOTAL-operated 70% of the foreign consortium) at 7,000 b/d , and first oil production from Sirri E started in early 1999. On the giant South Pars gas and condensate field (TOTAL-operated 40% of the foreign consortium) work continued with a target date for first production in 2001.

**Oil and Gas Reserves**  
(Mboe)



**Middle East Oil and Gas Reserves**  
(Mboe)



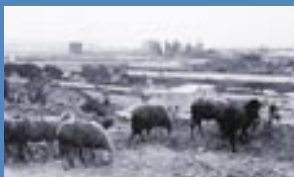


## Discoveries in Algeria



**1956** — The discovery of oil at Hassi-Messaoud and gas at Hassi R'Mel in the Sahara enabled the Group to develop invaluable E&P know-how.

## Commissioning of the Arzew Liquefaction Plant [Algeria]



**1964** — TOTAL takes an active part in the liquefaction company (CAMEL) that operates this plant, the first in the world.

## Signing of the first production sharing agreement in Indonesia



**1968** — Research leads to the discoveries of Bekapai (1972) and Handil (1974). Many other discoveries will follow.

In Qatar, the third liquefaction train at the Qatargas LNG facility (TOTAL 20% in Qatar upstream and 10% in the LNG facility) went onstream at mid-year, raising the production capacity to 6 million tons/year. Production from this new phase has been contracted to a consortium of seven Japanese buyers.

In Oman, as part of the Oman LNG project (TOTAL 5.54%), two long-term sales contracts were signed with Osaka Gas and Dabhol Power Company (India), covering the production capacity of the liquefaction plant and setting first deliveries for early 2000. On Block 4, where exploratory drilling is scheduled to begin in early 1999, the Group's interest was revised to 80% following a farm-out agreement.



*Drilling rig on Sirri, Iran*

## EUROPE

TOTAL's Production in the North Sea (-12% in 1998) was affected by the weather-related weakness in gas demand, notably in the United Kingdom.

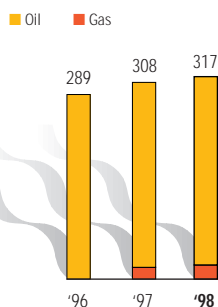
In the U.K. North Sea, reserves in the Alwyn area (TOTAL-operated 33.3%) continued to increase as a result of successful development in the deep Triassic reservoir, prompting TOTAL to initiate projects designed to increase gas export capacity from the area by 30%. TOTAL plans to start gas injections for additional (tertiary) oil recovery on the Alwyn field in 1999.

Regarding development projects, the new Mungo and Monan fields came on stream as planned in 1998, as well as the second phase of Bruce (the western province), while the actual start-up of Mallard was postponed until 1999.

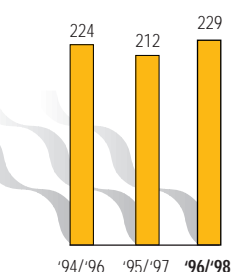
From a technical standpoint, TOTAL set a record in the North Sea by connecting at depths of over 100 meters the export pipeline from the Ross field, operated by a third party, to the Frigg-Saint Fergus pipeline, with no operating shutdown of the pipeline.

TOTAL also sold to Gaz de France its 11.5%

## Middle East Production (mboe/d)



## Reserve Replacement Rate\* [3 Year Average] (%)



\*Consolidated subsidiaries

interest in the Murdoch field, including that part of the CMS transportation infrastructure associated with it.

In Norway, the Ekofisk-Phase 2 complex (TOTAL 3.37%) was relocated as planned in 1998.

On the giant Asgard field in the Norwegian North Sea (TOTAL 7.65%), oil production is scheduled to begin in 1999, while development of gas production facilities is continuing with a scheduled start-up in 2000.

The Huldra gas field project (TOTAL 24.3%) was launched in 1998 with the production start-up date expected in 2001.

In the Netherlands, TOTAL pursued an active exploration drilling program that led to three natural gas discoveries in the central Northwest sector: K4-F (TOTAL 20%), to be developed jointly with the field K1-A, F15-B



*Dunbar, North Sea, UK Sector*

(TOTAL 12.73%) and K4-N (TOTAL 8.69%), which were both immediately put on production after a tie-back of the discovery wells to the existing facilities. The P2 NE/SE fields (TOTAL 7.36%) started production in 1998, while new developments K6-GT (TOTAL 18.72%), L4-PN (Pole du Nord, TOTAL 20.8%) and D12/D15 (Andalusite, TOTAL 8.17%) are



*Central Processing Area (CPA) Handil, Indonesia*

nearing completion and are expected to begin production in 1999. In 1998, TOTAL's annual production of approximately 8 Mboe was more than renewed by additions of reserves, primarily from the K4 block.

## *ASIA [OUTSIDE THE MIDDLE EAST]*

In Indonesia, TOTAL expanded its acreage holdings with the acquisition of a new off-shore exploration permit, Walo, near the Island of Misool (Irian Jaya).

In East Kalimantan, the 1998 drilling on the Mahakam permit confirmed the gas potential of the Tunu field. It also showed that the southern portion of the permit probably contained sufficient gas quantities to support future development. A 3D seismic survey was also begun in 1998 in the less well known areas of the permit.

Thanks to the commissioning, at the end of 1997, of a seventh liquefaction train at the Bontang plant, gas production from the

Mahakam permit continued to increase in 1998.

Gas processing facilities to the north of the Tunu field started production in the first half of the year, and development of the Peciko field is proceeding as scheduled. Start-up is planned for the end of 1999, at the same time as the eighth liquefaction train from the Bontang plant.

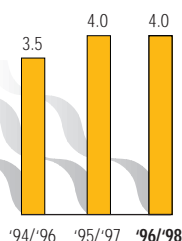
The Bontang facility is the largest gas liquefaction plant in the world, and, by the end of 1999, its capacity will be in excess of 21 million tons per year. Nearly all of Bontang's capacity has been contracted for, through long-term, dollar-linked agreements, to 2010 with first-rank Japanese buyers accounting for 75% of the volume with the remainder earmarked for buyers in Taiwan and South Korea.

The impact in 1998 of the drop in Korean demand for LNG deliveries from the Bontang plant was estimated at less than 1% of the Group's total oil and gas production.

In the Gulf of Thailand, TOTAL completed the Bongot Phase III development in July 1998, raising capacity from 3.5 to 5.5 billion cubic

### Finding Cost\* (3 Year Average)

(\$/boe)

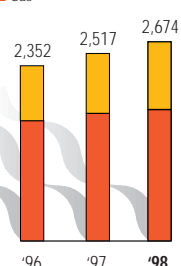


\*Consolidated subsidiaries

### Oil & Gas Reserves Outside the Middle East

(Mboe)

Oil Gas



meters per year. The gas purchaser, the state-owned PTT company, increased its gas consumption accordingly, and Bongkot now produces close to one-third of Thailand's gas needs.

Effective July 1, 1998, TOTAL transferred its role as operator of the Bongkot field to PTT-EP, a subsidiary of the state-owned company PTT. The operation was completed smoothly, as preparations for the transfer had begun several years ago, involving, among other things, a major training program for Thai personnel. TOTAL continues to provide services and staff to the new PTT-EP operator through a technical assistance contract.

In December, 1998, TOTAL and two of its partners in Bongkot (PTT-EP and B.G.) acquired together, in proportion to their shares, the 10% stake previously held by the Norwegian company Statoil. This brings

TOTAL's interest up from 30% to 33.33%.

In Myanmar, development work was completed on schedule on the Yadana gas field (31.2% TOTAL-operated) in early July, 1998.

Due to the delay in the construction of the Ratchaburi power plant, only a small quantity of gas was delivered from the Yadana field in 1998. Gas deliveries are not expected to increase substantially before mid-1999.

## LATIN AMERICA

The Group's gas production in Latin America totaled 118,000 boe/d, a 28% increase over 1997, owing primarily to a rise in the production rate from the Cusiana/Cupiagua fields in Colombia.

In Argentina, gas production from the Aguada Pichana (27.27% TOTAL-operated) and San Roque (24.71% TOTAL-operated) fields in the province of Neuquen continued to increase in 1998, with a growing portion of this production being exported to Chile through the GasAndes pipeline (TOTAL 10%).

In Tierra del Fuego, an offshore drilling program confirmed the presence of large natural gas and condensate reserves at Carina and Vega Pleyade. In 1998, TOTAL continued to pursue the largest campaign of extended-reach horizontal drilling in Argentina to develop Tierra del Fuego oil and gas reserves. TOTAL drilled two successful wells on the Argo field which are expected to come on stream in 1999. The Group has drilled extended-reach wells from the shore (Cullen South 1 and 2) setting the record by reaching their objectives at over 8,000 and 10,000 meters of extension).

Furthermore, construction of a LPG extrac-



*Rio Cullen facilities, Argentina*



*Cullen south drilling, offshore Tierra del Fuego*



tion plant has begun; commissioning is scheduled for the end of 1999.

Finally, TOTAL expanded its acreage holdings by taking on the role of operator and acquiring an interest in two exploration permits located on land south of Patagonia.

In Colombia, production from the Cusiana and Cupiagua fields increased to 460,000 b/d by the end of 1998, thanks to the commissioning of the Cupiagua production center (TOTAL 15.2%).

The seismic survey begun in 1997 on the Gaitanas permit was completed and the results are being interpreted.

In Venezuela, on the Jusepin permit (55%



*Jusepin field, onshore Venezuela*

TOTAL-operated) production increased to 35,000 b/d during the year. The 1998 Cotoperi light oil discovery, made in a new zone on the Jusepin permit, is expected to be put on production through existing facilities in 1999.

On the Punta Pescador exploration permit, TOTAL reduced its stake from 50% to 35%.

On the Sincor project (development, production, processing and marketing of extra-heavy Orinoco crude oil in the Zuata region), TOTAL raised its stake from 40% to 47%.

With an estimated 38 billion barrels of oil in place, The Sincor project is expected to reach a plateau production rate from 1,000 horizontal wells of 200,000 barrels/day of an 8.5° API crude oil for 35 years starting in 2002. This crude will be mixed with a diluting agent then transported 200 kilometers by pipeline to the José plant, where it will be refined and processed into 180,000 barrels/day of high quality synthetic crude (32° API low sulfur content).

Sincor is an important project for TOTAL as it will account in large part for the future growth in the Group's reserves and oil and gas production. The final decision to launch the project, at a total estimated cost of \$ 3.6 billion, was made in August, 1998. The major construction contracts have been awarded and bank financing in the amount of \$ 1.2 billion has already been obtained.

In Bolivia, a gas discovery was made on the San Alberto block (TOTAL 15%), where the SAL-X-10 well showed a significant potential. Another deep well was begun on the adjacent San Antonio block.

On Block XX, TOTAL as the operator reduced its interest to 41% and started drilling an exploratory well at year-end 1998.

In addition, in January 1999 the Group acquired a 75% interest in the Bereti permit, situated adjacent to the eastern boundary of Block XX.

### *Discovery of the Frigg gas field in the North Sea*



**1971** — The field comes on stream in 1977. TOTAL operates the transport system and the Saint Fergus terminal in Scotland.

### *Abu Al Bukhoosh (ABK) comes on stream*



**1974** — TOTAL (75%) is the operator of the field, a first in the Gulf for any French company. ABK becomes a showcase for the Group's expertise in the region.

### *Discovery of the Alwyn field in the British North Sea*

**1975** — Over twenty years after the discovery, based on new methods, the initial reserves in the area can be reestimated at 300 million barrels of oil equivalent.

*The Das Island plant (Abu Dhabi) comes on line, the first LNG project in the Gulf*

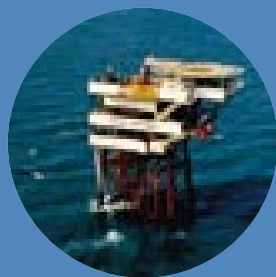
**1977** — TOTAL is the only international oil company with broad participation in the Middle Eastern LNG industry that includes liquefaction complexes (either planned or in operation) in Abu Dhabi, Qatar, Oman and Yemen.

*Deep-water drilling in the Mediterranean at depths of 1,714 meters, a record at the time*



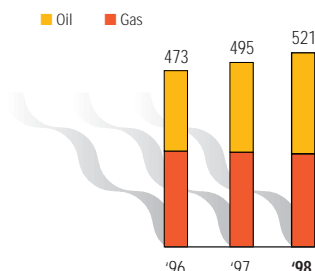
**1982** — A pioneer in deep wells, with "dynamic positioning" ships, TOTAL will drill several deep-water appraisal wells in Gabon in 2000 and 2001.

*Development begins on the Hidra field*

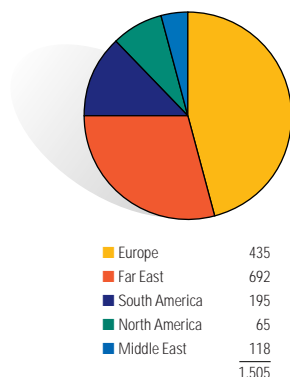


**1987** — This field is the first to be developed by the Group in Argentina. TOTAL is now the largest foreign producer of oil and gas in that country.

*Oil & Gas Production Outside the Middle East*  
(mboe/d)



*1998 Gas Production by Region*  
(Mcf/d)



## **AFRICA, THE C.I.S. AND THE UNITED STATES**

In Algeria, the Tin Fouyé Tabankort project (TOTAL 35%) progressed according to schedule. It is expected to come on stream in the first quarter of 1999 and to reach a production plateau estimated at 575 million cf/d of gas, 21,000 b/d of condensates and 24,000 b/d of LPG.

Production from the Hamra field reached peak levels in 1998, with a plateau of 24 000 b/d of condensates and 15 000 b/d of LPG.

In Angola, production on block 2/80-85 (TOTAL 27.5%) averaged 99,000 b/d in 1998.

The partners in block 14 (TOTAL 20 %) launched the first development phase of the giant Kuito field in October, 1998. Stepped

up development will allow production to start up by the end of 1999, to level off at 100,000 b/d. In addition, on the same block, two new discoveries of light, high-quality oil were made in 1998: Benguela in July and Belize in October.

In Gabon, in early November 1998, TOTAL acquired a 28% interest in two deep offshore exploration blocks (Astrid/Anton). TOTAL is the operator on these blocks, which cover a total area of 12,600 square kilometers in water depths ranging between 1,000 and 3,000 meters. The exploration program includes a planned 3D seismic survey in 1999 and exploration drilling in 2000-2001.

In Libya, development of the western part of the Mabruk field (75% TOTAL-operated) was nearly complete and production reached a level of 18,000 b/d in December. On the El Sharara field (formerly Murzuk) on the NC 115 concession (TOTAL owns 30% of the foreign interest or 7.5 % access to total production), production rose sharply (140,000 b/d by the end of 1998) and by 1999 should increase to a level of 200,000 b/d. Contracts for blocks A and B to the North and South of the El Sharara field (TOTAL is a 24% partner in the international consortium) have been ratified and the initial seismic work has begun.

In Nigeria, TOTAL acquired a 24% interest in the deep offshore permit OPL 246. The block covers a 2,500 square kilometer area in water depths ranging between 1,200 and 1,800 meters. A 3D seismic survey began in November and is scheduled for completion in

early 1999. Drilling of the first exploratory well is scheduled for the last quarter of 1999.

In Yemen, production on the Kharir field, on the East Shabwa permit (28.57 % TOTAL-operated) reached some 15,000 b/d in the last quarter of 1998. On the Jannah permit (TOTAL 15%), located in the Marib region, in the center of the country, production reached a level close to 30,000 b/d in December, with a goal of doubling that amount by mid-1999.



*Drilling rig, Angola*

In addition, Yemen LNG Company, of which TOTAL is the principal shareholder (36%), and which has been selected by the Government of Yemen to carry out a LNG export project (5.3 million tons per year) from reserves in the Marib region, continued its attempts to expand sales in a market affected by reduction in Asian demand.

In Kazakhstan, after completion of the seismic survey in the Caspian Sea and the signing of the production sharing agreement in November, 1997, the partners founded an operating company, OKIOC. An initial well on Kashagan East is planned for the spring of 1999. In addition, two new companies joined the Association after the withdrawal of one of



*St. Fergus terminal, Scotland*

the initial partners, with TOTAL's share remaining unchanged at 14.28%.

In Azerbaijan, a 3D seismic survey was completed on the Absheron permit (TOTAL 20%); interpretation was in progress at the end of 1998; likewise for the data obtained during the 2D and 3D seismic surveys on the Lenkoran permit (TOTAL 10 %).

In the United States, TOTAL sold its subsidiary TOTAL MINATOME (TMC). With proved reserves of 38.5 million barrels of oil equivalent recorded as of December 31, 1997, the TMC assets accounted for less than 1% of the Group's reserves worldwide. The deep offshore blocks in the Gulf of Mexico were not included in the sale and have been transferred to a new TOTAL subsidiary, TEP USA.

