

Rating: Buy  
S&P 500: 1455

## **Total S.A.**

### **Thank You, Thierry Desmarest**

<i>Symbol</i>	TOT	<i>Ebitda Next Twelve Months ending 12/31/07 (US\$mm)</i>	31,500
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	1
<i>Price (US\$/sh)</i>	70.14	<i>Natural Gas and Oil Production/Ebitda (%)</i>	74
<i>Pricing Date</i>	2/14/07	<i>Adjusted Reserves/Production NTM</i>	9.6
<i>Shares (mm)</i>	2288	<i>EV/Ebitda</i>	6.0
<i>Market Capitalization (US\$mm)</i>	160,000	<i>PV/Ebitda</i>	6.7
<i>Debt (US\$mm)</i>	30,000	<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>	13.85
<i>Net Present Value (US\$/share)</i>	80	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.31
<i>Debt/Present Value</i>	0.14	<i>Earnings Next Twelve Months (US\$/sh)</i>	6.56
<i>McDep Ratio - EV/PV</i>	0.89	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	3.5	<i>Indicated Annual Dividend (US\$/sh)</i>	2.43

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](http://www.mcdep.com/1tot.htm)

### **Summary and Recommendation**

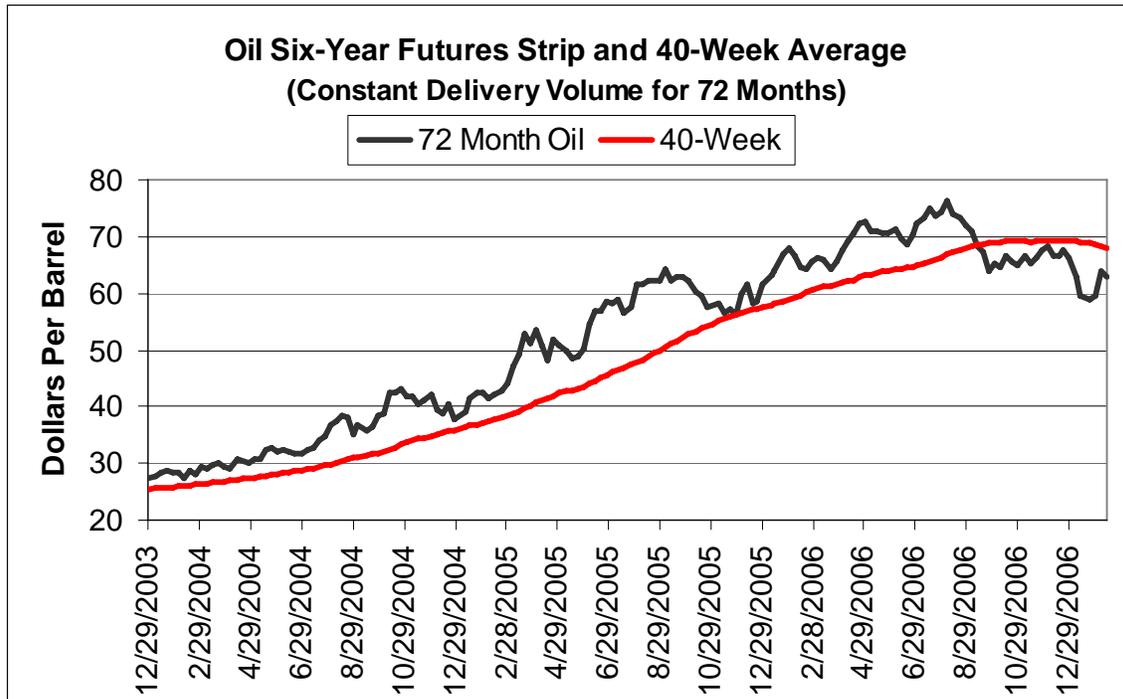
In the 12 years that Mr. Thierry Desmarest was chief executive officer, buy-recommended **Total (TOT)** delivered a total return of 17% a year, according to Bloomberg, highest among mega cap oil companies along with buy-recommended **ExxonMobil (XOM)**. We appreciate Mr. Desmarest's graciousness in regular meetings with U.S. analysts during those years. The new CEO, Mr. Christophe de Margerie, former head of exploration and production and an important contributor to Total's success, promised 5% per year oil and gas volume growth through 2010 in the company's presentation of 2006 results to investors on February 14. Our estimate of net present value (NPV) of \$80 a share depends first on crude oil production (44%), second on refined products (28%) and third on natural gas (28%) (see table Functional Cash Flow and Present Value). The futures quote for oil over the next six-years currently at \$62 a barrel supports NPV and may resume an uptrend later in 2007 (see chart Oil Six-Year Futures). Reported results for the fourth quarter of 2006 continue a high level of cash generation (see table Next Twelve Months Operating and Financial Estimates). Trading above its 200-day average price, 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  
 Functional Cash Flow and Present Value**

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
Rest of World Natural Gas	7,940	11.0	7.6	60,000	28%
Oil	15,440	8.9	6.0	93,000	44%
Downstream	8,120		7.4	60,000	28%
Debt (US\$mm)	31,500	9.6	6.8	213,000	100%
Net Present Value (US\$mm)					30,000
Net Present Value (US\$mm)					183,000
Shares (mm)					2,288
Net Present Value - Standard Estimate (US\$/sh)					80
Net Present Value - Approximation by Correlation (US\$/sh)					82



