

Interim Financial Statements of

**TOTAL CAPITAL CANADA LTD.**

For the six-month periods ended June 30, 2020 and 2019

(Unaudited)



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## INTERIM REVIEW REPORT

To the Shareholder and Directors of Total Capital Canada Ltd.

In accordance with our engagement letter dated September 10, 2019, we have reviewed the interim financial statements of Total Capital Canada Ltd., consisting of:

- the statement of financial position as at June 30, 2020
- the statement of loss and comprehensive loss for the six-month period ended June 30, 2020
- the statement of changes in shareholder's equity for the six-month period ended June 30, 2020
- the statement of cash flows for the six-month period ended June 30, 2020
- 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 Audit Committee and the Board of Directors of Total 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 24, 2020

# TOTAL CAPITAL CANADA LTD.

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

	As at June 30, 2020	As at December 31, 2019
<b>Assets</b>		
Current assets		
Cash	923	632
Related party loans (note 4)	126,986	141,870
Interest receivable on related party loans (note 4)	35,339	38,186
	<u>163,248</u>	<u>180,688</u>
Non-current assets		
Related party loans (note 4)	11,346,913	10,959,440
Fair value of derivatives (notes 8 and 9)	61,702	7,075
Deferred tax asset	111	75
	<u>11,571,974</u>	<u>11,147,278</u>
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	933	1,268
Related party loans (note 4)	35,339	38,186
Fair value of derivatives (notes 8 and 9)	126,994	141,878
Debt (note 5)	7,030,346	6,840,260
	<u>7,193,612</u>	<u>7,021,592</u>
Non-current liabilities		
Fair value of derivatives (notes 8 and 9)	516,563	309,511
Related party loans (note 4)	61,702	7,075
Debt (note 5)	3,798,941	3,807,857
Shareholder's equity		
Share capital (note 6)	50	50
Retained earnings	1,106	1,193
	<u>1,156</u>	<u>1,243</u>
	<u>11,571,974</u>	<u>11,147,278</u>

Nature of operations and economic dependence (note 1)  
Subsequent event (note 12)  
See accompanying notes to financial statements.

# TOTAL CAPITAL CANADA LTD.

Statements of Loss and Comprehensive Loss  
Six month periods ended June 30  
(Thousands of U.S. dollars)  
(Unaudited)

	2020	2019
Finance income (note 7)	256,895	206,475
Finance expense (note 7)	(257,018)	(206,867)
Net finance expense before income tax recovery	(123)	(392)
Income tax recovery Deferred	(36)	(123)
Net loss and comprehensive loss	(87)	(269)

See accompanying notes to financial statements.

# TOTAL CAPITAL CANADA LTD.

Statements of Changes in Shareholder's Equity  
Six month periods ended June 30  
(Thousands of U.S. dollars)  
(Unaudited)

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

  

2019	Opening balance	Net income	Closing balance
Share capital	50	–	50
Retained earnings	1,198	(269)	929
<b>Total shareholder's equity</b>	<b>1,248</b>	<b>(269)</b>	<b>979</b>

See accompanying notes to financial statements.

# TOTAL CAPITAL CANADA LTD.

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

	2020	2019
Cash provided by (used in)		
Operating		
Net loss	(87)	(269)
Items not involving cash:		
Deferred income tax recovery	(36)	(123)
Change in fair value of derivatives (note 7)	137,541	21,462
	137,418	21,070
Net change in non-cash working capital (note 11)	(137,876)	(21,356)
Cash used in operating activities	(458)	(286)
Financing		
Repayment of medium term notes	(92,005)	–
Net proceeds of commercial paper	269,948	132,781
Cash provided by financing activities	177,943	132,781
Investing		
Change in related party loans receivable	(177,194)	(132,907)
Change in cash	291	(412)
Cash, beginning of period	632	1,009
Cash, end of the period	923	597

See accompanying notes to financial statements.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six-month periods ended June 30, 2020 and 2019

(Thousands of U.S. dollars)

(Unaudited)

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## 1. Nature of operations 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 \$7 billion at June 30, 2020. 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 4700, 888 – 3<sup>rd</sup> 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 24, 2020.

### (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.



# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
For the six-month periods ended June 30, 2020 and 2019  
(Thousands of U.S. dollars)  
(Unaudited)

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## 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, 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.

#### (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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
For the six-month periods ended June 30, 2020 and 2019  
(Thousands of U.S. dollars)  
(Unaudited)

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## 3. Significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (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.

