

Interim Financial Statements of

TotalEnergies Capital Canada Ltd.

For the six-month periods ended June 30, 2021 and 2020

(Unaudited)



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INTERIM REVIEW CONCLUSION

To the Shareholder and Director of TotalEnergies Capital Canada Ltd.

In accordance with our engagement letter dated January 8, 2021 we have reviewed the interim financial statements of TotalEnergies Capital Canada Ltd., consisting of:

- the statement of financial position as at June 30, 2021
- the statement of income (loss) and comprehensive income (loss) for the six-month period ended June 30, 2021
- the statement of changes in shareholder's equity for the six-month period ended June 30, 2021
- the statement of cash flows for the six-month period ended June 30, 2021
- and notes to the interim financial statements, including a summary of significant accounting policies

Hereinafter referred to as the "interim financial statements".

These interim financial statements are the responsibility of management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditors (an "interim review"). An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with International Accounting Standard No. 34, Interim Financial Reporting.

Use of the report

This report is for the use of the Board of Directors of TotalEnergies Capital Canada Ltd. to assist them in discharging their obligation regarding these interim financial statements, and should not be used for any other purpose.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

July 27, 2021

TotalEnergies Capital Canada Ltd.

Statements of Financial Position
(Thousands of U.S. dollars)
(Unaudited)

	As at June 30, 2021	As at December 31, 2020
Assets		
Current assets		
Cash	1,516	1,091
Related party loans receivable (note 4)	93,533	-
Interest receivable on related party loans (note 4)	29,810	29,930
	<u>124,859</u>	<u>31,021</u>
Non-current assets		
Related party loans (note 4)	11,415,243	11,667,080
Fair value of derivatives (notes 8 and 9)	94,436	228,116
Deferred tax asset	-	91
	<u>11,634,538</u>	<u>11,926,308</u>
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	1,208	1,465
Related party loans (note 4)	29,810	29,930
Fair value of derivatives (notes 8 and 9)	93,533	-
Debt (note 5)	8,427,576	7,256,353
	<u>8,552,127</u>	<u>7,287,748</u>
Non-current liabilities		
Fair value of derivatives (notes 8 and 9)	204,088	341,807
Related party loans (note 4)	94,436	228,116
Deferred tax liability	169	-
Debt (note 5)	2,782,228	4,067,285
Shareholder's equity		
Share capital (note 6)	50	50
Retained earnings	1,440	1,302
	<u>1,490</u>	<u>1,352</u>
	<u>11,634,538</u>	<u>11,926,308</u>

Nature of operations and economic dependence (note 1)
See accompanying notes to financial statements.

TotalEnergies Capital Canada Ltd.

Statements of Income (Loss) and Comprehensive Income (Loss)

Six month periods ended June 30

(Thousands of U.S. dollars)

(Unaudited)

	2021	2020
Finance income (note 7)	243,958	256,895
Finance expense (note 7)	(243,560)	(257,018)
Net finance revenue (expense) before income tax recovery	398	(123)
Income tax expense (recovery)		
Deferred	260	(36)
Net income (loss) and comprehensive income (loss)	138	(87)

See accompanying notes to financial statements.

TotalEnergies Capital Canada Ltd.

Statements of Changes in Shareholder's Equity

Six month periods ended June 30

(Thousands of U.S. dollars)

(Unaudited)

2021	Opening balance	Net income	Closing balance
Share capital	50	–	50
Retained earnings	1,302	138	1,440
Total shareholder's equity	1,352	138	1,490

2020	Opening balance	Net loss	Closing balance
Share capital	50	–	50
Retained earnings	1,193	(87)	1,106
Total shareholder's equity	1,243	(87)	1,156

See accompanying notes to financial statements.

TotalEnergies Capital Canada Ltd.