At year-end 1998, TEP USA held interests in 21 blocks in deep Gulf of Mexico. Three wells began drilling in 1998 and exploration activity is expected to continue in 1999.

## **DOWNSTREAM GAS AND ELECTRICITY**

### *Strengthening positions in gas and electricity logistics*

TOTAL is pursuing a strategy to expand its interests in the downstream gas sector-

logistics, pipelines, boats, storage, LNG receiving terminals, and electric power generation. This strategy has a dual objective: first, to secure its markets, round out its upstream portfolio, participate in the opening of markets and second, to develop trading and marketing expertise.

In France, TOTAL acquired a 15% interest in the Compagnie Française du Méthane.

TOTAL, in partnership with EDF and TEXACO, also announced the launching of the integrated gasification combined cycle project (IGCC), on the site of the Normandy refinery, which is expected to be commissioned by the end of 2003 to produce electricity, steam and industrial gas from heavy oil fraction from the refinery.

In England, TOTAL Gas Marketing (TGM) continued has focused on the trading business and sales to major manufacturers, with the introduction of a new type of more flexible contract (GasBank). In 1998, TGM sold its 50% interest in London Total Energy, which sells gas to domestic customers, and part of its portfolio of smaller commercial customers.

In Latin America, TOTAL acquired a 10% interest in the GasAndes pipeline linking the Neuquen basin in Argentina to Santiago, Chile.

TOTAL is participating with local partners in research on LNG import terminals, primarily in Turkey, India and China. These projects are generally combined with projects for electrical power plants or distribution networks. In Turkey, TOTAL is also pursuing a terminal project and a LNG-powered electrical power plant.





# DOWNSTREAM

## *Refining and Distribution*

### *RECORD REFINERY THROUGHPUT VOLUMES IN 1998 AND ONGOING REDUCTION OF THE BREAK-EVEN POINT. EFFECTIVE MARKETING AND REDUCED FIXED COSTS*

In an environment that was more buoyant than in earlier years, the Downstream businesses have gained from efforts made over the past several years to increase productivity and reduce fixed costs. The sector's operating income amounted to FRF 4.6 billion, up 50% as compared to the previous year. 60% of this increase is due to an improved environment, while the remaining 40% may be attributed to measures taken by TOTAL.

The Group is a major refiner and distributor of oil products, with sales of refined products

exceeding its refining capacity. At the end of 1998, the Group had a refining capacity of 891,000 b/d in Europe, Africa and Asia. Its refineries produce a broad range of high-quality products which are already practically adapted to the new quality standards scheduled for the year 2000. These refineries also contribute to the production of a broad range of high value added specialty products such as LPGs, aviation fuels, petrochemical feedstock, special fluids, lubricants, waxes, paraffin and bitumen.

In addition, TOTAL operates a network comprised of nearly 7,800 stations world-wide under the TOTAL Premier brand name. In the area of marketing and communication, TOTAL was the "official oil company" of the World Soccer Cup and has benefited from the success of related promotional campaigns.

The selective investment policy adopted by the Downstream businesses has been continued, focused on the development of specialties products and growth areas, such as the Mediterranean Rim, Africa and Asia. These



*Creation of the  
Compagnie Française de  
Raffinage (CFR)*

**1929** — The Company is formed by the CFP with participation by the State and several independant French marketing and distribution companies, including Desmarais frères, Lille Bonnières et Colombes and the Société Française des Carburants.

*The Normandy refinery  
comes on line*



**1933** — This refinery is the first to have been commissioned by the CFR

*Commissioning of  
Emile Miguet*



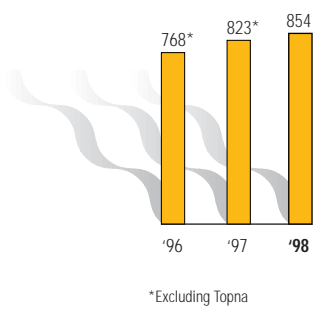
**1937** — This 21,500 ton oil tanker, operated by the Compagnie Navale des Pétroles, a subsidiary of the CFP created in 1931, is the largest oil transport vessel in the world at the time.

investments have a short pay-back period, in order that the sector as a whole generates positive cash flow.

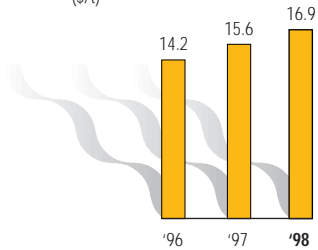
**WESTERN EUROPE**

Western Europe represents 70% of the segment's product sales and 92% of its refining capacity. TOTAL operates five refineries: three in France, one in the Netherlands (with Dow) and one in the United Kingdom (with PetroFina). The Group also has minority interests in a refinery in Germany (Schwedt) and in

*Refinery Throughput  
(mb/d)*



*Complex Refinery Margins  
in Europe  
(\$/t)*





*Creation of the Compagnie  
Française de Distribution  
des Pétroles in Africa*



**1947** — This company becomes the Group's first marketing subsidiary. In 1991, it will become TOTAL Outre-Mer.

*New TOTAL brand name*



**1954** — Under its new TOTAL brand name, the Group set out to conquer markets not only in France but throughout Europe and Africa.

*The Tokyo office opens*

**1958** — Created to market the CFP concession oil to the Middle East, this office has expanded its business to include the trading of gas, oil products and coal. Thanks to its trading centers, TOTAL carries out business transactions around the clock throughout the world.



*The Lindsey Oil Refinery (LOR), UK*

a fourth refinery in France (Reichstett).

In 1998, refinery throughput in Europe reached the record level of 38 million tons. This performance was made possible because of the ongoing enhancement of the refining tool and because of the continued consolidation on the internal market.

In the refining business, TOTAL continued to drive down its break-even points, benefiting from rigorous management efforts and the enhanced use of the refining tool. An energy plan has been introduced in order to raise the energy effectiveness of the facilities and to continue to lower the break-even points.

Several maintenance turn-arounds, in particular in the Vlissingen refinery and in the Provence refinery were used to modernize the production units and to upgrade them in compliance with new environmental regulations (new sulfur unit in the Vlissingen refinery,

recovery of steam on the loading stations) and adapt them to the fuel quality required for the year 2000.

In the Normandy refinery, the IGCC project (Integrated Gasification with Combined Cycle), which is scheduled to start up at the end of 2003, is expected to enhance the use of heavy oil cuts. TOTAL will participate up to 35 to 40% in this project, which is the first of its type in France. This project, the first co-operation between TOTAL and EDF, has an efficient energy output and is well adapted to future environmental standards. It will therefore strengthen the competitiveness of the Gonfreville refining platform.

In France, in marketing, TOTAL has successfully pursued its policy aimed at streamlining its network, opening petrol stations on main roads and increasing the average throughput per station. Moreover, special



emphasis was placed on customer loyalty programs and service quality, with particular focus on business customers with the launching of GR Actys, the first gas payment smart card. TOTAL's market share increased in comparison with its competitors in this business.

In the other European countries, TOTAL continued its program aimed at integrating stations into the direct management system, thus allowing for a development of diversification sales and an increase in network performance.

In the United Kingdom, outside the network, the buyout of the Croda company led to market positions in bitumens.

In Germany, TOTAL continued to consolidate its network by building and purchasing several stations and through development outside the network as part of the joint venture with Saarberg.

## SPECIALTIES

The production and marketing of specialty products (aviation fuels, butane and propane, lubricants and greases, paraffin and wax, bitumen and solvents) contributed to 1998 Downstream performance. The fall in crude oil prices has had a favorable impact on the performance of these high value-added products, whose sale prices are less sensitive to changes in raw materials prices.

Investments in specialty products are increasing, notably with the development of

the LPG business in Argentina, after the acquisition of Argon in 1997. Argon was renamed to TOTALGAZ Argentina.

## AFRICA

TOTAL is the second largest refiner-distributor on the continent, with a market share of about 14% and more than 7 million tons of product sold in 1998, mainly in South Africa, Nigeria, Kenya and Ivory Coast. TOTAL's marketing network includes 36 subsidiaries and 2,400 service stations. Refining facilities include share interests in five refineries: Cameroon, Ivory Coast, Gabon, Senegal and South Africa.



*LPG distribution, Argentina*

In 1998, TOTAL consolidated its positions in Gabon, Equatorial Guinea and Rwanda and launched a business operation in Egypt.

In Nigeria, in order to better supply the local market with petroleum products, TOTAL, as the top distributor with 330 petrol stations



*Petroport service-station, South Africa*

and 11% of market share, agreed to supervise the rehabilitation of the Kaduna refinery, which started up again in early 1999.

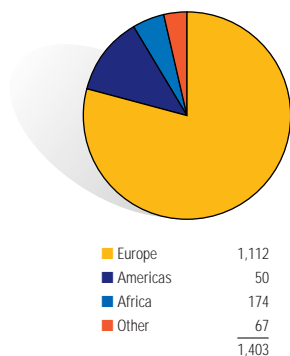
Finally, the TOTAL networks in South Africa and Morocco were equipped with a smart payment card system.

## MEDITERRANEAN / CENTRAL EUROPE

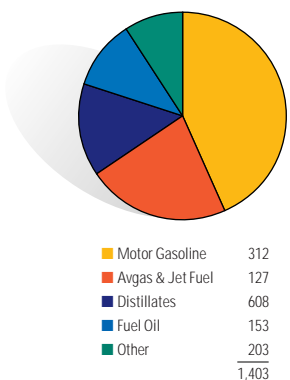
In the Mediterranean basin, TOTAL continues to expand its operations. In 1998, 3.5 million tons were marketed through a network of 1,100 stations.

In Spain, TOTAL is the only oil company marketing since June 1998 in all of its network an ecological lead-free premium petrol (<1% of benzene and <150 ppm of sulfur) that meets year 2000 standards. This has strengthened its position as an innovator regarding clean fuel. Moreover, TOTAL opened in Barcelona and Madrid two stations equipped for the distribution of LPG fuel. These are the first two combined service stations in the country, where so far LPG was only marketed in specialized stations.

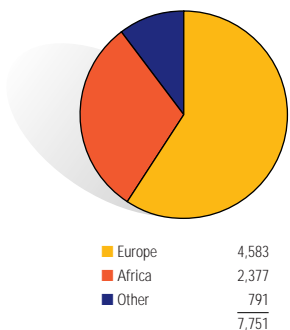
**1998 Refined Products Sales by Region**  
(mb/d)



**1998 Refined Products Sales**  
(mb/d)



**1998 Retail Network by Region**  
(number of stations at year end)



*La Jonquera, Barcelona (Spain)*

In Turkey, TOTAL has opened a new fuel depot as well as a gas filling center and has continued to expand its network, which now includes over 350 stations.

In Central Europe, TOTAL consolidated its commercial position with the opening of new stations, including 9 in Hungary and 4 in the Czech Republic. In addition, it strengthened its LPG businesses by increasing to 100% its interest in PB Gaz Szerviz Kft. Its Hungarian subsidiary, which was renamed TOTALGAZ Hungaria, has a 20% market share.

## ASIA

In 1998, TOTAL continued its policy of selective development and adapted it to the new regional environment.

In China, TOTAL holds a 20% share interest in the WEPEC refinery in Dalian, which uses part of its output to supply the Chinese market with oil products. This refinery is the first in China in which a foreign partner holds a stake. Furthermore, TOTAL continues to develop its specialty products, in particular LPG and lubri-

cants. Two companies for the storage and distribution of LPG are operating in China, in Shenzhen and in Yantai in the Shandong province; TOTAL is also participating in two new developments of LPG and lubricants in Zhenjiang.

Agreements were entered into regarding the use of the TOTAL trade name for several service stations in Beijing and Dalian, and other such agreements are being contemplated for other cities.

In Vietnam, the development of the LPG and lubricant distribution businesses is continuing. TOTAL has an interest in an LPG storage and distribution company in Ho Chi Minh City and is participating in two new LPG projects in Haiphong and in the South in Cantho. In addition, a lubricant-blending facility is under construction in Haiphong.

In Cambodia, TOTAL is developing its network which already includes some 30 stations. The network is supplied from a depot in Phnom Penh, as is the LPG business, which has a market share of close to 40%.



*Lubricants in Vietnam*



*Trading floor, London*

In Thailand, TOTAL is participating in the construction of a lubricant blending plant.

In the Philippines, with the opening of two stations in 1998, TOTAL has launched a marketing system that is supplied from a depot located in Manilla Bay. TOTAL increased its interest to 100% in its subsidiary TOTAL Petroleum Philippines, following the purchase of a 40% stake from HTIC.

In addition, an LPG business is being developed.

Finally in Singapore, TOTAL is continuing to develop its lubricant and specialty products businesses to supply its Asian markets.

## **TRADING AND MARITIME TRANSPORTATION**

Faced with a deteriorating economic environment that was marked by a sharp fall in oil prices, our trading business managed to grow in 1998 in all key areas of international trade,

thus improving upon the good performance achieved in 1997. In 1998, crude oil sales neared 2.0 Mb/d, up 6% as compared to the previous year (not including TOPNA).

In the area of maritime transportation, the year was marked by the sale of the Iseult oil tanker, the oldest ship in our crude oil transportation fleet. Iseult was replaced by Berge Ingerid, which, with a deadweight of 357,344 tons, was at the end of 1998 the largest ship flying the French flag. This ship is not owned by the Group but is covered by a charter agreement.

In the area of the transportation of refined products, a co-operation agreement for three 40,000-ton ships was signed with Services et Transports, the French shipowner.

The performance of the maritime transportation and freighting business was satisfactory, despite difficult market conditions during the second part of the year.

*The TOTALGAZ trade name is born.*



**1962** — TOTALGAZ specializes in the marketing of Liquefied Petroleum Gas (LPG). This subsidiary is now active in 30 countries around the world.

*The "Premier" concept is introduced.*



**1991** — This concept is designed around customer information and services; it modernizes and standardizes the design of TOTAL service stations around the world.

*The Dalian refinery comes on line in China*



**1996** — This refinery, in which TOTAL owns a 20% interest, is the first in China to admit a foreign partner.





# CHEMICALS

## *Industrial Rubber and Coatings*

### *CONTINUED STRONG GROWTH AND IMPROVED PERFORMANCE*

At first focused on Hutchinson's rubber processing business, TOTAL chemicals sector expanded its scope in 1990 to include four coatings businesses that are structured around internationally recognized companies, i.e. Coates for inks, Kalon for paints, Bostik for adhesives. The resins business is conducted by Cray Valley in Europe, Sartomer and Cook Composites & Polymers (CCP) in the United States. These companies give

TOTAL Chemicals significant market share worldwide.

In 1998, sales from Chemicals totaled FRF 31.1 billion, up 9% over 1997 and 26% over 1996.

60% of this increase resulted from external growth and 40% came from internal growth. In 1998, TOTAL continued to make targeted acquisitions in its core business sectors (Mydrin, Resisa), and sold Docks Des Alcools.

The TOTAL Chemicals faced diverse market condition in 1998. The world automobile market was up on the whole, owing mainly to growth in Europe, while the South American markets fell because of the financial crisis. The consumer markets remained sluggish and the industrial markets were mixed depending on the sectors and countries.

Investment in the Chemicals sector increased by 17% to FRF 2.9 billion.



*TOTAL Chemicals created and interest acquired in the Compagnie Française de l'Azote*

## 1968 — TOTAL

Chemicals is created by combining CFP and CFR, on an equal basis, as a core structure for diversifying the business of the Group. The two companies join forces with a partner within COFAZ, a major manufacturer of ammonia, phosphoric acid and fertilizer. This stake will be sold in 1986 and 1987.

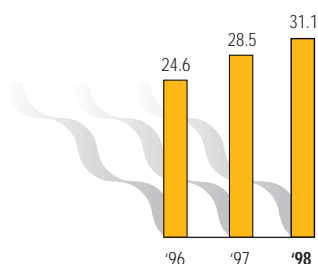
## HUTCHINSON

*Continued growth and emphasis on productivity and innovation*

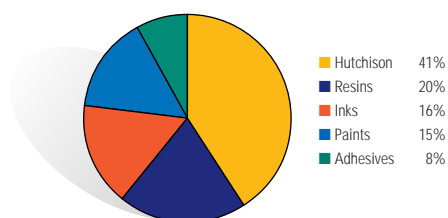
Hutchinson, wholly-owned subsidiary of TOTAL, ranks among the world leaders in industrial rubber processing, with 1998 sales of FRF 12.9 billion, up 6.8% over 1997 and 24% over 1996.

In 1998, Hutchinson continued to grow, owing mainly to internal developments, as well as the acquisition in mid-year of ESPA, a French manufacturer of technical connectors for industry.

