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S.A.S. à capital variable

Total Capital

Statutory auditors' report on the financial statements

Year ended 31 December 2016
Total Capital
2, place Jean Millier - La Défense 6 -
92400 Courbevoie - France
This report contains 25 pages



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This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Total Capital

Registered office: 2, place Jean Millier - La Défense 6 - 92400 Courbevoie - France
Share capital: € 300.000

Statutory auditors' report on the financial statements

Year ended 31 December 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying financial statements of Total Capital;
- the justification of our assessments;
- the specific verification and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or



other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

2 Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce), we bring to your attention the following matters :

Note 1 to the financial statements presents the accounting rules and methods applied to the currency transactions, rate and foreign exchange instruments and bond issues.

As part of our assessment of the accounting policies implemented by your company, we verified that the information presented in this note to the financial statements was appropriate and consistently applied.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.



Total Capital
Statutory auditors' report on the financial statements
8 February 2017

In accordance with French law, we inform you that, contrary to the requirements of article L. 225-102-1 of the French Commercial Code ("Code de commerce"), your Company has not included in the management report of the Board of Directors the information relating to remunerations and benefits received by the directors and any other commitments made in their favour. Consequently, we cannot attest the accuracy and fair presentation of this information.

Paris La Défense, 8 February 2017

Paris La Défense, 8 February 2017

The statutory auditors

The statutory auditors

French original signed by

French original signed by

KPMG Audit
Département de KPMG S.A.

ERNST & YOUNG Audit

Michel Piette
Partner

Yvon Salaün
Partner

**TOTAL CAPITAL
2 PLACE JEAN MILLIER
92400 COURBEVOIE
R.C.S. 428 292 023**

**FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016**

TOTAL CAPITAL

- BALANCE SHEET AS OF 31 DECEMBER 2016
- INCOME STATEMENT AS OF 31 DECEMBER 2016
- CASH FLOW STATEMENT AS OF 31 DECEMBER 2016
- APPENDIX

TOTAL CAPITAL

**BALANCE SHEET
AS OF 31 DECEMBER 2016**

TOTAL CAPITAL

(in euros)

BALANCE SHEET AS OF DECEMBER, 31 2016

ASSETS	31-Dec-16		31-Dec-15	LIABILITIES	31-Dec-16	31-Dec-15
	Gross	Amortizations, depreciations and provisions				
FIXED ASSETS						
FINANCIAL ASSETS (note 2)				SHAREHOLDERS' EQUITY (note 4)		
Long-term loans after swaps	8,207,561,404		8,207,561,404	Capital	300,000	300,000
Drawdowns on credit facilities	6,672,145,212		6,672,145,212	Reserves	1,016,817	945,982
Accrued interests on long-term loans after swaps	1,485,958,266		1,485,958,266	Legal Reserves	30,000	30,000
Accrued interests on credit facilities	47,694,415		47,694,415	Retained Earnings	986,817	915,982
	1,763,511		1,763,511	Income for fiscal year	142,129	1,570,834
SUB TOTAL I	8,207,561,404		8,207,561,404	SUB TOTAL I	1,458,946	2,816,816
CURRENT ASSETS				PROVISIONS		
ACCOUNTS RECEIVABLE (note 3)				SUB TOTAL II		
Current accounts and inter-company loans	2,618,844,468		2,618,844,468	LIABILITIES		
Deposits and guarantees	202,068		202,068	Debtenture loans and similar debt debentures (note 5)	8,207,191,032	9,481,665,458
Other receivables	2,406,550,000		2,406,550,000	Debtenture loans after hedge swaps	8,156,103,478	9,433,632,836
Accrued income / dedicated swaps	924,515		924,515	Accrued interests on debtenture loans after swaps	49,087,554	48,052,622
Cash available	211,159,655		211,159,655	Miscellaneous borrowings and financial debts (Note 6)	2,617,651,991	1,582,482,761
	8,230		8,230	Commercial Papers		
				Bank and Security Deposits	221,100,000	446,800,000
				Creditor current accounts	2,184,951,011	956,767,982
				Related accounts payables / miscellaneous financial liabilities	441,325	145,650
				Accrued liabilities / dedicated swaps	211,159,655	178,769,129
				Operating liabilities (note 7)	103,903	571,222
				Trade notes and accounts payable	103,903	105,897
				Tax and social liabilities		465,325
SUB TOTAL II	2,618,844,468		2,618,844,468	SUB TOTAL III	10,824,946,926	11,064,739,441
PREPAID EXPENSES III				PREPAID INCOME IV		
TOTAL (I+II+III)	10,826,405,872		10,826,405,872	TOTAL (I+II+III+IV)	10,826,405,872	11,067,556,258
					EUR	EUR