Statements of Cash Flows
Six month periods ended June 30
(Thousands of U.S. dollars)
(Unaudited)

	2021	2020
Cash provided by (used in)		
Operating		
Net income (loss)	138	(87)
Items not involving cash:		
Deferred income tax recovery	260	(36)
Change in fair value of derivatives (note 7)	89,494	137,541
	89,892	137,418
Net change in non-cash working capital (note 11)	(89,751)	(137,876)
Cash used in operating activities	141	(458)
Financing		
Repayment of medium term notes	–	(92,005)
Net proceeds (repayments) of commercial paper	(17,177)	269,948
Cash provided (used) by financing activities	(17,177)	177,943
Investing		
Change in related party loans receivable	17,461	(177,194)
Change in cash	425	291
Cash, beginning of period	1,091	632
Cash, end of the period	1,516	923

See accompanying notes to financial statements.

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

1. Nature of operations and economic dependence

TotalEnergies Capital Canada Ltd. (“TCCL” or the “Company”) was incorporated on April 9, 2007 under the Business Corporations Act (Alberta). TCCL is a wholly-owned subsidiary of TotalEnergies S.E. TCCL issues debt securities and commercial paper. TCCL lends substantially all proceeds of its borrowings to TotalEnergies EP Canada Ltd. (“TEPC”), which is also ultimately owned by TotalEnergies S.E., and has Canadian oil and gas operations.

The related party loans receivable to TEPC corresponding to the debt are not expected to be repaid within the next 12 months and as a result they are classified as a non-current asset. The debt is both current and non-current in nature and as a result, TCCL has a working capital deficit of \$8.4 billion at June 30, 2021. The current portion of the debt is expected to be refinanced upon maturity. The ultimate recoverability of the related party loans receivable from TEPC is dependent upon TEPC successfully developing its oil sands reserves and realizing positive cash flows from its operations as well as receiving the continued support of TotalEnergies S.E. TotalEnergies S.E. has fully and unconditionally guaranteed the debt securities issued by TCCL as to payment of principal, premium, if any, interest and any other amounts due.

The Company’s registered office is located at 4700, 888 – 3rd Avenue S.W., Calgary, Alberta, Canada, T2P 5C5.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board including International Accounting Standard 34 *Interim Financial Reporting*.

The financial statements were authorized for issue by the Board of Directors on July 27, 2021.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value with changes in fair value recorded in profit or loss.

The methods used to measure fair values are discussed in note 9.

(c) Functional and presentation currency

The financial statements are presented in U.S. dollars, which is the functional currency of the Company.

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

2. Basis of presentation (continued)

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The most significant area of estimation uncertainty and critical judgments in applying accounting policies in the financial statements relate to the fair value of the derivative contracts described in notes 8 and 9.

3. Significant accounting policies

(a) Foreign currency translation

Transactions in foreign currencies are translated to U.S. dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the period end exchange rate. Foreign currency differences arising on translation are recognized in profit or loss.

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash, interest receivable, related party loans receivable and payable, accounts payable and accrued liabilities and debt. Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured at amortized cost using the effective interest method, less any loss allowance.

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

(ii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures (see note 8). The Company does not apply hedge accounting but enters into derivative contracts to hedge its economic exposure. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for in profit or loss.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(c) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

3. Significant accounting policies (continued)

(d) Finance income and expenses

Finance income comprises interest income on related party loans receivable, management fee from related party, gain on derivatives, other financial income which is comprised of the offset of the losses on derivatives and foreign exchange, and foreign exchange gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, finance fees, loss on derivatives, other financial expense which is comprised of the offset of the gains on derivatives and foreign exchange, and foreign exchange losses.

Foreign currency gains and losses, reported under finance income and expenses, are reported on a net basis.

4. Related party loans

Non-current related party loans receivable are primarily comprised of U.S. dollar loans obtained by the Company and lent to TEPC for use in its business. The loans are long-term in nature as the intention is not to repay the loans until TEPC generates net positive cash flows. TCCL charges TEPC interest at the market rate applicable to TCCL for the corresponding interest period, which is equivalent to the rate incurred on its outstanding debt as described in note 5. All finance expenses incurred by the Company related to these activities are recovered from TEPC.

Current and non-current related party loans receivable (payable) are also the corresponding offset to the fair value of the derivatives contracts entered into by the Company that are in a(n) liability (asset) position as at the reporting date.

Current related party loans payable includes interest payable of \$29,810 (2020 - \$29,930) to TotalEnergies Capital, a wholly owned subsidiary of TotalEnergies S.E.

