MAUREL & PROM

ANNUAL REPORT

INCLUDING THE ANNUAL FINANCIAL REPORT

2018

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2018

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Annual Report was filed with the Autorité des marchés financiers on 30 April 2019 pursuant to the provisions of Article 212-13 of its General Regulations. It may be used in support of a financial transaction if it includes the relevant transaction notice from the Autorité des marchés financiers. It was prepared by the issuer and is the responsibility of its signatories.

1 INTRODUCTION TO THE MAUREL & PROM GROUP

1.1 PROFILE

Maurel & Prom is an oil and gas exploration and production company listed on the regulated market of Euronext [Paris].

The international development platform of Indonesian oil corporation Pertamina since 2017, Maurel & Prom has more than 650 employees worldwide. The Group has extensive technical and operational experience in both gas and oil projects. Over the past 20 years, Maurel & Prom has made several significant discoveries, particularly in the Congo Basin, and has successfully participated as an operator in the development or redevelopment of a large number of assets in Congo, Colombia, Gabon, Tanzania and Nigeria.

Today the Group has a portfolio of high-potential assets focused on Africa and Latin America, consisting of both producing assets (Gabon, Tanzania and Venezuela) and opportunities currently in the exploration or appraisal phase (Gabon, Namibia, Colombia, France, Italy and Canada). The Group also holds a 20.46% stake in Seplat, one of Nigeria's main operators that is listed on the London (main market London stock exchange) and Lagos (Nigerian stock exchange) stock exchanges.

Maurel & Prom constantly strives to meet and improve the industry's strictest standards in terms of health, safety and environmental protection. The Group also relies on constant dialogue with host countries and local communities to ensure long-term commitment from stakeholders.

1.1.1 Group oil and gas reserves

Maurel & Prom's share of proven and probable gross reserves amounted to 190 MMboe at the end of 2018 (80% in Gabon and 20% in Tanzania), while its working interest in total production in 2018 was 22,934 bopd (71% oil, 29% gas). These figures do not include the reserves relating to the recent acquisitions (Venezuela) or acquisitions currently being closed (Angola).

The Group's reserves correspond to volumes of hydrocarbons recoverable from fields already in production or volumes revealed by discovery and delineation wells that can be operated commercially. These reserves were certified by DeGolyer and Mac Naughton in Gabon and RPS Energy in Tanzania as at 31 December 2018.

Consolidated gross P1+P2 M&P share	Oil *(MMbbl)* Gabon	Gas [(a)] *(Bcf)* Tanzania	MMboe
01/01/2018	**171.3**	**265.4**	**215.5**
Production	-5.9	-14.6	
Revision	-14.2	-19.2	
31/12/2018	**151.1**	**231.6**	**189.7**
o/w gross P1 reserves	*117.1*	*139.3*	*140.3*
Or	*77.5%*	*60.2%*	*74%*

(a) Royalties due under the Production Sharing Agreement are paid by TPDC (Tanzanian Petroleum Development Corporation) in accordance with the agreements in place.

In Gabon, 2P reserves amounted to 151.1 MMbbl at 31 December 2018, with P1 reserves accounting for 77.5% of that total. After the restatement of 2018 production, 2P reserves were revised downwards by 14.2 MMbbl to take account of the decline that occurred in 2018, which is expected to be offset by the drilling that is planned in 2019.

At 31 December 2018 the Group's gas reserves in Tanzania stood at 232 Bcf. The significant increase in production in 2018 made it easier to assess the reservoir's behaviour. Pending additional pressure measurements in 2019, a conservative production plateau assumption has been adopted to calculate reserves.

The acquisitions announced by Maurel & Prom at the end of 2018 in Venezuela (closed in December 2018) and Angola (closure pending) are expected to boost these reserves quickly and increase the Group's production. These assets also have significant growth potential:

— in Venezuela, the theoretical production share of the 40% stake in the Petroregional del Lago joint venture, which operates the Urdaneta West field, was 6,200 bopd for 2018 (based on full production of approximately 15,500 bopd). However, the quality of the Urdaneta West field reservoir (where the quantity of oil in place is not the limiting factor), coupled with a nominal capacity of the facilities that is well above the current production level, means that production should improve substantially in the future, especially if the licence is renewed beyond its current term of 2026;

- in Angola, the theoretical production share of the 20% stake in blocks 3/05 and 3/5A was 4,600 bopd for 2018 (based on full production of approximately 23,000 bopd). Block 3/05 (whose current licence expires in 2025 but could be renewed upon application) is the only block currently in production but is in significant decline due to its maturity. That decline could nevertheless be offset by the implementation of advanced recovery techniques and the possible development of additional resources on Block 3/05A (Caco-Gazela and Punja fields).

For its part, Nigerian operator Seplat (in which Maurel & Prom holds a 20.46% stake) published gross P1+P2 reserves of 481 MMboe at 1 January 2019 (100% Seplat), comprising 227 MMbbl of oil and 1,473 Bcf of gas.

1.1.2 Key dates

1831

Creation of Maurel & Prom, an operator of shipping lines between France and West Africa

2001

Discovery of the M'Boundi field in Congo

2004/2005

Entry into Gabon and Tanzania

Entry into Colombia and Venezuela through the purchase of Hocol

2006/2007

Discovery of Onal in Gabon and Ocelote in Colombia

Sale of M'Boundi and Kouakouala to Eni in Congo

2008/2009

Sale of Hocol Colombia to Ecopetrol

2010

Entry into Nigeria with Seplat

2011

Spin-off of Maurel & Prom Nigeria (MPN), now MPI

2013

Entry into Canada

2014

Signature of a new production sharing agreement (PSA) for the Ezanga permit in Gabon

Signature of a gas sale agreement in Tanzania

2015

Merger by absorption of MPI by M&P

2016

Acquisition by the Pertamina Group of a 24.5% stake in Maurel & Prom following purchase of the shares held by Pacifico.

Launch of the Pertamina Group's takeover bid for the remaining shares of Maurel & Prom

2017

Close of the takeover bid by the Pertamina Group (72.65% of M&P capital)

Refinancing of M&P entire debt

2018

Entry of M&P into Angola

Acquisition of Shell's stake in the Urdaneta West oil field in Venezuela

1.1.3 Business model

NATURAL RESOURCES

- Presence in 9 countries
- Historical presence in Africa and Latin America
- Attributable 2P reserves of 190mboe all operated
- Portfolio of both oil and gas assets
- High growth potential thanks to ongoing exploration campaigns: Gabon, Namibia, France, Sicily

PEOPLE

- 652 employees across Africa, Europe and Latin America including 196 recruited in 2018
- Trained workforce with relentless focus on HSSE
- 90% local employees in operating subsidiaries in Gabon and Tanzaniae
- 70% technicians and engineers, 30% management and administration

COMPETENCES

- Exploration track record with 2 major oil discoveries in Congo basin over the last 15 years (M'Boundi, Onal)
- Proven development expertise in a variety of environments: Congo, Gabon, Colombia, Nigeria and Tanzania
- Experienced operator with current production capacity in excess of 40,000 boepd
- Strong M&A capabilities with 2 transactions announced in 2018

FINANCIAL CAPITAL

- Backing of Indonesian national oil company Pertamina
- More than 25,000 retail shareholders
- Strong balance sheet with $2.5bn total assets and $1.1bn equity
- Favourable financing conditions with cost of debt (Libor +1.5%) significantly below peers
- Over $160m invested in organic projects and external growth in 2018

Explore, develop

Exploration & Appraisal

- Permitting
- Seismic acquisition and data interpretation
- In-house exploratory drilling (Caroil)
- Final investment decision

Development

- Recognized experience of rapid start of production on the projects
- Design and planning
- In-house development drilling (Caroil)
- Focus on delivery on time and on budget

and operate

Production

- Operatorship of the assets
- Focus on production growth and cost control
- Production profile optimisation to maximise value
- Committed to highest standards EHS-S practices
- Maximising value *via* own trading platform

Portfolio management decision

- Production optimisation and futher reserves development
- Partial or complete monetisation: Farm-out, straight sale, IPO

VALUE CREATION FOR ALL STAKEHOLDERS

HOST COUNTRIES

- Contributing to local economy
- $117m paid in taxes and royalties in 2018

LOCAL COMMUNITIES

- 436 indirect jobs generated by M&P activity in Gabon around Onal operations in 2018
- 11 social projects conducted to date by M&P in Tanzania (seven schools, a dispensary, roads...)
- Group contractual commitments to local communities: $8.2m in Gabon in 2018

EMPLOYEES

- Long term improvement in EHS-S over last 5 years
- Ongoing process of ISO certification
- +10,000 hours of external and internal training for Group employees in 2018
- $67mm paid in employee compensation in 2018

SHAREHOLDERS

- Delivering growth as the international development platform of Pertamina
- Announcement of entry or re-entry in 2 countries in 2018 (Venezuela and Angola)
- 30% increase in EBITDA in 2018
- Proposed payment of a dividend in 2019
- A- score obtained on the CDP Climate questionnaire in 2018

1.2 BUSINESS OVERVIEW

Maurel & Prom's operating activities comprise three segments: production, exploration and drilling.

1.2.1 Production activities

In 2018, Maurel & Prom Group conducted its hydrocarbon production activities through the exploitation of its assets in Gabon and Tanzania.

During the year, the Group's working interest share of production was equivalent to 22,934 boepd split between conventional oil in Gabon (71% of volume) and gas production in Tanzania (29%).

Breakdown of hydrocarbon production in 2018

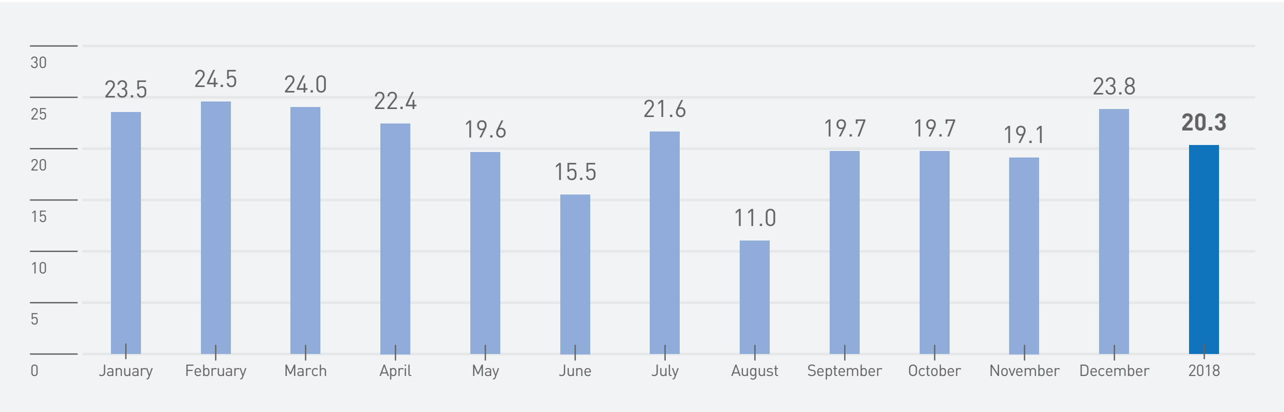
	Q1 2018	Q2 2018	Q3 2018	Q4 2018	12 months 2018	12 months 2017	*Change 18/17*
Production operated by Maurel & Prom (100%)							
Oil *(bopd)*	23,975	19,173	17,409	20,876	20,342	24,963	*-19%*
Gas *(MMcfpd)*	77.0	81.6	86.7	87.2	83.2	49.1	*69%*
TOTAL *(boepd)*	**36,804**	**32,778**	**31,853**	**35,411**	**34,201**	**33,145**	***3%***
Maurel & Prom working interest							
Oil *(bopd)*	19,180	15,338	13,928	16,701	16,273	19,970	*-19%*
Gas *(MMcfpd)*	37.0	39.2	41.7	41.9	40.0	23.6	*69%*
TOTAL *(boepd)*	**25,346**	**21,877**	**20,869**	**23,686**	**22,934**	**23,903**	***-4%***

Gabon

In Gabon, operated oil production in 2018 stood at 20,342 bopd (on a 100% basis) (16,273 bopd for M&P working interest), down 19% over 2017. This was due to the restriction on the volumes evacuated by the pipeline connecting the Ezanga facilities to the Cap Lopez export terminal. These issues began in mid-May 2018 and continued intermittently until the end of November.

Drilling activities on the Ezanga permit, which had been halted for almost three years, resumed in 2018 to support the production profile and counteract the fields' natural depletion. Drilling began in the first half of 2018 and accelerated in August when a second unit went into operation. Overall, nine wells were drilled in 2018.

Monthly operated production in Gabon in 2018 (100%) *(Mbblpd)*



Tanzania

In Tanzania, Total operated production averaged 83.2 MMcfpd in 2018, or 40 MMcfpd for M&P working interest (48.06%), up 69% over 2017. Operated production (100%) in the fourth quarter of 2018 exceeded 87 MMcfpd.

The level of demand for gas is dependent on consumption by the industrial sector in Dar Es Salaam via applications made to the operator, Maurel & Prom, by the country's national oil company, Tanzania Petroleum Development Corporation (TPDC).

1.2.2 Exploration activities

In Gabon, exploration activities related to the preparation of wells on the Kari and Nyanga-Mayombé permits, located in southern Gabon. Drilling is expected to begin in the second half of 2019.

In Namibia, studies to determine the placement of an offshore well on the PEL-44 permit are being finalised. The decision to move to the next phase of exploration will be made in the second half of 2019. That phase would include drilling an exploration well.

On the Mios permit in France, preparations were made to drill the CDN-2 exploration well after administrative approvals were received in 2018. Drilling began on 20 February 2019.