TOTAL CAPITAL

**INCOME STATEMENT
AS OF 31 DECEMBER 2016**

TOTAL CAPITAL

(in euros)

INCOME STATEMENT AS OF DECEMBER 31, 2016

EXPENSES	31-Dec-16	31-Dec-15	INCOME	31-Dec-16	31-Dec-15
OPERATING EXPENSES (note 8)			OPERATING INCOME		
External expenses	1,377,420	2,711,925	Miscellaneous income		
Taxes	125	121			
SUB TOTAL I	1,377,545	2,712,046	SUB TOTAL I	0	0
FINANCIAL EXPENSES (note 9)			FINANCIAL INCOME (note 10)		
Interests on debenture loans after swaps	229,635,890	243,985,670	Interests on loans after swaps	96,014,257	98,187,799
Interests on commercial papers	699,169	110,922	Interests on long-term loans	129,432,184	134,857,261
Interests on Billets de Trésorerie			Interests on credit facilities	7,625,208	15,886,516
Interests on loans			Interests on inter-company loans		
Interests on current accounts	4,136	4,388	Interests on current accounts	735,041	175,641
Interests on deposits and security deposits	2,464,212	643,363	Interests on deposits and security deposits	419,363	465,646
Interests on dedicated swaps	789,140,212	631,851,352	Income from dedicated swaps	789,254,187	631,750,347
Other financial expenses and swap points	273,994	305,474	Others interests, similar income and swap points	273,993	305,474
Foreign exchange loss		93,473	Foreign exchange income	45,848	
Diverse financial expenses			Diverse financial interests	8,271	435,403
SUB TOTAL II	1,022,217,613	876,994,662	SUB TOTAL II	1,023,808,352	882,064,087
EXTRAORDINARY EXPENSES			EXTRAORDINARY INCOME		
SUB TOTAL III	0	0	SUB TOTAL III	0	0
INCOME TAX IV	71,065	786,545	NET LOSS FOR THE FISCAL YEAR		
NET INCOME FOR THE PERIOD	142,129	1,570,834			
TOTAL	1,023,808,352	882,064,087	TOTAL	1,023,808,352	882,064,087

TOTAL CAPITAL

**CASH FLOW STATEMENT
AS OF 31 DECEMBER 2016**

CASH FLOW STATEMENT

in thousand euros

	31-Dec-16	31-Dec-15
OPERATING CASH FLOW		
Fiscal period income as of 31.12.2015		1,571
Fiscal period income as of 31.12.2016	142	
Decrease (increase) of working capital requirement	(735)	658
Net Operating Cash Flow	(593)	2,229
INVESTMENT CASH FLOW		
Increase in long-term loans	(115,760)	(259,020)
Repayment of long-term loans	1,508,526	3,563,539
Net Investment Cash Flow	1,392,766	3,304,519
FINANCING CASH FLOW		
Dividends paid	(1,500)	(836)
Net loans issued	(1,477,991)	(3,353,543)
Changes in short-term financial liabilities	1,034,910	671,033
Changes in short-term receivables	(1,033,003)	(672,727)
Net Financing Cash Flow	(1,477,584)	(3,356,073)
Cash increase (decrease)	(85,411)	(49,325)
Impact of foreign exchange fluctuations	85,411	49,325
Cash at the beginning of the period	0	0
Cash at the end of the period	0	0

TOTAL CAPITAL

APPENDIX

TOTAL CAPITAL

APPENDIX

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TOTAL CAPITAL

SIGNIFICANT EVENTS

In 2016, Total Capital continued its activity on debt capital markets through various commercial paper issuances, together with a management of interest rate risk.