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

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(Thousands of U.S. dollars)

(Unaudited)

5. Debt

The Company is registered to issue commercial paper and medium term notes and is a borrower on revolving credit lines.

(a) Summary of debt outstanding

The following table summarizes the book value of the debt outstanding:

	June 30, 2021	December 31, 2020
Commercial paper	7,239,176	7,256,353
Medium term notes	3,970,628	4,067,285
Total	11,209,804	11,323,638

The following table summarizes the book value of the current portion of the debt outstanding:

	June 30, 2021	December 31, 2020
Commercial paper	7,239,176	7,256,353
Medium term notes	1,188,400	-
Total	8,427,576	7,256,353

(b) Commercial paper

The Company is an issuer under Total S.E.'s \$13 billion U.S. commercial paper program. The commercial papers are issued at a discount and the Company receives the proceeds net of interest costs. The debt is accreted to its face value using the effective interest rate method with the interest expense recognized over the term of the commercial paper. The repayment terms are determined at the time of issuance; however they cannot be longer than 364 days. Total S.E. has fully and unconditionally guaranteed the commercial paper issued as to payment of principal, premium, if any, interest and any other amounts due.

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

5. Debt (continued)

(b) Commercial paper (continued)

The book value of the commercial paper at June 30, 2021 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due July 7, 2021 at 0.15%	USD	426,717	426,706
Due July 7, 2021 at 0.14%	USD	497,978	497,966
Due July 8, 2021 at 0.22%	USD	208,574	208,565
Due July 23, 2021 at 0.12%	USD	182,979	182,966
Due July 26, 2021 at 0.19%	USD	300,385	300,345
Due July 27, 2021 at 0.14%	USD	133,845	133,831
Due July 28, 2021 at 0.12%	USD	182,906	182,890
Due July 28, 2021 at 0.06%	USD	11,900	11,899
Due July 28, 2021 at 0.08%	USD	12,450	12,449
Due July 30, 2021 at 0.12%	USD	584,916	584,859
Due August 2, 2021 at 0.15%	USD	482,316	482,252
Due August 3, 2021 at 0.13%	USD	294,670	294,615
Due August 4, 2021 at 0.21%	USD	249,900	249,850
Due August 4, 2021 at 0.21%	USD	250,000	249,950
Due August 5, 2021 at 0.15%	USD	400,000	399,942
Due August 9, 2021 at 0.11%	USD	146,275	146,258
Due August 9, 2021 at 0.11%	USD	100,035	100,023
Due August 10, 2021 at 0.12%	USD	240,734	240,702
Due August 10, 2021 at 0.15%	USD	200,000	199,952
Due August 12, 2021 at 0.13%	USD	300,000	299,955
Due August 16, 2021 at 0.14%	USD	100,000	99,982
Due August 16, 2021 at 0.13%	USD	236,320	236,281
Due August 18, 2021 at 0.15%	USD	290,140	290,082
Due August 18, 2021 at 0.18%	USD	200,000	199,967
Due August 19, 2021 at 0.12%	USD	149,830	149,806
Due August 24, 2021 at 0.11%	USD	121,735	121,715
Due August 30, 2021 at 0.10%	USD	83,060	83,046
Due September 1, 2021 at 0.10%	USD	200,070	200,036
Due September 7, 2021 at 0.09%	USD	113,990	113,971
Due September 7, 2021 at 0.09%	USD	206,255	206,220
Due September 14, 2021 at 0.08%	USD	332,150	332,095
			7,239,176

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

5. Debt (continued)

(b) Commercial paper (continued)

