

May 19, 2017

Total's Response to Oxfam's report, "Beyond Transparency: Investigating the New Extractive Industry Disclosures."

"Total teams met with representatives of Oxfam France, Sherpa, One and Publish What You Pay on 13 January to answer around sixty questions on the information provided by Total with respect to payments made to States in 2015, and it is regrettable that these associations did not consider it useful at that time to ask Total for information on an alleged \$100 million differential between the income declared by Angola and the income stated in the Total declaration, before publishing their "Crude transparency: Deciphering the transparency of extractive companies" report.

This oversight is all the more regrettable given the fact that in this report, the NGOs state that the reason for this differential could be the implementation of a transfer price by Total. This assertion is crude and unfounded.

The data reported by Total in its 2016 Reference Document complies with very specific methodology. The amounts published correspond to the actual rights acquired in 2015 by Sonangol under the production sharing contract ("profit-oil"). As operator, Total is responsible for calculating these rights, subject to Sonangol's ability to audit them. The volumes taken into account in the report published by the NGOs, based on data from the Ministry of Finance and/or Sonangol, seem to correspond to the barrels of oil actually delivered to Sonangol in 2015 (these are referred to as liftings as opposed to acquired rights), the delivery of the balance of barrels not lifted in the same year is carried over. This difference, which is temporary, may also be increased by delays in payment (timing difference between the accounting record of a transaction and the corresponding cash flow). The existence of discrepancies between acquired rights and lifting is systematic in our industry, since liftings are done by tankers whose cargo volumes do not correspond exactly to lifting rights. Thus, at the end of the year, the parties to a contract are either in a position of over-lifting or under-lifting. This position is governed by very specific accounting processes applied by the stakeholders concerned. It goes without saying that at the end of the contract, rights are exactly equal to the liftings.

The volumes corresponding to Sonangol's rights were valued by Total using the quarterly tax prices applicable to Block 17 crude oil, as provided by the Angolan Ministries of Oil and Finance. This choice of valuation is logical, since these tax prices must be used by Total and its partners in the preparation of tax returns related to Angolan hydrocarbon production and marketing activities. The calculation of taxes is therefore strictly regulated and defined by Angolan law and production sharing contracts. The average price per barrel quoted in the "Crude transparency: Deciphering the transparency of extractive companies" report and extrapolated from data published by the Angolan Ministries does not correspond to the tax prices used by Total, and

does not appear to be consistent with the tax revenue and volume data also featured in its report.

In sum, Total accounts for the volumes that can be attributed to Sonangol in accordance with the production sharing contract, and values these volumes on the basis of regulated prices controlled and provided by the Angolan State, which completely excludes any possible manipulation of transfer prices, contrary to the assertions of the NGOs that have written this report.