*Chemical Sales (BFRF)*



*Rubber Sales by Business Segment (%)*



*Creation of ATO Chemicals, ATO Plastics and ATO Packaging.*

## 1971 — ATO (Aquitaine

TOTAL Organico) expands the Group's chemicals business to plastics, polystyrene, PVC and Rilsan. The assets will be sold off in 1983.

### *Hutchinson-Mapa joins the Group*



**1974** — This subsidiary, which specializes in rubber processing, will take the name of Hutchinson SA six year later. It will be a fully consolidated TOTAL company in 1991.



### *Acquisition of specialty chemicals assets from Orkem*



**1990** — The Orkem inks, adhesives, resins and paints subsidiaries are added to the Hutchinson business to create a major "specialty chemicals" segment within TOTAL.



*Hutchinson*

Hutchinson has continued to develop its business in three markets: the automotive, consumer and industrial sectors. The first two were faced with intense competition. The automotive market, which accounts for 60% of sales, was buoyant in Europe, average in the United States and in a deep recession in Latin America.

In 1998, Hutchinson continued its capital spending policy on R&D and production at all its facilities throughout the world, e.g.:

In the United States, the opening of production plant for Paulstra antivibration parts in Ithaca (Michigan).

In Mexico, an increase in the output of the rubber glove plant in Saltillo .

In China, the commissioning of a rubber extrusion plant for the automotive industry.

In addition, quality requirement continued to be emphasized. All manufacturing sites are now certified ISO 9000, and two ISO 14000 certifications have been obtained (Saint-Brieuc, France and Madrid, Spain).

## **RESINS**

*Strong growth for the third consecutive year, acquisition in powder resins*

Through the Cray Valley companies, Sartomer and CCP, TOTAL offers coating resins intended mainly for the paints, inks, varnishes and adhesives markets, and structural resins used in the production of various composite materials. In these business segments, TOTAL is a co-leader in Europe and the United States.

In a stable economic context of on-going demand in Europe and North America, sales from the Resins division totaled FRF 6.3 billion in 1998, up 19% over 1997 and 53% over 1996.

This sharp growth was primarily the result of two factors: in the United States, consolidation for the whole year of CMI, a marketing company acquired in mid-1997, and, in Europe, the acquisition in mid-1998 of Resisa. It was a better year in Europe than in the United States. Structural resins performed better than the coatings resins, and photocure resins, which are of interest to a growing number of new markets, performed well.

Continued growth in Overseas markets:

In Europe, the acquisition of the Spanish company Resisa places the Group at the top of the resins markets in Spain and adds powder polyester resins and colophane derivatives. Powder resins are used in powder-based paints, which are more in demand now that there is trend away from solvents.



In South America, the gel coat manufacturing units acquired in early 1998 were consolidated with Cray Valley of Brasil.



*Villers-Saint-Paul facilities,  
Cray Valley*

## **COATES [INKS]**

### *Restructuring the European manufacturing facilities*

TOTAL inks business is managed through the Coates company, a world leader active on five continents in printing inks, silk-screen printing and electrography. Ink sales totaled FRF 4.8 billion in 1998, up 5% over 1997 and up 15% over 1996.

Growth was moderate in 1998, with the business suffering from a further drop in prices primarily due to the effects of three unfavorable forces: the negative impact of exchange

rates, increased competition from Asian producers in electrography, and increased concentration of printing ink customers.

In the face of this difficult environment, TOTAL adopted a printing ink restructuring plan in Europe, with results expected starting in 1999. However, the silk-screen printing business performed well over the year.

## **KALON [PAINTS]**

### *Improved marketing management*

The Group is active in paints through its 65.9% interest in Kalon.

Kalon ranks third in Europe in decorative paints, with sales of FRF 4.6 billion in 1998, up 3% over 1997 and 11% over 1996.

This modest growth is the result of a decline in the principal markets owing to bad weather during the second quarter, offset by the effect over a full year of the Prominent Paint (South Africa) and Circle Group (Netherlands) acquisitions of 1997.

In 1998, the restructuring of activities in France was completed with the consolidation of the consumer business activities at a single location. The branch network was developed in France and the United Kingdom. Finally,



*Inks production, Coates*

outside Europe, the business registered good performance.

## **BOSTIK [ADHESIVES]**

### *Consolidation of MYDRIN and further capital spending on production capacity*

TOTAL's adhesives business is managed through the Bostik company, the number three company in Europe and number five worldwide. Sales for 1998 stood at FRF 2.8 billion, a 30% increase over 1997 and 47% over 1996, due in large part to the acquisition in late January of Mydrin, which represented most of the adhesives business of the British group BTP.

The consolidation of Mydrin was a major focus in 1998 and is taking place according to plan, both in Europe and the US, as well as Singapore.

In addition, Bostik has continued to expand internationally by means of internal and external growth.

Sales of polyester adhesives were bolstered by the acquisition of Sitech, a subsidiary of Ciba in Italy.

The manufacturing capability was strengthened: powder units in Germany, polyester adhesive capacities expanded in the US and the United Kingdom.

Finally, an agreement with Ciba allowed Bostik to obtain the consumer distribution of epoxy adhesives under the brand name Araldite in France and the United Kingdom.



## FINANCIAL REVIEW

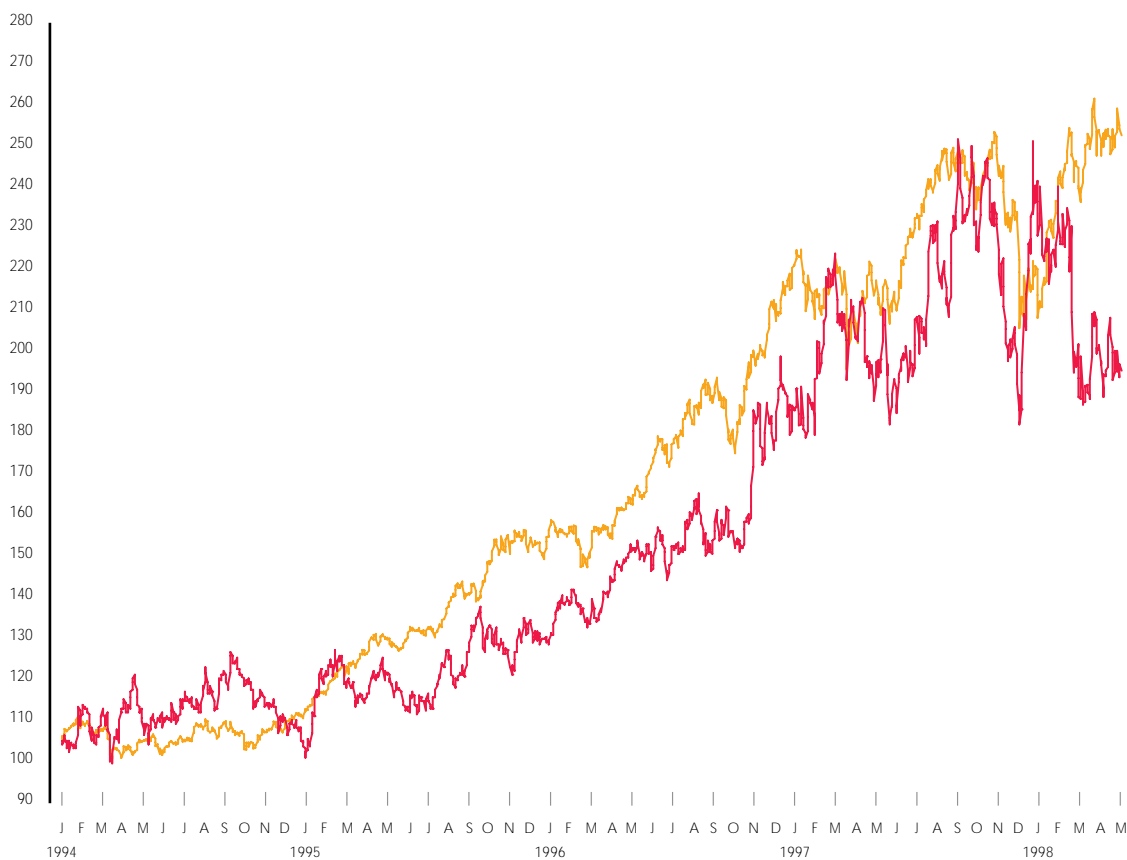
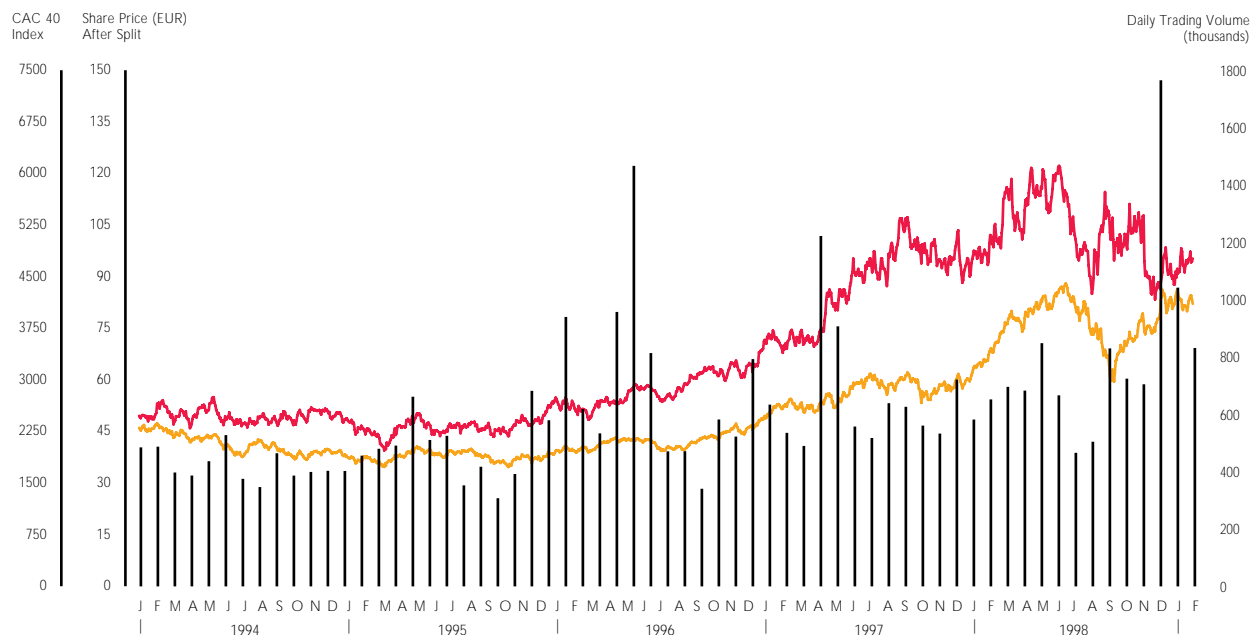
1998

Annual Shareholders' Meeting May 11, 1999

<i>TOTAL SHARE</i> .....	33
<i>INFORMATION FOR OVERSEAS SHAREHOLDERS</i> .....	41
<i>SUPPLEMENTARY INFORMATION</i>	
Organization Chart of Main Consolidated Subsidiaries .....	44
<i>GENERAL INFORMATION ON THE COMPANY</i>	
General Information on the Company .....	45
Compensation of Directors and Executive Officers .....	49
Members of the Board .....	50
<i>BOARD OF DIRECTORS MANAGEMENT REPORT</i> .....	51
<i>CONSOLIDATED FINANCIAL STATEMENTS</i>	
Auditors' Report .....	55
Consolidated Statements of Income .....	56
Consolidated Balance Sheets .....	58
Consolidated Statements of Cash Flows .....	60
Consolidated Statements of Changes in Shareholders' Equity .....	62







## SHARE INFORMATION

	1998		1997	1996	1995
Issued capital (FRF) (on December 31)	<b>12,239,381,900</b>		12,216,658,800	12,106,279,400	11,752,481,450
Shares outstanding (on December 31)	<b>244,787,638</b>		244,333,176	242,125,588	235,049,629
Shares on a fully diluted basis (on December 31)	<b>245,902,015</b>		245,941,234	243,206,543	236,726,835
Price per share	EUR	FRF			
High	<b>123.5</b>	<b>810.0</b>	713.0	430.9	332.1
Low	<b>82.9</b>	<b>544.0</b>	407.0	314.0	254.5
Year end	<b>86.3</b>	<b>566.0</b>	655.0	422.0	330.5
Market capitalization on year-end closing, computed on a fully diluted basis (billion)	<b>21.2</b>	<b>139.2</b>	161.1	102.6	78.2
Trading volume (session average):					
Paris Stock Exchange	<b>754,397</b>		695,452	683,175	472,685
SEAQ International <sup>(1)</sup>	<b>592,028</b>		594,666	709,891	524,478
New York Stock Exchange <sup>(2)</sup> (number of ADSs)	<b>230,624</b>		208,024	206,031	173,281
Gross dividend (Net dividend and tax credit)	FRF	<b>13.11914 + 6.55957<sup>(3)</sup></b>	13 + 6.5	10.5 + 5.25	8.7 + 4.35
	EUR	<b>2.0 + 1.0<sup>(3)</sup></b>	1.98 + 0.99	1.60 + 0.80	1.33 + 0.66

Note: The data in the table above has been computed on an after stock split basis; i.e., the fourfold increase in the number of shares on February 10, 1992.

(1) In order to render the trading volume on SEAQ International comparable to that on the Paris Stock Exchange, it is customary to divide by two the number of transactions in London to take into account the effect of the intervention of the market makers in London. The volumes in the table above, however, have not been so divided.

(2) Two ADSs represent one TOTAL share.

(3) The French Finance Law for 1999 reduces the Avoir Fiscal rate to 45% of the net dividend for some categories of institutional investors and maintains the Avoir Fiscal rate of 50% for individuals. This reduction doesn't impact on parent-subsidiary relationships. The tax credit mentioned for fiscal year 1998 is equal to 50% of the net dividend. Dividend and tax credit are calculated in EUR. However, if the shareholder security account is held in FRF, the dividend will be paid in FRF. Amounts resulting from the conversion from EUR into FRF will be rounded to the nearest centime in accordance with applicable regulations. Any rounding will be effected on the total amount of securities held.

[CLICK HERE TO VIEW EXCEL TABLE.](#)

### EVOLUTION OF THE TOTAL SHARE OVER THE LAST EIGHTEEN MONTHS (ON THE PARIS STOCK EXCHANGE)

	HIGH*		LOW*		TRADING VOLUMES (SESSION AVERAGE)
	FRF	EUR	FRF	EUR	
September 97	707.0	107.78	575.0	87.69	670,851
October 97	713.0	108.70	550.0	83.85	639,139
November 97	664.0	101.23	600.0	91.47	581,419
December 97	657.0	100.16	585.0	89.18	547,367
January 98	681.0	103.82	563.0	85.83	721,447
February 98	671.0	102.29	607.0	92.54	588,189
March 98	776.0	118.30	627.0	95.59	671,089
April 98	780.0	118.91	652.0	99.40	704,277
May 98	810.0	123.48	713.0	108.70	1,074,619
June 98	800.0	121.96	697.0	106.26	711,196
July 98	801.0	122.11	665.0	101.38	484,798
August 98	682.0	103.97	562.0	85.68	549,889
September 98	764.0	116.47	546.0	83.24	848,741
October 98	711.0	108.39	603.0	91.93	726,549
November 98	747.0	113.88	650.0	99.09	710,545
December 98	651.0	99.24	544.0	82.93	1,761,740
January 99	645.0	98.35	564.0	85.95	1,037,940
February 99	643.0	98.00	585.0	89.20	827,204

\* Highs and lows reached during trading sessions.

