

Financial Statements of

**TOTAL CAPITAL CANADA LTD.**

Years ended December 31, 2016 and 2015



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## INDEPENDENT AUDITORS' REPORT

To the Shareholder and Directors of Total Capital Canada Ltd.

We have audited the accompanying financial statements of Total Capital Canada Ltd., which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, the statements of income (loss) and comprehensive income (loss), changes in shareholder's equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Total Capital Canada Ltd. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*KPMG LLP*

Chartered Professional Accountants

February 8, 2017  
Calgary, Canada

# TOTAL CAPITAL CANADA LTD.

Statements of Financial Position

As at December 31

(Thousands of U.S. dollars)

	2016	2015
<b>Assets</b>		
Current assets		
Cash	1,053	1,061
Related party loans (note 4)	–	61,755
Interest receivable on related party loans (note 4)	16,918	15,584
	17,971	78,400
Related party loans (note 4)	12,992,858	11,368,107
Fair value of derivatives (notes 8 and 9)	–	3,178
Deferred tax asset	135	362
	13,010,964	11,450,047
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	1,008	1,305
Related party loans (note 4)	16,918	15,584
Fair value of derivatives (notes 8 and 9)	–	61,755
Debt (note 5)	6,562,017	4,836,631
	6,579,943	4,915,275
Fair value of derivatives (notes 8 and 9)	750,398	738,746
Related party loans (note 4)	–	3,178
Debt (note 5)	5,679,456	5,791,606
Shareholder's equity		
Share capital (note 6)	50	50
Retained earnings	1,117	1,192
	1,167	1,242
	13,010,964	11,450,047

Nature of operations, basis of presentation and economic dependence (note 1)

See accompanying notes to financial statements.

# TOTAL CAPITAL CANADA LTD.

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

Years ended December 31

(Thousands of U.S. dollars)

	2016	2015
Finance income (note 7)	230,906	1,081,203
Finance expense (note 7)	(230,822)	(1,081,090)
Net finance income before income tax expense (recovery)	84	113
Income tax expense (recovery)		
Current	(68)	(77)
Deferred	227	(327)
	159	(404)
Net income (loss) and comprehensive income (loss)	(75)	517

See accompanying notes to financial statements.

# TOTAL CAPITAL CANADA LTD.

Statements of Changes in Shareholder's Equity

Years ended December 31

(Thousands of U.S. dollars)

2016	Opening balance	Net loss 2016	Closing balance
Share capital	50	–	50
Retained earnings	1,192	(75)	1,117
<b>Total shareholder's equity</b>	<b>1,242</b>	<b>(75)</b>	<b>1,167</b>

2015	Opening balance	Net income 2015	Closing balance
Share capital	50	–	50
Retained earnings	675	517	1,192
<b>Total shareholder's equity</b>	<b>725</b>	<b>517</b>	<b>1,242</b>

See accompanying notes to financial statements.

# TOTAL CAPITAL CANADA LTD.

Statements of Cash Flows  
Years ended December 31  
(Thousands of U.S. dollars)

	2016	2015
Cash provided by (used in)		
Operating		
Net income (loss)	(75)	517
Deferred income tax expense (recovery)	227	(327)
Change in fair value of derivatives (note 7)	(46,925)	524,149
	(46,773)	524,339
Net change in non-cash working capital (note 11)	46,628	(523,553)
Cash provided by (used in) operating activities	(145)	786
Financing		
Repayment of medium term notes	(1,205,050)	–
Net proceeds of commercial paper	2,864,417	1,991,308
Cash provided by financing activities	1,659,367	1,991,308
Investing		
Increase in related party loans receivable	(1,659,230)	(1,991,846)
Change in cash	(8)	248
Cash, beginning of year	1,061	813
Cash, end of year	1,053	1,061

See accompanying notes to financial statements.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

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## 1. Nature of operations, basis of presentation and economic dependence

Total 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 Total S.A. TCCL issues debt securities and commercial paper. TCCL lends substantially all proceeds of its borrowings to Total E&P Canada Ltd. (“TEPC”), which is also ultimately owned by Total S.A., and has Canadian oil and gas operations.

The related party loans 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 long-term asset. The debt is both current and long-term in nature and as a result, TCCL has a working capital deficit of \$6.6 billion at December 31, 2016. The current portion of the debt is expected to be refinanced upon maturity. The ultimate recoverability of the related party loans 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 Total S.A. Total S.A. 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 2900, 240 – 4<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada, T2P 4H4.