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

	<i>Q4</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/05</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>12/31/07</i>
<b>Volume</b>									
Natural Gas (mmcf)	4,896	4,411	4,989	<b>4,674</b>	4,795	4,501	4,411	4,989	<b>4,674</b>
Oil (mbd)	1,592	1,485	1,513	<b>1,506</b>	1,513	1,513	1,513	1,513	<b>1,513</b>
Total gas & oil (mmb)	222	204	216	<b>834</b>	208	206	207	216	<b>837</b>
Total gas & oil (mbd)	2,408	2,220	2,345	<b>2,285</b>	2,312	2,263	2,248	2,345	<b>2,292</b>
<b>Price</b>									
Dollar (euro/\$)	1.19	1.27	1.29	<b>1.26</b>	1.30	1.30	1.30	1.30	<b>1.30</b>
Natural gas (\$/mmbtu)	5.68	5.59	6.16	<b>5.93</b>	6.47	6.79	7.13	7.49	<b>6.98</b>
Oil (\$/bbl)									
WTI Cushing	60.02	70.42	59.99	<b>66.05</b>	56.73	59.33	60.97	62.13	<b>59.79</b>
Brent	56.90	69.50	59.60	<b>65.13</b>	56.36	58.94	60.57	61.72	<b>60.37</b>
Company	54.50	65.40	57.10	<b>61.84</b>	53.99	56.47	58.03	59.13	<b>56.92</b>
Total gas & oil (\$/bbl)	47.58	54.85	49.96	<b>52.89</b>	48.75	51.26	53.05	54.09	<b>51.81</b>
NY Harbor 3-2-1 (\$/bbl)	9.06	11.67	7.54	<b>10.50</b>	7.71	11.65	11.85	8.27	<b>9.87</b>
Europe (\$/t)	45.50	28.70	22.80	<b>28.90</b>	23.11	34.91	35.51	24.78	<b>29.58</b>
<b>Revenue (mmeuro)</b>									
Natural gas	2,150	1,780	2,194	<b>8,061</b>	2,147	2,140	2,226	2,644	<b>9,157</b>
Oil	6,708	7,012	6,168	<b>27,078</b>	5,656	5,981	6,214	6,331	<b>24,181</b>
Total production	8,858	8,792	8,361	<b>35,139</b>	7,803	8,120	8,440	8,975	<b>33,338</b>
Other	31,084	24,736	21,536	<b>99,052</b>	21,536	21,536	21,536	21,536	<b>86,142</b>
Total	39,942	33,528	29,897	<b>134,191</b>	29,338	29,656	29,975	30,510	<b>119,480</b>
<b>Expense</b>									
Production	4,264	4,044	3,947	<b>15,842</b>	3,724	3,883	4,043	4,310	<b>15,959</b>
Other	29,381	23,081	20,103	<b>92,802</b>	20,018	19,892	19,881	20,103	<b>79,892</b>
<b>Ebitda (mmeuro)</b>									
Production	4,594	4,748	4,414	<b>19,297</b>	4,214	4,385	4,557	4,846	<b>18,002</b>
Other	1,703	1,655	1,433	<b>6,250</b>	1,518	1,644	1,655	1,433	<b>6,250</b>
Total Ebitda	6,297	6,403	5,847	<b>25,547</b>	5,732	6,029	6,212	6,279	<b>24,252</b>
Exploration	154	159	214	<b>634</b>	214	214	214	214	<b>856</b>
Deprec., Deplet., & Amort.	1,385	1,299	1,313	<b>5,109</b>	1,313	1,313	1,313	1,313	<b>5,252</b>
Excess tax and other	(1,572)	(1,407)	(1,134)	<b>(5,711)</b>					
<b>Operating Income</b>									
Upstream	5,000	5,000	4,330	<b>20,307</b>					
Downstream	1,083	1,002	750	<b>3,644</b>					
Chemicals	164	248	255	<b>913</b>					
Total operating income	6,330	6,352	5,454	<b>25,515</b>					
Excess tax and other	1,572	1,407	1,134	<b>5,711</b>					
<b>Ebit</b>									
Ebit	4,758	4,945	4,320	<b>19,804</b>	4,205	4,502	4,685	4,752	<b>18,144</b>
Interest	66	164	96	<b>424</b>	96	96	96	96	<b>384</b>
<b>Ebt</b>									
Ebt	4,692	4,781	4,224	<b>19,380</b>	4,109	4,406	4,589	4,656	<b>17,760</b>
Income Tax	1,642	1,673	1,478	<b>6,783</b>	1,438	1,542	1,606	1,630	<b>6,216</b>
<b>Net Income (mmeuro)</b>									
Net Income	3,050	3,108	2,746	<b>12,597</b>	2,671	2,864	2,983	3,027	<b>11,544</b>
Shares (millions)	2,346	2,302	2,288	<b>2,314</b>	2,288	2,288	2,288	2,288	<b>2,288</b>
Per share (euro)	1.30	1.35	1.20	<b>5.45</b>	1.17	1.25	1.30	1.32	<b>5.05</b>
Ebitda Margin (E&P)	52%	54%	53%	<b>55%</b>	54%	54%	54%	54%	<b>54%</b>
Tax Rate	35%	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>

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