[CLICK HERE TO VIEW EXCEL TABLE.](#)

## DIVIDEND PAYMENT

The following banks are authorized to pay the dividend free of charge:

### In France:

PARIBAS	3, rue d'Antin, 75002 Paris
BANQUE NATIONALE DE PARIS	16, boulevard des Italiens, 75009 Paris
CREDIT LYONNAIS	19, boulevard des Italiens, 75002 Paris
SOCIETE GENERALE	29, boulevard Haussmann, 75009 Paris
CREDIT AGRICOLE INDOSUEZ	9, quai du président Paul Doumer, 92400 Courbevoie
CREDIT COMMERCIAL DE FRANCE	103, avenue des Champs-Élysées, 75008 Paris
LAZARD FRERES ET CIE	121, boulevard Haussmann, 75008 Paris
BANQUE DE NEUFLIZE, SCHLUMBERGER, MALLET	3, avenue Hoche, 75008 Paris
UNION EUROPEENNE DU CIC	4, rue Gaillon, 75002 Paris

### In Belgium:

BANQUE BRUXELLES LAMBERT S.A.	Avenue Marnix 24, 1000 Bruxelles
GENERALE DE BANQUE S.A.	Montagne du Parc 3, 1000 Bruxelles
KBC BANK N.V.	Avenue du Port 2, 1080 Bruxelles

### In Luxembourg:

BANQUE GENERALE DE LUXEMBOURG S.A.	Avenue J.F. Kennedy 50, 2951 Luxembourg
CREDIT EUROPEEN LUXEMBOURG S.A.	Route d'Esch 52, 2965 Luxembourg
KREDIETBANK LUXEMBOURG	Boulevard Royal 43, L-2955 Luxembourg

### In the United Kingdom:

NATIONAL WESTMINSTER BANK	41 Lothbury, London EC2P 2BP-UK
---------------------------	---------------------------------

### In the Netherlands:

ABN-AMRO	P.O. Box 600, 1000 AP, Amsterdam, The Netherlands
----------	---

### In the United States:

BANK OF NEW YORK	48 Wall Street, New York, NY 10286, USA
------------------	---

### In Germany:

DEUTSCHE BANK	Taunusanlage 12, P.O. Box 100601, W-6000 Frankfurt am Main, Germany
---------------	--

### In Switzerland:

CREDIT SUISSE	Paradeplatz 8, 8001 Zürich, Switzerland
---------------	---

The Bank of New York pays dividends to holders of ADRs.

The Bank of New York pays dividends to holders of ADRs.

COUPON	DUE	EXPIRES	TYPE OF COUPON	NET AMOUNT		
				FRF	EUR	
45	01/07/70	01/07/00	Bonus	—	—	1 for 5
Fiscal Year 1990	24/06/91	24/06/96	Dividend	23.00 <sup>(a)</sup>	3.51	
Fiscal Year 1991	17/06/92	17/06/97	Dividend	7.00	1.07	
Fiscal Year 1992	14/06/93	14/06/98	Dividend	7.00 <sup>(b)</sup>	1.07	
Fiscal Year 1993	13/06/94	13/06/99	Dividend	7.50 <sup>(b)</sup>	1.14	
Fiscal Year 1994	06/06/95	06/06/2000	Dividend	8.00 <sup>(b)</sup>	1.22	
Fiscal Year 1995	10/06/96	10/06/2001	Dividend	8.70 <sup>(b)</sup>	1.33	
Fiscal Year 1996	03/06/97	03/06/2002	Dividend	10.50 <sup>(c)</sup>	1.60	
Fiscal Year 1997	27/05/98	27/05/2003	Dividend	13.00 <sup>(c)</sup>	1.98	
Fiscal Year 1998	July 1999	July 2004	Dividend	13.11914 <sup>(d)</sup>	2.00	

(a) To render the 1990 dividend comparable with those from 1991 to 1996, it must be divided by 4 to reflect the stock split effected on February 10, 1992.

The net dividend amount for the fiscal year 1990 after this adjustment is FRF 5.75. (0.88 EUR)

(b) With respect to the dividend paid for FY 1992 to FY 1995, the shareholder had the option of being paid in cash or in shares.

(c) The dividends for the fiscal years 1996 and 1997 were paid in cash only.

(d) With respect to the dividend paid for FY 1998, the Shareholders' Meeting of May 11, 1999 will be suggested for the dividend to amount to EUR 2.0 (FRF 13.11914) and to be paid in cash only. The dividend payment will be made in July 1999, the exact date depending on the date when the public offer of exchange for the remaining PetroFina shares will end.

[CLICK HERE TO VIEW EXCEL TABLE.](#)

## TOTAL SHARE LISTING

TOTAL's shares are listed in Paris (first market, on the monthly settlement market) and London. They are also traded on the international SEAQ. Since October 25, 1991, American Depositary Shares are listed on the New York Stock Exchange (NYSE). Since March 1, 1999, TOTAL's Shares have been listed in Brussels (first market).

In addition, negotiable options on TOTAL shares (short-term and long-term) are traded on the MONEP (the Paris options market). Since December 1992, options on TOTAL's ADS are also traded on the Chicago Board of Exchange (CBOE), the NYSE and the American Stock Exchange (ASE).

TOTAL is included in the CAC 40 index of leading French equities at the Paris stock exchange, and in the European Eurotop 100 index.

## FINANCIAL INFORMATION

- Shareholders, securities analysts and fund managers are welcome to address their questions to the Investor Relations Department in Paris by calling (33) (0) 1.41.35.52.29 in Brussels (32) 2.288.31.80 and in New York (212) 969-2810.
- Financial publications are available upon request by calling (33) (0) 1.41.35.52.29.
- All other questions about the Group should be directed to the Corporate Communications Division by calling (33) (0) 1.41.35.35.11.

## SHARE OWNERSHIP

### PRINCIPAL SHAREHOLDERS

On June 26, 1992, the French State and a group of three companies (AGF, Crédit Lyonnais and GAN) signed a Shareholders' Agreement effective for a minimum period of 5 years. Under this Agreement, the three companies agreed to comply with certain rules (for the companies, non-transferability of the shares covered by the agreement until its termination; transferability of shares is permitted by special dispensation between the companies and their majority owned subsidiaries; the State and the three companies are considered acting in concert, with respect to the provisions of the agreement) affecting the holding and transfer of a total aggregate number of 18,529,437 TOTAL shares which the three companies owned. These shares were held as follows: Crédit Lyonnais: 7,411,775 shares, AGF: 7,411,775 shares and GAN: 3,705,887 shares. The three companies and the French State declared that they were acting in concert with respect to the Shareholders' Agreement (SBF Announcement No 92-2503, September 18, 1992).

On June 18, 1996, the parties entered into an amendment to the Shareholders' Agreement which modified the following provisions (SBF Announcement No 96-2169, June 28, 1996). The total aggregate number of shares was reduced to 11,000,000 and was held as follows: AGF: 4,400,000 shares, Consortium de Réalisation (\*): 4,400,000 shares and GAN: 2,200,000 shares. This amendment also brought forward the termination date to May 23, 1997. On May 23, 1997, the State and the three companies owned 14,269,453 shares, which were 5.85% of the stock ownership, representing 16,405,105 voting rights, which were 6.28% of the total voting rights.

The Shareholders' Agreement expired on May 23, 1997. Because of the termination of the Shareholders' Agreement and of the action in concert, the holding of the State and of each of the three companies decreased below the threshold of 5% of voting rights (CMF announcement dated May 26, 1997, and SBF announcement n° 97-1722, May 27, 1997).

On February 28, 1996, the French State sold 9.5 million shares of the Company reducing its direct ownership in the share capital from 4.97% to 0.90%.

During the monthly settlement period of April 1998, the French State sold 1,197,474 TOTAL shares. In April 1998, it decided on a compulsory exchange for the remaining 138,170 petroleum certificates, with the exchange rate of one share for one petroleum certificate. Since the end of the exchange effective May 7, 1998, the French State has no TOTAL shares, to the Company's knowledge.

As of December 31, 1996, all the TSDIRAs (Perpetual subordinated securities repayable in shares) have been repaid.

Pursuant to the article 356-3 of the French law of July 24, 1966, concerning commercial companies, notice is hereby given that no known shareholder, other than COGEMA which holds 5.5% of the stock ownership and 10.3% of the voting rights, holds, whether directly or indirectly, 5% or more of the Company's share capital or of the voting rights at the end of 1998.

*(\*) Under the heads of agreement dated April 5, 1996 between the French State and Crédit Lyonnais, Consortium de Réalisation assumes the rights and responsibilities relating to the holding of TOTAL shares, with respect to the shares given by Crédit Lyonnais to Consortium de Réalisation.*



## EVOLUTION OF THE PRINCIPAL SHAREHOLDERS OF TOTAL

### Share ownership on December 31, 1996, 1997, end 1998.

TOTAL's main shareholders on December 31, 1998, on December 31, 1997 and on December 31, 1996 are listed in the table below. Their holding has been established on the basis of 244,787,638 shares corresponding to 261,089,757 voting rights on December 31, 1998, on the basis of 244,333,176 shares corresponding to 262,710,030 voting rights on December 31, 1997 and on the basis of 242,125,588 shares corresponding to 261,326,131 voting rights on December 31, 1996.

DECEMBER 31,	1998		1997		1996	
	% OF THE SHARE CAPITAL	% OF THE VOTING RIGHTS	% OF THE SHARE CAPITAL	% OF THE VOTING RIGHTS	% OF THE SHARE CAPITAL	% OF THE VOTING RIGHTS
<b>1. Principal shareholders represented within the board of directors as of December 31, 1997</b>						
■ French state <sup>(1)</sup>	0	0	0.9	1.7	0.9	1.7
■ AGF <sup>(1)</sup>	1.0	1.1	1.3	1.2	1.9	1.8
■ COGEMA <sup>(2)</sup>	5.5	10.3	5.5	9.4	5.6	9.0
■ Société Générale <sup>(2)</sup>	1.8	2.5	2.5	3.1	2.6	3.6
■ Paribas	0.5	0.9	0.5	0.9	0.9	1.6
<b>2. Employees of the Group</b>	2.9	4.5	3.0	4.1	2.4	2.6
<b>3. Other registered shareholders (without TOTAL and TOTAL Nucléaire)</b>	0.9	1.2	0.5	0.8	0.6	0.8
<b>TOTAL stable shareholders</b>	12.6	20.5	14.2	21.2	14.9	21.1
<b>The Company's holding</b>						
■ TOTAL	1.8	0	0.7	0	0	0
■ TOTAL Nucléaire	0.9	0	0.4	0	0	0
<b>Total Company's holding</b>	2.7	0	1.1	0	0	0
<b>Other bearer shareholders (among which ADS holders) <sup>(3)</sup></b>	84.7	79.5	84.7	78.8	85.1	78.9
	11.5	10.8	10.8	10.1	11.6	10.7

1) The Shareholders' Agreement dated June 26, 1992, modified by an amendment dated June 18, 1996, signed by the French State, AGF, Crédit Lyonnais, Consortium de Réalisation and GAN, expired on May 23, 1997.

(2) Shareholders who subscribed to the 1993 reserved capital increases.

(3) American Depositary Share.

[CLICK HERE TO VIEW EXCEL TABLE.](#)

### Evolution of the share ownership during the merger with PetroFina

On December 1, 1998, TOTAL on the one hand, and Electrafina, Fibelpar, Tractebel, Electrabel and AG1824 (the Contributors) on the other hand, signed a contribution agreement by which the Contributors brought their PetroFina shares. This contribution is permitted under the following precedent conditions: the authorization by the competent European and American authorities, the approval of the transaction by the extraordinary Shareholders Meeting held January 14, 1999. When those conditions are satisfied, the 9,614,190 PetroFina shares contributed will be exchanged for 43,263,855 new TOTAL shares (in the proportion of 2 PetroFina shares for 9 TOTAL shares).

After, TOTAL will launch a public offer of exchange for the remaining PetroFina shares, which will lead to the issuance of 64,605,767 TOTAL shares, provided that all the PetroFina shares are brought to the offer (including the PetroFina shares issued through the exercises of the warrants for employees and the US warrants).

The share ownership of TOTAL, on the one hand, after the contribution but before the exchange offer, and on the other hand, after the exchange offer, is mentioned in the following table, on the basis of the number of TOTAL shares as of December 31, 1998.

SHAREHOLDERS	AFTER THE CONTRIBUTION BUT BEFORE THE EXCHANGE OFFER <sup>(2)</sup>		AFTER THE EXCHANGE OFFER <sup>(2)(3)</sup>	
	% OF CAPITAL	% OF VOTING RIGHT	% OF CAPITAL	% OF VOTING RIGHT
Electrafina	8.29%	7.84%	6.77%	6.47%
Investor	2.37%	2.24%	1.94%	1.85%
Tractebel	1.99%	1.89%	1.63%	1.56%
Electrabel	1.94%	1.83%	1.58%	1.51%
AG 1824	0.43%	0.41%	0.35%	0.34%
AGF	0.82%	0.96%	0.67%	0.79%
COGEMA	4.67%	8.84%	3.81%	7.29%
Paribas	0.42%	0.79%	0.34%	0.65%
Société Générale	1.56%	2.17%	1.27%	1.79%
Employees of the Group	2.44%	3.86%	1.99%	3.18%
Other registered shareholders				
(without TOTAL and TOTAL Nucléaire)	0.78%	1.01%	0.64%	0.83%
The Company's holding	2.27%	0.00%	1.86%	0.00%
■ TOTAL <sup>(1)</sup>	1.54%	0.00%	1.27%	0.00%
■ TOTAL Nucléaire	0.73%	0.00%	0.59%	0.00%
Other bearer shareholders	72.02%	68.16%	77.15%	73.74%
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

(1) Including 970,000 TOTAL shares held pursuant to granted options to purchase TOTAL shares.

(2) Considering that no double voting right share has been issued.

(3) Considering that all the PetroFina shares are brought to the offer (including the PetroFina shares issued through the exercises of the warrants for employees and the US Warrants).

[CLICK HERE TO VIEW EXCEL TABLE.](#)

Article 12 of the Statutes entitles the Company to ask the French Central Securities Clearing House (SICOVAM) for a list of the names of the holders of bearer securities\*.

In addition to the legal obligation to notify the Company of the acquisition of shares in excess of certain percentages of the share capital, any individual or legal entity who becomes the owner, directly or indirectly, of shares, voting rights or any securities convertible or otherwise exchangeable for shares representing 1% of the equity or any multiple thereof must notify the Company thereof within fifteen days of exceeding each of these levels, by registered mail, stating the number of securities held and requesting acknowledgement of receipt (Article 12 of the Statutes).

Failure to make this disclosure as explained in the foregoing paragraph results in the withholding of voting rights at Shareholders' Meetings, in the manner prescribed by law, in respect of shares exceeding the fraction which should have been disclosed, if at any such Meeting the failure to disclose has been noted and if one or more shareholders holding in the aggregate not less than 3% of the equity or voting rights so request.

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

\* SICOVAM can not identify all the foreign bearer shareholders. Their capacity to be identified depends on the location of the depositary bank.

## RELATIONSHIP WITH THE FRENCH STATE

The relationship between TOTAL and the French State is governed by the May 17, 1924 and June 25, 1930 agreements, which will expire on March 14, 2000.

The Extraordinary Shareholders' Meeting of June 4, 1996 approved the modification of the provisions of the Company's statutes dealing with the relationship with the French State. The Board of Directors now includes only one member representing the French State, instead of two before. The nomination of a new President still requires the French State's approval, but when the mandate is renewed, the State's approval is deemed given. Moreover, with respect to questions relating to the control of the Company or decisions concerning foreign policy or national security, in case of disagreement between the State representative and the Board of Directors, the disputed question will be submitted to arbitration by the Vice-Président of the Council of State.

With respect to questions submitted to the Shareholders' Meeting relating to the control of the Company, the State representative will be able to request that the resolution should be passed with a three quarters majority. This arrangement is no longer valid for foreign policy or national security questions which are now a matter for the Board of Directors.

## SHARES HELD BY TOTAL

### **Share price stabilization**

The Combined Shareholders' Meeting of May 13, 1998 renewed the May 21, 1997, 18-month authorization for the Company to purchase and to sell its own shares on the market in order to stabilize its price within the limits of a maximum purchase price of FRF 900 per share and a minimum sale price of FRF 400 per share, up to a maximum of 10% of the total number of common shares. The combined Shareholders' Meeting to be held May 11, 1999 will be suggested to approve an authorization for the Company to purchase and to sell its own shares on the market within the framework of the article 217-2 of the July 24, 1966 Law; this authorization would take the place of the one given at the Combined Shareholders' Meeting held May 13, 1998.

2,850,089 shares were bought during 1998, pursuant to the May 13, 1998 authorization and the May 21, 1997 authorization, at an average price of 583,24 F. As none of them have been sold in 1998 and as the company held 1,605,459 shares as of December 31, 1997, the company held 4,455,548 shares on December 31, 1998.

### **Other purchases of shares by companies of TOTAL Group**

On December 31, 1998, TOTAL Nucléaire, an affiliate of TOTAL Group, held 2,093,346 TOTAL shares.

Thus, as of December 31, 1998, the Company held, whether directly or through its subsidiaries, 6,548,894 of its own shares.

## CAPITAL INCREASE RESERVED FOR EMPLOYEES

At the Extraordinary Shareholders' Meeting held June 2, 1993, the shareholders authorized, for a five-year period, the Board of Directors to increase the capital of the Company by an amount not exceeding 5% of the share capital. Only employees of the Company and its French and foreign affiliates may subscribe for these shares.

On October 18, 1994, the Board of Directors decided the issuance of a maximum of 5 million shares reserved to the employees at a subscription price of FRF 254 per share; these shares were entitled to the dividends paid for the fiscal year 1994. 2,003,229 shares were issued during the first subscription period in November 1994. 904,014 shares were issued during a second subscription period opened in April 1995.