## 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.

The financial statements were authorized for issue by the Board of Directors on February 8, 2017.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- (i) derivative financial instruments are measured at fair value with changes in fair value recorded in profit or loss.
- (ii) held for trading financial assets are measured at fair value with changes in fair value recorded in profit or loss.



# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

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## 2. Basis of presentation (continued)

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.

### (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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

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## 3. Significant accounting policies (continued)

### (b) Financial instruments

#### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash, interest receivable, related party loans, 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 as described below.

#### Financial assets at fair value through profit or loss

An instrument is measured at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has designated cash at fair value through profit or loss.

#### Other

Other non-derivative financial instruments which include interest receivable, related party loans, accounts payable and accrued liabilities and debt are measured at amortized cost using the effective interest method, less any impairment losses.

#### (ii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures (see note 8). 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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

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## 3. Significant accounting policies (continued)

### (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.

### (d) Finance income and expenses

Finance income comprises interest income on related party loans, management fee with 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, transaction costs, 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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

## 4. Related party loans

Related party loans 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.

The current asset (liability) portion of the related party loans is the corresponding offset to the fair value of the derivatives contracts entered into by the Company which expire within the next 12 months that are in a(n) liability (asset) position as at the reporting date. The current liability portion also includes interest payable to Total Capital, a wholly owned subsidiary of Total S.A.

## 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:

	December 31, 2016	December 31, 2015
Commercial paper	6,562,017	3,697,600
Medium term notes	5,679,456	6,930,637
<b>Total</b>	<b>12,241,473</b>	<b>10,628,237</b>

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

	December 31, 2016	December 31, 2015
Commercial paper	6,562,017	3,697,600
Medium term notes	–	1,139,031
<b>Total</b>	<b>6,562,017</b>	<b>4,836,631</b>

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

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## 5. Debt (continued)

### (b) Commercial paper

The Company is an issuer under Total S.A.'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.A. has fully and unconditionally guaranteed the commercial paper issued as to payment of principal, premium, if any, interest and any other amounts due.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
 Years ended December 31, 2016 and 2015  
 (Thousands of U.S. dollars)

## 5. Debt (continued)

### (b) Commercial paper (continued)

The book value of the commercial paper at December 31, 2016 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due January 3, 2017 at 0.760%	USD	199,000	198,941
Due January 3, 2017 at 0.810%	USD	100,000	99,996
Due January 3, 2017 at 0.760%	USD	10,000	9,997
Due January 3, 2017 at 0.760%	USD	25,000	24,993
Due January 3, 2017 at 0.760%	USD	2,000	1,999
Due January 3, 2017 at 0.760%	USD	55,000	54,984
Due January 3, 2017 at 0.760%	USD	100,000	99,970
Due January 6, 2017 at 0.690%	USD	600,000	599,944
Due January 9, 2017 at 0.695%	USD	244,000	243,962
Due January 9, 2017 at 0.720%	USD	800,000	799,872
Due January 9, 2017 at 0.620%	USD	147,000	146,980
Due January 10, 2017 at 0.700%	USD	10,000	9,998
Due January 10, 2017 at 0.720%	USD	100,000	99,982
Due January 10, 2017 at 0.610%	USD	50,000	49,992
Due January 12, 2017 at 0.720%	USD	396,000	395,913
Due January 12, 2017 at 0.700%	USD	10,000	9,998
Due January 12, 2017 at 0.710%	USD	26,000	25,994
Due January 12, 2017 at 0.710%	USD	25,000	24,995
Due January 17, 2017 at 0.710%	USD	57,000	56,982
Due January 17, 2017 at 0.620%	USD	50,000	49,986
Due January 17, 2017 at 0.710%	USD	5,000	4,998
Due January 17, 2017 at 0.720%	USD	100,000	99,968
Due January 17, 2017 at 0.760%	USD	474,000	473,840
Due January 18, 2017 at 0.780%	USD	35,000	34,987
Due January 18, 2017 at 0.760%	USD	15,000	14,995
Due January 18, 2017 at 0.780%	USD	15,000	14,994
Due January 18, 2017 at 0.770%	USD	72,500	72,474
Due January 18, 2017 at 0.760%	USD	200,000	199,928
Due January 19, 2017 at 0.710%	USD	50,000	49,982
Due January 20, 2017 at 0.710%	USD	120,000	119,955
Due January 20, 2017 at 0.720%	USD	100,000	99,962
Due January 26, 2017 at 0.720%	USD	114,000	113,943
Due January 30, 2017 at 0.680%	USD	50,000	49,973
Due January 30, 2017 at 0.680%	USD	100,000	99,945
Due February 1, 2017 at 0.790%	USD	183,500	183,375
Due February 1, 2017 at 0.790%	USD	100,000	99,932
Due February 13, 2017 at 0.720%	USD	35,000	34,970
Due February 15, 2017 at 0.720%	USD	75,000	74,933
Due February 15, 2017 at 0.740%	USD	73,000	72,932
Due February 17, 2017 at 0.740%	USD	50,000	49,952
Due March 17, 2017 at 0.930%	USD	5,000	4,990
Due March 20, 2017 at 0.880%	USD	75,000	74,857