The book value of the commercial paper at December 31, 2020 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due January 4, 2021 at 0.30%	USD	352,900	352,891
Due January 5, 2021 at 0.31%	USD	109,400	109,396
Due January 8, 2021 at 0.16%	USD	395,200	395,188
Due January 8, 2021 at 0.15%	USD	100,120	100,117
Due January 12, 2021 at 0.17%	USD	208,671	208,660
Due January 19, 2021 at 0.19%	USD	399,779	399,741
Due January 19, 2021 at 0.19%	USD	13,562	13,561
Due January 20, 2021 at 0.19%	USD	59,969	59,963
Due January 21, 2021 at 0.21%	USD	370,231	370,192
Due January 26, 2021 at 0.19%	USD	300,134	300,090
Due January 27, 2021 at 0.19%	USD	289,506	289,466
Due January 28, 2021 at 0.19%	USD	172,902	172,877
Due January 28, 2021 at 0.19%	USD	10,029	10,028
Due February 1, 2021 at 0.21%	USD	493,264	493,175
Due February 2, 2021 at 0.21%	USD	141,592	141,566
Due February 3, 2021 at 0.24%	USD	295,000	294,935
Due February 4, 2021 at 0.21%	USD	250,000	249,950
Due February 5, 2021 at 0.20%	USD	250,000	249,951
Due February 9, 2021 at 0.20%	USD	50,000	49,989
Due February 9, 2021 at 0.20%	USD	189,860	189,819
Due February 17, 2021 at 0.20%	USD	248,997	248,932
Due February 18, 2021 at 0.20%	USD	245,709	245,643
Due February 19, 2021 at 0.20%	USD	200,000	199,945
Due February 23, 2021 at 0.20%	USD	99,988	99,959
Due February 23, 2021 at 0.20%	USD	99,735	99,706
Due March 1, 2021 at 0.20%	USD	68,035	68,013
Due March 8, 2021 at 0.20%	USD	112,597	112,556
Due March 17, 2021 at 0.21%	USD	298,077	297,947
Due March 18, 2021 at 0.22%	USD	150,000	149,930
Due April 20, 2021 at 0.25%	USD	499,597	499,219
Due April 23, 2021 at 2.45%	USD	100,000	99,238
Due May 3, 2021 at 0.24%	USD	100,000	99,919
Due May 3, 2021 at 0.25%	USD	150,000	149,873
Due May 3, 2021 at 0.24%	USD	45,772	45,735
Due May 4, 2021 at 0.24%	USD	58,205	58,157
Due May 4, 2021 at 0.24%	USD	10,365	10,356
Due May 5, 2021 at 0.23%	USD	50,000	49,960
Due May 5, 2021 at 0.24%	USD	69,942	69,884
Due May 6, 2021 at 0.24%	USD	100,000	99,917
Due May 18, 2021 at 0.24%	USD	100,000	99,909
			7,256,353

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

5. Debt (continued)

(c) Medium term notes (continued)

TCCL issues notes under Total S.E.'s €40 billion Euro Medium Term Note Program, the \$14.75 billion U.S. Medium Term Note Program and the \$2 billion Australian Medium Term Note Program. Interest is charged at a fixed or floating rate determined at the time of issuance. The repayment terms of the notes are determined at the time of issuance. Total S.E. has fully and unconditionally guaranteed the medium term notes issued as to payment of principal, premium, if any, interest and any other amounts due.

The book value of the medium term notes at June 30, 2021 is as follows:

Expiry	Notional value	Currency	Book value (USD)
March 18, 2022	1,000,000	EUR	1,188,400
July 15, 2023	1,000,000	USD	999,628
September 18, 2029	1,500,000	EUR	1,782,600
			<u>3,970,628</u>

The book value of the medium term notes at December 31, 2020 is as follows:

Expiry	Notional value	Currency	Book value (USD)
March 18, 2022	1,000,000	EUR	1,227,100
July 15, 2023	1,000,000	USD	999,535
September 18, 2029	1,500,000	EUR	1,840,650
			<u>4,067,285</u>

There were no medium term note issuances or repayments for this six month period ended June 31, 2021. The remaining change in book value of the medium term notes from December 31, 2020 to June 30, 2021 is due to the foreign exchange translation gain of \$96,750 (note 7) offset by the amortization of debt issue costs of \$93.

(d) Revolving credit line

TCCL is a swingline borrower on a US\$150 million multicurrency revolving credit agreement (incorporating a US\$ swingline option) with a chartered American bank. The interest rate on the credit facility is charged a variable rate determined on the date of issuance. The credit facility is fully and unconditionally guaranteed by Total S.E. To date, no amounts have been drawn on this facility.

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

6. Share capital

The Company is authorized to issue an unlimited number of common shares, and as of June 30, 2021 and December 31, 2019, has 50,000 issued and outstanding common shares at \$1.00 each. All of the shares are held by Total S.E.