On 30 March, 2019, the well reached its final depth after encountering the oil-saturated Purbeckian reservoirs. Due to this positive exploration result, the Group decided to continue its drilling campaign with the drilling of the Caudos-Nord-3D appraisal well, starting in mid-April. The discovery, however, is expected to remain modest in size, with total commercial oil volume estimated at around one million barrels.

In Sicily, the acquisition of seismic data on the Fiume Tellaro permit is scheduled for summer 2019.

1.2.3 Drilling activities

The Group's drilling activities are largely conducted by Caroil, the Group's wholly-owned subsidiary, which owns a fleet of five drilling rigs.

After a halt of almost three years, drilling activities in Gabon resumed in the first half of 2018. A total of nine wells were drilled during the year, returning Caroil's operating capacity to normal. Operations can now focus on wells that are more complex but have greater potential.

In addition to its activities in Gabon, Caroil renewed a rig management agreement on behalf of a third party in Congo.

The Company also directly owns a drilling rig that was delivered to Gabon at the end of 2018. It is operated by Caroil.

1.2.4 Registered office

In addition to its main functions (general and strategic management, management of technical, financial, legal and HR support functions), the registered office also finalised the "Rockover" transaction in the third quarter of 2018.

The Group entered Gabon in February 2005 by purchasing assets from the Rockover Group and Mayfair Trustees Limited (representing Masasa Trust). During this acquisition, the Group committed to paying additional amounts based on future production. On 7 November 2018, the Group concluded an agreement with the Rockover Group to buy back these additional payments for a consideration price of US$43 million, broken down as follows:

- 25% of the deferred payments was paid in cash (US$10.75 million);
- 75% of the deferred payments (US$32.25 million) was settled through the issuance of new Maurel & Prom shares to be subscribed as set-off by Rockover.

On 14 December 2018, the Group carried out the capital increase for a total nominal amount of €4,137,370.93 (US$4,791,075.54 according to a fixed price of US$1.158 for €1), through the issuance of 5,373,209 new shares with a par value of €0.77 each together with a global issue premium of €27,706,598.10 and a unit subscription price of €5.18[1] (US$6). These shares were fully subscribed by Rockover and paid up by offsetting the receivable held as a result of the buyback by M&P of the deferred payments. The new shares were issued with current dividend rights and are equivalent to existing shares. At the conclusion of this transaction, M&P's share capital stood at €154,549,411.94 divided into 200,713,522 shares with a par value of €0.77 each.

M&P Trading, a subsidiary established in 2018, will market the oil volumes produced by M&P Gabon, which were previously sold to Total trading. The first lifting was implemented at the end of March 2019. In the long term, this entity is expected to market oil volumes for all of the Group's subsidiaries.

(1) Amount rounded down for the purpose of this summary to the nearest hundredth of a euro.

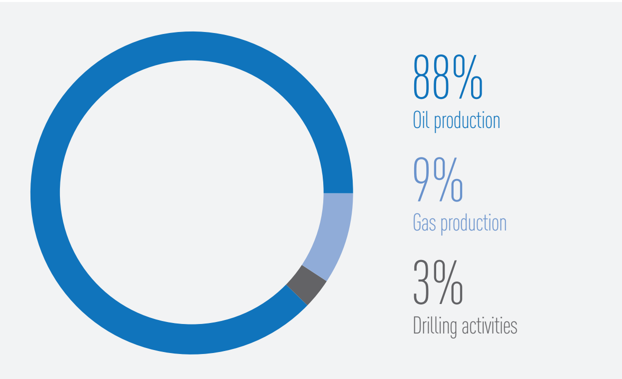
1.3 FINANCIAL INFORMATION

The financial information presented below is taken from the consolidated financial statements as at 31 December 2018. The consolidated financial statements are presented in US dollars as from this Annual Report[1].

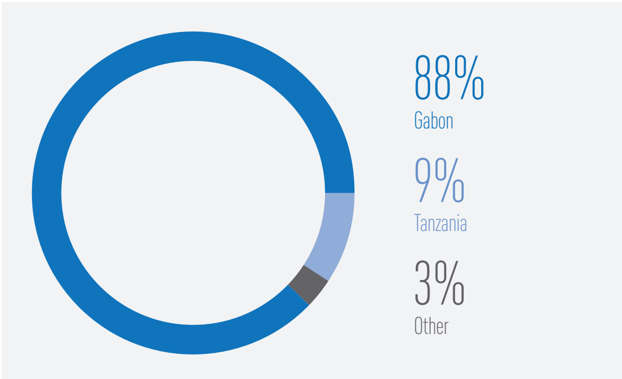
Main financial aggregates.

(in US$m)	**2018**	**2017**	***Change***
Income statement			
SALES	**440**	**401**	***+10%***
EBITDA	245	189	*+30%*
as % of sales	*56%*	*47%*	
OPERATING INCOME	**126**	**65**	***+94%***
Financial expenses	-27	-83	
Taxes	-68	-31	
Share of income of equity associates	31	56	
CONSOLIDATED NET INCOME	**62**	**7**	
Cash flow			
Cash flow from operating activities	+192	+185	*+3%*
Operating investments	-150	-38	
Financing	-22	-91	
CHANGE IN CASH POSITION	**20**	**56**	
CASH AT PERIOD-END (INCLUDING BANK LOANS)	**280**	**259**	***+8%***

Sales by type of activity



Sales by geographic region



(1) See chapter 5, note 6.10.

1.3.1 Analysis of consolidated income

The continuing increase in oil prices in 2018, marked by an average sale price of oil at US$68.8/bbl in 2018 compared with US$53.0/bbl over the 2017 fiscal year, helped generate **sales** of US$440 million in 2018, a year-on-year increase of 10%.

This favourable economic environment more than offset the fall in oil production volumes in Gabon due to evacuation issues on the pipeline connecting the Ezanga facilities to the Cap Lopez export terminal (20,342 bopd for working interest (100%) in 2018 versus 24,963 bopd in 2017).

In addition to its oil production in Gabon, the Group posted a major increase in its gas production in Tanzania to 83.2 MMcfpd (100%) in 2018, a 69% increase over the previous year.

EBITDA was up 30% in 2018 from 2017 at US$245 million thanks to the control of operating expenses and the improved performance from Tanzania which contributed markedly. **Operating Income** stood at US$126 million in 2018, a 94% improvement over 2017.

Financial expenses in 2018 (US$27 million) were mainly linked to the net cost of debt which totalled US$24 million versus US$41 million in 2017. The Group's refinancing in US dollars at the end of 2017 led to a significant reduction in its exposure to foreign exchange risk. Foreign exchange losses stood at US$2.5 million in 2018 versus US$32.7 million in 2017.

The **Group's share in income from equity associates** was US$31 million in 2018 compared with US$56 million in 2017 despite an improvement in Seplat's operating performance (20.46% M&P) in 2018. Net income generated by that company in 2017 was particularly high, due to the recognition of deferred tax income.

After taking into account all of the above factors, **net income** increased sharply to US$62 million in 2018, compared to US$7 million in 2017.

The **Group's cash flow from operating activities** in 2018 was US$192 million versus US$164 million in 2017. The majority of these funds were reinvested in existing assets (US$93 million) and external growth projects (US$60 million).

At 31 December 2018, the Group's **cash position** stood at US$280 million, an increase of US$20 million over the previous year.

The Group's consolidated **gross debt** at 31 December 2018 amounted to US$698 million, i.e. net debt of US$418 million, compared to **net debt** of US$364 million at 31 December 2017.

1.3.2 Asset acquisition

In October 2018, the Group signed a sales and purchase agreement to acquire AJOCO's 20% stake in two production and development blocks in shallow waters off the shores of Angola. A deposit of US$2 million was paid prior to the effective closing of this acquisition. The acquisition will close upon publication of the administrative authorisations in 2019 and will have an effective date of 1 January 2018.

In December 2018, the Group also completed the acquisition of the 40% interest held by Shell Exploration and Production Investments B.V. ("Shell") in Petroregional del Lago (the "PRDL Mixed Company"), which operates the Urdaneta West oil field located at Lake Maracaibo, Venezuela. The total amount of the acquisition of Shell's stake in the Mixed Company was €70 million, funded from Maurel & Prom's existing cash resources. It is broken down as follows:

- €47 million which were paid at the closing of the acquisition; and
- €23 million payable in December 2019, on the anniversary date of the closing of the acquisition.

This transaction was completed on 20 December 2018. Accordingly, the operational roll-out at the Urdaneta West oil field began in the first quarter of 2019, taking into account current events in the country.

1.3.3 Borrowing and financing

Bonds

At the end of the 2017 fiscal year, only 16,936 ORNANE 2019 bonds and 240 ORNANE 2021 bonds remained outstanding. The Group exercised its right to amortise the remaining convertible bonds early, under the terms and conditions set forth in their respective issue contracts, effective as at 12 February 2018.

Other borrowings

By refinancing its entire debt on favourable terms at the end of December 2017, the Group rescheduled its repayments over seven years, including a two-year grace period. It was also an opportunity to align the functional currency of the financial holdings with that of the operational entities, i.e. the US dollar, thereby reducing future exposure to exchange rate fluctuations.

The Group took out derivative instruments in order to reduce its exposure to the interest rate risk caused by the characteristics of the new variable rate financing obtained. The nominal amount hedged was US$250 million for maturities between July 2020 and July 2022 at the three-month LIBOR.

1.3.4 Company financial statements

The financial statements of the parent company are still presented in euros. Company sales amounted to €18 million in 2018, corresponding exclusively to services and studies provided to the Company's subsidiaries, especially in Gabon and Tanzania.

Operating Income – which is structurally negative as the Company bears the cost of the Group's central functions and costs relating to the coordination of a listed structure – was negative for €16 million.

Financial income stood at €74 million, mainly reflecting Maurel & Prom West Africa received dividends amounting to €75 million and €10.5 million from Seplat.

Extraordinary income amounted to a loss of €40 million, mostly due to the Rockover transaction in December 2018 (as described above in section 1.2.4). It was recorded in the parent company financial statements under "extraordinary expenses".

Including the above elements, net income for the 2018 fiscal year was €17 million, compared with net income of €23 million for the previous year.

Shareholders' equity stood at €243 million at 31 December 2018, compared with €208 million at 31 December 2017.

1.4 STRATEGY AND OUTLOOK

Maurel & Prom aims to consolidate and improve the value of its existing assets by continuing the development drilling programme on the Ezanga permit, which was relaunched in 2018 and will be stepped up in 2019 to focus on more complex wells with higher potential. Measures taken to ensure consistency in our ability to route Ezanga's production crude oil via a pipeline operated by a third party should reduce operational risk. The establishment within the Group of a crude oil trading company (M&P Trading) should improve the value of this production. The first lifting in this new commercial context took place at the end of March 2019.

Thanks to the improvement in its financial flexibility, the Group hopes to carry out a sustained exploration programme in 2019 and 2020, particularly in Gabon, Namibia and Sicily. In addition to these exploration activities, Maurel & Prom is currently integrating the recently announced acquisitions and remains attentive to any new opportunities that could further strengthen its business.

2 RISKS AND CONTROL

This section of the Annual Report presents the main risks to which the group is exposed, as well as the main risk related to holding shares issued by the Company, while at the same time referring (where possible) to quantitative information related to these risks that can be found in this Annual Report.

These risks are, as at the date of this Annual Report, those that the Company believe that their occurrence could have a significant negative impact (i) on the Group's activity, financial position, image or outlook, as well as (ii) on the Group's stakeholders. Other risks and uncertainties, that have not yet been identified or which are considered by the Group, as at the date of this Annual Report, as non-material, could have the same negative impact. Investors could lose all or part of their investment if these risks materialise.

The categories below are not presented in order of importance. However, within each category, risk factors are presented in descending order of importance decided on by the Company as at the date of this Annual Report based on an assessment of their potential impact. The Company's appreciation of this order of importance may however be modified at any time, in particular if new external or internal information becomes available. Moreover, even a risk that is currently considered to be less serious could have a significant effect on the Group if it were to materialise in the future.

2.1 STRATEGIC RISKS

2.1.1 Risks related to the concentration of the Group's portfolio of assets in production

The existence of a major concentration of the Group's portfolio of assets in production represents a heightened risk for its activities.

The Group has a portfolio of reserves and diversified resources in terms of both the type of resource (oil, gas) and the geographic breakdown of its exploration programmes (Gabon, Namibia, France, Italy).

However, the Group's entire hydrocarbon output comes from two permits, Ezanga in Gabon and Mnazi Bay in Tanzania.

This major concentration of the Group's portfolio of assets in production represents a heightened risk for its activities in the event of a sustained interruption in production, whatever the cause. The Group's financial stability and growth outlook, as well as its image, could be impacted significantly.

2.1.2 Risks linked to the possible dependence of the Group on customers or suppliers

The existence of a major concentration of the Group's critical suppliers represents a heightened risk for the Group's activities.

The existence of a major concentration of the Group's critical suppliers represents a heightened risk for the Group's activities in the event that one of these suppliers were to default or decide to change their sales practices, whatever the cause. The Group's activity, as well as its image, could suffer as a result.

In Gabon, where the Group carries out 70% (M&P share) of its production, the routing of the Group's production is dependent on the proper functioning of crude transport facilities operated by Perenco Oil & Gas Gabon and the processing, storage and loading facilities operated by Total Gabon SA. Furthermore, in accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we hereby advise that at the reporting date the balance of payables owed to suppliers by Maurel & Prom SA amounting to €3,113k was due within 30 days. No invoices relating to disputed payables have been excluded. The payment terms used to calculate late payments correspond to the legal deadlines.

The table below presents quantitative data on the Group's exposure to the risk relating to its possible dependence on its suppliers.