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

## 5. Debt (continued)

### (b) Commercial paper (continued)

The book value of the commercial paper at December 31, 2016 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due March 20, 2017 at 0.940%	USD	100,000	99,796
Due March 20, 2017 at 0.930%	USD	50,000	49,899
Due March 20, 2017 at 0.960%	USD	500,000	498,961
Due March 21, 2017 at 0.950%	USD	25,000	24,948
Due March 21, 2017 at 0.950%	USD	255,000	254,468
Due March 21, 2017 at 0.930%	USD	100,000	99,796
Due March 21, 2017 at 0.955%	USD	50,000	49,879
Due March 21, 2017 at 0.950%	USD	75,000	74,820
Due March 22, 2017 at 0.955%	USD	294,000	293,282
Due April 22, 2017 at 1.080%	USD	65,000	64,805
			6,562,017

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
 Years ended December 31, 2016 and 2015  
 (Thousands of U.S. dollars)

## 5. Debt (continued)

### (b) Commercial paper (continued)

The book value of the commercial paper at December 31, 2015 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due January 4, 2016 at 0.220%	USD	100,000	99,998
Due January 4, 2016 at 0.220%	USD	400,000	399,993
Due January 4, 2016 at 0.240%	USD	220,000	219,996
Due January 11, 2016 at 0.420%	USD	59,000	58,993
Due January 13, 2016 at 0.420%	USD	25,000	24,997
Due January 13, 2016 at 0.440%	USD	57,000	56,992
Due January 13, 2016 at 0.430%	USD	365,000	364,948
Due January 13, 2016 at 0.450%	USD	26,000	25,996
Due January 13, 2016 at 0.450%	USD	20,000	19,997
Due January 13, 2016 at 0.430%	USD	50,000	49,993
Due January 14, 2016 at 0.360%	USD	215,000	214,972
Due January 15, 2016 at 0.210%	USD	249,000	248,980
Due January 15, 2016 at 0.240%	USD	91,500	91,491
Due January 15, 2016 at 0.230%	USD	55,000	54,995
Due January 19, 2016 at 0.440%	USD	21,000	20,995
Due January 21, 2016 at 0.460%	USD	125,000	124,968
Due January 21, 2016 at 0.460%	USD	4,500	4,499
Due January 22, 2016 at 0.230%	USD	63,500	63,491
Due January 25, 2016 at 0.230%	USD	280,000	279,957
Due January 25, 2016 at 0.210%	USD	145,000	144,980
Due January 25, 2016 at 0.430%	USD	11,000	10,997
Due February 1, 2016 at 0.230%	USD	65,000	64,987
Due February 10, 2016 at 0.270%	USD	20,000	19,994
Due February 11, 2016 at 0.230%	USD	50,000	49,987
Due February 16, 2016 at 0.270%	USD	50,000	49,982
Due February 22, 2016 at 0.270%	USD	153,500	153,440
Due February 23, 2016 at 0.310%	USD	208,500	208,405
Due February 25, 2016 at 0.270%	USD	330,000	329,864
Due March 1, 2016 at 0.300%	USD	33,000	32,983
Due March 21, 2016 at 0.590%	USD	206,000	205,730
			<b>3,697,600</b>



# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

## 5. Debt (continued)

### (c) Medium term notes

TCCL issues notes under Total S.A.'s €35 billion Euro Medium Term Note Program, the \$16 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.A. 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 December 31, 2016 is as follows:

Expiry	Notional value	Currency	Book value (USD)
January 15, 2018	1,000,000	USD	1,000,000
September 6, 2018	150,000	AUD	108,328
September 23, 2019	100,000	AUD	72,218
January 31, 2020	100,000	CAD	74,295
July 9, 2020	750,000	EUR	790,575
March 18, 2022	1,000,000	EUR	1,054,100
July 15, 2023	1,000,000	USD	998,790
September 18, 2029	1,500,000	EUR	1,581,150
			<u>5,679,456</u>

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

## 5. Debt (continued)

### (c) Medium term notes (continued)

The book value of the medium term notes at December 31, 2015 is as follows:

Expiry	Notional value	Currency	Book value (USD)
January 15, 2016	1,000,000	USD	1,000,000
July 7, 2016	600,000	NOK	67,983
July 13, 2016	600,000	SEK	71,048
January 15, 2018	1,000,000	USD	1,000,000
September 6, 2018	150,000	AUD	109,623
September 23, 2019	100,000	AUD	73,082
January 31, 2020	100,000	CAD	72,023
July 9, 2020	750,000	EUR	816,525
March 18, 2022	1,000,000	EUR	1,088,700
July 15, 2023	1,000,000	USD	998,603
September 18, 2029	1,500,000	EUR	1,633,050
			<u>6,930,637</u>

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

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## 5. Debt (continued)

### (c) Medium term notes (continued)

There were no medium term note issuances and three repayments for the year ended December 31, 2016.

### (d) Revolving credit line

TCCL is named as a borrower on a CAD\$375 million short term revolving credit line with a Canadian chartered bank. TCCL is also a swingline borrower on a US\$150 million multicurrency revolving credit agreement (incorporating a US\$ swingline option) with a chartered American bank. Interest rates on the credit facilities are charged at variable rates determined on the date of issuance. All credit facilities are fully and unconditionally guaranteed by Total S.A. To date, no amounts have been drawn on these facilities.

## 6. Share capital

### Structure of the share capital

The Company is authorized to issue an unlimited number of common shares, and as of December 31, 2016 and December 31, 2015, has 50,000 issued and outstanding common shares with a face value of \$1.00 each. All of the shares are held by Total S.A.

## 7. Finance income and finance expense

### (a) Finance income

	Year Ended December 31, 2016	Year Ended December 31, 2015
Income on related party loans	136,564	89,906
Management fee with related party	990	4,260
Gain on derivatives	46,925	–
Foreign exchange gain on translation of foreign currency denominated debt	46,427	462,888
Other financial income	–	524,149
	<u>230,906</u>	<u>1,081,203</u>

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

## 7. Finance income and finance expense (continued)

### (b) Finance expense

	Year Ended December 31, 2016	Year Ended December 31, 2015
Interest	136,547	89,906
Finance fees	923	4,147
Loss on derivatives	–	524,149
Other financial expense	93,352	462,888
	<u>230,822</u>	<u>1,081,090</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.

### (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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

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

### (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 December 31, 2016 was \$13,010,829 (December 31, 2015 - \$11,449,685).

Carrying amount	December 31, 2016	December 31, 2015
Cash	1,053	1,061
Interest receivable on related party loans	16,918	15,584
Fair value of derivatives	–	3,178
Related party loans	12,992,858	11,429,862
<b>Total</b>	<b>13,010,829</b>	<b>11,449,685</b>

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 Total S.A.

The following are the remaining contractual maturities of financial liabilities at December 31, 2016. The amounts are gross and undiscounted, and include estimated interest payments.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

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

### (c) Liquidity risk (continued)

Also included 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)	12,241,473	13,115,840	6,567,000	6,548,840
Interest expense on debt	–	804,593	110,901	693,692
Interest differential on swaps	–	19,391	7,117	12,274
Related party loans	16,918	16,918	16,918	–
Accounts payable and accrued liabilities	1,008	1,008	1,008	–
	12,259,399	13,957,750	6,702,944	7,254,806

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.

