

Financial Statements of

TOTAL CAPITAL CANADA LTD.

Years ended December 31, 2020 and 2019



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INDEPENDENT AUDITORS' REPORT

To the Shareholder and Directors of Total Capital Canada Ltd.

Opinion

We have audited the financial statements of Total Capital Canada Ltd. (the "Company"), which comprise:

- the statements of financial position as at December 31, 2020 and December 31, 2019
- the statements of income (loss) and comprehensive income (loss) for the years then ended
- the statements of changes in shareholder's equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and December 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is John Joseph Iacuone.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
February 18, 2021

TOTAL CAPITAL CANADA LTD.

Statements of Financial Position

As at December 31

(Thousands of U.S. dollars)

	2020	2019
Assets		
Current assets		
Cash	1,091	632
Related party loans receivable (note 4)	-	141,870
Interest receivable on related party loans receivable	29,930	38,186
	<u>31,021</u>	<u>180,688</u>
Non-current assets		
Related party loans receivable (note 4)	11,667,080	10,959,440
Fair value of derivatives (notes 8 and 9)	228,116	7,075
Deferred tax asset	91	75
	<u>11,926,308</u>	<u>11,147,278</u>
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	1,465	1,268
Related party loans payable (note 4)	29,930	38,186
Fair value of derivatives (notes 8 and 9)	-	141,878
Debt (note 5)	7,256,353	6,840,260
	<u>7,287,748</u>	<u>7,021,592</u>
Non-current liabilities		
Fair value of derivatives (notes 8 and 9)	341,807	309,511
Related party loans payable (note 4)	228,116	7,075
Debt (note 5)	4,067,285	3,807,857
Shareholder's equity		
Share capital (note 6)	50	50
Retained earnings	1,302	1,193
	<u>1,352</u>	<u>1,243</u>
	<u>11,926,308</u>	<u>11,147,278</u>

Nature of operations 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)

	2020	2019
Finance income (note 7)	930,522	488,708
Finance expense (note 7)	(930,429)	(488,696)
Net finance income before income tax recovery	93	12
Income tax expense (recovery)		
Deferred	(16)	17
Net income (loss) and comprehensive income (loss)	109	(5)

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)

2020	Opening balance	Net income	Closing balance
Share capital	50	–	50
Retained earnings	1,193	109	1,302
Total shareholder's equity	1,243	109	1,352

2019	Opening balance	Net loss	Closing balance
Share capital	50	–	50
Retained earnings	1,198	(5)	1,193
Total shareholder's equity	1,248	(5)	1,243

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

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

	2020	2019
Cash provided by (used in)		
Operating		
Net income (loss)	109	(5)
Items not involving cash:		
Deferred income tax (recovery) expense	(16)	17
Change in fair value of derivatives (note 7)	(330,623)	129,438
	(330,530)	129,450
Net change in non-cash working capital (note 11)	330,812	(129,199)
Cash provided by operating activities	282	251
Financing		
Repayment of medium term notes	(1,069,459)	90,300
Net proceeds of commercial paper	1,335,805	287,352
Cash provided by financing activities	266,346	377,652
Investing		
Advance of related party loans receivable	(266,169)	(378,280)
Change in cash	459	(377)
Cash, beginning of year	632	1,009
Cash, end of the year	1,091	632

See accompanying notes to financial statements.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements
Years ended December 31, 2020 and 2019
(Thousands of U.S. dollars)

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.E. 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.E., and has Canadian oil and gas operations.

The related party loans receivable from 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 \$7.3 billion at December 31, 2020. 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 Total S.E. Total 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.

The financial statements were authorized for issue by the Board of Directors on February 18, 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.

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Notes to the Financial Statements
Years ended December 31, 2020 and 2019
(Thousands of U.S. dollars)

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.

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.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements
Years ended December 31, 2020 and 2019
(Thousands of U.S. dollars)

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Derivative financial instruments

The Company holds derivative financial instruments to manage 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.

(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, 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.

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Notes to the Financial Statements
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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 \$29,930 (2019 - \$38,186) to Total Capital, a wholly owned subsidiary of Total S.E.

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, 2020	December 31, 2019
Commercial paper	7,256,353	5,920,548
Medium term notes	4,067,285	4,727,569
Total	11,323,638	10,648,117

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

	December 31, 2020	December 31, 2019
Commercial paper	7,256,353	5,920,548
Medium term notes	-	919,712
Total	7,256,353	6,840,260

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Notes to the Financial Statements
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5. Debt (continued)

(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.