On September 1995, the Board of Directors decided the additional issuance of a maximum of 2 million shares reserved to the employees at a subscription price of FRF 245 per share. These shares are entitled to the dividends paid for the fiscal year 1995. 133,055 shares were issued during a first subscription period to the employees of the non-French affiliates of TOTAL in November 1995. A second subscription period has been opened in February 1996 for the employees of the foreign affiliates not covered by the preceding issuances and for the employees of certain French affiliates. 1,244,892 shares were issued.

On December 11, 1996, the Board of Directors decided the additional issuance of a maximum of 3 million shares reserved to the employees at a subscription price of FRF 331 per share. A first subscription period has been opened from February 24, to March 7, 1997 for the employees

of the French affiliates. 1,139,447 shares which were entitled to the dividend paid for the fiscal year 1996 were subscribed during this subscription period. A second subscription period has been opened from April 14 to April 22, 1997 for the employees of the foreign affiliates in countries where authorization has been obtained in good time. 469,073 shares which were entitled to the dividend paid for the fiscal year 1996 were subscribed during this subscription period. A third subscription period has been opened from November 12 to November 21, 1997 for the employees of foreign affiliates in countries where authorization has been obtained after the ex-dividend date (June 3, 1997). 22,236 shares which are entitled to the dividend paid for the fiscal year 1997 were subscribed during this subscription period.

The TOTAL number of shares subscribed by the employees in those issuances of shares is 5,915,946 shares, representing 2.4% of the share capital.

At the combined shareholders' Meeting held May 13, 1998, the shareholders authorized, for a five-year period, the Board of Directors to increase the capital of the company by an amount not exceeding 3% of the share capital at the date of issue of the new shares. No capital increase has yet been implemented pursuant to this authorization.

## COMPANY SAVINGS PLAN

The Company Savings Plan enables the employees to make voluntary payments to a share fund, named "Actionnariat TOTAL", to which the Company makes a supplemental contribution. Moreover, the shares issued to employees by subscription to the reserved capital increases are held in six share funds named "TOTAL Actions France 1", "TOTAL Actions 2", "TOTAL International", "TOTAL International 2", "TOTAL International 3" and "TOTAL International 4". The income of "TOTAL Actions France 1" was mainly reinvested in TOTAL shares and deposited in a fund named "TOTAL Revenus 1". In 1998, "TOTAL Revenus 1" merged with "TOTAL Actions France 1". The income of "TOTAL Actions 2" are deposited in a fund named "TOTAL Revenus 2" but "TOTAL Revenus 2" does not own any TOTAL shares anymore.

As of December 31, 1998, the number of shares held in these funds was as follows:

Actionnariat TOTAL	2,077,979
TOTAL Actions France 1	3,382,050
TOTAL Actions 2	876,730
TOTAL International	44,301
TOTAL International 2	202,435
TOTAL International 3	334,055
TOTAL International 4	21,155
Fund for US employees	89,630
Total of shares held in the funds	7,028,335

[CLICK HERE TO VIEW EXCEL TABLE.](#)

As of December 31, 1998, the employees of TOTAL held through those share funds, 2.9% of TOTAL's stock ownership.

The aggregate supplemental contributions paid by the Group for the last five years were:

1994	25.0 MFRF
1995	72.4 MFRF
1996	90.2 MFRF
1997	96.3 MFRF
1998	101.5 MFRF

[CLICK HERE TO VIEW EXCEL TABLE.](#)

## SHARES HELD BY DIRECTORS AND EXECUTIVE OFFICERS

As of December 31, 1998, the directors who are individuals, and the executive officers of the Company (Management Committee and Treasurer) held less than 0.5% of the share capital, as registered shareholders.



### UNITED STATES HOLDERS OF ADRS

#### 1. ADRS

Since October 25, 1991, TOTAL's American Depositary Shares (ADSs), represented by American Depositary Receipts (ADRs), are listed on the New York Stock Exchange.

The ticker symbol for TOTAL is TOT. Since December 1992, options on TOTAL's ADSs are also traded on the Chicago Board of Exchange (CBOE), the New York Stock Exchange (NYSE) and the American Stock Exchange (ASE).

#### 2. DEPOSITARY

The Bank of New York, 101 Barclay Street, New York, NY 10286, Tel: (212) 815-6915, Fax: (212) 571-3050

#### 3. CASH DIVIDENDS

On June 20, 1998, TOTAL paid a net dividend (after 15% withholding) of 78.41 cents/ADR to its record holders of ADRs as of May 27, 1998. Under French law, dividends paid to shareholders who are nonresidents of France are generally subject to French withholding tax at a rate of 25%. However, according to the tax treaty signed between France and the United States (August 31, 1994) (the "Treaty"), the rate of French withholding tax is reduced to 15%, in the case of dividends paid to a beneficial owner of the dividend that is a resident of the United States as defined by the Treaty (a "U.S. Holder").

A resident of France is entitled to an *avoir fiscal* (or tax credit) in respect of a dividend received from a French corporation, such as TOTAL. French law regarding *avoir fiscal* has recently been changed and its implementation is still subject to uncertainties. Thus far, the *avoir fiscal* has been equal to 50% of the dividend distributions. However, pursuant to the 1999 French Finance Law, the amount of the *avoir fiscal* will be reduced to 45% of the dividend. This reduction which will apply to both residents and non-residents will not, however, concern individuals and will not impact on parent-subsidiary relationships. This measure is effective in 1999. Nevertheless, it will probably affect dividends distributed in 1998 since the *avoir fiscal* attached to such dividends should not be transferred to non-residents before January 15, 1999.

According to the Treaty, certain U.S. Holders (as described below), whose ownership of ADSs is not effectively connected with a permanent establishment in France, are entitled to receive a payment from the French Treasury of an amount equal to all or a portion of the *avoir fiscal* subject to the deduction of the 15% withholding tax.

A payment equal to the entire amount of the *avoir fiscal* is available to a U.S. Holder that is:

- (i) an individual or other noncorporate holder that is a United States resident under the Treaty.
- (ii) a company that is not a regulated investment company and that does not own, directly or indirectly, 10% or more of the capital of the company paying the dividends; or
- (iii) a regulated investment company that does not own, directly or indirectly, 10% or more of the capital of the company paying the dividends, but only if less than 20% of its shares are beneficially owned by persons who are neither citizens nor residents of the United States.

The *avoir fiscal* payment is available to a U.S. Holder (described above) only if the beneficial owner of the dividends is subject to United States income tax in respect of such dividends and of the payment from the French Treasury.

A payment equal to a portion of the *avoir fiscal* (i.e. up to now 30/85 of the amount of such tax credit but this ratio could be modified following the reduction of the *avoir fiscal*) is available to a U.S. Holder that is:

- (i) a pension trust and any other organization established in the United States and maintained exclusively to administer or provide retirement or employee benefits that is established or sponsored by a person that is a resident of the United States under the Treaty or
- (ii) most not-for-profit organizations established and maintained in the United States.

Under the so-called "simplified procedures" issued by the French tax authorities in 1994, the reduced rate of withholding tax (15%) will apply upon payment of a dividend (rather than being subject to a higher withholding tax with a right of refund), and a separate payment of an amount equal to all or a portion of the *avoir fiscal* (net of withholding) will not be made before January 15 of the year following the calendar year in which the dividend is paid.

According to the simplified procedures, the Depositary of the shares or the nominee bank or brokerage firm that holds the ADSs must provide the French paying agent with a list of its clients entitled to the immediate reduced Treaty rate (15%) and must certify that such clients are U.S. residents for tax purposes and are eligible under the Treaty for the *avoir fiscal* refund.

Eligible regulated investment companies and eligible Pension Funds also will have to supply additional documentation evidencing their entitlement to the simplified procedures.

For the purpose of the simplified procedure, an eligible Pension Fund is an entity described in section 401(a), 403(b) or 457 of the United States Internal Revenue Code, the exclusive purpose of which is collecting and managing funds for retirement benefits.

For tax-exempt U.S. Holders (other than eligible Pension Funds), it is not clear whether the simplified procedures will apply (i.e., whether the reduced rate will apply upon payment of a dividend). If the simplified procedures are not available, French tax will be withheld at the non Treaty rate of 25% and U.S. Holders (mainly tax-exempt U.S. Holders other than eligible Pension Funds) will have to claim a refund of the excess withholding tax (i.e., 10%) by filing a French Treasury Form RFIA E.U. no 5052 entitled "Application for Refund". The form, together with instructions, will be provided by the Depositary and is also available from the U.S. Internal Revenue Service.

Because this is a general summary, U.S. Holders are advised to consult their own tax advisors with respect to the United States federal, state, and local tax consequences, as well as the French tax consequences, of the ownership of ADSs and the shares represented thereby applicable in their particular tax situations.

For individual holders taxable on the dividend, the cash flows should be the following for the 1998 dividend:

<i>DATE</i>	<i>CASH FLOW</i>
Net dividend (after 15% withholding) paid on in July 1999 <sup>(1)</sup>	99.80 cents/ADS
Net Avoir Fiscal (after 15% withholding) payable after January 15, 2000	49.90 cents/ADS
Foreign income taxes withheld eligible for credit <sup>(2)</sup>	26.41 cents/ADS
	<hr/> 176.11 cents/ADS

(1) For an exchange rate = 5.5870 FRF/USD (noon buying rate of December 31, 1998)

(2) Withholding on dividend	17.61 cents/ADS
Withholding on avoir fiscal	8.80 cents/ADS
	<hr/> 26.41 cents/ADS

[CLICK HERE TO VIEW EXCEL TABLE.](#)

In addition, TOTAL has been advised by its U.S. counsel that with respect to qualifying U.S. residents holders, subject to certain limitations, the 15% withholding tax (or approximately 23 additional cents per ADR), will be treated as a foreign income tax that is eligible for credit against the holder's U.S. federal income taxes.

This credit may be obtained by filing form 116 "Computation of Foreign Tax Credit" with the ADR holder's Federal Income Tax Return.

#### 4. DIVIDEND PAID IN SHARES

The Combined Shareholders' Meeting held June 4, 1996 resolved to offer each shareholder, for the fourth consecutive year, the option to receive the dividend either in cash or in shares. The Combined Shareholders' Meeting held on May 21, 1997 did not renew this option, only offering to receive the dividend in cash.

#### 5. DOUBLE VOTING RIGHTS

At a Combined Shareholders' Meeting of TOTAL held on December 14, 1992, a resolution was approved to entitle certain shareholders to a double voting right. As a result, all ADRs registered in the name of the same eligible owner for at least two years are entitled to double voting rights effective from December 14, 1994.

In order to be eligible for double voting rights, each holder of ADRs must:

- hold the ADR(s) in registered form in the books of the Depositary for two consecutive years, and
- send written notice to the Depositary to the effect that such holder would like to benefit from the double voting right provision,
- the accrual period will begin upon confirmation of written notice from the depositary.

## 6. REPORT TO ADR HOLDERS

ADR holders receive the Annual Report of the Company and the "Letter to Shareholders" issued by the Company on a regular basis. If they are registered holders (i.e., if ADRs are held by them directly), the reports will be sent directly to the holder at the record address. If the ADRs are held in "street name", the institution where the ADRs are deposited is responsible for forwarding the documents to the holders.

TOTAL is subject to the information requirements of the US Securities and Exchange Commission (SEC) as they apply to foreign companies. The Company files with the SEC the Annual Report on Form 20-F (which corresponds to a 10-K for US corporations) and other information as required.

## 7. INFORMATION-INVESTOR RELATIONS

US holders can obtain additional information by calling or writing to the Investor Relations Department in New York, or in Paris:

- TOTAL, 1585 Broadway, 26th Floor, New York, NY 10036, Tel: (212) 969-2810, Fax: (212) 969-2979
- TOTAL, 24, Cours Michelet, Cedex 47-92069 Paris La Défense, Tel: 011-331-41.35.52.29, Fax: 011-331-41.35.52.20

## UK SHAREHOLDERS

In addition to the Paris Bourse, TOTAL's shares have been listed on the London Stock Exchange since 1973. For this purpose, the Company's Broker is Cazenove & Co.

TOTAL's shares have also been traded on the SEAQ International since 1986 (screen code: TOT). The security is included in both the FT.SE Eurotrack 200 and FT.SE Eurotrack 100 index.

The value of the shares in term of Pounds Sterling is affected by the Sterling/French franc exchange rate at any particular time.

### DIVIDENDS:

Dividends paid to non French resident shareholders are generally subject to French withholding tax at a rate of 25%.

Upon receipt of a timely filed claim, the UK resident shareholder is generally:

- entitled to a reduced rate of French withholding tax of 15% with respect to dividends (French-UK tax treaty) and,
- entitled to receive a payment from the French Treasury called "avoir fiscal" less a 15% withholding tax. <sup>(1)</sup>

All UK residents are entitled to the reduced withholding rate and the following UK resident shareholders are entitled to the "avoir fiscal":

- individuals,
- companies and pension funds approved for tax purposes by the UK, which do not control directly or indirectly at least 10% of the voting powers of the Company and which are not entitled for UK tax purposes to take into account the French tax payable on the profits out of which the said dividends are paid.

The benefit of the "avoir fiscal" is not available to a UK shareholder (being other than a pension fund referred to in the above paragraph) who is not subject to UK tax on the payment of the related dividend.

On June 7, 1994 French tax authorities issued a bulletin stating that a UK shareholder entitled to a refund of the "avoir fiscal" is now subject to the 15% withholding tax when the dividend is paid. Previously, French withholding tax at the non-treaty rate of 25% was initially deducted from all dividends distributions and 10% was refunded later.

In order to claim application of the reduced rate specified by the French-UK tax treaty, the actual beneficiary of the dividends must normally submit to the French paying establishment not later than the date when the dividends are paid, a specific form "Form RF 4 GB".

UK shareholders may not be in a position to submit the above form prior to payment of the dividends. For this reason, they are allowed to follow a simplified procedure which permits them to furnish a simplified certification.

The payment of the amount equal to the "avoir fiscal" can not be made before January 15 of the year following the calendar year in which the related dividend is paid.

Gross French Dividend (plus the "avoir fiscal") is included in the recipient's taxable UK basis. French withholding tax on dividend is credited against UK tax.

*(1) French law regarding avoir fiscal has recently been changed and its implementation is still subject to uncertainties. A resident of France is entitled to an avoir fiscal (or tax credit) in respect of a dividend received from a French corporation, such as TOTAL. Thus far, the avoir fiscal has been equal to 50% of the dividend distributions. However, pursuant to the 1999 French Finance Law, the amount of the avoir fiscal will be reduced to 45% of the dividend. This reduction which will apply to both residents and non-residents will not, however, concern individuals and will not impact on parent-subsidiary relationships. This measure is effective in 1999. Nevertheless, it will probably affect dividends distributed in 1998 since the avoir fiscal attached to such dividends should not be transferred to non-residents before January 15, 1999.*

# ORGANIZATION CHART OF MAIN CONSOLIDATED SUBSIDIARIES

## TOTAL AND SUBSIDIARIES



(1) Company listed on the London Stock Exchange



## GENERAL INFORMATION ON THE COMPANY

### IDENTITY OF THE COMPANY

#### NAME

TOTAL

#### PRINCIPAL OFFICE

TOUR TOTAL  
24, cours Michelet  
92800 PUTEAUX (Hauts de Seine)

#### LEGAL CAPITAL

FRF 14,402,574,650  
split into 244,787,638 shares on December 31, 1998

#### FORM AND JURISDICTION OF INCORPORATION

Limited liability company incorporated in France and governed by French law, by the agreements entered into with the French State, which were ratified by the law of July 25, 1931 and by the letters attached to these agreements exchanged between the parties. Those agreements are to expire on March 14, 2000.

#### COMMERCIAL REGISTER

542 051 180 RCS Nanterre

#### STATUTES

Deposited with Maîtres Gildas Le Gonidec de Kerhalic and Frédéric Lucet, Notaries in Paris.

#### APE CODE

111Z

#### DURATION

Ninety nine years from March 28, 1924, that is, a termination date of March 27, 2023 unless it is terminated earlier or its duration is extended beyond such date.

#### FISCAL YEAR

The fiscal year of the Company begins on January 1 and ends on December 31.

#### SUMMARY OF CORPORATE PURPOSE

The purpose of the Company is the manufacture and trading in all solid, liquid or gas fuels, petroleum in general and its derivatives, all motor fuels, lubricants, fuel oils and miscellaneous by-products, as well as operations concerning such manufacture and trading and directly or indirectly connected therewith (article 3 of the Statutes).

#### PLACE WHERE ALL DOCUMENTS AND INFORMATION CONCERNING THE COMPANY CAN BE CONSULTED

At the head office of the Company, Tour TOTAL, 24 cours Michelet, 92800 PUTEAUX.

