

April 14, 2020

Rating object

Total S.A.
Total Capital S.A.
Total Capital International S.A.
Long-term Local Currency Senior Unsecured Issues

Rating incl. outlook / watch

AA- / negative
AA- / negative
AA- / negative
AA- / negative

Date of inception / disclosure to rated entity / maximum validity:

07/04/2020 / 07/04/2020 / until withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating has revised the outlook for the ratings of Total to negative from stable and confirmed its AA- rating.

Creditreform Rating has revised the outlook for the corporate issuer ratings of Total S.A., Total Capital S.A., Total Capital International S.A. and their Long-term Local Currency Senior Unsecured Issues and changed it to negative from stable. The main reasons behind this decision are the drop in oil prices combined with the decline in refining margins after the failure to extend the OPEC+ agreement on oil production cuts, as well as the overall economic and social implications of the coronavirus pandemic, with a looming global economic slowdown. Creditreform Rating affirms the ratings at AA-, but expects a deterioration of the financial metrics of Total if these effects persist.

Total's AA- rating reflects its large-scale, global leading position, and its integrated business model, comprising its upstream and downstream businesses including wide-ranging processing facilities and the distribution of petroleum products, as well as its good geographical diversification. In the previous years, the Group managed to significantly increase and diversify its upstream production portfolio based on a range of new projects and start-ups, and to maintain a solid pre-dividend breakeven. The Company has been preparing for the global shift in energy mix, and expanding into relatively new businesses such as low carbon electricity generation, energy efficiency projects, and especially LNG. In 2019, Total posted a solid development, achieving consolidated revenues from sales of USD 176,249 million (2019: USD 184,106 million) and a consolidated net income of USD 11,438 million (2018: USD 11,550 million).

Despite its strong financials, liquidity, and its leading market position, the Company is still susceptible to risks associated with volatile oil and gas prices, as well as to overall economic cycles. After the failure to achieve a consensus regarding production cuts among the OPEC+ countries, oil prices experienced a sharp decrease, and since then have remained at the level of approximately USD 30/barrel. Hence, the Company has been facing a completely different price environment than previously assumed in its strategic considerations with a price level of USD 60/barrel. The situation is aggravated by the implications of the coronavirus outbreak resulting in a decrease in travel and transportation, an overall shutdown of business and social activities, and a looming global economic slowdown, which puts pressure on the demand for oil and gas. This situation cannot be balanced by refining activities due to weak refining margins, resulting from plunge in demand for oil products combined with increased global refining capacity and unrestrained supply. Additionally, gas prices have also been low during the last year.

Total has launched an action plan for the new price environment aimed on strengthening its liquidity. This plan includes capex cuts of more than USD 3 billion to less than USD 15 billion, USD 800 million of savings in 2020 on operating costs compared to 2019 instead of the USD 300 million previously announced, as well as the suspension of the share buyback program. Initially, Total had announced a USD 2 billion buyback for 2020 and bought back USD 550 million in the first two months.

Despite all these measures, should the effects of the coronavirus outbreak and the low oil price level prove to be long lasting, we expect a deterioration of the company's financials, particularly of its profitability and financial stability ratios.

Primary key rating drivers:

- + Strong global market position, significant scale
- + Good geographical diversification
- + Sustainable integrated business model with diversified up- and downstream activities
- + Diversified hydrocarbon resource base
- + Sufficient amount of proved reserves
- + High efficiency and solid level of pre-dividend breakeven
- + Measures aimed at strengthening liquidity

- Exposure to economic cycles
- Volatile commodity prices
- Valuation risks
- Highly competitive market
- Regulatory risks
- Low oil price environment
- Overall decrease in oil and gas demand as a result of global economic slowdown

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Total S.A. we have not identified an ESG factor with significant influence.

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here:

https://www.creditreform-rating.de/pub/media/global/page_document/The_Impact_of_ESG_Factors_on_Credit_Ratings.pdf

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances could occur that would lead to a change of the rating out of the indicated range.

Best-case scenario: AA-

In our best-case scenario for one year, we assume a rating of AA-. We assume a moderate decrease in revenues and a decrease in profitability. According to the announced liquidity management measures, Total would be able to maintain its financials on the level which is commensurate with its current rating.

Worst-case scenario: A+

In our worst-case scenario for one year, we assume a rating of A+ or lower. In this case, the company would experience a severe decrease in revenues following the long-lasting effects of a low oil price environment and of the overall economic slowdown. In this situation, the Company, despite the announced measures, will not be able to maintain its solid debt coverage ratios and liquidity, which would put downward pressure on our rating assessment.

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Initial rating:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of Total S.A.	Initial rating	07.11.2019	15.11.2019	withdrawal of the rating	AA- / stable
Corporate Issuer Rating of Total Capital S.A.	Initial rating	07.11.2019	15.11.2019	withdrawal of the rating	AA- / stable
Corporate Issuer Rating of Total Capital International S.A.	Initial rating	07.11.2019	15.11.2019	withdrawal of the rating	AA- / stable
LT LC Senior Unsecured Issues	Initial rating	07.11.2019	15.11.2019	withdrawal of the rating	AA- / stable

Status of solicitation and information basis:

The present rating is an **unsolicited** rating. The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

Rating methodology / Version / Date of application:

Rating Methodology	Version Number	Date	Website
Corporate Ratings	2.3	29.05.2019	https://www.creditreform-rating.de/pub/media/global/page_document/Rating_Methodology_Corporate_Ratings_2.3.pdf
Non-Financial Corporate Issue Ratings	1.0	October 2016	https://www.creditreform-rating.de/pub/media/global/page_document/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf
Rating Criteria and Definitions	1.3	January 2018	https://www.creditreform-rating.de/pub/media/global/page_document/CRAG_Rating_Criteria_and_Definitions_v1_3_01-2018.pdf

Regulatory requirements:

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In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

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To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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