

Rating: Buy
S&P 500: 1386

Total S.A. **Steady High Return**

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 9/30/07 (US\$mm)</i>	31,400
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	1
<i>Price (US\$/sh)</i>	70.16	<i>Natural Gas and Oil Production/Ebitda (%)</i>	74
<i>Pricing Date</i>	11/8/06	<i>Adjusted Reserves/Production NTM</i>	9.7
<i>Shares (mm)</i>	2302	<i>EV/Ebitda</i>	6.1
<i>Market Capitalization (US\$mm)</i>	162,000	<i>PV/Ebitda</i>	6.8
<i>Debt (US\$mm)</i>	28,000	<i>Undeveloped Reserves (%)</i>	50
<i>Enterprise Value (EV) (US\$mm)</i>	190,000	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	28.00
<i>Present Value (PV) (US\$mm)</i>	213,000	<i>Present Value Proven Reserves(US\$/boe)</i>	13.73
<i>Net Present Value (US\$/share)</i>	80	<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.29
<i>Debt/Present Value</i>	0.13	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.53
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	2.9	<i>Indicated Annual Dividend (US\$/sh)</i>	2.06

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

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

Estimated present value presumes a long-term price for oil of US\$60 a barrel and natural gas, \$10 a million btu.

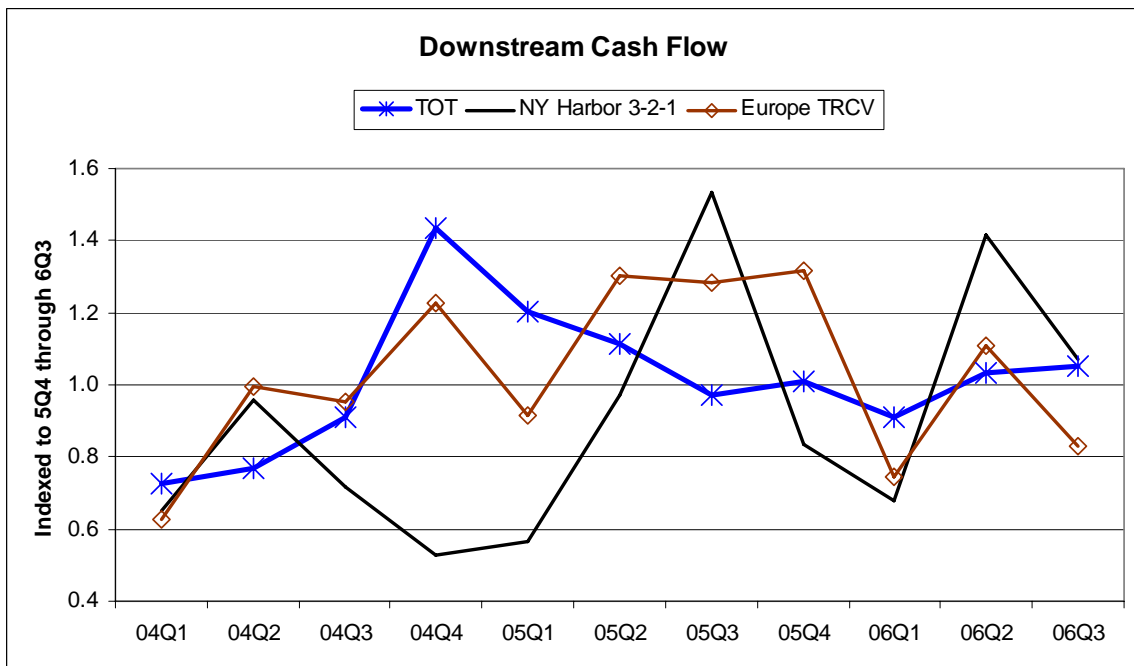
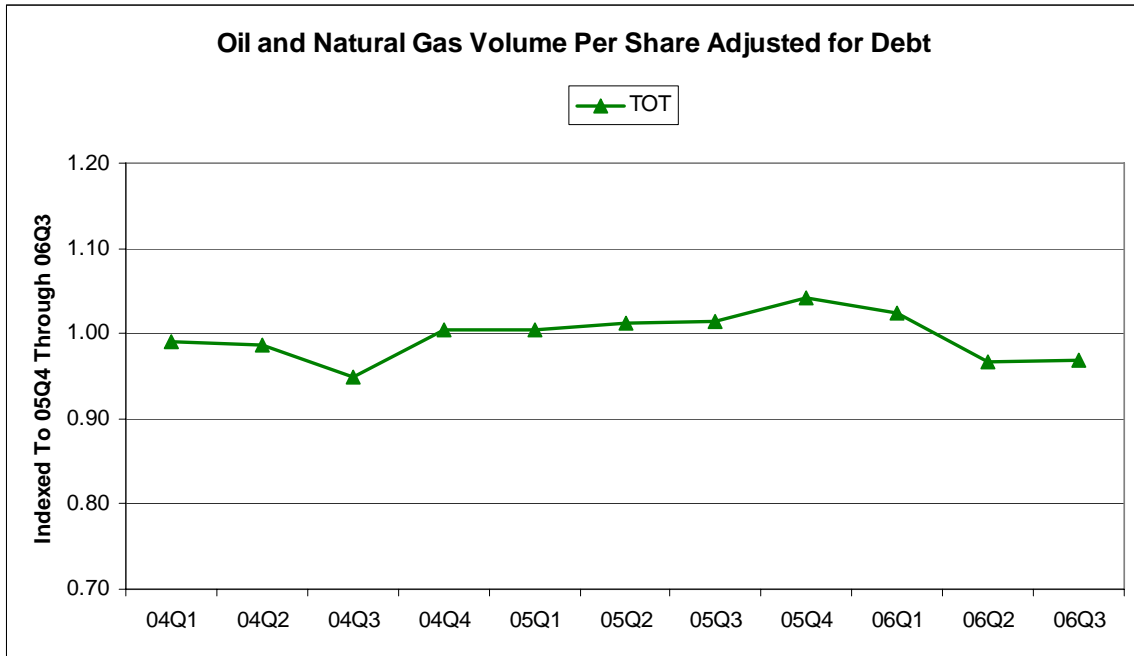
For historical analysis of TOT since 2004 see www.mcdep.com/1tot.htm