For short-term borrowings, Total Capital can issue under Commercial Papers programmes (US CP and EURO CP) and under a Billets de Trésorerie programme.

For long-term borrowings, Total Capital can issue along with TOTAL S.A., Total Capital Canada and Total Capital International as issuer under the EMTN programme in Europe (guaranteed by TOTAL S.A.), under a US SEC Registered Shelf programme in the United States (guaranteed by TOTAL S.A.) and under an AMTN programme in Australia (guaranteed by TOTAL S.A.). Total Capital can also issue on a stand-alone basis (guaranteed by TOTAL S.A.) on the Swiss market.

In 2016, Total Capital did not issue any debenture loan.

Total Capital's issue programmes have a long term and a short term ratings by Standard and Poor's: A+/A-1 with a negative outlook, and by Moody's: Aa3/P-1 with a stable outlook. These ratings were made possible thanks to TOTAL S.A.'s guarantee granted to these programmes.

On April, 8th 2016 Moody's, following a complete review of the oil sector, decided to downgrade the rating of the long term debt of Total from Aa1 to Aa3 with a stable perspective.

In addition, Standard & Poors decided on February, 22nd 2016 to downgrade the rating of the long term debt of Total from AA- to A+ and the short term debt from A-1+ to A-1. The long term debt has a negative perspective.

In addition to its financial activities, Total Capital concluded currency and interest rate transactions, with TOTAL S.A. affiliates as well as with external counterparties.

TOTAL CAPITAL

Note 1: ACCOUNTING RULES

GENERAL PRINCIPLES

The balance sheet and income statement are established in accordance with the provisions of French law and in compliance with generally accepted accounting principles used by corporations.

ACCOUNTING RULES AND METHODS

The long- and medium-term financing transactions within the Total group are recorded as financial assets according to their face value.

✓ Currency transactions

Given Total Capital's financial activities and the significant amount of its foreign currency inflows and outflows, Total Capital uses multi-currency accounting, as financial institutions do.

Therefore, at closing, Total Capital does not use translation adjustment accounts but revalues balance sheet and off-balance sheet entries whose impact is recorded in the income statement.

The revaluation of long-term off-balance sheet items in foreign currencies is recorded in the balance sheet as the financial derivative instruments with which they match (debenture loans).

The revaluation of short-term off-balance sheet items in foreign currencies is recorded under "revenue receivables from the revaluation of off-balance sheet foreign exchange positions" or "expenses payables for the revaluation of off-balance sheet foreign exchange positions."

The foreign exchange positions are converted into euros based on the exchange rate at the end of the fiscal year.

✓ Interest Rate and Currency Financial Instruments

Outstanding transactions involving forward financial instruments are recognized as off-balance sheet liabilities. They consist primarily of interest rate and currency swap agreements negotiated for hedging purposes in order to manage Total Capital's exposure to fluctuations in interest rates and foreign exchange rates.

The interest differentials along with the premiums or discounts associated with these swaps or forward contracts are recorded, prorated over the period, in the income statement as financial expenses or income over the life of the items that they match.

TOTAL CAPITAL

A provision will be booked for possible losses relating to transactions where the accounting standards for hedging are not respected.

✓ **Debenture loans**

Debenture loans converted into US dollars or euros through individually paired swaps are shown after swaps in the balance sheet and in the income statement. They are converted at the closing rate on the date of the account statement. The profits and losses resulting from the conversion at the closing rate of the currency borrowings and currency swaps are recorded as revenue under the heading: Foreign Exchange Profits and Losses.

