5.4. STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Fiscal year ended 31 December 2017

To the Etablissements Maurel & Prom S.A. General Shareholders' Meeting,

Opinion

In compliance with the assignment entrusted to us by your General Shareholders' Meeting, we have audited the parent company financial statements of Etablissements Maurel & Prom S.A. for the fiscal year ended 31 December 2017, as appended to this report.

We hereby certify that with regard to French accounting principles and regulations, the parent company financial statements are consistent and fair and give a true and fair view of the results of the company's operations over the past year, as well as its financial position and assets at year-end.

The opinion expressed below is consistent with the content of our report to the audit committee.

Basis for opinion

Audit protocol

We conducted our audit in accordance with auditing standards applicable in France.

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

Our responsibilities under these standards are described in the section "Responsibilities of the statutory auditors regarding the audit of the parent company financial statements" of this report.

Independence

We conducted our audit in accordance with the independence rules applicable to us, for the period from 1 January 2017 to the issue date of our report. In particular we have not provided any services prohibited under Article 5 (1) of EU Regulation 537/2014 or by the statutory auditors' professional code of ethics.

Observation

In due respect of the opinion expressed above, we draw your attention to the following point described in Note 3, "Rules and methods", to the parent company financial statements regarding the change in accounting method applicable to exploration expenditures resulting from ANC Regulation 2017-03 applied by your company as from 1 January 2017.

Justification of our assessments – Key audit matters

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code regarding the justification of our assessments, we bring to your attention the key audit matters related to the risk of material misstatements which, based on our professional opinion, were the most important for the audit of the parent company financial statements for the financial year and our response in respect of those risks.

These assessments were performed as part of the audit of the parent company financial statements taken as a whole and led to our opinion as expressed above. We express no opinion on the information contained in these annual company financial statements taken in isolation.

Assessment of equity interests and related receivables	
Risk identified	**Our response**
The Group's equity interests and advances to subsidiaries presented in the balance sheet as at 31 December 2017 in a net amount of €261 million account for 56% of the company's assets. As indicated in Note 3 to the financial statements, for companies in the exploration phase, equity interests and related receivables are provisioned for the total amount of exploration expenditures as long as no decision has been made to commercially develop the project or to start production. In the event of evidence of the existence of proven reserves and for companies with oil production activities, the value of the equity interests and receivables is limited to the amount of future income discounted at the balance sheet date. For other activities, provisions for impairment losses on equity interests and related receivables are determined by taking into account the financial performance of the equity interests based in particular on discounted future income forecasts, and changes in income or their probable resale value. For listed equity interests, the actual value is also determined by taking the share price into account. Against this backdrop and in view of the uncertainties inherent in certain factors and especially the probability of forecasting, we have considered that the correct valuation of equity interests, related receivables and provisions for risks was a key audit matter.	To assess the reasonable nature of the estimated actual value of equity interests based on the information provided to us, our audit mainly consisted in verifying that the estimate of these values as determined by management was based on appropriate justification of the valuation method and figures used and, depending on the interests concerned, in: - verifying that the equity capital used is consistent with the financial statements of the entities that have been audited or undergone analytical procedures and that any adjustments made to that equity capital were based on supporting documentation; - verifying the stock market prices used; - obtaining the cash flow and operating forecasts prepared by management regarding the activities of the entities concerned; - verifying the consistency of the assumptions used by management with data from independent appraisal reports; - verifying the key underlying data used to estimate discounted future revenues and particularly oil reserves, forecast sale prices, discount rates and inflation rates; - verifying that the value resulting from cash flow forecasts was adjusted to the amount of the debt of the entity in question. In addition to assessing actual values of equity interests, our audit also consisted in: - assessing the recoverable nature of related receivables with regard to the analyses carried out on the equity interests; - verifying that a provision for risks had been booked in cases where the company is committed to bearing the losses of a subsidiary with negative equity.

Verification of the management report and other documents provided to shareholders

In accordance with generally accepted auditing standards applicable in France, we also carried out the specific verifications required by law.