7. Finance income and finance expense

(a) Finance income

	Six months ended June 30, 2021	Six months ended June 30, 2020
Income on related party loans	57,268	121,255
Management fee with related party	150	1,217
Foreign exchange gain (loss) on translation of foreign currency denominated debt	96,750	(3,118)
Other financial income	89,790	137,541
	<u>243,958</u>	<u>256,895</u>

(b) Finance expense

	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest on borrowings	57,268	121,255
Finance fees	30	1,340
Other financial expense (income)	96,750	(3,118)
Loss on derivatives	89,495	137,541
Foreign exchange loss	17	-
	<u>243,560</u>	<u>257,018</u>

8. Financial risk management and financial instruments overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The following disclosure presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the management of capital.

8. Financial risk management and financial instruments overview (continued)

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

(a) Risk management framework

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's related party loans and the forward foreign exchange and interest rate swap contracts.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at June 30, 2021 was \$11,634,538 (December 31, 2020 - \$11,926,217).

Carrying amount	June 30, 2021	December 31, 2020
Cash	1,516	1,091
Interest receivable on related party loans	29,810	29,930
Related party loans	11,508,776	11,667,080
Fair value of derivatives	94,436	228,116
Total	11,634,538	11,926,217

All of the Company's income and the majority of its receivables are from TEPC. The Company's exposure to credit risk is influenced mainly by the characteristics of TEPC as a borrower. However, management also considers the default risk of the industry and country in which the borrower operates, as these factors may have an influence on credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Company's debts are unconditionally guaranteed by TotalEnergies S.E.

TotalEnergies Capital Canada Ltd.

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(Thousands of U.S. dollars)

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8. Financial risk management and financial instruments overview (continued)

(c) Liquidity risk (continued)

The global outbreak of COVID-19 has resulted in increased uncertainty and continues to have a significant impact on the global economy. This economic uncertainty may lead to adverse changes in cash flows, working capital and debt balance, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate cash flows in the future.

The following are the remaining contractual maturities of financial liabilities at June 30, 2021. The amounts are gross and undiscounted, and include estimated interest payments.

Also included in debt are the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes which are not usually closed out prior to contractual maturity.

	Carrying amount	Contractual cash flows	Less than one year	Greater than one year
Derivative and Non-derivative financial liabilities:				
Debt (notional value excluding interest)	11,209,804	11,476,230	8,534,580	2,941,650
Interest differential on swaps	–	184,126	17,733	166,393
Related party loans payable	124,246	124,246	29,810	94,436
Accounts payable and accrued liabilities	1,208	1,208	1,208	–
	11,335,258	11,785,810	8,583,331	3,202,479

The interest payments on variable rate commercial papers and medium term notes in the above table reflect current market interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates and exchange rates change. Except for those financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

8. Financial risk management and financial instruments overview (continued)

(d) Market risk (continued)

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors of the Company. The Company does not apply hedge accounting but enters into derivative contracts to hedge its economic exposure.

(i) Currency risk

Currency risk is the risk that the future cash flows will fluctuate as a result of changes in exchange rates. The Company manages its exposure to foreign exchange fluctuations on its non-U.S. dollar denominated medium term notes by entering into cross-currency interest rate swaps with Total Capital (see interest rate risk section below for the notional value details). Gains or losses on the cross-currency and interest rate swaps are flowed through to TEPC, so that the Company's exposure to foreign currency exchange risk is insignificant.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the medium term notes fluctuates with the interest rates posted by the lenders. Any change in interest rates resulting in changes to interest expense is flowed through to TEPC. The Company uses long-term interest rate swaps, along with the aforementioned currency swaps, to manage the associated risk.