✓ **Presentation of interests on swaps hedging debenture loans**

Interests on debenture loans are presented net of swaps. This presentation establishes consistency between the profit and loss statement and the balance sheet (Debenture loans were presented after their reevaluation for foreign exchange variations on associated swaps) and enables a direct assessment of the final cost of debt. On the balance sheet, accrued interests on debenture loans are also disclosed net of accrued interests on swaps.

Note 2: FINANCIAL ASSETS

Long-term investments are comprised of:

- drawdowns on credit facilities in euros with Total S.A. for a nominal amount of 1.486 Billion euros,
- long-term loans in US dollars with Total S.A. for a nominal amount of 1.186 Billion euros,
- variable-rate long-term loans in US dollars with Total Treasury for a nominal amount of 0.603 Billion euros,
- fixed-rate long-term loans in CNY with Total Treasury for a nominal amount of 0.145 Billion euros,
- long-term loans in euros and US dollars with Total Finance for a nominal amount of 4.331 Billion euros.

Loans in euros are presented after swaps.

They are fully backed to the debenture loans after taking into account the issue swaps.

a) Changes in financial assets

in thousand euros

FINANCIAL ASSETS	POSITION AT THE OPENING OF FISCAL YEAR	INCREASES ACQUISITIONS CONTRIBUTIONS	DECREASES DISPOSALS	GROSS VALUE AT CLOSING
Long-term loans after swaps	7,526,080	190,057	1,043,992	6,672,145
Drawdowns on credit facilities	1,907,553		421,595	1,485,958
Accrued interests on long-term loans ⁽¹⁾	45,665	47,477	45,447	47,695
Accrued interests on credit facilities	2,892	1,763	2,892	1,763
TOTAL	9,482,190	239,297	1,513,926	8,207,561

b) Financial assets repayment schedule

in thousand euros

	GROSS AMOUNT	LESS THAN A YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
Long-term loans after swaps	6,672,145	406,759	4,712,028	1,553,358
Drawdowns on credit facilities	1,485,958	640,273	845,685	
Accrued interests on long-term loans ⁽¹⁾	47,695	47,695		
Accrued interests on credit facilities	1,763	1,763		
TOTAL	8,207,561	1,096,490	5,557,713	1,553,358

(1) including accrued interests net of swaps associated with loans

Note 3: ACCOUNTS RECEIVABLE**Detail of Accounts Receivable**

The amount of Account Receivables with Total Treasury is not significant, it represents 202 thousand euros.

in thousand euros

	GROSS AMOUNT	LESS THAN A YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
Current accounts and inter-company loans	202	202		
Accrued interest (inter-company loans, current accounts)				
Deposits and security deposits ⁽²⁾	2,406,550	2,406,550		
Other receivables	924	924		
Accrued income on swaps and forward transactions ⁽³⁾	211,160	211,160		
Cash available	8	8		
TOTAL	2,618,844	2,618,844		

(2) Deposits made by banks in relation to margin call agreements to limit counterparty risk. It mainly concerns swaps associated with debenture loans.

(3) Swaps made for the account of Total Capital Canada and Total Capital International. Accrued income on swaps associated with debenture loans or long-term loans is related to the interests from these debentures and loans.

Note 4: SHAREHOLDERS' EQUITY**a) Changes in Shareholders' Equity**

in thousand euros

2015	POSITION AT THE OPENING OF FISCAL YEAR	NET INCOME APPROPRIATION 2014	POSITION AS OF 31/12/2015
Share capital	300		300
Legal reserve	30		30
Retained earnings	616	300	916
Income for fiscal year 2014	1,136	(1,136)	
Dividend distribution		836	
Income as of 31/12/2015			1,571
TOTAL SHAREHOLDERS' EQUITY	2,082	0	2,817

in thousand euros

2016	POSITION AT THE OPENING OF FISCAL YEAR	NET INCOME APPROPRIATION 2015	POSITION AS OF 31/12/2016
Share capital	300		300
Legal reserve	30		30
Retained earnings	916	71	987
Income for fiscal year 2015	1,571	(1,571)	
Dividend distribution		1,500	
Income as of 31/12/2016			142
TOTAL SHAREHOLDERS' EQUITY	2,817	0	1,459

b) Structure of the Share Capital

Total Capital comprises 30,000 shares with a face value of 10 euros each, held as follows:

TOTAL SA	29,994	shares representing	99.98%
DIRECTORS	6	shares representing	0.02%

NOTE 5: DEBENTURE LOANS AND SIMILAR DEBT DEBENTURES

The debenture loans are shown below first before conversion into Euros mainly with floating rate. They are redeemed at maturity.