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

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(Thousands of U.S. dollars)

Due May 3, 2021at 0.25%	USD	150,000	149,873
Due May 3, 2021at 0.24%	USD	45,772	45,735
Due May 4, 2021at 0.24%	USD	58,205	58,157
Due May 4, 2021at 0.24%	USD	10,365	10,356
Due May 5, 2021at 0.23%	USD	50,000	49,960
Due May 5, 2021at 0.24%	USD	69,942	69,884
Due May 6, 2021at 0.24%	USD	100,000	99,917
Due May 18, 2021at 0.24%	USD	100,000	99,909
			<hr/>
			7,256,353

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements
Years ended December 31, 2020 and 2019
(Thousands of U.S. dollars)

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.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.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements
Years ended December 31, 2020 and 2019
(Thousands of U.S. dollars)

5. Debt (continued)

(c) Medium term notes (continued)

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>

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 two repayments totaling \$1,069,459 for the year ended December 31, 2020. The remaining change in book value of the medium term notes from December 31, 2019 to December 31, 2020 is due to the foreign exchange translation of \$408,993 (note 7) offset by the amortization of debt issue costs of \$186.

(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.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements
Years ended December 31, 2020 and 2019
(Thousands of U.S. dollars)

6. Share capital

The Company is authorized to issue an unlimited number of common shares, and as of December 31, 2020 and December 31, 2019, has 50,000 issued and outstanding common shares at \$1.00 each. All the shares are held by Total S.E.

7. Finance income and finance expense

(a) Finance income

	Year ended December 31, 2020	Year ended December 31, 2019
Income on related party loans	187,957	311,513
Management fee from related party	2,949	1,059
Gain on derivatives	330,623	-
Foreign exchange gain on translation of foreign currency denominated debt	-	46,698
Other financial income	408,993	129,438
	<u>930,522</u>	<u>488,708</u>

(b) Finance expense

	Year ended December 31, 2020	Year ended December 31, 2019
Interest on borrowings	187,957	311,513
Finance fees	2,856	1,047
Other financial expense	330,623	46,698
Loss on derivatives	-	129,438
Foreign exchange loss on translation of foreign currency denominated debt	408,993	-
	<u>930,429</u>	<u>488,696</u>

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements
Years ended December 31, 2020 and 2019
(Thousands of U.S. dollars)

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 December 31, 2020 was \$11,926,217 (December 31, 2019 - \$11,147,203).

	December 31, 2020	December 31, 2019
Carrying amount		
Cash	1,091	632
Interest receivable on related party loans	29,930	38,186
Fair value of derivatives	228,116	7,075
Related party loans receivable	11,667,080	11,101,310
Total	11,926,217	11,147,203

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
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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.E.

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 December 31, 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)	11,323,638	11,495,238	7,259,138	4,236,100
Interest differential on swaps	–	203,564	20,050	183,514
Related party loans payable	258,046	258,046	29,930	228,116
Accounts payable and accrued liabilities	1,465	1,465	1,465	–
	11,583,149	11,958,313	7,310,583	4,647,730

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Years ended December 31, 2020 and 2019
(Thousands of U.S. dollars)

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 reimbursed by 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 are reimbursed by TEPC. The Company uses long-term interest rate swaps, along with the aforementioned currency swaps, to manage the associated risk.

TOTAL CAPITAL CANADA LTD.

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 Years ended December 31, 2020 and 2019
 (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, 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)

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	(13,919)
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)
					(444,314)

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements
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(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 paper is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 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 December 31, 2020 (level 2 fair value).

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

Expiry	Notional value	Currency	Fair value (USD)
March 18, 2022	1,000,000	EUR	1,260,486
July 15, 2023	1,000,000	USD	1,027,034
September 18, 2029	1,500,000	EUR	1,840,649
			4,128,169

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Notes to the Financial Statements
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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, 2020	December 31, 2019
Non-current asset	228,116	7,075
Current liability	-	(141,878)
Non-current liability	(341,807)	(309,511)
	(113,691)	(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 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.

TOTAL CAPITAL CANADA LTD.

Notes to the Financial Statements
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11. Supplemental cash flow information

	Year ended December 31, 2020	Year ended December 31, 2019
Interest receivable on related party loans	8,256	(578)
Accounts payable and accrued liabilities	197	239
Interest payable on related party loans	(8,256)	578
Change in related party loans related to fair value of derivatives:		
Current asset	141,870	(123,424)
Non-current asset	(32,296)	(13,089)
Current liability	—	—
Non-current liability	221,041	7,075
Net change in non-cash working capital	330,812	(129,199)