## **ALLOCATION OF THE NET PROFIT PURSUANT TO THE COMPANY'S STATUTES**

The net revenues of the fiscal year, less the general and other expenses of the Company, as well as all depreciation of the assets of the Company and all reserves for commercial and industrial contingencies, shall constitute the net profit.

From such profit shall be deducted in the following order:

1. 5% to set up the reserve fund required by law, until said fund has reached one tenth of the registered capital of the Company; thereafter such deduction ceases to be compulsory, except that it shall be resumed if the reserve required by law drops below one tenth of the said capital;
2. such sums which the Shareholders' Meeting, on the recommendation of the Board of Directors, deems appropriate to set as a contingency fund intended to meet any expenses of an organizational nature and for new facilities or any industrial contingencies;
3. the amount fixed by the Shareholders' Meeting to set up reserves, the purpose or the use of which will be specified by such meetings;
4. such amounts as the Shareholders' Meeting decides to carry forward.

The remaining net profits are paid to the shareholders.

The reserve funds may be applied, by decision of an Ordinary Shareholders' Meeting or an Extraordinary Shareholders' Meeting convened on the recommendation of the Board, either to additional depreciation of the assets of the Company or to the repurchase and cancellation of shares of the Company, or to the total or partial redemption of the shares by any permitted means.

## **SHAREHOLDERS' MEETINGS**

The Shareholders' Meetings are convened and deliberate in accordance with applicable law. Some provisions are however specific to TOTAL, including:

### ***Double voting rights***

Effective December 14, 1994, all fully paid-up shares registered in the name of the same shareholder for at least two years shall carry double voting rights.

### ***Immobilization of the shares***

In order to have the right to attend or be represented at General Meetings, the holders of shares in bearer form or recorded in an authorized account not held by the Company must, at least five days prior to the date of the Meeting, deposit at a place indicated in the Notice of Meeting, a certificate supplied by the agent who holds their accounts, certifying that the shares will not be transferable.

### ***Limitation of the voting rights***

The number of single voting rights which may be exercised by a shareholder acting on his own behalf or by proxy, with respect to the shares held and the proxies given to such shareholder, may not exceed 10% of the total number of voting rights attached to the Company's shares. Should the shareholder dispose of double voting rights, the limit so defined may be exceeded, but not beyond 20%.

These restrictions no longer apply if any individual or entity, acting alone or in concert, acquires at least two thirds of the total registered capital of the Company following a public tender offer for all of the Company's shares.

### ***Crossing of statutory thresholds***

Any individual statutory or legal entity coming directly or indirectly into possession of shares, voting rights or any securities convertible or otherwise exchangeable for shares representing 1% of the capital or any multiple thereof is required to notify TOTAL. Any individual or legal entity is also bound to notify TOTAL when their direct or indirect holding falls below each of these levels.

## DESCRIPTION OF THE SHARES

There is only one class of shares, with a par value of FRF 50.

Shares may be held in either bearer or registered form. However, the shares that might be owned by the French State would have to be registered.

Holders of the Company's shares have a preemptive right to subscribe for additional shares issued by the Company on a pro rata basis according to their respective holding of shares.

Each share confers to its holder the right to one vote at the Shareholders' Meeting. However, effective December 14, 1994, all fully paid-up shares registered in the name of the same shareholder for at least two years, and any shares issued to such shareholders without consideration in registered form in connection with any increase in the registered capital of the Company by way of capitalization of reserves, profits or premiums, carry double voting rights.

## UNISSUED AUTHORIZED CAPITAL ON DECEMBER 31, 1998

- Authorization to increase the equity by issuance of shares with or without pre-emptive subscription rights, including by capitalization of reserves, up to a nominal amount not to exceed FRF 20 billion and authorization to issue securities convertible, redeemable or otherwise exchangeable in shares up to a nominal amount not to exceed FRF 30 billion. This authorization was given by the Combined Shareholders' Meeting held on May 27, 1997 for a 26 month period. The Combined Shareholders' Meeting to be held on May 11, 1999 will be suggested to approve an authorization that would take its place.
- Authorization to issue shares to employees participating in a Company capital increase reserved for employees participating in a Company Savings Plan up to an amount not to exceed 5% of the share capital at the date of issue of the new shares (Combined Shareholders' Meeting held on May 13, 1998—authorization valid for 5 years). As of December 31, 1998, no share capital had been issued under this authorization.
- Authorization to issue employees' options to subscribe for shares and employee's options to purchase shares up to an amount not to exceed 2.5% of the share capital at the date of issue of the new options (Combined Shareholders' Meeting held on June 4, 1996 and Combined Shareholders' Meeting of May 21, 1997—authorizations valid up to June 4, 2001).
- Authorization to cancel the shares of the Company within the limit of 15 million shares. This authorization was given by the Combined Shareholders' Meeting held May 13, 1998, for a 18 month period. The Combined Shareholders' Meeting to be held on May 11, 1999 will be suggested to approve an authorization that would take its place.

## ISSUANCES OF ADDITIONAL SHARES PURSUANT TO EXISTING RIGHT

The only securities giving right to the issuance of TOTAL shares are employees' options to subscribe for shares (see Note 30 to the Consolidated Financial Statements).

## PETROLEUM CERTIFICATES

From 1957, petroleum certificates representing a portion of the shares held by the French State have been issued to the public and managed by the Caisse des Dépôts et Consignations. Since the four-for-one stock split, each certificate represents one share and carries the same rights as a share, except for the right to vote and to attend Shareholders' Meetings.

In June 1992, the French State launched a public exchange offer proposing to exchange four petroleum certificates for three TOTAL shares. This offer was made for all of the certificates issued (16,205,422) except for the 120,832 still held by the French State.

15,101,420 petroleum certificates were tendered in the offer, and were cancelled, as well as the 120,832 petroleum certificates held by the French State.

As of December 31, 1997, there were 983,170 petroleum certificates listed on the Paris Bourse corresponding to 983,170 non-transferable shares.

In April 1998, the French State launched a compulsory exchange for the remaining 983,170 petroleum certificates, with the exchange rate of one share for one petroleum certificate. Since the end of the exchange effective as from May 7, 1998, there is no more outstanding TOTAL petroleum certificate.

Market information about TOTAL's petroleum certificates for the year 1998 (in francs):

Price as of December 31, 1997	525.0
High	615.0
Low	455.3
Price as of April 7, 1998 (last quotation)	585.0

#### EMPLOYEE PROFIT SHARING PLAN

A Group profit sharing agreement was signed on June 25, 1997 for the fiscal years 1997, 1998, 1999 and covers TOTAL SA, TOTAL Raffinage Distribution, Totalgaz, TOTAL Solvants and Yacco.

The amount of the profit sharing reserve to be shared among these companies was as follows:

1996	MFRF 93.2
1997	MFRF147.7
1998	MFRF 85.2

#### FINANCIAL COMMUNICATION

In addition to its annual report, the Company regularly publishes information concerning the Group's activities in periodicals as well as on its internet site <http://www.total.com>, since January 8, 1997. Major events are independently notified in press releases in Paris, London and New York.

The Company regularly holds meetings in France and abroad to inform investors, journalists and financial analysts of events affecting the Group.

#### FINANCIAL INFORMATION

##### **Paris:**

Michel Hourcard  
24, cours Michelet  
92069 Paris La Défense Cedex  
France  
Tel.: (33) (0) 1.41.35.52.29

##### **New York:**

Robert Hammond  
TOTAL American Services  
1585 Broadway Avenue—26th Floor  
New York, NY 10036—USA  
Tel.: (1) 212.969.2810



## COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

DECEMBER 31, 1998

The aggregate amount, including Directors' fees, paid directly or indirectly by the French and foreign affiliates of the Company as compensation to the executive officers as a group (the members of the management committee and the treasurer) was FRF 35.9 million for the year ended December 31, 1998 compared to FRF 30.1 million for the year ended December 31, 1997. The amount paid to the members of the Board of Directors as Director's Fees was FRF 2.0 million in 1998 and FRF 2.0 million in 1997 (twelve directors as of December 31, 1998 and twelve directors as of December 31, 1997).

The aggregate amount of MFRF 2 paid as directors fees in 1998 has been distributed as following rule:

- a fixed amount of FRF 100,000 per director (pro rata temporis in case of a change during the period),
- a global amount of FRF 150,000 for the Audit Committee distributed according to an effective attendance to the meeting of the committee,
- the balance is distributed among the directors according to an effective attendance to the meeting of the Board of Directors.

Set forth below is the name of each executive officer of the Company as of December 31, 1998 (16 officers as of December 31, 1998):

### Management Committee:

Thierry DESMAREST (*)	Pierre-René BAUQUIS
Alain MADEC (*)	Michel BENEZIT
Robert CASTAIGNE (*)	Claude BRICE
Jean-Paul VETTER (*)	Jean-Claude COMPANY
Daniel VALOT (*)	Jean Jacques GUILBAUD
Jean-Pierre SEEUWS (*)	Christophe de MARGERIE
	Ian HOWAT
	Pierre PROUST
	Hugues WOESTELANDT

(\*) Member of the Executive Committee.

### Treasurer:

Henri BOUSQUET, replaced by Charles PARIS de BOLLARDIERE since February 1, 1999.

### Share subscription and purchase options (\*) granted to the executive officers as a group (the management committee and the treasurer):

	1993 SHARE SUBSCRIPTION PLAN	1994 SHARE SUBSCRIPTION PLAN	1995 SHARE SUBSCRIPTION PLAN	1996 SHARE SUBSCRIPTION PLAN	1998 SHARE PURCHASE PLAN	TOTAL
<b>EXERCISE PRICE (F)</b>	210	286	291	392	615	
Options granted to the Executive officers	105,500	118,000	158,500	163,000	157,500	702,500
Options exercisable as of January 1, 1998	32,000	101,000	158,500	163,000	0	454,500
Options granted during the year	0	0	0	0	157,500	157,500
Options exercised during the year	11,500	8,000	0	0	0	19,500
Options exercisable as of December 31, 1998	20,500	93,000	158,500	163,000	157,500	592,500

(\*) NB: description of the options on Note 30 to the Consolidated Financial Statements.

[CLICK HERE TO VIEW EXCEL TABLE.](#)

## MEMBERS OF THE BOARD

(before the AGM of May 11, 1999)

### **M. Thierry Desmarest**

Chairman and Chief Executive Officer  
*Director since 5/30/1995*  
*(reappointed on 5/13/1998)*  
*Chairman since 5/31/1995*  
*(reappointed on 5/13/1998)*

### **M. François-Xavier Ortoli**

Honorary Chairman  
*Director since 10/26/1984*  
*(reappointed on 5/30/1994)*

### **M. Jérôme Monod**

Chairman of the Supervisory Board  
of Suez Lyonnaise des Eaux  
*Director since 6/20/1986*  
*(reappointed on 5/13/1998)*

### **M. Michel François-Poncet**

Chairman of the Supervisory Board  
of the Compagnie Financière de Paribas  
*Director since 6/26/1987*  
*(reappointed on 6/2/1993)*

### **M. Serge Tchuruk**

Chairman and Chief Executive Officer of Alcatel  
*Director since 11/8/1989*  
*(reappointed on 5/31/1995)*

### **M. Jean Syrota**

Chairman and Chief Executive Officer  
of Compagnie Générale  
des Matières Nucléaires (COGEMA)  
*Director since 6/2/1993*

### **M. Antoine Jeancourt-Galignani**

Chairman of Assurances Générales de France  
*Director since 5/30/1994*

### **Lord Alexander of Weedon Q.C.**

Chairman and Chief Executive Officer  
of NatWest Group  
*Director since 6/4/1996*

### **Professor Bertrand Jacquillat**

Co-founder and Chairman and Chief  
Executive Officer of Associés en Finance  
*Director since 6/4/1996*

### **M. Daniel Bouton**

Chairman and Chief Executive Officer of  
Société Générale  
*Director since 5/21/1997*

### **M. Bruno Ribeyron-Montmartin**

Secretary of TOTAL Outre-Mer  
*(Director since 5/21/1997)*

### **M. Didier Houssin**

Representing the French State  
Director of Hydrocarbon Department  
Ministry of Economy, Finance and Industry  
Junior Minister's Office of Industry  
*(appointed by decree of 10/24/1997)*

### **Baron Albert Frère\***

Chairman and Managing Director  
Of Bruxelles Lambert SA  
*(Director since 1/14/1999)*

### **Honorable Paul Desmarais\***

Chief Executive Officer  
Of Power Corporation of Canada  
*(Director since 1/14/1999)*

### **M. Thierry de Rudder\***

Managing Director of  
Bruxelles Lambert S.A. and of Electrofina  
*(Director since 1/14/1999)*

*The Board of Directors of the Company met 6 times in 1998.*

*All members of the Board are domiciled at the Head Office of TOTAL  
24 cours Michelet, 92800 Puteaux, France*

*\* The appointment of those directors will be effective when some suspensive conditions described in  
the 6th resolution of the Extraordinary Shareholders Meeting held on January 14, 1999 will be lifted.*

## AUDITORS

### **Statutory Auditors**

#### **Cabinet KPMG Fiduciaire de France**

1, Cours Valmy, 92923 Paris La Défense  
*(appointed on 5/13/1998 for a six-fiscal-year term)*  
R. Amirkhanian

#### **Barbier Frinault et Autres**

41, rue Ybry, 92576 Neuilly-sur-Seine Cedex  
*(appointed on 21/05/1997 for one-fiscal-year term)*  
*(reappointed on 5/13/1998 for six-fiscal-year term)*  
P. Macioce

### **Alternate Auditors**

#### **Cabinet Salustro Reydel**

8, avenue Delcassé, 75378 Paris Cedex 08  
*(appointed on 6/20/1986)*  
*(reappointed on 5/13/1998 for six-fiscal-year term)*

#### **M. Alain Grosmann**

c/o Barbier Frinault et Autres  
41, rue Ybry, 92576 Neuilly-sur-Seine Cedex  
*(appointed on 5/21/1997 for one-fiscal-year term)*  
*(reappointed on 5/13/1998 for a six-fiscal-year term)*

## COMMITTEE IN CHARGE OF APPOINTMENTS AND COMPENSATION

### **Members**

**M. Michel François-Poncet**

**M. Jérôme Monod**

**M. Serge Tchuruk**

**M. Thierry Desmarest (\*)**

### **Missions**

To study and submit to the Board proposals concerning the appointment of new members and of executives directors, the latter's remuneration and the stock option plan.

*(\*) Except on issues that concern him personally.*

## AUDIT COMMITTEE

### **Members**

**M. François-Xavier Ortoli**

**M. Thierry de Rudder**

**M. Jean Syrota**

### **Missions**

To advise the Board on the quality of the accounts and on the internal auditing processes.

## HIGHLIGHTS OF THE YEAR

Net income (Group share) excluding non-recurring items was FRF 6,916 million (EUR 1,054 million) in 1998, down 9.1%. Reported net income (Group share)<sup>1</sup> was FRF 5,814 million (EUR 886 million). Growth and productivity gains during the year offset a significant part of the negative impact of a weak environment.

The three business sectors of the Group are:

- Upstream which includes exploration, hydrocarbon production, gas, electricity and other types of energy;
- Downstream with refining, distribution of petroleum products, specialties, trading and shipping of crudes and products;
- the Specialty Chemicals sector which includes Hutchinson (elastomers) and coatings (resins, inks, decorative paints and adhesives).

The operating environment weakened in 1998, notably with the sharp decrease in Brent prices which averaged \$12.7/b, down from \$19.1/b in 1997 (-34%). European refining margins improved to \$16.9/t in 1998 (+8% over 1997). The dollar remained relatively stable in relation to the franc, up 1% to an average of FRF 5.90 to the dollar in 1998.

## UPSTREAM GROWTH

In the Upstream segment, production increased by 4.4% to 838 mboe/d versus 803 mboe/d in 1997. Liquids production rose 5.9% in 1998 to 563 mb/d, and gas production increased 1.1% to 1,505 Mcfd.

Production outside the Middle East increased to 521 mboe/d (+5.2%), and Middle East production rose 2.9% to 317 mboe/d, including LNG production of 118 Mcfd.

Upstream technical costs for consolidated subsidiaries continued to decrease to \$8.0/boe in 1998 from \$8.7/boe in 1997 (-9%).

Reserves continued to grow in 1998, rising to 5,083 Mboe from 4,833 Mboe in 1997 (+5.2%). These reserves represent 16 years of production. The average reserve replacement rate for consolidated subsidiaries rose to 229% for the period 1996-1998 compared to 212% for the period 1995-1997.

Finding and development costs for consolidated subsidiaries remained stable at an average of \$4.0/boe for the 1996-1998 period. Good results from exploration led to very competitive finding costs of \$0.7/boe for the same three-year period.