Share of the Group's purchases and capital outlays to its top supplier, top five suppliers and top ten suppliers

(USD thousand)	2018	2017	2016
Concentration of suppliers			
Top	9%	26%	29%
Top 5	32%	43%	45%
Top 10	53%	56%	58%

The existence of a major concentration of the Group's critical customers represents a heightened risk for the Group's activities in the event that one of these customers decides to terminate the business relationship with the Group or negotiate less favourable conditions for the Group.

In 2018, the Group sold 91% of its share of its output to TOTAL (Total Group).

The table below presents quantitative data on the Group's exposure to the risk relating to its possible dependence on its customers.

Share of Group sales made with the Group's top customer and top five customers

	2018	2017	2016
Concentration of customers			
Top / Sales	79%	82%	83%
Top 5 customers / Sales	99%	99%	99%

2

2.2 OPERATIONAL RISKS

2.2.1 Risk of non-delivery or lifting of production from Gabon

In Gabon, the Group is exposed to a risk of non-delivery or of the lifting of its production.

The Group's production in Gabon, where it generates 70% (M&P share) of its output, is delivered via an onshore oil pipeline network operated by Perenco, linking the oil installations of the Ezanga field to the Cap Lopez oil terminal, where crude is then evacuated for lifting.

The Group is exposed to the risk of delivery issues for its Gabon output due to high pressure in the Coucal routing pumps toward the Cap Lopez oil terminal. This high pressure could lead to (i) a deviation in the quality of oil processing at the Onal facilities and (ii) instability in the composition of the blend from various operators transiting through the 18-inch pipeline to Cap Lopez, and in particular that of the oil fraction from the Rabi field. Moreover, these phenomena could be exacerbated in the event of a dry season.

To improve the fluidity of the flow, the Group have agreed with Perenco to set up an intermediary pumping station at the Oba site (operated by Perenco) in 2019. However, this measures does not exclude the risk of non-delivery or of the lifting of the Group's production in Gabon, and the occurrence of such a risk could have a material impact on the Group's activity and financial position.

2.2.2 Risks linked to hydrocarbon production capacity

Data relating to Group reserves are estimates and subsequent upward and downward adjustments may be carried out. If reserves, during production, turn out to be lower than initially predicted, the results of the Group's operations, including its profits and financial position, could also be affected.

The Group's hydrocarbon reserves are assessed by external appraisers on the basis of economic conditions and by using geological and engineering data to estimate the quantities of hydrocarbons that can be produced. The appraisal process involves subjective judgements and subsequent reviews may be required as more information is obtained about the deposits.

To asses its reserves, the Group relies on the operational competencies and on the analyses conducted in-house; it has access to high-level external assessors for appraising hydrocarbon reserves, who are well known for their professionalism and expertise.

However, various factors beyond the Group's control may lead, despite measures implemented by the Group, to a downward revision of reserve estimates. These reserve estimates may therefore be revised downwards if it appears that the Group's subjective judgements based on available geoscience and engineering data were not sufficiently cautious or if the Group's assumptions regarding factors or variables beyond its control fail to be validated over time.

Downward revisions of estimated reserves may lead to lower production volumes which would have a marked negative bearing on the results of the Group's operations as well as on its profits and financial position.

The Group is exposed to a risk of limitation, delay or cancellation of its production.

The Group's oil or gas production may be restricted, delayed or cancelled due to a number of factors internal or external to the Group; in particular, malfunctions of production or hydrocarbon routing facilities, administrative delays especially in the approval of development projects by host countries, shortages, delays in the delivery of equipment and materials or adverse weather conditions.

2.2.3 Risks linked to exploration and the renewal of reserves

The Group's exploration activities, which are key to acquiring and developing new economically viable reserves and guaranteeing the Group's long-term profitability, are subject to uncertainties in terms of cost forecasts.

Exploration activity that relies on the discovery and extraction of hydrocarbons requires major preliminary operations to be undertaken, the profitability of which is uncertain at this stage of operations.

Geological and seismic analyses are conducted prior to exploration drilling. Operations of this type make it possible to decide on the location of exploration drilling, to transition to the production start-up phase if the commercial viability of the discovery has been demonstrated, or to decide whether to pursue exploration.

As part of the exploration process, the Group's exploration programmes are validated upstream by the Group's exploration management based on technical criteria. The budget is then submitted for approval by the Group's Board of Directors.

Nevertheless, at the time these operations are launched, there are still numerous uncertainties about the presence and quality of the hydrocarbons and the feasibility of their extraction. The hydrocarbons sought when obtaining permits and during drilling operations may be absent or in insufficient quantities to be commercially viable. Due to the many uncertainties that remain during the exploration phase, the Group cannot ensure that the investments made will be profitable.

In addition, knowledge of reserves can sometimes be unpredictable and may only be acquired gradually during the course of exploration. The practical conditions and costs may also vary during the exploration phase for reserves. It is therefore impossible to guarantee that new oil or gas resources will be discovered in sufficient quantities to replace existing reserves and allow the Group to recover all of the capital invested in exploration activities and ensure that the investments made will be profitable, which could have a material effect on the Group's activity, results of operations and outlook.

Finally, the acquisition or transfer of rights in development permits generally requires approval from the local government, which could delay or hinder transfers of rights or growth operations. Moreover, when such rights are transferred, the local government may require certain work to be performed within specific deadlines or may impose various other constraints (involving payment of financial compensation, for example), which could have a material adverse effect on the Group's activity, results of operations and outlook.

The Group is exposed to a risk of delays in project completion, such a delay could lead to cost overruns for the Group.

Developing a hydrocarbon field requires significant work to build facilities, drill production or injection wells as well as to implement advanced technologies to extract and produce hydrocarbons with complex properties over the duration of the permit, and generally over several decades.

Making these investments and implementing these technologies, generally under difficult conditions, can result in delays which may lead to cost overruns on the amount of investment necessary for the project's development as well as on operating costs.

Despite the implementation by the Group of measures to prevent delays in completion, there can be no assurance that the Group is not affected by delays to the completion of its projects, with such delays having a marked negative impact affecting the Group's expected results (underestimating investments or production costs).

2.2.4 Risks linked to security and safety

The Group is exposed to risks lined to the security and safety of its operations.

The Group's activities are exposed to several risks of major accident, including in particular the risk of explosion, eruption, collapse, leaks, loss of containment resulting in risks of toxicity or fire, which could damage or destroy wells in production and adjacent facilities, harm human lives or property, lead to business interruption, or cause environmental damage with certain direct consequences for the health and economic well-being of local populations.

The occurrence of the risks set out above could have a marked unfavourable impact on the Group's financial position, including its Operating Income and cash flow, as well as on its image.

Please refer to section 4.2.3 of this Annual Report for further information regarding measures for preventing, mitigating and remedying the risk of water, soil and air pollution, and the Group's health and safety policy.

When the Group partners with companies that assume the role of operator, or enters into a contract with a supplier or subcontractor, it is exposed to the risk that these operators, suppliers or subcontractors may not be familiar enough with rules governing the management of industrial, environmental and social risks.

When the Group partners with companies that assume the role of operator, or enters into a contract with a supplier or subcontractor, it exposes itself to the occurrence of accidents, the deterioration in health and safety conditions for staff and local populations, the occurrence of environmental events and non-compliance.

Inadequate health, safety and environmental risk management by the Group's operating partners may have a marked impact on its reputation.

Please refer to section 4.1.7.7, Subcontracting and suppliers of this Annual Report for further information regarding the way in which the Group takes social and environmental issues into account in its relations with suppliers and subcontractors.

2.3 FINANCIAL RISKS

2.3.1 Market risks

The Group's results are sensitive to various market risks, the largest being hydrocarbon price fluctuations.

The oil market is currently exposed to high volatility. Generally speaking, a fall in the price of hydrocarbons has a material negative effect on the Group's results due to the drop in sales generated by oil and gas production. Conversely, an increase in the price of hydrocarbons has a positive impact on the Group's results.

In addition to the negative impact on sales and profitability for the Group, a prolonged period with weak oil or gas prices could lead the Group to re-evaluate its projects and the appraisal of its assets and oil and natural gas reserves.

In the event of several prolonged periods of low oil and gas prices, the economic profitability of projects under production or development could be limited and reduce the Group's cash, thus restricting its ability to finance investments and/or leading to the cancellation or postponement of investment projects.

If the Group is no longer able to finance its investment projects, its opportunities in terms of future growth of sales and profitability could be reduced, which could result in a material adverse effect on the Group's financial position.

Please refer to Note 5.1 "Risks of fluctuations in hydrocarbon prices" to the consolidated financial statements for quantitative information relating to the exposure of the Group's sales and EBITDA to fluctuations in the price of hydrocarbons.

The Group's results could be affected by changes in interest rates.

In the normal course of its business, the Group mainly finances its operations through bank loans.

As the majority of the Group's bank debt is composed of two variable-rate loans, the Group is exposed to the risk of an increase in interest rates.

During 2018, the Group subscribed to financial instruments aimed at limiting the risks relating to changes in interest rate exposure, but it cannot guarantee that transactions carried out with these financial instruments will fully-limit this risk. In the event that the use of such financial instruments is not efficient, the Group's cash flow and results could be affected significantly.

Please refer to Note 5.4 "Interest rate risk" to the consolidated financial statements for quantitative information relating to the Group's exposure to interest rate risk and to Note 4.4.2 for further information relating to the financial instruments subscribed to by the Group.

2.3.2 Liquidity risk

The Group is exposed to a liquidity shortage risk or to a risk that its financing strategy proves to be inadequate.

If the Group's conditions of access to its usual sources of financing, in particular capital markets, were to become challenging, the Group could be obliged to allocate a share of its cash flow to the repayment of its debt, at the expense of investments or shareholder remuneration.

The Group is thus exposed to a liquidity shortage risk. This risk could be exacerbated by the level of oil prices which could affect the Group's ability to obtain refinancing if these prices remained low over the long term.

In all cases, the Group's results, cash flow and, more generally, financial position as well as its room for manoeuvre, could be negatively affected.

Please refer to Note 5.3 "Liquidity risk" to the consolidated financial statements for quantitative information relating to the Group's exposure to liquidity risk.

The significant percentage of the Company's share capital held by PIEP contributes to the illiquidity of the Company's shares. As a result, the price per share may not fully reflect the value of the business.

It is impossible to guarantee that transactions involving the Company's share capital would increase the liquidity of the shares if the Company's administrative and management bodies were to make a decision in that sense, or even that the administrative and management bodies would take a decision in that sense.

2.3.3 Risks relating to equity associates and joint operating agreements with third-party operators

Certain Group projects are carried out through equity associates or by companies operated by third parties. For these projects, the Group's level of control and ability to identify and manage risks may thus be limited.

In the event that the Group's companies are not the operators of its projects, their influence or control over their direction and performances may be limited, as well as their ability to manage related risks.

This situation mainly relates to (i) the Company's 20.46% minority stake in Seplat and (ii) the Company's 40% minority stake in Petroregional del Lago. These stakes in Seplat and Petroregional del Lago are consolidated by the Company using the equity method. Consequently, the Company is exposed to the risks that could affect Seplat and Petroregional del Lago, which could have an adverse affect on the Company's results and growth if they were to affect these companies.

All risks identified by Seplat for its activities are described in its Annual Report. available on its website at www.seplatpetroleum.com. Should any of the identified risks (or other risks not identified in that document) occur, it could have a material adverse impact on the activities and results of Seplat and therefore of the Company.

Risks which could affect equity associates or companies operated by third parties, their activity and, where applicable, their share price, are likely to have a marked adverse impact on the Company and/or its share price.

2.3.4 Counterparty risk

In Gabon, where the Group generates 70% (M&P share) of its output, until February 2019, oil output was sold to TOTSA (Total Group). The Group now sells oil volumes produced by M&P Gabon through its subsidiary M&P Trading (fully-owned by the Company). A marketing and purchasing agreement was signed with Glencore, one of the largest commodities traders, to work with M&P Trading to identify and deliver these volumes to refiners in Asia and Europe, offering the best commercial terms. The maximum outstanding risks corresponds to a shipment of crude. The payment of each shipment by Glencore is secured by a letter of credit by a first-tier international bank for the benefit of M&P Trading.

The insolvency or financial deterioration of one or several banks that have agreed letters of credit in favour of the Group may have a marked negative impact on the Group's financial position.

Please refer to Note 5.5 "Counterparty risk" to the consolidated financial statements for quantitative information relating to the Group's exposure to liquidity risk.

2.4 RISKS RELATED TO POLITICAL, SOCIAL OR ENVIRONMENTAL FACTORS

2.4.1 Risks related to political factors

A significant portion of the Group's business and hydrocarbon reserves are located in certain countries that are exposed to high political and economic risks, which are significantly higher than those of countries with more developed economies.

In several of the emerging countries in which it operates, the Group could be confronted in the future, in particular, to the risk of the expropriation or nationalisation of its assets, foreign exchange control restrictions, or other consequences arising from the country's political or economic instability, such as the imposition of international economic sanctions.

In South America, Venezuela, where the Group acquired in December 2018 a stake in Petroregional del Lago, which is 60%-owned by Venezuela's state oil company Petroloeos de Venezuela, S.A. ("PDVSA"), has experienced political instability for several months as at the date of this Annual Report. On 28 January 2019, the United States Treasury Department (OFAC) registered PDVSA and the entities in which PDVSA holds a stake of at least 50%, on the "specially designated national" list. The latter are now thus subject to international sanctions. The Group has organised the management of its interest to ensure compliance with the applicable sanctions.

The occurrence and extent of incidents related to economic, social and political instability are unpredictable and the occurrence of such incidents may have a material adverse impact on permit valuation conditions and on the Group's results and outlook.