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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
 Years ended December 31, 2016 and 2015  
 (Thousands of U.S. dollars)

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

### (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 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 December 31, 2016, the Company had the following cross currency interest rate swap contracts related to the outstanding medium term notes:

Expiry	Notional value	Currency	Notional value (USD)	Swap rate	Fair value (USD)
January 15, 2018	1,000,000	USD	1,000,000	LIBOR+58.425bp	(4,978)
September 6, 2018	150,000	AUD	152,985	LIBOR+37.000bp	(41,089)
September 23, 2019	100,000	AUD	90,300	LIBOR+25.500bp	(15,024)
January 31, 2020	100,000	CAD	92,005	LIBOR+30.500bp	(15,377)
July 9, 2020	500,000	EUR	651,750	LIBOR+82.500bp	(105,147)
July 9, 2020	250,000	EUR	325,700	LIBOR+82.400bp	(52,381)
March 18, 2022	500,000	EUR	647,450	LIBOR+64.230bp	(108,943)
March 18, 2022	500,000	EUR	647,000	LIBOR+64.520bp	(108,573)
July 15, 2023	500,000	USD	500,000	LIBOR+81.250bp	(690)
September 18, 2029	500,000	EUR	647,200	LIBOR+85.740bp	(99,816)
September 18, 2029	500,000	EUR	647,400	LIBOR+85.170bp	(99,619)
September 18, 2029	500,000	EUR	647,050	LIBOR+84.520bp	(98,761)
					<b>(750,398)</b>

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
 Years ended December 31, 2016 and 2015  
 (Thousands of U.S. dollars)

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

### (d) Market risk (continued)

#### (ii) Interest rate risk (continued)

At December 31, 2015, the Company had the following cross currency interest rate swap contracts related to the outstanding medium term notes:

Expiry	Notional value	Currency	Notional value (USD)	Swap rate	Fair value (USD)
July 7, 2016	600,000	NOK	110,599	LIBOR+41.833bp	(40,703)
July 13, 2016	600,000	SEK	94,451	LIBOR+39.833bp	(21,052)
January 15, 2018	1,000,000	USD	1,000,000	LIBOR+58.425bp	(1,364)
September 6, 2018	150,000	AUD	152,985	LIBOR+37.000bp	(38,581)
September 23, 2019	100,000	AUD	90,300	LIBOR+25.500bp	(13,933)
January 31, 2020	100,000	CAD	92,005	LIBOR+30.500bp	(16,126)
July 9, 2020	500,000	EUR	651,750	LIBOR+82.500bp	(88,463)
July 9, 2020	250,000	EUR	325,700	LIBOR+82.400bp	(44,035)
March 18, 2022	500,000	EUR	647,450	LIBOR+64.230bp	(102,626)
March 18, 2022	500,000	EUR	647,000	LIBOR+64.520bp	(102,271)
July 15, 2023	500,000	USD	500,000	LIBOR+81.250bp	3,178
September 18, 2029	500,000	EUR	647,200	LIBOR+85.740bp	(110,899)
September 18, 2029	500,000	EUR	647,400	LIBOR+85.170bp	(110,672)
September 18, 2029	500,000	EUR	647,050	LIBOR+84.520bp	(109,776)
					<b>(797,323)</b>



# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

## 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 papers is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2016, 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 December 31, 2016 (level 2 fair value).

The fair value of the medium term notes at December 31, 2016 is as follows:

Expiry	Notional value	Currency	Fair value (USD)
January 15, 2018	1,000,000	USD	996,903
September 6, 2018	150,000	AUD	112,031
September 23, 2019	100,000	AUD	75,311
January 31, 2020	100,000	CAD	76,775
July 9, 2020	750,000	EUR	821,926
March 18, 2022	1,000,000	EUR	1,077,610
July 15, 2023	1,000,000	USD	1,000,228
September 18, 2029	1,500,000	EUR	1,644,469
			<u>5,805,253</u>

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

## 9. Determination of fair values (continued)

### (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:

	December 31, 2016	December 31, 2015
Non-current asset	-	3,178
Current liability	-	(61,755)
Non-current liability	(750,398)	(738,746)
	(750,398)	(797,323)

### 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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
Years ended December 31, 2016 and 2015  
(Thousands of U.S. dollars)

## 10. Capital management

The Company's objective is to obtain debt financing from the capital markets and to provide the financing obtained to TEPC. 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

	Year Ended December 31, 2016	Year Ended December 31, 2015
Interest receivable	(1,334)	(1,047)
Accounts payable and accrued liabilities	(297)	596
Interest payable (related party loans)	1,334	1,047
Change in related party loans related to fair value of derivatives:		
Current asset	61,755	(61,755)
Non-current asset	(11,652)	(465,572)
Non-current liability	(3,178)	3,178
<b>Net change in non-cash working capital</b>	<b>46,628</b>	<b>(523,553)</b>