In the Middle East, highlights included the start-up of the 3rd liquefaction train at Qatargas (TOTAL 10%). Annual production of 2 million tons of LNG from this facility will be marketed to a consortium of seven Japanese buyers.

In Iran, the Sirri A field started production in October 1998 as planned. It was followed in 1999 by the start-up of the neighboring Sirri E field.

In Africa, exploratory wells on Block 14 (TOTAL 20%) in Angola resulted in 2 major discoveries which confirmed the strong potential of the block first indicated by the discovery of the Kuito and Landana fields in 1997. Development of the giant Kuito field has started with initial production expected at the end of 1999, less than three years after it was discovered.

In South America, TOTAL increased its holding in the SINCOR project in Venezuela to 47% from 40%. This project, which was definitively launched in 1998, is progressing as planned and is expected to provide access to more than 1 billion barrels of oil reserves, net to TOTAL. In Colombia, production from the Cusiana and Cupiagua fields (TOTAL 15.2% net) reached 460 mb/d at the end of 1998.

In Southeast Asia, gas production rose with the start-up of the 7th liquefaction train at the Bontang LNG plant in Indonesia. The 8th train is scheduled for start-up in 1999, which will increase capacity at the Bontang LNG plant to 21.6 million tons per year.

In Thailand, production from the Bongkot field (TOTAL 33.3%) increased in 1998 to 550 Mcfd from 350 Mcfd.

Finally, in the United States, TOTAL sold its conventional oil and gas assets which were making only a limited contribution to production and reserves.

## DOWNSTREAM PERFORMANCE

The Downstream segment benefited from a favorable environment in 1998. The improved environment accounted for 60% of the strong increase in operating income, while the remainder came from the lower break-even point for the European refineries (\$13/ton), an effective marketing policy, and the growth in overseas operations and specialties.

(1) including the following non-recurring items: charge for negative inventory effect (FRF -1,481 M), FAS 121 (FRF -466 M) and gains from sales of assets (FRF +845 M)

TOTAL, Electricité de France (EDF) and TEXACO became partners in the "Integrated Gasification Combined Cycle" project. This project will be located on the site of TOTAL's Normandy refinery in Gonfreville (France) and should come on line at the end of 2003.

In marketing, refined product sales volumes (excluding trading) increased 2% to 1,098 mb/d.

In Africa, TOTAL strengthened its positions in Gabon and Equatorial Guinea and started marketing activity in Egypt. The Group is one of the top two international petroleum refiners-distributors in Africa with a total market share of 14%.

Finally, TOTAL continued to develop its specialties businesses in areas with strong growth potential, particularly in China and Vietnam (lubricants, LPG) and the Philippines (marketing network and specialties).

## GROWTH OF CHEMICALS

Sales for the Chemicals segment grew by 9% to FRF 31.1 billion (EUR 4.75 billion), and operating income grew by 6% to FRF 2.5 billion (EUR 0.38 billion). This growth reflects the impact of both the productivity gains and the consolidation of external acquisitions.

In the elastomer and rubber processing business, Hutchinson continued its globalization strategy by developing three new production sites in the United States, China, and Mexico. Hutchinson ranks third worldwide in the production of technical rubber products and makes two-thirds of its sales outside of France.

In resins, TOTAL strengthened its second-place rank in European market share with the acquisition of the Spanish company, Resisa. Bostik strengthened its position in the adhesives segment in Europe with the acquisition of Mydrin.

## FINANCIAL POSITION

The principal items of the Group consolidated financial statements are summarized in the following table:

	1998		1997		1996	
	M FRF	M €	M FRF	M €	M FRF	M €
Sales	159,614	24,333	191,085	29,131	176,577	26,919
Operating income of business segments*	12,430	1,895	13,623	2,077	10,212	1,557
Net income (Group share)**	6,916	1,054	7,611	1,160	5,646	861
Net earnings per share (in francs and in euros)						
based on fully-diluted weighted average shares **	28.2	4.29	31.0	4.73	23.50	3.58
Cash flow	17,040	2,598	19,190	2,925	15,413	2,350

\* excluding non-recurring items in 1998: charge for negative inventory effect (FRF -1,572 M) and FAS 121 (FRF -584 M).

\*\* excluding non-recurring items in 1998: charge for negative inventory effect (FRF -1,481 M), FAS 121 (FRF -466 M) and gains from sales of assets (FRF + 845 M).

\*\*\* excluding non-recurring items.

[CLICK HERE TO VIEW EXCEL TABLE.](#)

Group sales decreased by 16% compared to 1997, as the drop in the petroleum product prices more than offset the increase in volumes.

Operating income from the business segments excluding non-recurring items was FRF 12.4 billion (EUR 1.9 billion), a 9% decrease from 1997.

Net income (Group share) excluding non-recurring items was FRF 6.9 billion (EUR 1.1 billion), down 9% from 1997.

Cash flow for 1998 declined by 11% to FRF 17.0 billion (EUR 2.6 billion).

Net earnings per share excluding non-recurring items, calculated based on 245.7 million fully-diluted weighted-average shares was FRF 28.2 (EUR 4.29), down 9% from 1997.

Growth and productivity programs in 1998 had a positive impact of FRF 1.7 billion (EUR 0.26 billion) on operating income. A high level of success in 1998 exploration led to a reduction in exploration expense of FRF 300 million (EUR 46 million), while environmental factors had a combined negative impact of FRF 3.2 billion (EUR 0.49 billion). The non-recurring items (the charge for negative inventory and FAS 121) had a negative impact of FRF 2.2 billion (EUR 0.33 billion) on operating income.



## OPERATING INCOME BY SEGMENTS *[excluding non-recurring items]*

	1998		1997		VARIATION IN %
	M FRF	M €	M FRF	M €	
Upstream	5,397	823	8,217	1,253	– 34%
Downstream	4,565	696	3,082	470	+ 48%
Chemicals	2,468	376	2,324	354	+ 6%
Operating income	12,430	1,895	13,623	2,077	– 9%

[CLICK HERE TO VIEW EXCEL TABLE.](#)

## TRANSITION TO THE EURO

At the end of 1998, a detailed analysis of cash activities took shape with the conversion into euros of all financial positions and balances that had previously been denominated in one of the currencies of the European Monetary (referred to as “in” currencies). Since January 1, 1999, financial transactions previously performed in “in” currencies are now performed in euros. Commercial operations will be gradually converted into euros, and customers and suppliers are already offered the possibility of payment in this currency. Finally, TOTAL plans to maintain the accounts for the companies in francs until the second quarter of 2001.

## YEAR 2000

The question for Y2K compliance is being coordinated at the Group level, and each business sector is responsible for implementing the required changes according to a planned schedule. Each of these sectors will handle the problems of the transition to the year 2000 from 3 perspectives: Information systems and telecommunications, Processes, and third-party relations. All the work is progressing according to schedule and a progress report is communicated every six months.

## 1998 INVESTMENTS

Gross investments for the segments in 1998 were stable at FRF 21 billion (EUR 3.2 billion):

- Upstream investments increased by 16% to FRF 14.5 billion (EUR 2.2 billion) versus FRF 12.6 billion in 1997 (EUR 1.9 billion).
- Downstream investments decreased to FRF 3.7 billion (EUR 0.56 billion) in 1998 from FRF 5.0 billion in 1997 (EUR 0.77 billion) excluding the TOPNA operation.
- Investments in the Chemicals segment increased by 17% to FRF 2.9 billion (EUR 0.44 billion).

Divestments, based on the sales price, represented FRF 4.1 billion (EUR 0.63 billion).

Cash flow was FRF 17.0 billion (EUR 2.60 billion), down 11% from 1997. Consolidated equity before dividends totaled FRF 70.8 billion (EUR 10.8 billion), versus FRF 69.7 billion in 1997 (EUR 10.6 billion).

The net debt-to-equity ratio<sup>(2)</sup> of the Group was 32.7%, up from 26.8% the year before, primarily as a result of maintaining a high level of investment. However, there is a favorable leverage effect provided by the low interest rate environment.

<sup>(2)</sup> Equity after distribution

## *TOTAL S.A. FINANCIAL STATEMENTS AND PROPOSED DIVIDEND*

The profit for the parent company TOTAL was FRF 3,756 million in 1998 (EUR 573 million), compared with FRF 4,345 million in 1997 (EUR 662 million). The Board of Directors of TOTAL, after closing the accounts, decided to propose at the Combined Shareholders' Meeting of May 11, 1999 the distribution of a dividend of 2 euros per share, an increase of 1% over the dividend for the previous year, to which will be added the French *avoir fiscal* (tax credit on dividends) pursuant to the terms in force. The dividend will be paid in cash in July, 1999, after the completion of the public exchange offer on PetroFina. The exchange offer will be made in Europe and the United States by means of prospectuses in compliance with various procedural and filing requirements.

## *OUTLOOK*

In December 1998, TOTAL announced its merger with PetroFina, creating a new oil group TOTAL FINA that will be the third largest European and the fifth largest in the world.

As a result of this merger, TOTAL will strengthen its positions in the Downstream segment in the European countries where its market shares were limited. The new Group will have very competitive refining facilities and marketing networks. It is well positioned in terms of future changes in the specifications for petroleum products in Europe.

In the Upstream segment, the merger with PetroFina strengthens the share of the OECD region in both production and reserves. TOTAL FINA has a portfolio of large projects which will allow it to achieve its objectives for growth while reducing technical costs. Production is expected to reach 1.25 million boe/d in the year 2000 and 1.5 million boe/d in 2005.

In the Chemicals segment, the combination of TOTAL's specialty chemicals with PetroFina's very competitive petrochemicals creates a well-balanced chemicals segment which will continue to pursue a policy of self-financed growth.

The merger of TOTAL and PetroFina is expected to bring significant synergies. Two-thirds of these synergies will be found in the Downstream segment. The synergies should improve the operating income of the new Group by FRF 2.5 billion per year (EUR 0.38 billion) as of 2002, and should continue thereafter. In addition, based on certain assumptions for market parameters, the objectives of TOTAL FINA for growth and productivity gains should bring an additional improvement in annual operating income of FRF 5.5 billion (EUR 0.84 billion) between now and the year 2002.

# CONSOLIDATED FINANCIAL STATEMENTS AUDITORS' REPORT

TOTAL & SUBSIDIARIES

## TO THE SHAREHOLDERS OF TOTAL SA,

In compliance with our appointment by your annual general meetings, we have audited the accompanying consolidated financial statements of TOTAL SA for the year ended December 31, 1998.

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with French auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above give a true and fair view of the Group's financial position and assets as of December 31, 1998 and of the results of the operations of the companies included in the consolidation for the year then ended.

We have also verified the information given in the management report. We have no comment as to its fair presentation and conformity with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 17, 1999

The Statutory Auditors

KPMG  
*Fiduciaire de France*  
René Amirkhanian

Barbier Frinault & Autres  
*Member of Arthur Andersen*  
Pascal Macioce

*Literal translation from the original version in French*

## CONSOLIDATED STATEMENTS OF INCOME

### TOTAL & SUBSIDIARIES

	FRANCS		
YEAR ENDED DECEMBER 31,	1998	1997	1996
(amounts in millions of French francs, except for per share amounts in French francs)			
Sales (Notes 19 and 20)	159,614	191,085	176,577
Operating expenses	(141,968)	(170,448)	(159,893)
Depreciation, depletion and amortization	(7,876)	(7,565)	(6,916)
<b>Operating Income: (Note 19)</b>			
Corporate	(504)	(551)	(444)
Business Segments	10,274	13,623	10,212
Total operating income	9,770	13,072	9,768
Interest expense, net (Note 21)	(988)	(738)	(917)
Dividend income on non-consolidated subsidiaries	326	597	339
Dividends on subsidiaries redeemable preferred shares (Note 14)	(61)	(60)	(52)
Other income (expense) (Note 22)	(215)	71	(134)
Non-recurring items, net (Note 23)	—	—	—
Provision for income taxes (Note 24)	(2,402)	(4,077)	(2,622)
Equity in income (loss) of affiliates (Note 6)	372	(58)	66
<b>Income Before Amortization of Acquisition Goodwill</b>	<b>6,802</b>	<b>8,807</b>	<b>6,448</b>
Amortization of acquisition goodwill	(686)	(860)	(663)
<b>Consolidated Net Income</b>	<b>6,116</b>	<b>7,947</b>	<b>5,785</b>
Of which minority interest	302	336	139
<b>Net Income</b>	<b>5,814</b>	<b>7,611</b>	<b>5,646</b>
<b>EARNINGS PER SHARE (NOTE 1-Q)</b>	<b>23.7</b>	<b>31.0</b>	<b>23.5</b>

[CLICK HERE TO VIEW EXCEL TABLE.](#)



# CONSOLIDATED STATEMENTS OF INCOME

TOTAL & SUBSIDIARIES

	EURS		
YEAR ENDED DECEMBER 31,	1998	1997	1996
(amounts in millions of euros except for per share amounts in euros)			
Sales (Notes 19 and 20)	24,333	29,131	26,919
Operating expenses	(21,643)	(25,985)	(24,376)
Depreciation, depletion and amortization	(1,201)	(1,153)	(1,054)
<b>Operating Income: (Note 19)</b>			
Corporate	(77)	(84)	(68)
Business Segments	1,566	2,077	1,557
Total operating income	1,489	1,993	1,489
Interest expense, net (Note 21)	(151)	(113)	(140)
Dividend income on non-consolidated subsidiaries	50	91	52
Dividends on subsidiaries redeemable preferred shares (Note 14)	(9)	(9)	(8)
Other income (expense) (Note 22)	(33)	11	(20)
Non-recurring items, net (Note 23)	—	—	—
Provision for income taxes (Note 24)	(366)	(622)	(400)
Equity in income (loss) of affiliates (Note 6)	57	(9)	10
<b>Income Before Amortization of Acquisition Goodwill</b>	<b>1,037</b>	<b>1,342</b>	<b>983</b>
Amortization of acquisition goodwill	(105)	(131)	(101)
<b>Consolidated Net Income</b>	<b>932</b>	<b>1,211</b>	<b>882</b>
Of which minority interest	46	51	21
<b>Net Income</b>	<b>886</b>	<b>1,160</b>	<b>861</b>
<b>EARNINGS PER SHARE (NOTE 1-Q)</b>	<b>3.613</b>	<b>4.726</b>	<b>3.583</b>

[CLICK HERE TO VIEW EXCEL TABLE.](#)

# CONSOLIDATED BALANCE SHEETS

## TOTAL & SUBSIDIARIES

	FRANCS		
DECEMBER 31,	1998	1997	1996
(amounts in millions of French francs)			
<b>ASSETS</b>			
<b>Noncurrent Assets:</b>			
Intangible assets (Note 4)	17,086	16,339	15,276
Accumulated amortization (Note 4)	7,500	(6,965)	(5,901)
Intangible assets, net (Note 4)	9,586	9,374	9,375
Property, plant and equipment (Note 5)	132,163	127,525	116,256
Accumulated depreciation, depletion and amortization (Note 5)	66,780	(66,125)	(61,948)
Property, plant and equipment, net (Note 5)	65,383	61,400	54,308
Equity affiliates: investments and loans (Note 6)	9,247	8,491	4,720
Other investments (Note 7)	5,230	5,811	5,980
Other noncurrent assets (Note 8)	4,692	5,489	4,280
Total noncurrent assets	94,138	90,565	78,663
<b>Current Assets:</b>			
Inventories (Note 9)	12,219	14,550	15,014
Accounts receivable (Note 10)	20,485	23,371	23,878
Prepaid expenses and other current assets (Note 11)	11,032	8,800	7,656
Short-term investments (Note 12)	4,097	1,773	971
Cash and cash equivalents	9,982	12,652	32,000
Total current assets	57,815	61,146	79,519
<b>TOTAL ASSETS</b>	<b>151,953</b>	<b>151,711</b>	<b>158,182</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' Equity (Note 13):</b>			
Common shares	12,239	12,217	12,106
Paid-in surplus	13,007	12,918	12,361
Retained earnings	44,164	41,489	36,432
Revaluation reserve	465	458	458
Cumulative translation adjustment	(2,010)	(450)	(2,099)
Total shareholders' equity	67,865	66,632	59,258
<b>Subsidiaries Redeemable Preferred Shares (Note 14)</b>	<b>1,406</b>	<b>1,497</b>	<b>1,309</b>
<b>Minority Interest</b>	<b>1,577</b>	<b>1,605</b>	<b>2,221</b>
<b>Commitments and Contingencies (Notes 27 and 29)</b>			
<b>Long-Term Liabilities:</b>			
Reserve for crude oil price changes	—	955	1,977
Deferred income taxes (Note 24)	5,054	5,230	4,434
Employee benefits (Note 15)	3,326	3,216	5,623
Other liabilities (Note 16)	5,551	5,272	5,432
Total long-term liabilities	13,931	14,673	17,466
<b>Long-Term Debt:</b>			
Loans (Note 17)	23,919	21,742	20,332
Deposits	985	939	886
Total long-term debt	24,904	22,681	21,218
<b>Current Liabilities:</b>			
Accounts payable	15,403	18,328	17,902
Other creditors and accrued liabilities (Note 18)	19,128	17,598	16,063
Current portion of long-term debt	1,370	1,818	4,801
Short-term borrowings (Note 17)	3,740	4,529	16,031
Bank overdrafts	2,629	2,350	1,913
Total current liabilities	42,270	44,623	56,710
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>151,953</b>	<b>151,711</b>	<b>158,182</b>