### (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  
For the six-month periods ended June 30, 2020 and 2019  
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## 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 of \$839,850 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:

	June 30, 2020	December 31, 2019
Commercial paper	6,190,496	5,920,548
Medium term notes	4,638,791	4,727,569
<b>Total</b>	<b>10,829,287</b>	<b>10,648,117</b>

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

	June 30, 2020	December 31, 2019
Commercial paper	6,190,496	5,920,548
Medium term notes	839,850	919,712
<b>Total</b>	<b>7,030,346</b>	<b>6,840,260</b>

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six-month periods ended June 30, 2020 and 2019

(Thousands of U.S. dollars)

(Unaudited)

## 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.

The book value of the commercial paper at June 30, 2020 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due July 2, 2020 at 2.16%	USD	100,000	99,994
Due July 6, 2020 at 2.16%	USD	245,000	244,927
Due July 6, 2020 at 2.05%	USD	90,000	89,974
Due July 6, 2020 at 2.01%	USD	20,000	19,994
Due July 7, 2020 at 2.05%	USD	110,000	109,962
Due July 8, 2020 at 2.05%	USD	200,000	199,920
Due July 8, 2020 at 2.01%	USD	18,000	17,993
Due July 8, 2020 at 2.01%	USD	15,000	14,994
Due July 8, 2020 at 2.10%	USD	25,000	24,990
Due July 8, 2020 at 2.06%	USD	35,000	34,986
Due July 14, 2020 at 1.56%	USD	300,000	299,831
Due July 14, 2020 at 1.56%	USD	385,000	384,783
Due July 15, 2020 at 1.46%	USD	10,000	9,994
Due July 22, 2020 at 1.11%	USD	60,000	59,961
Due July 27, 2020 at 1.06%	USD	173,400	173,267
Due July 29, 2020 at 1.68%	USD	197,000	196,743
Due July 29, 2020 at 1.68%	USD	94,000	93,877
Due August 3, 2020 at 1.68%	USD	394,000	393,394
Due August 3, 2020 at 0.76%	USD	55,000	54,962
Due August 4, 2020 at 0.96%	USD	46,100	46,058
Due August 4, 2020 at 0.92%	USD	200,000	199,826
Due August 4, 2020 at 0.76%	USD	50,000	49,964
Due August 7, 2020 at 0.70%	USD	200,000	199,856
Due August 7, 2020 at 0.74%	USD	319,500	319,257
Due August 11, 2020 at 0.46%	USD	140,000	139,927
Due August 11, 2020 at 0.46%	USD	50,000	49,974
Due August 18, 2020 at 1.64%	USD	267,930	267,344
Due August 18, 2020 at 1.08%	USD	30,520	30,476
Due August 19, 2020 at 0.46%	USD	449,550	449,269
Due September 18, 2020 at 0.48%	USD	447,553	447,082
Due October 1, 2020 at 2.51%	USD	400,000	397,434

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six-month periods ended June 30, 2020 and 2019

(Thousands of U.S. dollars)

(Unaudited)

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Due October 6, 2020 at 0.45%	USD	209,000	208,747
Due October 19, 2020 at 1.30%	USD	13,147	13,095
Due October 30, 2020 at 1.11%	USD	10,000	9,963
Due November 2, 2020 at 0.53%	USD	242,000	241,558
Due November 4, 2020 at 1.01%	USD	58,500	58,293
Due November 12, 2020 at 1.01%	USD	10,000	9,962
Due November 18, 2020 at 0.62%	USD	50,000	49,879
Due November 23, 2020 at 0.58%	USD	100,000	99,766
Due November 24, 2020 at 0.53%	USD	100,000	99,785
Due December 1, 2020 at 0.49%	USD	58,000	57,879
Due December 1, 2020 at 0.49%	USD	10,000	9,979
Due December 7, 2020 at 0.42%	USD	112,800	112,591
Due April 23, 2021 at 2.45%	USD	100,000	97,986
			<hr/>
			6,190,496

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# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
For the six-month periods ended June 30, 2020 and 2019  
(Thousands of U.S. dollars)  
(Unaudited)

## 5. Debt (continued)

### (b) Commercial paper (continued)

The book value of the commercial paper at December 31, 2019 is as follows:

Expiry	Currency	Face value	Book value (USD)
Due January 6, 2020 at 2.00%	USD	772,270	772,055
Due January 7, 2020 at 1.98%	USD	300,000	299,901
Due January 7, 2020 at 1.98%	USD	296,330	296,232
Due January 8, 2020 at 1.97%	USD	416,120	415,961
Due January 8, 2020 at 1.97%	USD	24,700	24,691
Due January 23, 2020 at 1.77%	USD	29,930	29,898
Due January 23, 2020 at 1.77%	USD	28,250	28,219
Due January 23, 2020 at 1.77%	USD	11,000	10,989
Due January 23, 2020 at 1.93%	USD	200,000	199,764
Due January 30, 2020 at 1.87%	USD	280,000	279,578
Due February 3, 2020 at 1.77%	USD	102,600	102,434
Due February 3, 2020 at 1.81%	USD	533,820	532,934
Due February 19, 2020 at 1.97%	USD	350,000	349,062
Due February 20, 2020 at 1.87%	USD	266,850	266,198
Due March 2, 2020 at 1.77%	USD	135,815	135,408
Due March 2, 2020 at 1.77%	USD	300,000	299,100
Due April 8, 2020 at 1.97%	USD	211,060	209,928
Due April 14, 2020 at 1.97%	USD	658,900	655,150
Due April 15, 2020 at 1.95%	USD	400,100	397,824
Due April 23, 2020 at 1.93%	USD	363,000	360,801
Due May 1, 2020 at 1.95%	USD	256,100	254,421
			5,920,548

### (c) Medium term notes

TCCL issues notes under Total S.A.'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.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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
For the six-month periods ended June 30, 2020 and 2019  
(Thousands of U.S. dollars)  
(Unaudited)

## 5. Debt (continued)

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

The book value of the medium term notes at June 30, 2020 is as follows:

Expiry	Notional value	Currency	Book value (USD)
July 9, 2020	750,000	EUR	839,850
March 18, 2022	1,000,000	EUR	1,119,800
July 15, 2023	1,000,000	USD	999,441
September 18, 2029	1,500,000	EUR	1,679,700
			<u>4,638,791</u>

The book value of the medium term notes at December 31, 2019 is as follows:

Expiry	Notional value	Currency	Book value (USD)
January 31, 2020	100,000	CAD	77,162
July 9, 2020	750,000	EUR	842,550
March 18, 2022	1,000,000	EUR	1,123,400
July 15, 2023	1,000,000	USD	999,348
September 18, 2029	1,500,000	EUR	1,685,109
			<u>4,727,569</u>

There were no medium term note issuances and one repayment of \$92,005 for this six month period ended June 30, 2020. The remaining change in book value of the medium term notes from December 31, 2019 to June 30, 2020 is due to the foreign exchange translation loss of \$3,118 (note 7) offset by the amortization of debt issue costs of \$108.

### (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.A. To date, no amounts have been drawn on this facility.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six-month periods ended June 30, 2020 and 2019

(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, 2020 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.A.

## 7. Finance income and finance expense

### (a) Finance income

	Six months ended June 30, 2020	Six months ended June 30, 2019
Income on related party loans	121,255	164,154
Management fee with related party	1,217	612
Foreign exchange gain (loss) on translation of foreign currency denominated debt	(3,118)	20,247
Other financial income	137,541	21,462
	<u>256,895</u>	<u>206,475</u>

### (b) Finance expense

	Six months ended June 30, 2020	Six months ended June 30, 2019
Interest on borrowings	121,255	164,154
Finance fees	1,340	1,004
Other financial expense/income	(3,118)	20,247
Loss on derivatives	137,541	21,462
	<u>257,018</u>	<u>206,867</u>



# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
For the six-month periods ended June 30, 2020 and 2019  
(Thousands of U.S. dollars)  
(Unaudited)

## 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.

### (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, 2020 was \$11,571,863 (December 31, 2019 - \$11,147,203).

Carrying amount	June 30, 2020	December 31, 2019
Cash	923	632
Interest receivable on related party loans	35,339	38,186
Fair value of derivatives	61,702	7,075
Related party loans	11,473,899	11,101,310
<b>Total</b>	<b>11,571,863</b>	<b>11,147,203</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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six-month periods ended June 30, 2020 and 2019

(Thousands of U.S. dollars)

(Unaudited)

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

### (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 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, 2020. 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)	10,829,287	11,414,550	7,178,450	4,236,100
Interest expense on debt	—	501,004	91,539	409,465
Interest differential on swaps	—	219,639	12,666	206,973
Related party loans	97,041	97,041	35,339	61,702
Accounts payable and accrued liabilities	933	933	933	—
	10,927,261	12,233,167	7,318,927	4,914,240

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
For the six-month periods ended June 30, 2020 and 2019  
(Thousands of U.S. dollars)  
(Unaudited)

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

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.