As the Group operates in countries where the natural resource extraction sector can account for a significant portion of gross national product (GNP), its operations may face tense labour relations, particularly during a decline in global raw material prices.

Such tensions may lead to potentially violent demonstrations and labour demands by its own employees or those of its contractors and subcontractors.

The consequences of such demonstrations may have a material effect on the level of the Group's production, results of operations and outlook.

Please refer to chapter 4, *Statement of non-financial performance* of this Annual Report for further information regarding the Group's social performance and social dialogue conditions.

Please refer to note 5.6 "Country risk" to the consolidated financial statements for quantitative information relating to the Group's exposure to political risk as at the closing date.

2.4.2 Ethical risk and risk of non-compliance

Because of its many agreements and decentralised structure, the Group is exposed to a high risk of corrupt practices, including passive public or private corruption or conflicts of interest.

Despite the implementation of procedures aimed at ensuring compliance with ethical business conduct rules, in particular the adoption of an Ethics Charter for Anti-corruption Guidelines and the introduction of Group employee training sessions, it cannot be fully-guaranteed that the implementation of these measures by the Group will prevent all transgressions and that all Group employees or subcontractors will respect these rules.

In addition to financial penalties, the risk of non-compliance with ethical business conduct rules expose the Group to a risk of criminal or civil litigation, loss of contracts, or even damage to the Group's reputation.

In its oil activities, the Group is subject to the complexity and evolution of various national laws and regulations, which exposes it to a risk of non-compliance.

Facilities operated by the Group have a low risk of business interruption, project delays and additional costs due to non-compliance with regulations; nevertheless this risk can be higher for assets not operated by the Group.

Although the Group pays constant attention to preventing industrial and environmental risks and ensures compliance with the regulatory constraints of the countries in which it operates, it cannot be excluded that the Group is exposed to a risk of non-compliance.

The occurrence of such a risk could have an impact on the expected return on investment of the Group's assets.

2.4.3 Risks related to social factors

In certain countries in which it operates, the Group is exposed to a risk that its new projects or industrial activities are rejected.

The implementation by the Group of hydrocarbon Exploration and Production activities, directly when the Group is the operator or indirectly via its partners, raises questions for the local communities in terms of social change, political control, the environment and social projects.

Opposition to the Group's activities by local communities can cause some projects to be relocated or discontinued, or induce delays, the risk of blocking or interrupting production. It can also jeopardise the safety of the Group's employees, contractors and subcontractors, or the safety of people outside of the Group and its facilities. The social acceptance of its activities has therefore become a major issue for the Group.

The occurrence of such a risk would have a material impact on the Group's activity, results of operations, development and image.

Please refer to chapter 4, Statement of non-financial performance of this Annual Report for further information regarding the Group's policy on Corporate Social Responsibility and the management of environmental and social risks.

2.4.4 Risks related to environmental factors

The growing consideration of stakeholders in terms of the environment may have an unfavourable impact on the Group's activities and its reputation. The Group is exposed to the regulatory, political, legal, price and reputational risks arising from the energy transition to less carbon-intensive energy sources.

The switch in energy production methods to less carbon-intensive sources carries a risk. This may have an impact on the Group's business model, profitability, financial position and shareholder value.

Regulations may change and force the Group to reduce, modify or terminate certain operations and subject it to additional obligations in terms of the compliance of its facilities. This change may have an adverse impact on the Group's activities and financial position, including its Operating Income and cash flow. Regulations aimed at gradually limiting the use of fossil fuels may have an adverse impact on the development of projects and the economic value of some of the Group's assets.

The Group's activities may be significantly affected by the physical impact of climate change.

The Group carries out its activities in regions where the potential physical impact of climate change is uncertain and may have a marked adverse impact on the Group's operations.

Rising sea levels could, in particular, damage certain coastal activities such as the Mnazi Bay facility in Tanzania, where the Group generates a share of its output. The Mnazi Bay production facilities are located on the coast and have been raised to four meters above sea level. There is a risk of flooding above the infrastructure level in the event of a combination of exceptional factors such as wind, hurricanes and/or an earthquake.

The occurrence of such risks could lead to major adverse consequences on the Group's activities, its financial position, Operating Income and cash flow, its image and outlook.

Please refer to section 4.2, Environmental performance of this Annual Report for further information relating to the Group's climate footprint and the www.cdp.net website for access to the Group's comprehensive Annual Report on climate risk.

2.5 INSURANCE

The Group has taken out the following insurance:

- third-party liability of executive officers;
- fire, storm, natural disaster and water damage;
- theft and vandalism, glass damage;
- third-party liability for offices, not including professional third-party liability, and basic legal protection.

In addition to this traditional risk cover insurance, the Group has taken out insurance policies that are specific to its business and to the nature and location of its assets.

The Company regularly reviews its policies (coverage and premiums) in consultation with a specialist broker as part of a uniform Group programme for corporate public liability and property damage, and public liability of corporate officers and executives.

Insurance policies related to oil activities cover:

- risks of damage to oil facilities, including the pipeline network and drilling rigs that are reimbursed up to their declared value, risks of real losses of assets that are covered up to their replacement value and risks of pollution related to drilling operations;
- risks of general and third-party liability up to US$50 million per claim. The total amount of insurance premiums per year paid by the Group will amount to €1.6 million for the period from 1 March 2019 to 29 February 2020.

The Company has not taken out business interruption cover to date.

As part of its oil exploration, production and development operations, the Group risks causing environmental damage resulting, for example, from collapses, eruptions, pollution, leaks, fires and explosions of oil wells and surrounding facilities. Damage of this type is covered by policies providing "Energy Package" type cover.

Agreements signed with the subcontractors and service providers used by the Group also contain an obligation for these subcontractors and service providers to take out insurance for an amount that covers their liability.

2.6 INTERNAL CONTROL AND RISK MANAGEMENT

At the request of the Chief Executive Officer, financial management and General Secretary have compiled the elements that make up this section on the basis of various work conducted by the Company's internal departments. The resulting section was presented to the Audit Committee and Risk Observatory. It shows the internal control and risk management procedures in place, in a purely descriptive manner, in accordance with the Reference Framework, completed by the Application Guide, established in 2010 under the auspices of the French Financial Markets Authority (Autorité des Marchés Financiers).

2.6.1 Definition and objectives

Internal control at Maurel & Prom may be defined as all policies and procedures for control implemented by the management and personnel of the Company and the Group, aimed at ensuring:

- that accounting and financial data is true and fair;
- that accounting records are accurate and complete;
- that the Group's transactions are executed and optimised;
- that the actions of management, execution of transactions and the conduct of personnel are consistent with the guidelines given to Group operations by the company bodies, and consistent with the values, standards and internal rules of the Group;

- compliance with applicable local laws and regulations;
- safekeeping of the Group's assets by, among other things, providing for the prevention and control of the risks resulting from the Group's business, particularly those detailed in sections 2.1 to 2.4 of this chapter, "Risks and control", and chapter 7, *Additional information*, of this Annual Report.

The objective of internal control is to provide reasonable assurance of compliance with rules and regulations, the safeguarding of assets and the effectiveness of operations. It cannot, however, provide an absolute guarantee that these risks have been completely eliminated.

2.6.2 Organisation of internal control

Maurel & Prom's objective is to make its workers aware of their responsibilities with regard to internal control procedures, knowing that these procedures draw on the culture, behaviour and expertise of each individual.

To do this, and as personnel dedicated to internal control, the Company's executive management and functional departments, together with the Board of Directors and more specifically the Audit Committee and Risk Observatory, define the internal control priorities. On the basis of these priorities, the Group's employees work together to implement procedures that aim to achieve these objectives. The Company's General Secretary ensures the operational coordination of the internal audit procedure.

The management implements the organisational structure, the methods and the procedures to ensure that activities are controlled and supervised. It meets regularly to discuss management issues within and outside the normal course of business. The members of the Management Committee, the Chief Executive Officer, as well as operational and functional managers meet regularly to deal with matters relating to the Company's management and to analyse the effectiveness of the actions undertaken. If necessary, in between meetings, each Management Committee member may call an extraordinary meeting. This committee's primary goal is to analyse anomalies and malfunctions, as well as risk factors, and prevent any possible consequences resulting from them. In this regard, it issues recommendations and suggestions.

2

2.6.3 Risk management

In a review with all the company departments involved and during internal company meetings (legal, insurance and management control) off-balance sheet commitments and major risks are identified and quantified. Commitments likely to be made by the Company are handled centrally at the head office.

The Group has implemented an approach, led by management, to identify and manage risks, which includes the process of review and approval of operations by operating subsidiaries.

The Board of Directors shall ensure, throughout the year, that the risks involved in the Group's activities and risk-monitoring measures implemented are fully understood. A half-yearly review of all risks is drawn up under its authority, with the assistance of the Audit Committee and Risk Observatory, at the close of accounting periods. The purpose is to identify the main risks for which mitigation solutions exist and to ensure that these solutions are implemented within the Group.

To this end, risks were mapped and presented to the Audit Committee (which use to combine duties of the Audit Committee and Risk Observatory) and Board of Directors on 15 and 17 December 2015 respectively. This mapping, which combines proposals and decisions regarding the implementing of an action plan, allows each identified risk to be optimally managed and ensures that the residual risk will be acceptable to the Group. An update of this risk map was produced at the end of 2016 and presented to the Board of Directors at its meeting on 31 March 2017.

Risks related to the effects of climate change and the measures being taken by the Company to reduce them are described in chapter 4 of this Annual Report.

In addition, risks are identified and managed on the basis of an organisational structure in which clearly defined responsibilities are assigned and formalised through the distribution of operational and functional organisation charts, the establishment of delegated powers, a regular process of operational and financial reporting and the formation of multidisciplinary teams dedicated to each project or action plan presenting specific risks that are deemed significant.

The Company's management, in coordination with the subsidiary managers, the Board of Directors, the Audit Committee and the Risk Observatory, identify and analyse the risks that are likely to have a significant impact on Group operations or assets.

The Group has insurance covering several types of risks, including specific policies for its oil activity and the nature and location of its assets. This coverage is described in section 2.5., of this Annual Report.

Since the second half of 2017, the Group has established an anti-corruption programme stemming from law no. 2016-1691 of 9 December 2016 on transparency, anti-corruption and modernization of economy – the "Sapin II Law", requiring implementation of measures and procedures to prevent and detect acts of corruption. This law is applicable to all companies (i) with their registered office in France, (ii) with at least 500 employees, and (iii) with consolidated sales of more than €100 million.

Article 17 II of the Sapin II Law divides the full and effective anti-corruption and anti-bribery programme into eight sections:

- a Code of Conduct defining the different types of forbidden behaviour likely to be involved in acts of corruption or bribery;
- an internal whistleblowing system to collect reports of behaviour that does not comply with the Code of Conduct;
- risk mapping that is regularly updated and aimed at identifying, analysing, and prioritize corruption risks according to activity sectors and geographic regions in which the company operates;
- third-party due diligence assessments of customers, first-tier suppliers, and intermediaries;
- internal or external accounting procedures aimed at ensuring that the accounts are not used to mask acts of corruption or bribery;
- training schemes for managers and staff who are most exposed to corruption and bribery risks within the Group;
- a disciplinary scheme enabling breaches of the Code of Conduct to be punished (acts of corruption and behaviour contrary to the Group's ethics);
- a control and assessment scheme to control and assess measures implemented within the Group.

Wishing to be in full compliance with this new legislation, the Company implemented an Ethics Charter, a Code of Conduct, Anti-corruption Guidelines, and Know Your Customer appendices across the Group. Within the Group, these texts form the Principles of Conduct and have been distributed within the holding company in Paris and in Gabon, Tanzania, and Colombia. Training in this field is described in chapter 4, section 4.1.2 of this Annual Report.

Finally, the Group has implemented an internal whistleblowing system, which is strictly confidential, allowing all employees or contractors to alert or warn of any act (or attempt) that could be classed as corruption or a contravention of the compliance provisions set up by the Group. This whistleblowing system protects all employees from all types of threat by the Company to withdraw their alert.

General management is fully committed on this subject and works in complete transparency with the different Group services, in France or within subsidiaries abroad, in order to deal with any situation that could lead to such actions in advance (thereby responding to the principle of Tone from the Top). The persons in charge of compliance within the Group have significant experience within the oil industry and are assisted by external legal advisors who are experts on the subject in order to allow the Company to attain a compliance level to match the highest international standards.

2.6.4 Implementation

The Group is made up of a holding company, subsidiaries and operating establishments, each of which are under the responsibility of a local management team which reports to the Group's executive management. This local management team coordinates the Group's activities by country or by geographical area.

In the countries in which the Group's operations are the most developed, the operating subsidiaries have their own financial, accounting and legal departments in addition to their technical departments. For subsidiaries that do not have their own administrative departments, the Company's functional departments provide support services for such operations. The prevention and control of industrial and environmental risks are the responsibility of the operating entities.

The operational and financial managers of the establishments and subsidiaries receive appropriate delegations of powers on a case-by-case basis.

The specific "business" responsibilities are assumed by the different functional managers in charge of exploration, development and production, drilling, HSE, and finance/administration/human resources activities at Group level. Consequently, important decisions are prepared in coordination with and validated by the functional managers concerned before being sent to the Group's executive management for approval.

From a legal standpoint, the preparation and validation of key actions in the life of the Group's subsidiaries are handled centrally by the Group's legal department.

To limit the legal risks linked to disputes, the Group has set up a centralised legal department, supported by lawyers specialising in the areas of law concerned, in order to formalise its contractual commitments, comply with its obligations of all kinds and defend its interests, when these are deemed to present a significant risk factor.