Nominal in specific currency	Currency	AS OF 31-dec-2016				AS OF 31-dec-2015	
		In thousand euros	LESS THAN A YEAR in thousand euros	BETWEEN 1 AND 5 YEARS in thousand euros	MORE THAN 5 YEARS in thousand euros	In specific currency	In thousand euros
	AUD					150,000,000	100,691
525,000,000	CHF	488,872		488,872		1,175,000,000	1,084,449
1,065,000,000	CNY	145,488		145,488		1,065,000,000	150,833
2,950,000,000	EUR	2,950,000	300,000	1,200,000	1,450,000	2,950,000,000	2,950,000
800,000,000	GBP	834,383	350,394	583,989		800,000,000	1,089,993
750,000,000	HKD	91,742		91,742		750,000,000	88,888
3,250,000,000	USD	3,083,199		3,083,199		4,250,000,000	3,903,738
TOTAL		7,693,684	650,394	5,593,290	1,450,000		9,368,591

Most of the debenture loans have been swapped from fixed to floating rate into USD or EUR in order to match financing needs resulting from long term loans and drawdowns on credit facilities. The impacts of revaluation of swaps are presented below.

	AS OF 31-dec-2016				AS OF 31-dec-2015	
	In thousand euros	LESS THAN A YEAR in thousand euros	BETWEEN 1 AND 5 YEARS in thousand euros	MORE THAN 5 YEARS in thousand euros	In specific currency	In thousand euros
Total debenture loans before hedge swaps	7,693,684	650,394	5,593,290	1,450,000		9,368,591
Impact of Revaluation of hedge swaps	464,420	(10,120)	134,103	340,437		65,041
Total debenture loans after hedge swaps	8,158,104	640,274	5,727,393	1,790,437		9,433,633
Interest accrued / debenture loans after swaps ⁽¹⁾	49,087	49,087				48,053
TOTAL	8,207,191	689,361	5,727,393	1,790,437		9,481,686

(1) including interest accrued on swaps associated with debenture loans

Note 6: MISCELLANEOUS BORROWINGS AND FINANCIAL DEBTS

Financial debt is over 83 % with Total Treasury for an amount of 2,185 Million euros

Repayment schedule for miscellaneous borrowings and financial debts

in thousand euros

	31-Dec-16	LESS THAN A YEAR	BETWEEN 1 AND 5 YEARS	INCLUDING MORE THAN 5 YEARS	31-Dec-15
Commercial Papers	0	0			
Banks and security deposits ⁽¹⁾	221,100	221,100			446,800
Current account receivable	2,184,951	2,184,951			956,768
Related accounts payables / miscellaneous financial debts	441	441			146
Accrued liabilities / dedicated swaps ⁽²⁾	211,160	211,160			178,769
TOTAL LIABILITIES	2,617,652	2,617,652	0	0	1,582,483

(1) Deposits made by banks in relation to margin call agreements to limit counterparty risk. It mainly concerns swaps associated with debenture loans.

(2) Accrued liabilities on dedicated swaps made for the account of Total Capital Canada and Total Capital International.

Note 7: OPERATING LIABILITIES**Repayment schedule for operating liabilities**

in thousand euros

	31-Dec-16	LESS THAN A YEAR	BETWEEN 1 AND 5 YEARS	INCLUDING MORE THAN 5 YEARS	31-Dec-15
Trade notes and accounts payable	104	104			106
Taxes and social obligations					465
TOTAL LIABILITIES	104	104	0	0	571