### (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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

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(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 June 30, 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)
July 9, 2020	500,000	EUR	651,750	LIBOR+82.500bp	(84,781)
July 9, 2020	250,000	EUR	325,700	LIBOR+82.400bp	(42,214)
March 18, 2022	500,000	EUR	647,450	LIBOR+64.230bp	(75,551)
March 18, 2022	500,000	EUR	647,000	LIBOR+64.520bp	(75,972)
July 15, 2023	250,000	USD	250,000	LIBOR+81.250bp	29,671
July 15, 2023	250,000	USD	250,000	3.4070%	(20,563)
September 18, 2029	500,000	EUR	647,200	3.3645%	(107,766)
September 18, 2029	500,000	EUR	647,400	3.1925%	(97,642)
September 18, 2029	500,000	EUR	647,050	3.3555%	(107,037)
					<b>(581,855)</b>

At December 31, 2019, 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)
January 31, 2020	100,000	CAD	92,005	LIBOR+30.500bp	(13,918)
July 9, 2020	500,000	EUR	651,750	LIBOR+82.500bp	(85,426)
July 9, 2020	250,000	EUR	325,700	LIBOR+82.400bp	(42,534)
March 18, 2022	500,000	EUR	647,450	LIBOR+64.230bp	(70,558)
March 18, 2022	500,000	EUR	647,000	LIBOR+64.520bp	(70,144)
July 15, 2023	250,000	USD	250,000	LIBOR+81.250bp	7,075
July 15, 2023	250,000	USD	250,000	3.4070%	(9,901)
September 18, 2029	500,000	EUR	647,200	3.3645%	(56,527)
September 18, 2029	500,000	EUR	647,400	3.1925%	(46,555)
September 18, 2029	500,000	EUR	647,050	3.3555%	(55,826)
					<b>(444,314)</b>

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements

For the six-month periods ended June 30, 2020 and 2019

(Thousands of U.S. dollars)

(Unaudited)

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## 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, 2020, 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, 2020 (level 2 fair value).

The fair value of the medium term notes at June 30, 2020 is as follows:

Expiry	Notional value	Currency	Fair value (USD)
July 9, 2020	750,000	EUR	855,662
March 18, 2022	1,000,000	EUR	1,148,067
July 15, 2023	1,000,000	USD	1,031,186
September 18, 2029	1,500,000	EUR	1,679,699
			4,714,614

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
For the six-month periods ended June 30, 2020 and 2019  
(Thousands of U.S. dollars)  
(Unaudited)

## 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:

	June 30, 2020	December 31, 2019
Non-current asset	61,702	7,075
Current liability	(126,994)	(141,878)
Non-current liability	(516,563)	(309,512)
	(581,855)	(444,314)

### 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.

## 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.

# TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements  
For the six-month periods ended June 30, 2020 and 2019  
(Thousands of U.S. dollars)  
(Unaudited)

## 11. Supplemental cash flow information

	Six months ended June 30, 2020	Six months ended June 30, 2019
Interest receivable on related party loans	2,847	(623)
Accounts payable and accrued liabilities	(335)	106
Interest payable on related party loans	(2,847)	623
Change in related party loans related to fair value of derivatives:		
Current asset	14,884	(14,830)
Non-current asset	(207,052)	(12,574)
Current liability	—	—
Non-current liability	54,627	5,942
<b>Net change in non-cash working capital</b>	<b>(137,876)</b>	<b>(21,356)</b>

## 12. Subsequent event

Subsequent to the period ended June 30, 2020, a medium term note maturing on July 9, 2020 with a book value of US\$839,850 (notional value of EUR 750,000) has been refinanced with the issuance of short-term U.S. commercial paper listed below amounting to \$977,450 as part of Total S.A.'s U.S. commercial paper program.

Expiry	Currency	Face value
Due October 7, 2020 at 0.26%	USD	400,000
Due October 8, 2020 at 0.22%	USD	100,000
Due October 8, 2020 at 0.24%	USD	270,450
Due October 20, 2020 at 0.28%	USD	207,000