Lastly, in conjunction with the Audit Committee, management mapped the risks and CSR challenges in 2015 in order to take account of the impact of potential events on the achievement of the Group's strategic and operational goals. This mapping formalises CSR risks and ranks them in relation to traditional risk. A mapping updated at the end of 2016 was presented to the Audit Committee, Risk Observatory and Board of Directors on 31 March 2017.

For their respective activities, Group entities identified, analysed and measured their risks. The main risk factors identified are described in sections 2.1 to 2.4 of this chapter.

In 2018, reports on the Group's key projects were regularly presented to the Audit Committee and Risk Observatory, particularly by executive management, the Finance department and/or the General Secretariat, which enabled the changes in risks related to these key projects to be shared with control bodies.

The Company's Finance department is responsible for preparing the Group's consolidated income statements. This department continuously monitors changes in accounting regulations, in particular those concerning international standards, in close coordination with the Statutory Auditors. The consolidated financial statements are prepared half-yearly. The accounting data from the operating subsidiaries are reviewed by the head office in Paris before being incorporated into the financial statements. The financial statements are prepared by the Company's financial department prior to being evaluated and audited by executive management, the Audit Committee and the Board of Directors.

Maurel & Prom's Management Control department coordinates the financial preparation of the Group's budget and the consolidated monthly reports. It conducts analyses of the difference between the budget and the actual figures as well as a general analysis of costs.

In the main operating entities, a management auditor, with a dual operational and functional reporting line, strengthens the internal control process.

Cash flows, positions and liquid assets as well as financial instruments are managed centrally (under the cash pooling agreement) by the Finance department. This department is also in charge of managing risks associated with financial instruments and cash and foreign exchange activities under the policy issued by the Group's executive management.

With regard to information systems, the Group uses standard tools to handle general and cost accounting, consolidation, cash and personnel management (consultants are used at period ends and information systems are outsourced to external service providers).

The entire financial communication process is the responsibility of the Chief Executive Officer and the Board of Directors.

Every quarter, Maurel & Prom discloses its revenue to the market and, in the months following the half-year closing, it publishes the related income statement, balance sheet and a cash-flow statement.

The communication schedule is distributed at the beginning of the period in accordance with Euronext requirements for companies whose shares are traded on that regulated market. The financial documents provided to the market are prepared by the financial department and approved by the Company's Board of Directors.

The Statutory Auditors validate the interim and annual financial documents before they are distributed.

The Group has drawn the attention of its employees who have access to inside information that they must refrain from conducting market transactions on the Company's financial instruments during periods in which they hold inside information, as well as during the blackout periods, and not to disclose information likely to have an impact on the share price.

Oil operations are carried out within a framework that involves host countries that must intervene in the application of specific legal limits, and frequently as partners.

The usual practice of partnerships involves the partners' participation, with the understanding that all investments or oil cost commitments must be within a budget that is approved and/or validated by all stakeholders to the various joint operating agreements in place.

This results in operational internal control procedures, which involve the systematic commitment of expenses by the people in charge of the cost centres at each of the operational stages (prospecting, drilling, and exploitation).

2.6.5 Supervision of internal control procedures

2.6.5.1 Board of Directors

The Company's Board of Directors has always emphasised the importance that it places, together with its executive management, on internal control and its main areas of application.

2.6.5.2 The Audit Committee and the Risk Observatory

The Audit Committee and Risk Observatory are in charge of monitoring internal control measures, with priority being placed on the accounting and financial areas, without disregarding the other functions. They report to the Board of Directors.

The main duties of these committees are described in sections 3.2.2.2 (a) and 3.2.2.2 (b) of this Annual Report.

2.6.5.3 Executive management

Executive management has the particular task of defining the general principles governing internal control and ensuring their proper application.

2.6.5.4 Internal auditors

Since 2009, the General Secretary of Maurel & Prom has coordinated the Group's audit and internal control process. He reports on his work to the Audit Committee and Risk Observatory.

To perform the due diligence procedures, he relies on the internal auditing in place at the Group's main operating subsidiary (Maurel & Prom Gabon S.A.) and on external consultants who are duly appointed for this purpose.

The duties assigned will specifically take into account the assessment of the most significant risks. The weight and contribution of prior activities and their precedence are taken into consideration in the risk assessment.

2.6.5.5 The Statutory Auditors

The Statutory Auditors, through their various audits, perform their professional due diligence to validate the preparation, treatment and consistency of the accounting and financial information for the Company and its subsidiaries.

They are informed in advance of the process used to prepare the financial statements, and they present a summary of their work to financial and executive management, the Audit Committee, Risk Observatory and Board of Directors.

The Statutory Auditors conduct the internal control checks deemed necessary as part of their engagement to certify the financial statements, and provide their observations to the Audit Committee and Risk Observatory.

2.6.6 Achievements in 2018 and outlook for 2019

In 2018, the Group strengthened its internal control structure at the registered office and subsidiary level. A Group internal control procedure coordination function was introduced at the holding level with contacts at the subsidiary level.

The General Secretariat continued to raise awareness and provide training on the Sapin II Law, by organising several training sessions in Paris and at the Group's main subsidiary in Gabon.

The objective of the 2019 fiscal year is to streamline reporting and financial control procedures across all Group entities. This will include the roll-out of a new ERP and the implementation of a HR IS.

3 CORPORATE GOVERNANCE

The Company has confirmed that the AFEP-MEDEF Corporate Governance Code, as revised in June 2018 ("**AFEP-MEDEF Code**"), is the Corporate Governance Code with which it voluntarily complies, within the meaning of Article L. 225-37-4 of the French Commercial Code. The AFEP-MEDEF Corporate Governance Code is available on the websites of AFEP (www.afep.com) and MEDEF (www.medef.com). The Corporate Governance High Committee (HCGE) in responsible for monitoring the correct application of the AFEP-MEDEF Code, in line with the provisions set out in said Code.

This chapter contains the report of the Chairman of the Board of Directors, prepared in accordance with Article L. 225-37 of the French Commercial Code. The report was prepared by several of the Company's functional departments, particularly the finance, human resources, legal and administration departments, and has been reviewed by the Audit Committee, the Risk Observatory and the Appointments and Remuneration Committee. It was approved by the Board of Directors at its meeting of 25 April 2019.

3.1 STATEMENTS ON CORPORATE GOVERNANCE

In accordance with the "comply or explain" rule of Article L. 225-37-4 of the French Commercial Code and Article 27.1 of the AFEP-MEDEF Code, the Company considers that, with the exception of factors disclosed and explained in full below in respect of the fiscal year ended 31 December 2018, the Company complies with the recommendations of that Code.

AFEP-MEDEF recommendations	Company practices
Article 9 of the AFEP-MEDEF Code: Assessment of the Board of Directors *"The Board assesses its ability to respond to the needs of the shareholders who have entrusted it with the administration of the company by periodically reviewing its composition, structural organisation and operations (which also involves reviewing the Board's committees).* *Each Board reviews the desirable balance of its own composition and that of its committees and periodically considers whether its structural organisation and operations are adequate to perform its tasks.* *(...)* *The assessment is carried out as follows:* — *once a year, the Board discusses its operations;* — *a formal assessment is made at least every three years. This assessment may be carried out under the supervision of the Appointments Committee or an independent director, with the help of an external consultant;* — *shareholders are informed each year of the assessments carried out and, if applicable, of any steps taken as a result."*	The Board of Directors dedicated one of its agenda items at its 25 April 2019 meeting to discussing its composition, structural organisation and operations in respect of fiscal year 2018, in particular to ensure that important issues are properly prepared and discussed, and to measure each director's actual contribution to the work of the Board and its committees in terms of their expertise and their involvement in its deliberations. The directors were able, in particular, to discuss the composition of the Board (in terms of the number of women directors on the Board, members' skills and international representation), its operation, as well as the operation of its special committees, and the information contained in the reports given to directors with the aim of improving the Board's work. Following these discussions, directors put forward suggestions to improve the operation of the Board of Directors. Given the implementation of the Board of Directors' self-assessment procedure, the Board did not consider it necessary to carry out a formal assessment of the Board of Directors in respect of fiscal year 2018 as the current process is satisfactory. It should be noted that, with a view to complying with the recommendations of the AFEP-MEDEF Code and furthering the process of continuous improvement of the Company's corporate governance, a formal assessment will be carried out for fiscal year 2019 with the assistance of an external service provider.

AFEP-MEDEF recommendations	Company pratices
Article 16.2.2 of the AFEP-MEDEF Code: Succession planning for executive corporate officers *"The Appointments Committee (or an ad hoc committee) should design a plan for replacement of executive corporate officers. This is one of the committee's main tasks, even though such a task may, if necessary, be entrusted by the Board to an ad hoc committee."*	The introduction of a succession plan for the Chairman of the Board of Directors was not deemed necessary by the Appointments and Remuneration Committee due to the presence of PIEP as a controlling shareholder. As a reminder, the agreements relating to the takeover bid launched in 2016 by PIEP on the Company's shares (the "**takeover bid**") included governance-related commitments, with PIEP having the option to appoint all directors (including the Chairman of the Board of Directors), with the exception of independent directors. There are no plans to adjust the balance in terms of the Company's corporate governance, it being noted that PIEP, through the directors representing it (i.e. four out of seven directors), holds a majority within the Board of Directors. With regard to executive management, it should be noted that the term of office of Michel Hochard as the Company's Chief Executive Officer will expire following the General Shareholders' Meeting of 13 June 2019. As part of the succession process, the Appointments and Remuneration Committee has launched a search process for the new Chief Executive Officer. The formalisation of a succession plan for the Chief Executive Officer will be launched by the Appointments and Remuneration Committee following the appointment of the Company's new Chief Executive Officer. This will provide the Appointments and Remuneration Committee, prior to the definition of this new succession plan, with better visibility on the impact of future managerial changes on the Company's management.
Article 19 of the AFEP-MEDEF Code: Directors' Code of Ethics *"In the absence of legal provisions to the contrary, directors must be shareholders in their own right and, pursuant to the Bylaws or Internal Regulations, hold a minimum number of shares to justify the attendance fees received. If a director does not own those shares when he/she takes up office, such director must use his/her attendance fees to purchase them."*	The Internal Regulations of the Company's Board of Directors (the "**Internal Regulations**") stipulate that directors must commit to (i) purchasing 500 shares every year using the attendance fees they receive (or any smaller number of shares corresponding to an amount of €3,000), and (ii) keeping those shares until the end of their term of office. This rule does not apply to the Company's controlling shareholder director or to directors representing this controlling shareholder, to the extent that PIEP holds, as at 31 December 2018, 141,998,480 of the Company's shares.
Article 22 of the AFEP-MEDEF Code: Shareholding obligation for executive corporate officers *"The Board of Directors sets a minimum number of shares which executive corporate officers must hold in bearer form, until the end of their terms of office. This decision is reviewed at least each time their term of office is renewed.* *(...)* *Until this shareholding target is reached, executive corporate officers shall commit a portion, to be determined by the Board, of their options exercised or performance share allocated to achieving this target. This information is included in the Company's corporate governance report."*	The shareholding obligation for corporate officers set out in the Internal Regulations does not apply to directors representing the Company's controlling shareholder. As Aussie B. Gautama, the current Chairman of the Board of Directors, is a director representing the controlling shareholder and as such is already exempt from personally holding shares in the Company, it was not considered appropriate to require him to personally hold a set number of shares because of his role as Chairman of the Board of Directors.

AFEP-MEDEF recommendations	Company pratices
Article 21 of the AFEP-MEDEF Code: Termination of employment upon appointment as a corporate officer *"It is recommended that, if an employee becomes an executive corporate officer, such employee's Employment Contract with the company or a company within the group should be terminated either by signing a severance agreement, or by the employee's resignation.* *This recommendation applies to the Chairman, the Chairman & Chief Executive Officer, and the Chief Executive Officer in companies with a Board of Directors, and to the Chairman of the Management Board and to the Chief Executive Officer in companies with a Management Board and Supervisory Board, and to the managing partners of partnerships limited by shares.* *It is not aimed at employees of a group of companies who are executive corporate officers in a subsidiary of that group, whether listed or unlisted."*	The Board of Directors did not wish to terminate the Employment Contract of Michel Hochard who, until his appointment as Chief Executive Officer of the Company on 26 May 2014, had held the position of Chief Financial and Administrative Officer for the Group for a number of years. The Board of Directors considered that although this provision would be understandable in the case of a director who was recruited externally or was a newcomer to the Group, it would be difficult to justify in the case of a manager who had been leading a successful career in the Company for a number of years and was now being asked to take on more senior responsibilities. On an individual level this measure would make the position of interested candidates more precarious given the risks incurred in their new responsibilities, and could lead internal candidates to refuse the position or to require higher remuneration, which are certainly not the objectives sought by the recommendations of the AFEP-MEDEF Code. This measure would distance the officers from the corporate fabric, and would be inconsistent with the goals of internal promotion and "sustainable management" which are key to building the Company and its development. Accordingly, the Board of Directors decided to maintain Michel Hochard's Employment Contract as Chief Financial Officer while still appointing him as Chief Executive Officer. His contract was therefore suspended, in accordance with relevant case law, from the time of his appointment as Chief Executive Officer of the Company and shall remain so until his term of office as CEO expires.
Article 24.3.3 of the AFEP-MEDEF Code: Long-term remuneration of executive corporate officers – Risk-hedging transactions *"Executive corporate officers who are beneficiaries of stock options and/or performance shares must make a formal commitment not to engage in any hedging transactions in respect of their own risks, either on options or on shares resulting from the exercise of options or on performance shares, until the end of the period determined by the Board of Directors for holding shares."*	Pursuant to the agreements relating to the takeover bid, PIEP offered all beneficiaries whose shares were not available to be contributed to the takeover bid the option of entering into a liquidity agreement, the price of which is determined on the basis of a multiple resulting from the takeover bid. To the extent that all bearers of bonus shares fulfilling the aforementioned conditions are eligible for this liquidity mechanism, and even though that mechanism could potentially be considered risk hedging within the meaning of the AFEP-MEDEF Code, the Chief Executive Officer was offered such an agreement, whether in respect of bonus shares awarded to him prior to holding the position of Chief Executive Officer (in his capacity as an employee of the Company or corporate officer in a company absorbed by the Company) that were not available to be contributed to the takeover bid, or performance shares awarded to him in the context of his position at 25 February 2016 prior to the takeover bid, it being specified that the legal conditions relating to holding shares applicable to executive corporate officers are still complied with under the implementation of this liquidity mechanism.