At June 30, 2021, the Company had the following cross currency and interest rate swap contracts related to the outstanding medium term notes:

Expiry	Notional value	Currency	Notional value (USD)	Swap rate	Fair value (USD)
March 18, 2022	500,000	EUR	647,450	LIBOR+64.230bp	(46,985)
March 18, 2022	500,000	EUR	647,000	LIBOR+64.520bp	(46,548)
July 15, 2023	250,000	USD	250,000	LIBOR+81.250bp	21,313
July 15, 2023	250,000	USD	250,000	3.4070%	(14,750)
September 18, 2029	500,000	EUR	647,200	3.3645%	(41,902)
September 18, 2029	500,000	EUR	647,400	3.1925%	(33,058)
September 18, 2029	500,000	EUR	647,050	3.3555%	(41,255)
					(203,185)

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

8. Financial risk management and financial instruments overview (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

At December 31, 2020, the Company had the following cross currency and interest rate swap contracts related to the outstanding medium term notes:

Expiry	Notional value	Currency	Notional value (USD)	Swap rate	Fair value (USD)
March 18, 2022	500,000	EUR	647,450	LIBOR+64.230bp	(20,452)
March 18, 2022	500,000	EUR	647,000	LIBOR+64.520bp	(20,023)
July 15, 2023	250,000	USD	250,000	LIBOR+81.250bp	26,756
July 15, 2023	250,000	USD	250,000	3.4070%	(18,292)
September 18, 2029	500,000	EUR	647,200	3.3645%	(30,634)
September 18, 2029	500,000	EUR	647,400	3.1925%	(21,103)
September 18, 2029	500,000	EUR	647,050	3.3555%	(29,943)
					(113,691)

9. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Cash, interest receivable, accounts payable and accrued liabilities and debt

The fair value of cash, interest receivable, accounts payable and accrued liabilities and commercial paper is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At June 30, 2021, the fair value of these balances approximated their carrying value due to their short term to maturity.

The fair value of the medium term notes has been determined on an individual basis by discounting future cash flows with the zero coupon interest rate curves existing at June 30, 2021 (level 2 fair value).

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Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

9. Determination of fair values (continued)

The fair value of the medium term notes at June 30, 2021 is as follows:

Expiry	Notional value	Currency	Fair value (USD)
March 18, 2022	1,000,000	EUR	1,205,161
July 15, 2023	1,000,000	USD	1,021,526
September 18, 2029	1,500,000	EUR	1,782,600
			4,009,286

(b) Cross currency and interest rate swap contracts

The fair value of cross currency and interest rate swap contracts are determined by discounting the difference between the contracted prices and published forward price curves as at the reporting date. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations that incorporate various inputs, including foreign exchange spot and forward rates.

The following table summarizes the fair value of the derivatives:

	June 30, 2021	December 31, 2020
Non-current asset	94,436	228,116
Current liability	(93,533)	-
Non-current liability	(204,088)	(341,807)
	(203,185)	(113,691)

Level 1 Fair Value Measurements

Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 Fair Value Measurements

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. The fair value of the foreign exchange and interest rate swaps were determined using level 2 fair value measurements.

Level 3 Fair Value Measurements

Level 3 fair value measurements are based on unobservable information.

TotalEnergies Capital Canada Ltd.

Notes to the Financial Statements

For the six-month periods ended June 30, 2021 and 2020

(Thousands of U.S. dollars)

(Unaudited)

10. Capital management

The Company's objective is to obtain debt financing from the capital markets and to provide the financing obtained to TEPC by way of related party loans receivable. The Company considers its capital structure to include working capital, debt and shareholder's equity. The Company's shareholder's equity is not subject to external restrictions and the Company has not paid or declared any dividends since incorporation. There are no financial covenants in the Company's debt agreements.

11. Supplemental cash flow information

	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest receivable on related party loans	120	2,847
Accounts payable and accrued liabilities	(257)	(335)
Interest payable on related party loans	(120)	(2,847)
Change in related party loans related to fair value of derivatives:		
Current asset	–	14,884
Non-current asset	137,719	(207,052)
Current liability	(93,533)	–
Non-current liability	(133,680)	54,627
Net change in non-cash working capital	(89,751)	(137,876)

12. Other commitments and contingencies

The Company, in the normal course of operations, may be subject to various audits by various taxation authorities, including the Canada Revenue Agency ("CRA"). The Company believes that it has appropriately recognized tax assets and liabilities based on the Company's interpretation of relevant tax legislation. Should the CRA initiate a challenge in respect of certain tax filing positions taken by the Company, the Company will update its disclosure and financial statements accordingly.