# CONSOLIDATED BALANCE SHEETS

TOTAL & SUBSIDIARIES

	EURS		
DECEMBER 31,	1998	1997	1996
(amounts in millions of euros)			
<b>ASSETS</b>			
<b>Noncurrent Assets:</b>			
Intangible assets (Note 4)	2,604	2,491	2,329
Accumulated amortization (Note 4)	(1,143)	(1,062)	(900)
Intangible assets, net (Note 4)	1,461	1,429	1,429
Property, plant and equipment (Note 5)	20,149	19,441	17,723
Accumulated depreciation, depletion and amortization (Note 5)	(10,181)	(10,081)	(9,444)
Property, plant and equipment, net (Note 5)	9,968	9,360	8,279
Equity affiliates: investments and loans (Note 6)	1,410	1,294	720
Other investments (Note 7)	797	886	912
Other noncurrent assets (Note 8)	715	837	652
Total noncurrent assets	14,351	13,806	11,992
<b>Current Assets:</b>			
Inventories (Note 9)	1,863	2,218	2,289
Accounts receivable (Note 10)	3,122	3,563	3,640
Prepaid expenses and other current assets (Note 11)	1,682	1,342	1,167
Short-term investments (Note 12)	625	270	148
Cash and cash equivalents	1,522	1,929	4,879
Total current assets	8,814	9,322	12,123
<b>TOTAL ASSETS</b>	<b>23,165</b>	<b>23,128</b>	<b>24,115</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' Equity (Note 13):</b>			
Common shares	1,866	1,862	1,846
Paid-in surplus	1,982	1,969	1,884
Retained earnings	6,733	6,326	5,554
Revaluation reserve	71	70	70
Cumulative translation adjustment	(306)	(69)	(320)
Total shareholders' equity	10,346	10,158	9,034
<b>Subsidiaries Redeemable Preferred Shares (Note 14)</b>	<b>214</b>	<b>228</b>	<b>200</b>
<b>Minority Interest</b>	<b>240</b>	<b>245</b>	<b>339</b>
<b>Long-Term Liabilities:</b>			
Reserve for crude oil price changes	—	146	301
Deferred income taxes (Note 24)	770	797	676
Employee benefits (Note 15)	507	490	857
Other liabilities (Note 16)	847	804	828
Total long-term liabilities	2,124	2,237	2,662
<b>Long-Term Debt:</b>			
Loans (Note 17)	3,647	3,315	3,100
Deposits	150	143	135
Total long-term debt	3,797	3,458	3,235
<b>Current Liabilities:</b>			
Accounts payable	2,348	2,794	2,729
Other creditors and accrued liabilities (Note 18)	2,916	2,683	2,448
Current portion of long-term debt	209	277	732
Short-term borrowings (Note 17)	570	690	2,444
Bank overdrafts	401	358	292
Total current liabilities	6,444	6,802	8,645
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>23,165</b>	<b>23,128</b>	<b>24,115</b>

[CLICK HERE TO VIEW EXCEL TABLE.](#)

# CONSOLIDATED STATEMENTS OF CASH FLOWS [NOTE 32]

## TOTAL & SUBSIDIARIES

	FRANCS		
YEAR ENDED DECEMBER 31,	1998	1997	1996
(amounts in millions of French francs)			
<b>Cash Flows From Operating Activities</b>			
Consolidated net income	6,116	7,947	5,785
Depreciation, depletion and amortization	9,112	9,073	7,965
Long-term liabilities, valuation allowances and deferred taxes	681	(1,697) <sup>(1)</sup>	491
Unsuccessful exploration costs	1,131	1,426	1,172
Funds generated from operations	17,040	16,749 <sup>(1)</sup>	15,413
Reserve for crude oil price changes	(933)	(1,012)	1,571
(Gains) Losses on sales of assets	(768)	(813)	(778)
Equity in income of affiliates (in excess of)/less than dividends received	(159)	110	(38)
Changes in operating assets and liabilities (Note 32)	1,502	837	(1,039)
Other changes, net	(102)	19	320
<b>Net Cash Flows From Operating Activities</b>	<b>16,580</b>	<b>15,890</b>	<b>15,449</b>
<b>Cash Flows From Investing Activities</b>			
Intangible assets and property, plant and equipment additions	(16,950)	(16,251)	(11,721)
Exploration costs directly charged to expense	(1,084)	(1,181)	(955)
Acquisitions of subsidiaries, net of cash acquired	(713)	(339)	(1,636)
Investments in equity affiliates and other securities	(1,354)	(2,840)	(978)
Increase in long-term loans	(1,214)	(2,048)	(1,086)
Total expenditures	(21,315)	(22,659)	(16,376)
Proceeds from sale of intangible assets and property, plant and equipment	893	1,102	1,511
Proceeds from sale of subsidiaries, net of cash sold	923	1,326	31
Proceeds from sale of noncurrent investments	1,678	442	1,278
Repayment of long-term loans	653	708	401
Total divestitures	4,147	3,578	3,221
(Increase) Decrease in short-term investments	(2,336)	(762)	(292)
<b>Net Cash Flows Provided by (Used In) Investing Activities</b>	<b>(19,504)</b>	<b>(19,843)</b>	<b>(13,447)</b>
<b>Cash Flow From Financing Activities</b>			
Issuance of shares and repayment of TSDIRAs:			
Parent company's shareholders	111	498	205
Minority shareholders	2	17	6
Cash dividend paid:			
Parent company's shareholders and holders of TSDIRAs	(3,139)	(2,554)	(602)
Minority shareholders	(150)	(189)	(249)
Net issuance (repayment) of long-term debt (Note 32)	4,948	4,315	(1,695)
Increase (Decrease) in short-term borrowings and bank overdrafts	(2,014)	(16,695)	3,749
Other changes, net	(61)	(60)	(52)
<b>Net Cash Flows Provided by (Used In) Financing Activities</b>	<b>(303)</b>	<b>(14,668)</b>	<b>1,362</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(3,227)</b>	<b>(18,621)</b>	<b>3,364</b>
Effect of exchange rates and changes in reporting entity on cash and cash equivalents	557	(727)	73
Cash and cash equivalents at the beginning of the year	12,652	32,000	28,563
<b>Cash and Cash Equivalents at The End of The Year</b>	<b>9,982</b>	<b>12,652</b>	<b>32,000</b>

(1) In 1997, the Company covered certain French employee pension benefit plans for an amount of 2,441 millions of French Francs. Before this non-recurring item, "long-term liabilities, valuation allowances and deferred taxes" were 744 millions of French francs (net amount) and "funds generated from operations" were 19,190 millions of French francs.

[CLICK HERE TO VIEW EXCEL TABLE.](#)

# CONSOLIDATED STATEMENTS OF CASH FLOWS [NOTE 32]

TOTAL & SUBSIDIARIES

	EUROS		
YEAR ENDED DECEMBER 31,	1998	1997	1996
(amounts in millions of euros)			
<b>Cash Flows From Operating Activities</b>			
Consolidated net income	932	1,211	882
Depreciation, depletion and amortization	1,390	1,383	1,214
Long-term liabilities, valuation allowances and deferred taxes	104	(259) <sup>(1)</sup>	75
Unsuccessful exploration costs	172	217	179
Funds generated from operations	2,598	2,552 <sup>(1)</sup>	2,350
Reserve for crude oil price changes	(142)	(154)	239
(Gains) Losses on sales of assets	(117)	(124)	(119)
Equity in income of affiliates (in excess of)/less than dividends received	(24)	17	(6)
Changes in operating assets and liabilities (Note 32)	229	128	(158)
Other changes, net	(16)	3	49
<b>Net Cash Flows From Operating Activities</b>	<b>2,528</b>	<b>2,422</b>	<b>2,355</b>
<b>Cash Flows From Investing Activities</b>			
Intangible assets and property, plant and equipment additions	(2,585)	(2,477)	(1,787)
Exploration costs directly charged to expense	(165)	(180)	(146)
Acquisitions of subsidiaries, net of cash acquired	(109)	(52)	(249)
Investments in equity affiliates and other securities	(206)	(433)	(149)
Increase in long-term loans	(185)	(312)	(166)
Total expenditures	(3,250)	(3,454)	(2,497)
Proceeds from sale of intangible assets and property, plant and equipment	136	168	231
Proceeds from sale of subsidiaries, net of cash sold	141	202	5
Proceeds from sale of noncurrent investments	255	67	195
Repayment of long-term loans	100	108	61
Total divestitures	632	545	492
(Increase) Decrease in short-term investments	(356)	(116)	(45)
<b>Net Cash Flows Provided by (Used In) Investing Activities</b>	<b>(2,974)</b>	<b>(3,025)</b>	<b>(2,050)</b>
<b>Cash Flow From Financing Activities</b>			
Issuance of shares and repayment of TSDIRAs:			
Parent company's shareholders	17	76	31
Minority shareholders	0	3	1
Cash dividend paid:			
Parent company's shareholders and holders of TSDIRAs	(479)	(389)	(92)
Minority shareholders	(23)	(29)	(38)
Net issuance (repayment) of long-term debt (Note 32)	755	658	(258)
Increase (Decrease) in short-term borrowings and bank overdrafts	(307)	(2,545)	572
Other changes, net	(9)	(9)	(8)
<b>Net Cash Flows Provided by (Used In) Financing Activities</b>	<b>(46)</b>	<b>(2,235)</b>	<b>208</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(492)</b>	<b>(2,838)</b>	<b>513</b>
Effect of exchange rates and changes in reporting entity on cash and cash equivalents	85	(111)	11
Cash and cash equivalents at the beginning of the year	1,929	4,878	4,354
<b>Cash and Cash Equivalents at The End of The Year</b>	<b>1,522</b>	<b>1,929</b>	<b>4,878</b>

(a) In 1997, the Company covered certain French employees pension benefit plans for an amount of 372 millions of euros. Before this non-recurring item, "long-term liabilities, valuation allowances and deferred taxes" were 113 millions of euros (net amount) and "funds generated from operations" were 2925 millions of euros.

[CLICK HERE TO VIEW EXCEL TABLE.](#)



# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## TOTAL & SUBSIDIARIES

	COMMON SHARES ISSUED		PAID-IN SURPLUS	RETAINED EARNINGS	REVALUATION RESERVE	CUMULATIVE TRANSLATION ADJUSTMENT	TSDIRA	SHAREHOLDERS EQUITY
	NUMBER	AMOUNT						
(in millions of francs)								
As of January 1, 1996	235,049,629	11,753	10,672	32,850	477	(3,354)	190	52,588
Cash dividend <sup>(1)</sup>	—	—	—	(602)	—	—	—	(602)
Stock dividend <sup>(1)</sup>	4,446,748	221	1,241	(1,462)	—	—	—	—
Net income	—	—	—	5,646	—	—	—	5,646
Issuance of common shares	1,632,275	82	308	—	—	—	—	390
Change in revaluation reserve	—	—	—	—	(19)	—	—	(19)
Cumulative translation adjustment	—	—	—	—	—	1,255	—	1,255
Repayment of TSDIRAs into common shares	996,936	50	140	—	—	—	(190)	—
As of December 31, 1996	242,125,588	12,106	12,361	36,432	458	(2,099)	—	59,258
Cash dividend <sup>(2)</sup>	—	—	—	(2,554)	—	—	—	(2,554)
Net income	—	—	—	7,611	—	—	—	7,611
Issuance of common shares	2,207,588	111	557	—	—	—	—	668
Change in revaluation reserve	—	—	—	—	—	—	—	—
Cumulative translation adjustment	—	—	—	—	—	1,649	—	1,649
As of December 31, 1997	244,333,176	12,217	12,918	41,489	458	(450)	—	66,632
Cash dividend <sup>(3)</sup>	—	—	—	(3,139)	—	—	—	(3,139)
Net income	—	—	—	5,814	—	—	—	5,814
Issuance of common shares	454,462	22	89	—	—	—	—	111
Change in revaluation reserve	—	—	—	—	7	—	—	7
Cumulative translation adjustment	—	—	—	—	—	(1,560)	—	(1,560)
AS OF DECEMBER 31, 1998	244,787,638	12,239	13,007	44,164	465	(2,010)	—	67,865

(1) Global dividend distributed in 1996: MFRF 2,064 (FRF 8.70 per share and FRF 34.80 per TSDIRA).

(2) Global dividend distributed in 1997: MFRF 2,554 (FRF 10.50 per share).

(3) Global dividend distributed in 1998: MFRF 3,139 (FRF 13.00 per share).

[CLICK HERE TO VIEW EXCEL TABLE.](#)

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

TOTAL & SUBSIDIARIES

	COMMON SHARES ISSUED		PAID-IN SURPLUS	RETAINED EARNINGS	REVALUATION RESERVE	CUMULATIVE TRANSLATION ADJUSTMENT	TSDIRA	SHAREHOLDERS EQUITY
	NUMBER	AMOUNT						
(in millions of euros)								
As of January 1, 1996	235,049,629	1,792	1,627	5,008	73	(511)	29	8,018
Cash dividend <sup>(1)</sup>	—	—	—	(92)	—	—	—	(92)
Stock dividend <sup>(1)</sup>	4,446,748	34	189	(223)	—	—	—	—
Net income	—	—	—	861	—	—	—	861
Issuance of common shares	1,632,275	12	47	—	—	—	—	59
Change in revaluation reserve	—	—	—	—	(3)	—	—	(3)
Translation adjustment	—	—	—	—	—	191	—	191
Repayment of TSDIRAs into common shares	996,936	8	21	—	—	—	(29)	—
As of December 31, 1996	242,125,588	1,846	1,884	5,554	70	(320)	—	9,034
Cash dividend <sup>(2)</sup>	—	—	—	(388)	—	—	—	(388)
Net income	—	—	—	1,160	—	—	—	1,160
Issuance of common shares	2,207,588	16	85	—	—	—	—	101
Change in revaluation reserve	—	—	—	—	—	—	—	—
Cumulative translation adjustment	—	—	—	—	—	251	—	251
As of December 31, 1997	244,333,176	1,862	1,969	6,326	70	(69)	—	10,158
Cash dividend <sup>(3)</sup>	—	—	—	(479)	—	—	—	(479)
Net income	—	—	—	886	—	—	—	886
Issuance of common shares	454,462	4	13	—	—	—	—	17
Change in revaluation reserve	—	—	—	—	1	—	—	1
Cumulative translation adjustment	—	—	—	—	—	(237)	—	(237)
AS OF DECEMBER 31, 1998	244,787,638	1,866	1,982	6,733	71	(306)	—	10,346

(1) Global dividend distributed in 1996: 315 millions of euros (1,326 euros per share and 5,305 euros per TSDIRA).

(2) Global dividend distributed in 1997: 388 millions of euros (1,6007 euros per share).

(3) Global dividend distributed in 1998: 479 millions of euros (1,982 euros per share).

[CLICK HERE TO VIEW EXCEL TABLE.](#)



***DESIGN AND PROJECT MANAGEMENT***

IconixGroup • Washington, DC

***PHOTOGRAPHY CREDITS***

*Cover and Inside Cover:* Y. Arthus-Bertrand, F. Robert

*Chairman:* O. Franken

*Executive Committee:* P. Demail

*Upstream:* Y. Arthus-Bertrand, J. Borowski, C. Dumont, D. Lecuire, F. Robert, N. Petotot

*Downstream:* J. Burlot, F. Robert, M. Roussel, A. M. Van Treek, L. Zylberman,

*Chemicals:* S. Cambon, S. Rivoallon, J. Zaruba

*Historical:* C. Chalançon, P. J. Soler, D. Y. Trung, L. Zylberman, Total Historical Collection

***PRINTING***

Comelli • Villejust

# TOTAL

## *CORPORATE COMMUNICATIONS*

Société Anonyme

Capital Stock: FRF 14,402,574,650

Head Office: Tour TOTAL

24, cours Michelet Puteaux (Hauts de Seine) France

542 051 180 R.C.S. Nanterre

*[www.total.com](http://www.total.com)*