Article 24.5 of the AFEP-MEDEF Code: Departure of executive corporate officers

"[...] The law gives shareholders a major role by making these predefined benefits, paid on termination of office of the executive corporate officer, subject to the procedure for related party agreements. It requires total transparency and makes severance pay conditional on performance.

Performance conditions set by boards for this severance pay must be assessed over at least two fiscal years. They should be challenging and should not permit severance pay for a director unless the departure is forced, regardless of how the departure is portrayed.

Severance pay should not be paid to an executive corporate officer who leaves the Company voluntarily to take on new functions, or changes roles internally within a group, or if they are eligible to receive their retirement package.

If paid, severance should not exceed two years' remuneration (fixed and variable).

When a non-compete clause is stipulated, the Board states in the terms of departure when the director leaves whether a non-compete clause applies, especially when the director leaves the company to accept a retirement package or after accepting a retirement package. In any event, the total of these two packages must not exceed the ceiling (see above).

This two-year limit also covers payments related to Employment Contract termination, where applicable."

Under his Employment Contract as Chief Financial Officer (suspended during his term of office as the Company's Chief Executive Officer), Michel Hochard receives (i) non-compete remuneration amounting to 35% of the remuneration he would have received for two years after the end of his contract and (ii) dismissal remuneration equivalent to 24 months' gross pay, if dismissed or forced to discontinue his role as Chief Financial Officer within 18 months following a change of control of the Company or a significant change in the majority shareholder's interest in the Company.

These benefits, which were granted to Michel Hochard when he joined the Company in 2007 as Chief Financial and Administrative Officer, were adjusted in 2011 to take account of the economic and financial context and the Group's development outlook at the time. These benefits, the principle and amount of which have remained unchanged since 2011, were granted under Michel Hochard's Employment Contract and relate solely to that Employment Contract.

When appointing Michel Hochard as the Company's Chief Executive Officer, the Company and the Board of Directors did not want to put an end to the remuneration or benefits owed or that might be owed for the discontinuation of or a change in his role as Chief Financial Officer or to the non-compete clauses applicable to him under his Employment Contract, or to change these clauses to comply with the AFEP-MEDEF Code applicable to executive corporate officers. These benefits are connected only with the termination of his contract as the Company's Chief Financial and Administrative Officer (suspended for the term of his position as the Company's Chief Executive Officer) and are consistent with the corporate office of the Chief Executive Officer as performed by Michel Hochard.

The Company wishes to point out that as the Company's Chief Executive Officer, Michel Hochard does not receive any actual or potential remuneration or benefit for the discontinuation of or a change in his role or any non-compete remuneration.

3.2 ADMINISTRATION AND MANAGEMENT OF THE COMPANY

3.2.1 Administrative and management bodies

Following the decision by the Board of Directors on 26 May 2014, the roles of Chairman of the Board of Directors and Chief Executive Officer were separated as of that date to improve the operation of the Board of Directors and to allow the Chairman of the Board of Directors to focus on the major strategic decisions affecting the Company.

Aussie B. Gautama has served as Chairman of the Board of Directors since 10 April 2017 (see section 3.2.1.1 (A) of this Annual Report).

Michel Hochard has served as Chief Executive Officer of the Company since 26 May 2014. Michel Hochard was reappointed as Chief Executive Officer by the Board of Directors' meeting of 22 June 2017, on the recommendation of the Appointments and Remuneration Committee, for a two-year term which will expire at the end of the General Shareholders' Meeting convened in 2019 to approve the financial statements for the year ending 31 December 2018, i.e. the General Shareholders' Meeting of 13 June 2019. The Appointments and Remuneration Committee have launched a search process for the new Chief Executive Officer who will succeed Michel Hochard. In the event that this process is still underway at the date of the General Shareholders' Meeting of 13 June 2019, the Board of Directors reserves the right, under the terms and conditions and limits set out in the Bylaws, to renew Michel Hochard's term of office as Chief Executive Officer as from the end of the General Shareholders' Meeting of 13 June 2019 and until a new Chief Executive Officer is appointed.

During the Board of Directors meeting of 25 April 2019, the Internal Regulations of the Board of Directors were updated to comply with the revised version of the AFEP-MEDEF Code of June 2018.

3.2.1.1 Members of the Board of Directors and executive management

A) Board of Directors

Membership of the Company's Board of Directors as at 31 December 2018 and description of changes that occurred during fiscal year 2018

Presentation of the membership of the Board of Directors at 31 December 2018

The Board of Directors is composed of at least three members and no more than twelve members, appointed for three-year periods by the Ordinary General Shareholders' Meeting, barring legal exception in the case of mergers[1].

Membership of the Board of Directors as at 31 December 2018 is described in the table below:

	Personal information				Experience		Position on the Board			
	Age	M/F	Nationality	Number of shares[a]	Number of directorships in a listed company[b][c]	Independance	Date of first appointment	Term of current appointment	Years of service on the board	Involvement in Board committees[d]
Aussie B. Gautama Chairman of the Board of Directors	63	M		0	0	No	10/04/2017	2019 AGM	2 years	-
Aris Mulya Azof[e]	49	M		0	0	No	20/06/2018	2021 AGM	< 1 year	AC
Nathalie Delapalme	62	F		516	0	Yes	20/05/2010	2020 AGM	9 years	ARC (Chairman) AC RO
Carole Delorme d'Armaillé	56	F		1,000	0	Yes	27/03/2013	2021 AGM	6 years	RO (Chairman)
Roman Gozalo	73	M		1,500	0	Yes	12/06/2008	2020 AGM	10 years	AC (Chairman) RO ARC
Maria R. Nellia[f]	54	F		0	0	No	10/04/2017	2021 AGM	2 years	RO
Denie S. Tampubolon	55	M		0	0	No	25/08/2016	2019 AGM	2 years	ARC

(a) The shareholding obligation for corporate officers set out in the Internal Regulations does not apply to directors representing the Company's controlling shareholder.
(b) Number of directorships (outside the Group) in listed companies, including foreign companies.
(c) It should be noted that in accordance with the recommendations of the AFEP-MEDEF Code and the Internal Regulations, when appointing a director or renewing their term of office, the Appointments and Remuneration Committee ensures that the Company director concerned holds no more than four other directorships in listed companies outside the Company, including foreign companies. In order to ensure compliance with the aforementioned rules and the rules relating to the total number of directorships permitted by the French Commercial Code, the Internal Regulations stipulate that all directors must inform the Board of Directors (and the Appointments and Remuneration Committee) of any positions that they hold in other companies, including membership of Board committees or the supervisory committees of these French or foreign companies.
(d) AC = Audit Committee; ARC = Appointments and Remuneration Committee; RO = Risk Observatory.
(e) PIEP resigned as director with effect from 20 June 2018 and was replaced by Aris Mulya Azof, who was co-opted during the same meeting and whose co-optation as director will be submitted for ratification to the General Shareholders' Meeting of 13 June 2019. For information, it should be noted that Aris Mulya Azof resigned as director with effect from 20 March 2019 and was replaced by Narendra Widjajanto, who was co-opted during the same meeting and whose co-optation as director will be submitted for ratification to the General Shareholders' Meeting of 13 June 2019.
(f) For information, it should be noted that Maria R. Nellia resigned as director with effect from 20 March 2019 and was replaced by Ida Yusmiati, who was co-opted during the same meeting and whose co-optation as director will be submitted for ratification to the General Shareholders' Meeting of 13 June 2019.

Nationalities: French:  Indonesian: 

(1) There are no Board members representing employee shareholders or representing employees as the Company is not required to have such a member under applicable laws and regulations.

Changes to the membership of the Board of Directors during the 2018 fiscal year

Changes to the membership of the Board of Directors and the Board of Directors' committees during the 2018 fiscal year are presented in the table below:

	Departures	Appointments	Renewals
Board of Directors	PIEP, represented by Huddie Dewanto[a] (20 June 2018)	Aris Mulya Azof[b] (20 June 2018)	N/A
Appointments and Remuneration Committee	N/A	N/A	N/A
Audit Committee	PIEP, represented by Huddie Dewanto[a] (20 June 2018)	Aris Mulya Azof[c] (20 June 2018)	N/A
Risk Observatory	N/A[d]	N/A	N/A

N/A: Not Applicable.

(a) PIEP resigned as director with effect from 20 June 2018 and was replaced by Aris Mulya Azof, who was co-opted during the same meeting and for whom the ratification of this co-optation as director will be submitted to the General Shareholders' Meeting of 13 June 2019.

(b) For information, it should be noted that Aris Mulya Azof resigned as director with effect from 20 March 2019 and was replaced by Narendra Widjajanto, who was co-opted during the same meeting and whose co-optation as director will be submitted for ratification to the General Shareholders' Meeting of 13 June 2019.

(c) For information, it should be noted that Narendra Widjajento was appointed on 20 March 2019 as a member of the Audit Committee as a replacement for Aris Mulya Azof, subject to approval by the General Shareholders' Meeting of 13 June 2019 of his co-optation as director.

(d) For information, it should be noted that Maria R. Nellia resigned as director with effect from 20 March 2019 and was replaced by Ida Yusmiati, whose co-optation as director will be subject to ratification by the General Shareholders' Meeting of 13 June 2019. Ida Yusmiati was appointed on 20 March 2019 as a member of the Risk Observatory as a replacement for Maria R. Nellia, subject to approval by the General Shareholders' Meeting of 13 June 2019 of her co-optation as director.

3

Frequency of meetings and directors' attendance

The Board of Directors met nine times during the fiscal year ended 31 December 2018, i.e. five meetings more than provided for in the Internal Regulations, and the average attendance rate of its members was 92% of directors present.

Moreover, 12 meetings of the Board of Directors' committees took place during the 2018 fiscal year:

- the Audit Committee met four times, with an average attendance rate of 100%;
- the Appointments and Remuneration Committee met five times, with an average attendance rate of 98%;
- the Risk Observatory met three times, with an average attendance rate of 100%.

Directors' attendance at Board and committee meetings during the 2018 fiscal year is presented in the table below (information presenting the situation of directors present, without taking into account directors who were represented)[a]:

	Attendance at Board of Directors' meetings	Attendance at Audit Committee meetings	Attendance at Appointments and Remuneration Committee meetings	Attendance at Risk Observatory meetings
Aussie B. Gautama	100%	N/A	N/A	N/A
PIEP, represented by Huddie Dewanto[b]	33%	100%	N/A	N/A
Maria R. Nellia	89%	N/A	N/A	100%
Denie S. Tampubolon	89%	N/A	93%	N/A
Nathalie Delapalme	100%	100%	100%	100%
Carole Delorme d'Armaillé	89%	N/A	N/A	100%
Roman Gozalo	100%	100%	100%	100%
Aris Mulya Azof	100%[c]	100%[d]	N/A	N/A
TOTAL	**92%**	**100%**	**98%**	**100%**

(a) Percentages are rounded down or up to the nearest whole number, as appropriate.

(b) Until 20 June 2018, effective date of PIEP's resignation as director.

(c) As from 20 June 2018, date on which Aris Mulya Azof was co-opted by the Board of Directors as director.

(d) As from 20 June 2018, the date on which Aris Mulya Azof was appointed a member of the Audit Committee.

Independence of the Directors

In accordance with the recommendations of the AFEP-MEDEF Code reprised in the Internal Regulations, the Company undertakes to comply with the proportion of independent directors stipulated in those recommendations, namely that at least one third of the members of the Board of Directors shall be independent given the fact that the Company is controlled by PIEP within the meaning of Article L. 233-3 of the French Commercial Code.

Directors are considered independent if they have no relationship of any kind with the Company, its Group or its management that may influence their judgement. Thus, an independent director should be understood to mean not only being a non-executive corporate officer, i.e. one that does not exercise any management functions within the Company or its Group, but also not having any special links with it (such as being a significant shareholder, employee, or other).

The Internal Regulations specify the criteria, listed below, that the Appointments and Remuneration Committee and the Board examine to qualify a director as independent:

- not be or have been in the past five years:
  - an employee or executive corporate officer of the Company,
  - an employee, executive director or director of a company consolidated by the Company,
  - an employee, executive corporate officer or director of the Company's parent company or a company consolidated by that parent company (*Criterion 1*);
- not be an executive corporate officer of a company in which the Company directly or indirectly holds an office as director or in which an employee nominated as such or an executive corporate officer of the Company (currently or who has held such an office for less than five years) holds an office as director (*Criterion 2*);
- not be[1] a customer, supplier, investment banker or financing banker:
  - of importance for the Company or its Group,
  - or deriving a significant portion of business from the Company or its Group (*Criterion 3*);
- not have close family ties with another corporate officer (*Criterion 4*);
- not have been a statutory auditor of the Company in the preceding five years (*Criterion 5*);
- not be a director of the Company of more than 12 years' standing, after which the status of independent director cannot apply (*Criterion 6*).

A non-executive corporate officer cannot be considered to be independent if he or she receives variable remuneration in cash or shares or any remuneration that is related to the performance of the Company or Group (*Criterion 7*).