Disclosures provided in the management report and in the other documents provided to shareholders on the financial position and parent company financial statements

We have no comments concerning the fair presentation and the consistency with the annual 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 parent company financial statements.

Information relating to corporate governance

We confirm that the disclosures required under Articles L.225-37-3 and L.225-37-4 of the French Commercial Code have been included in the Board of Directors' report.

For the amounts and disclosures provided pursuant to the provisions of Article L.225-37-3 of the French Commercial Code regarding the compensation and benefits paid to company officers and the commitments made to them, we have verified that these are consistent with the information contained in the financial statements or with the data used to prepare said financial statements and, as applicable, with the information obtained by your company from the companies that control it or are controlled by it. Based on the audit conducted, we hereby certify that the disclosures made are accurate and presented fairly.

For the information regarding the factors that your company considered likely to have an impact in the event of a takeover bid or public exchange offer, provided pursuant to the provisions of Article L.225-37-5 of the French Commercial Code, we have verified their consistency with the documents from which they were produced and which were provided to us.
Based on our audit, we have no matters to report concerning these disclosures.

Other information

As required by law, we have obtained assurance that disclosures about the acquisition of controlling and other interests and about the identity of holders of shares or voting rights were made in the management report.

Disclosures resulting from other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed statutory auditors of Etablissements Maurel & Prom by the General Shareholders' Meeting of 12 June 2014 in the case of KPMG SA and IAC.

As at 31 December 2017, KPMG and IAC were in their fourth consecutive year as statutory auditors.

Responsibilities of management and individuals charged with corporate governance in respect of the parent company financial statements

It is management's responsibility to prepare the parent company financial statements giving a true and fair view in accordance with French accounting principles and regulations and to implement the internal control procedures it deems necessary in order to ensure that the annual financial statements it has prepared are free from material misstatements, 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, for including information related to the going concern in these financial statements, where applicable, and applying going concern accounting conventions, unless the company is expected to be wound up or cease operating.

It is incumbent on the audit committee to monitor the process for preparing financial information and the effectiveness of internal control and risk management systems, and, where applicable, internal audit systems, as these apply to the procedures for preparing and processing the accounting and financial information.

The parent company financial statements have been approved by the Board of Directors.

Statutory auditors' responsibilities regarding the audit of the parent company financial statements

Audit objectives and approach

We are required to prepare a report on the parent company financial statements. Our objectives are to obtain reasonable assurance that the parent company financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards of our profession will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-2 of the French Commercial Code, our role in certifying the financial statements does not consist in guaranteeing the viability or quality of your company's management.

As part of an audit conducted in accordance with auditing standards applicable in France, the statutory auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement of the parent company 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 their 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 purposes 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 made by management, as well as related disclosures provided in the parent company financial statements;

- 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. These conclusions are based on the audit evidence obtained up to the date of their report. However, future events or conditions may cause the company to cease to continue as a going concern. If they conclude that a material uncertainty exists, they will draw attention in their report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, they will either issue a qualified opinion or refuse to certify the statements;

- evaluate the overall presentation of the annual financial statements and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the audit committee

We provide a report to the audit committee which includes information about the scope and timing of our audit and our audit findings. If applicable, we also bring to its attention material weaknesses in internal control that we identified as pertaining to the procedures for preparing and processing accounting and financial information.

The information contained in our report to the audit committee includes the risks of material misstatement that we consider to have been the most important to the audit of the 2017 parent company financial statements and which therefore constitute the audit's key matters. These are described in this report.

We also provide the audit committee with the statement provided for by Article 6 of EU Regulation 537-2014 confirming our independence, within the meaning of the rules applicable in France as set forth in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the statutory auditors' professional code of ethics. Where applicable, we discuss with the risk committee any risks to our independence and the safeguards applied.

Statutory Auditors

Paris La Défense, 24 April 2018
KPMG Audit
Department of KPMG S.A.

Eric Jacquet
Partner

Paris, 24 April 2018
International Audit Company

François Caillet
Partner