Summary and Recommendation

Buy-recommended **Total (TOT)** at a McDep Ratio of 0.89 offers unlevered appreciation potential of 12% to estimated present value. Discussing latest results on November 8, Chief Financial Officer Mr. Robert Castaigne expects 7% volume growth next year following the dip in 2006 (see chart [Oil and Natural Gas Volume](#)). As our Euro recommendation, Total offers investment diversification partly illustrated by the closer relationship of downstream cash flow to the European TRCV refining margin indicator than to the New York Crack (see chart [Downstream](#)). Our standard estimate of Net Present Value matches that from correlating the rate of production relative to reserves with present value as a multiple of cash flow for some thirty natural gas and oil producers (see table [Functional Cash Flow and Present Value](#)). That is a stronger comparison than it looks because the correlation does not take full account of Total's 13% ownership of pharmaceutical leader Sanofi (SNY) worth \$15 billion. Shareholders also received extra value in the May 2006 spinoff of shares in chemical company Arkema (ARKAY) worth 1.8% of Total at current stock prices. Trading above its 200-day average price signifying favorable stock price momentum, TOT has a full weighting in our illustrative energy portfolio concentrated on real assets that promise a high return providing clean fuel for global growth.

Kurt H. Wulff, CFA

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

	<i>Q3</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Next Twelve Months</i>
	<i>9/30/05</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>9/30/07</i>
Volume									
Natural Gas (mmcf)	4,491	4,501	4,411	4,896	4,650	4,795	4,501	4,411	4,650
Oil (mbd)	1,607	1,466	1,485	1,485	1,499	1,485	1,485	1,485	1,485
Total gas & oil (mmb)	217	202	204	212	830	206	203	204	825
Total gas & oil (mbd)	2,356	2,216	2,220	2,301	2,274	2,284	2,235	2,220	2,260
Price									
Dollar (euro/\$)	1.22	1.26	1.27	1.27	1.25	1.27	1.27	1.27	1.27
Natural gas (\$/mmbtu)	4.65	5.75	5.59	5.87	5.86	6.16	6.47	6.79	6.31
Oil (\$/bbl)									
WTI Cushing	62.52	70.47	70.42	59.63	65.96	62.91	65.38	66.80	63.68
Brent	61.50	69.60	69.50	58.85	64.94	62.08	64.53	65.93	62.00
Company	57.80	66.20	65.40	55.38	61.43	58.42	60.72	62.04	59.14
Total gas & oil (\$/bbl)	48.30	55.47	54.85	48.23	52.47	50.92	53.37	55.00	51.84
NY Harbor 3-2-1 (\$/bbl)	16.70	15.39	11.67	6.68	10.28	7.51	11.57	11.90	9.42
Europe (\$/t)	44.30	38.30	28.70	16.46	27.32	18.50	28.50	29.31	23.19
Revenue (mmeuro)									
Natural gas	1,575	1,872	1,780	2,077	7,945	2,090	2,083	2,167	8,417
Oil	7,004	7,019	7,012	5,945	26,856	6,136	6,448	6,660	25,189
Total production	8,579	8,891	8,792	8,023	34,800	8,225	8,531	8,827	33,606
Other	29,835	26,877	24,736	24,736	102,252	24,736	24,736	24,736	98,945
Total	38,414	35,768	33,528	32,759	137,053	32,962	33,267	33,563	132,551
Expense									
Production	3,909	3,891	4,044	3,659	15,554	3,740	3,893	4,041	15,334
Other	28,236	25,233	23,081	23,033	95,732	23,218	23,092	23,081	92,425
Ebitda (mmeuro)									
Production	4,671	5,000	4,748	4,332	19,216	4,442	4,607	4,767	18,147
Other	1,599	1,644	1,655	1,703	6,520	1,518	1,644	1,655	6,520
Total Ebitda	6,270	6,644	6,403	6,035	25,736	5,960	6,251	6,422	24,667
Exploration	113	146	159	159	579	159	159	159	636
Deprec., Deplet., & Amort.	1,277	1,212	1,299	1,299	5,095	1,299	1,299	1,299	5,196
Excess tax and other	(1,466)	(1,386)	(1,407)						
Operating Income									
Upstream	5,199	5,376	5,000						
Downstream	981	1,036	1,002						
Chemicals	166	191	248						
Total operating income	6,346	6,672	6,352						
Excess tax and other	1,466	1,386	1,407						
Ebit	4,880	5,286	4,945	4,577	20,062	4,502	4,793	4,964	18,835
Interest	67	104	164	164	492	164	164	164	656
Ebt	4,813	5,182	4,781	4,413	19,570	4,338	4,629	4,800	18,179
Income Tax	1,684	1,814	1,673	1,545	6,849	1,518	1,620	1,680	6,363
Net Income (mmeuro)	3,128	3,368	3,108	2,869	12,720	2,820	3,009	3,120	11,817
Shares (millions)	2,352	2,323	2,302	2,302	2,316	2,302	2,302	2,302	2,302
Per share (euro)	1.33	1.45	1.35	1.25	5.49	1.22	1.31	1.36	5.13
Ebitda Margin (E&P)	54%	56%	54%	54%	55%	54%	54%	54%	54%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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Total					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<u>(US\$mm)</u>	<u>R/P</u>	<u>Ebitda</u>	<u>Value</u>	
				<u>(US\$mm)</u>	
Rest of World Natural Gas	7,920	11.1	8.1	64,000	30%
Oil	15,180	9.0	5.8	88,000	42%
Downstream	8,300		7.2	60,000	28%
	31,400	9.7	6.8	212,000	100%
Debt (US\$mm)				28,000	
Net Present Value (US\$mm)				184,000	
Shares (mm)				2,302	
Net Present Value - Standard Estimate (US\$/sh)				80	
Net Present Value - Approximation by Correlation (US\$/sh)				80	

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