Directors who represent major shareholders of the Company can be considered independent if they do not participate in the control of the Company. If a director has in excess of 10% of the Company's capital or voting rights, the Board of Directors should automatically investigate, through its Appointments and Remuneration Committee, the director's independent status, taking into consideration the composition of the Company's capital and the existence of a potential conflict of interest (*Criterion 8*).

The Board of Directors may also decide that a director, although meeting the above criteria, should not qualify as an independent director as a result of his or her particular circumstances or those of the Company, in terms of his or her shareholding or for any other reason. Conversely, the Board of Directors may decide that a director who does not meet the above criteria is nevertheless independent.

When a business relationship exists, to assess the significance of the business relationship with the Company or Group, the Board of Directors performs a quantitative and qualitative review of the situation of each director. The significance is assessed from the point of view of the Company and that of the director him – or herself.

In accordance with the recommendations of the AFEP-MEDEF Code and the Internal Regulations, qualification as an independent director is discussed by the Appointments and Remuneration Committee and reviewed each year by the Board of Directors with regard to the criteria mentioned above. The qualification as independent director is also discussed when appointing a new director to the Board.

Consequently, the Board of Directors believes that based on the recommendation of the Appointments and Remuneration Committee at its meeting of 25 April 2019, the following directors should be considered to be independent as at 31 December 2018:

- Nathalie Delapalme;
- Carole Delorme d'Armaillé; and
- Roman Gozalo.

As at 31 December 2018, the Company's Board of Directors therefore comprised more than a third of independent directors (three out of the seven members), in accordance with the recommendations of the AFEP-MEDEF Code[2].

Note that no independent Board member has any direct or indirect business relationships with the Company or the Group. The Board of Directors has therefore had no need to assess the significance of business relationships in terms of the independence criteria, given the characteristics of the Company and its business relationships.

(1) Or be directly or indirectly linked to these individuals.
(2) In accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors examined the independence of Narendra Widjajanto and Ida Yusmiati when they were co-opted on 20 March 2019. The Board of Directors believes that, based on the recommendation of the Appointments and Remuneration Committee, Narendra Widjajanto and Ida Yusmiati should not be considered to be independent as they do not comply with Criteria 1 and 8 mentioned above. Nevertheless, the share of independent directors on the Board was not affected by these co-optations and remains unchanged as at the date of this Annual Report.

The following table summarises the situation of the Company's independent directors as at 31 December 2018, with respect to the above independence criteria set out in the AFEP-MEDEF Code and included in the Internal Regulations:

	Criterion 1: Employee or executive corporate officer in the past five years[a]	Criterion 2: Cross-director ships[a]	Criterion 3: Significant business relationship[a]	Criterion 4: Family ties[a]	Criterion 5: Auditing[a]	Criterion 6: 12 years[a]	Criterion 7: Non-executive corporate officer status[a]	Criterion 8: Major shareholder status[a]
Aussie B. Gautama Chairman of the Board of Directors	✗	✓	✓	✓	✓	✓	✓	✗
Nathalie Delapalme	✓	✓	✓	✓	✓	✓	N/A	N/A
Carole Delorme d'Armaillé	✓	✓	✓	✓	✓	✓	N/A	N/A
Roman Gozalo	✓	✓	✓	✓	✓	✓	N/A	N/A
Denie S. Tampubolon	✗	✓	✓	✓	✓	✓	N/A	✗
Maria R. Nellia	✗	✓	✓	✓	✓	✓	N/A	✗
Aris Mulya Azof	✗	✓	✓	✓	✓	✓	N/A	✗

N/A: Not Applicable.
(a) "✓" = an independence criterion met; "✗" = an independence criterion not met.

Diversity policy

Board of Directors diversity policy

The Board of Directors pays particular attention to the diversity of directors' profiles, notably in terms of balanced representation of women and men, qualifications and professional experience. This diversity in expertise and points of view, which is key to good corporate governance, contributes positively to discussion and helps ensure the rapid and in-depth understanding of the Company's development challenges coupled with greater efficiency in terms of decision-making and supervision processes.

In this respect, the Board of Directors regularly reviews its composition and determines guidelines to be provided to ensure the best possible balance.

Criteria	Policy and objectives	Implementation methods and results obtained during the 2018 fiscal year
Age and years of service of members of the Board of Directors	A generational balance is sought on the Board of Directors, beyond the rule in the Bylaws that the number of directors over the age of seventy (70) may not exceed one-third of the number of directors in office. In addition to the age of directors, finding a balanced distribution in terms of years of service on the Board of Directors, which helps combine drive and experience, is also an objective.	Directors are aged between 49 and 73 years old, and have an average age of 58. Terms of office are staggered in order to avoid all reappointments occurring at the same time and to make the process more harmonious for directors and years of service more balanced. The Board of Directors believes that its composition in terms of age and years of service is balanced, with directors that have historical knowledge of the Company and directors that have joined the Board more recently.

Criteria	Policy and objectives	Implementation methods and results obtained during the 2018 fiscal year
Representation of women and men	Compliance with the provisions of Article l.225-18-1 of the French Commercial Code on gender equality, which specifies that at least 40% of directors must be of the same gender within the Board of Directors and, when a Board of Directors has at least eight members, that the difference between the number of men and women may not exceed two. Gender balance on committees.	As at 31 December 2018, the Company's Board of Directors was composed of three women and four men, i.e. 43% of women directors with a difference between the number of men and women of less than two. The Board of Directors considers that the 43% of women directors reached at 31 December 2018 corresponds to a balanced representation of men and women[a]. The Appointments and Remuneration Committee and the Risk Observatory are chaired by women.
Nationalities International profiles	Recruitment of international profiles: — recruitment of foreign or multi-cultural directors; — and/or with international experience in strategic markets for the Company.	The majority of directors have international careers and responsibilities.
Qualifications and professional experience	Targeting complementarity among directors' experience. Expertise relating to the Company's strategy and growth objectives.	The experience and expertise of directors are in line with the Company's strategy and development objectives.

(a) The share of women on the Board was unaffected by the co-optations carried out at the General Shareholders' Meeting of 20 March 2019, and remains unchanged as at the date of this Annual Report.

Management bodies' diversity policy

In line with the Group's diversity policy, the Board of Directors also ensures that the Chief Executive Officer implements a non-discrimination and diversity policy, in particular in terms of the balanced representation of women and men within management bodies. Access for women to top positions within the Company and Group's managing bodies is one of the main challenges in upstream oil and gas activities. In this regard, the Company makes every effort to promote equality and aims to give women more access to positions at all levels within the company, including key positions. To this end, the Company ensures that women enjoy the same career development opportunities as their male counterparts and takes measures to encourage female talent.

Biographies of the members of the Board of Directors

Biographies of the members of the Board of Directors for the 2018 fiscal year (information as at 31 December 2018)

Aussie B. GAUTAMA

Chairman of the Board of Directors

Date of first appointment: 10 April 2017

Term of office start date: 10 April 2017

Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31/12/2018

Number of shares held: 0 [1]

Involvement in Board of Directors' committees: None

Indonesian citizen, aged 63

Maurel & Prom
51 rue d'Anjou, 75008 Paris

Main role outside the Company

— *Advisor to the President Director*, PIEP (Indonesia)

Current directorships and offices

Directorships and offices held within the Group

None

Directorships and offices held outside the Group

None

Directorships and offices that have expired during the past five years

— *Deputy Planning Management*, SKK Migas (Indonesia)

Summary of main areas of expertise and experience

Aussie B. Gautama has been Chairman of the Board of Directors since 10 April 2017. He is highly experienced in managing Exploration and Production activities in the hydrocarbon industry through the management positions he has held in major groups within the hydrocarbon sector.

Aussie B. Gautama held a number of successive positions at Total between 1982 and 2012. In 1991 he joined Total in Paris, working as a geologist on the Midgard project in Norway for two years. From 1998 to 2000, he worked at Total Libya as head of geology and geophysics. In 2005 he returned to Total in Paris where he spent two years coordinating the OML 130 Egina-Preowei project in Nigeria. From 2007 to 2012 he served as Vice President Geosciences & Reservoir at Total E&P Indonesia. In 2012 Aussie B. Gautama was appointed Deputy for Planning Management at SKK Migas, the Indonesian regulatory authority tasked with managing Exploration and Production activities in the country's hydrocarbon industry. In 2015 he joined the Petramina Group as Advisor to the President Director.

A graduate of the Bandung Institute of Technology in Indonesia, Aussie B. Gautama has also received a solid international education at schools such as ENSPM and INSEAD.

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(1) The shareholding obligation for corporate officers set out in the Internal Regulations does not apply to directors which represent the Company's controlling shareholder.

Nathalie DELAPALME

Independent director

Date of first appointment: 20 May 2010

Term of office start date: 22 June 2017

Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31/12/2019

Number of shares held: 516

Involvement in Board of Directors' committees:

- Chairman of the Appointments and Remuneration Committee;
- Member of the Audit Committee;
- Member of the Risk Observatory

French citizen, aged 62

Maurel & Prom,
51 rue d'Anjou, 75008 Paris

Main role outside the Company

- Executive Director of the Mo Ibrahim Foundation (Africa)

Current directorships and offices

Directorships and offices held within the Group

None

Directorships and offices held outside the Group

- Director and member of the governance, appointments and remuneration committee of EBI S.A. (France)
- Director of Pierre Fabre S.A.(France)

Directorships and offices that have expired during the past five years

- Director and member of the appointments and remuneration committee of CFAO (France)*

Summary of main areas of expertise and experience

Nathalie Delapalme has held senior accounting and financial positions within the French government. Her vast experience with Africa is an asset for the Board of Directors.

Nathalie Delapalme began her career in the French Senate, where she served from 1984 to 1985 and again from 1997 to 2002, mainly as an administrator and then as an advisor to France's National Finance, Budget and Accounts Commission. She was also a Deputy Director serving under the Minister for Development Cooperation between 1995 and 1997, and then became Africa advisor to the Foreign Minister from 2002 to 2007. From 2007 to 2010 she held the position of General Inspector of Finances for the Inspectorate-General of Finance (IGF), and in June 2010 she joined the Mo Ibrahim Foundation as Executive Director for Research and Public Policy.

* Listed company (for current terms of office).

Carole DELORME D'ARMAILLÉ

Independent director

Date of first appointment: 27 March 2013

Term of office start date: 18 June 2015

Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31/12/2020

Number of shares held: 1,000

Involvement in Board of Directors' committees:

- Chairman of the Risk Observatory.

French citizen, aged 56

Maurel & Prom,
51 rue d'Anjou, 75008 Paris

Main role outside the Company

- Chief Executive Officer of the Office de Coordination Bancaire et Financière (France)

Current directorships and offices

Directorships and offices held within the Group

None

Directorships and offices held outside the Group

- Chairman of Athys Finances SASU (France)

Directorships and offices that have expired during the past five years

None

Summary of main areas of expertise and experience

Carole Delorme d'Armaillé brings to the Board of Directors her vast expertise in banking and finance.

She has had a dual career as group treasurer and head of professional associations in the financial services sector. She began in the financial division of Péchiney before joining the Altus Group's SBT-BAITF bank and then the Global Markets team at JP Morgan in Paris. In 1995 she returned to the packaging sector at Crown Cork & Seal (formerly CarnaudMetalbox). In the 2000s, she became managing director of the Association Française des Trésoriers d'Entreprise (AFTE, the French Association of Corporate Treasurers) and then went on to spend 10 years as director of investor communications and relations at Paris EUROPLACE, an organisation tasked with promoting the Paris financial marketplace. Since the beginning of 2016 she has served as Chief Executive Officer of the Office de Coordination Bancaire et Financière in Paris.

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Roman GOZALO

Independent director

Date of first appointment: 12 June 2008

Term of office start date: 22 June 2017

Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31/12/2019

Number of shares held: 1,500

Involvement in Board of Directors' committees:

- Chairman of the Audit Committee;
- Member of the Risk Observatory;
- Member of the Appointments and Remuneration Committee.

French citizen, aged 73

Maurel & Prom,
51 rue d'Anjou, 75008 Paris

Main role outside the Company

None

Current directorships and offices

Directorships and offices held within the Group

None

Directorships and offices held outside the Group

None

Directorships and offices that have expired during the past five years

- Observer at MPI SA[1] (until 27 July 2015)

Summary of main areas of expertise and experience

Roman Gozalo has extensive experience in the management of hydrocarbon companies, having held management positions in several of this sector's major groups.

Roman Gozalo developed his management expertise by serving as the executive manager of three subsidiaries of the Total Group from 1988 to 2002 and also as Administrative Director (General Secretary) of the Elf Group from 1995 to 1999.

(1) Formerly Maurel & Prom Nigeria, MPI was listed on Euronext Paris from 15 December 2011 to 23 December 2015. MPI was absorbed by the Company on 23 December 2015.

Denie S. TAMPUBOLON

Director

Date of first appointment: 25 August 2016

Term of office start date: 25 August 2016

Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31/12/2018

Number of shares held: 0 [1]

Involvement in Board of Directors' committees:

— Member of the Appointments and Remuneration Committee.

Indonesian citizen, aged 55

Maurel & Prom,
51 rue d'Anjou, 75008 Paris

Main role outside the Company

— *President Director*, PIEP (Indonesia)

Current directorships and offices

Directorships and offices held within the Group

— Member of the Board of Commissioners, PT Pertamina Hulu Mahakam (Indonesia)

Directorships and offices held outside the Group

None

Directorships and offices that have expired during the past five years

— Senior VP Upstream Business Development, PT Pertamina (Persero) (Indonesia)
— Member of the Board of Commissioners, PT Pertamina EP Cepu (Indonesia)
— Chairman and Chief Executive Officer, PT Pertamina Hulu (Indonesia)

Summary of main areas of expertise and experience

Denie S. Tampubolon has extensive experience in the hydrocarbons sector, having spent the majority of his career in management positions within the Pertamina Group.

Denie S. Tampubolon began his career at Pertamina in 1990, working in the Exploration department covering the Kalimantan region. From 1995 to 2000 he worked as an analyst in the Technical Analysis department before joining the Strategic Planning and Portfolio Management department. From 2000 to 2005 he was assigned to the Secretariat of the Organization of the Petroleum Exporting Countries (OPEC) in Vienna. He returned to Pertamina in 2006 where he held a number of positions before becoming Director of Upstream Business Intelligence in 2009. From 2010 to 2011, Denie S. Tampubolon was seconded as ministerial special advisor to Indonesia's Ministry of Energy and Mineral Resources. Returning to Pertamina in 2012, he joined the Upstream Business Development department. In July 2013 he was appointed as Senior Vice President of Upstream Business Development and held this position until June 2018. From November 2013 to February 2014, Denie S. Tampubolon also served as Chairman and Chief Executive Officer of PIEP. Between 2015 and 2017 he was also a member of the Board of Commissioners of PT Pertamina EP Cepu, a subsidiary of PT Pertamina (Persero), jointly managing with ExxonMobil the Cepu block. Between December 2015 and June 2017, Denie S. Tampubolon was also Chairman and Chief Executive Officer of PT Pertamina Hulu Indonesia, a subsidiary of PT Pertamina (Persero), managing the Mahakam and other product-sharing agreements in Indonesia. Since 2015, he has been a member of the Board of Commissioners of PT Pertamina Hulu Mahakam. Since June 2018, Denie S. Tampubolon has also been President Director of PIEP.

(1) The shareholding obligation for corporate officers set out in the Internal Regulations does not apply to directors which represent the Company's controlling shareholder.

Maria R. NELLIA

Director

Date of first appointment: 10 April 2017

Term of office start date: 10 April 2017

Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2020 – Resigned on 20 March 2019

Number of shares held: 0[1]

Involvement in Board of Directors' committees:

- Member of the Risk Observatory.

Indonesian citizen, aged 54

Maurel & Prom,
51 rue d'Anjou, 75008 Paris

Main role outside the Company

- Vice President Commercial and Business Support, PIEP (Indonesia)

Current directorships and offices

Directorships and offices held within the Group

None

Directorships and offices held outside the Group

- President Director, Pertamina Algeria EP (Algeria)

Directorships and offices that have expired during the past five years

- Business Support manager, PIEP (Indonesia)

Summary of main areas of expertise and experience

Maria R. Nellia brings to the Board of Directors her vast experience in the hydrocarbon sector, having spent several years in management positions in leading groups in this sector.

She has worked in the hydrocarbon sector for more than 29 years, since 1989. She began her career in August 1989 at Mobil Oil Indonesia and then at Exxon Mobil as Geophysicist Exploration Development. She further developed her expertise in managing a hydrocarbon company by joining a number of multinational companies in this sector, including PT Landmark Concurrent Solusi Indonesia, a Halliburton-group company in 2000, PT Medco E&P Indonesia in 2004 and Eni Indonesia in 2007. During this period she held many different positions, including that of Exploration Project Liaison Superintendent at Eni Indonesia in 2014. She joined PIEP in 2015 and currently serves as Vice President Commercial & Business Support.

Maria R. Nellia received her bachelor's degree in Geophysical Engineering from the Colorado School of Mines, USA in 1988. Maria R. Nellia has also expanded on her interest in the oil industry by publishing a research paper entitled "3D Seismic Facies Analysis of a Reefal Buildup of the NSO "A" Area, Offshore North Sumatra".

(1) The shareholding obligation for corporate officers set out in the Internal Regulations does not apply to directors which represent the Company's controlling shareholder.

PIEP

Director

Represented by
Huddie Dewanto

Date of first appointment:
10 April 2017

Term of office start date:
10 April 2017

Term of office expiry date:
General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31/12/2020 – Resigned on 20 June 2018

Number of shares held: 141,998,480

Involvement in Board of Directors' committees:

— Member of the Audit Committee.

Indonesian citizen, aged 55

Maurel & Prom,
51 rue d'Anjou, 75008 Paris

Main role outside the Company

None

Current directorships and offices

Directorships and offices held within the Group

None

Directorships and offices held outside the Group

— Director of Finance and Commercial, PIEP (Indonesia)

Directorships and offices that have expired during the past five years

None

Summary of main areas of expertise and experience

Huddie Dewanto has vast knowledge of the oil and gas sector and considerable experience in financial management gained through various management positions within the Pertamina Group.

He has worked for PT Pertamina (Persero) since 1990 and has 28 years' experience in financial management. From 1999 to 2004 he was Indonesia's representative at OPEC (Organization of the Petroleum Exporting Countries) in Vienna. After his return, Huddie Dewanto was appointed to his first executive position as Finance manager in 2007 before becoming Vice-President Financing at PT Pertamina (Persero). During that period, he attended several technical and leadership training courses provided by the company in conjunction with prestigious business schools such as INSEAD. In 2013 Huddie Dewanto was appointed Finance and Business Support Director at PT Pertamina Algeria EP and was heavily involved in the acquisition of ConocoPhilips Algeria Ltd, Pertamina's first foreign operatorship asset. He has since pursued his career at PIEP as Director of Finance and Commercial.

He graduated in accounting from Gadjah Mada University in Indonesia and then completed a master's degree in the same subject from Case Western Reserve University in the United States.

Aris MULYA AZOF

Director

Date of first appointment: 20 June 2018

Term of office start date: 20 June 2018

Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31/12/2020 – Resigned on 20 March 2019

Number of shares held: 0[1]

Involvement in Board of Directors' committees:

- Member of the Audit Committee.

Indonesian citizen, aged 49

Maurel & Prom,
51 rue d'Anjou, 75008 Paris

Main role outside the Company

- Director of Finance and Commercial, PIEP (Indonesia)

Current directorships and offices

Directorships and offices held within the Group

None

Directorships and offices held outside the Group

None

Directorships and offices that have expired during the past five years

- VP Financing, PT Pertamina (Persero) (Indonesia)
- VP Subsidiary and Joint-Venture Management, PT Pertamina (Persero) (Indonesia)
- President Director and CEO, PT Trans Pacific Petrochimical Indotama (Indonesia)

Summary of main areas of expertise and experience

Aris Mulya Azof has recognised expertise in the oil sector gained through various management positions within the Pertamina Group.

Between May 2010 and March 2014, Aris Mulya Azof was VP Subsidiary and Joint-Venture Management at PT Pertamina (Persero). Between March 2014 and January 2018, he was VP Financing at PT Pertamina (Persero). Since February 2018, Aris Mulya Azof has been Director of Finance and Commercial at PIEP. Between October 2012 and March 2015, Aris Mulya Azof also held the position of President Director and CEO at PT Trans Pacific Petrochimical Indotama.

(1) The shareholding obligation for corporate officers set out in the Internal Regulations does not apply to directors which represent the Company's controlling shareholder.

Biographies of members of the Board of Directors co-opted since the beginning of the 2019 fiscal year

Narendra WIDJAJANTO

Director

Date of first appointment:
20 March 2019

Term of office start date:
20 March 2019

Term of office expiry date:
General Shareholders' Meeting called to approve he financial statements for the fiscal year ending 31/12/2020

Number of shares held: 0 [1]

Involvement in Board of Directors' committees:

- Member of the Audit Committee.

Indonesian citizen, aged 55

Maurel & Prom,
51 rue d'Anjou, 75008 Paris

Main role outside the Company

- Senior Vice President of Corporate Finance, PT Pertamina (Persero)

Current directorships and offices

Directorships and offices held within the Group

- President Commissioner, PT Elnusa (Indonesia)

Directorships and offices held outside the Group

None

Directorships and offices that have expired during the past five years

- Finance Director, PT Pertamina Retail (Indonesia)
- Vice President Treasury, PT Pertamina (Persero) (Indonesia)
- Finance and Business Support Director (Indonesia)

Summary of main areas of expertise and experience

Narendra Widjajanto has extensive experience in accounting and corporate finance in the oil and gas and information technology industries. He brings a wealth of expertise in finance and accounting to the Board of Directors.

Narendra Widjajanto joined the Finance department of the Pertamina Group in 1990, where he managed budget and oil accounting in the South and Central Sumatra region. In 2000, he was an analyst for the financing of the Bontang LNG refinery improvement project and was certified as an SAP Enterprise Resource Planning (ERP) Finance Consultant in 2001. Between 2001 and 2005, he played an active role in the transformation programme of Pertamina's information system and implemented the company's first ERP system. From 2005 to 2007, he was Vice President Finance of Pertamina Energy Services Singapore. In 2009, he was appointed Vice President Shared Processing Center within the IT department. In 2011, he joined Pertamina Geothermal Energy as Finance Director until 2013, when he was transferred to Pertamina Retail as Director of Finance until 2014. Between 2014 and 2016, he was Vice President Treasury Pertamina head Quarters and set up both Pertamina's currency hedging programme and the Pertamina Treasury Center. Between 2016 and 2017, he was Finance and Business Support Director at Pertamina Exploration and Production and is now Senior Vice President Corporate Finance at Pertamina's registered office. He completed the financing for the Java One Power project in 2018.

Narendra Widjajajanto holds a degree in accounting from Padjadjaran University in Indonesia and a Master's Degree in Science from the University of Illinois at Urbana-Champaign in the United States.

(1) The shareholding obligation for corporate officers set out in the Internal Regulations does not apply to directors which represent the Company's controlling shareholder.

Ida YUSMIATI

Director

Date of first appointment: 20 March 2019

Term of office start date: 20 March 2019

Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31/12/2020

Number of shares held: 0[1]

Involvement in Board of Directors' committees:

- Member of the Risk Observatory.

Indonesian citizen, aged 54

Maurel & Prom
51 rue d'Anjou, 75008 Paris

Main role outside the Company

- SVP Upstream Business Development, PT Pertamina (Persero) (Indonesia)

Current directorships and offices

Directorships and offices held within the Group

None

Directorships and offices held outside the Group

None

Directorships and offices that have expired during the past five years

- VP Business Initiatives and Valuation – Upstream Directorate, PT Pertamina (Persero) (Indonesia)
- Director, PT Pertamina Hulu Mahakam (Indonesia)
- Senior manager Strategic Planning and Portfolio management – PHE Corporate, PT Pertamina (Persero) (Indonesia)

Summary of main areas of expertise and experience

Ida Yusmiati brings to the Board of Directors extensive experience in the hydrocarbon sector, having spent a large part of her career in management positions within several groups in this sector.

Ida Yusmiati held various positions within the ARCO Group between 1997 and 2000, and then within the BP Indonesia Group between 2004 and 2009.

Between 2009 and 2015, she was Senior manager Commercial/Finance at PT Pertamina (Persero). Then, between 2013 and 2015, she was Senior manager Strategic Planning and Portfolio Management, also at PT Pertamina (Persero). From December 2015 to September 2018, she was appointed Director of PT Pertamina Hulu Mahakam. Between April 2015 and September 2018, she also held the position of VP Business Initiatives and Valuation – Upstream Directorate at PT Pertamina (Persero). Since September 2018, Ida Yusmiati is SVP Upstream Business Development – Upstream Directorate.

Ida Yusmiati is a graduate of the Bandung Institute of Technology.

(1) The shareholding obligation for corporate officers set out in the Internal Regulations does not apply to directors which represent the Company's controlling shareholder.

B) Chief Executive Officer

Biography of the Chief Executive Officer at 31 December 2018

Michel HOCHARD

Chief Executive Officer

Date of first appointment: 26 May 2014

Term of office start date: 22 June 2017

Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31/12/2018

Number of shares held: 306,000

French citizen, aged 69

Maurel & Prom
51 rue d'Anjou, 75008 Paris

Main role outside the Company

Current directorships and offices [1]

For information, it should be noted that pursuant to Article 14.1 of Appendix 1 to Regulation (EC) No. 809/2004 of 29 April 2004, the Company does not list below all of the Company's subsidiaries in which Michel Hochard was also a member of an administrative, management or supervisory body at 31 December 2018.

Directorships and offices held within the Group

- Director of Seplat Petroleum Development Company Ltd [2] (Nigeria)*

Directorships and offices held outside the Group

None

Directorships and offices that have expired during the past five years

For information, it should be noted that pursuant to Article 14.1 of Appendix 1 to Regulation (EC) No. 809/2004 of 29 April 2004, the Company does not list, in this section, all the Company's subsidiaries in which Michel Hochard was also a member of an administrative, management or supervisory body during the past five fiscal years.

- Chief Executive Officer and then Deputy Chief Executive Officer of MPI S.A. (France) [3]
- Director of Newton Energy Limited (Nigeria)

Summary of main areas of expertise and experience

Michel Hochard has a diploma from the Institut Commercial de Nancy (ICN). He is a qualified accountant and worked as an internal auditor in the Finance department of Elf Aquitaine and as head of the finance division for Africa & the Middle East. He also served as Finance Director at SNEAP and at Elf Aquitaine Production. He was Deputy Director of Human Resources at Elf Exploration Production and Operations Director at PriceWaterhouseCoopers BPO. He also served as Chief Executive Officer of MPI until 27 August 2014. From September 2007 until his appointment as Chief Executive Officer, he was the Company's Chief Financial Officer. Michel Hochard's Employment Contract as CFO has been suspended for his term of office as the Company's Chief Executive Officer (see section 3.1 of this Annual Report).

* Listed company (for current terms of office).
(1) It should be noted that in accordance with the recommendations of the AFEP-MEDEF Code and the Internal Regulations, Michel Hochard, the Company's Chief Executive Officer, as an executive corporate officer, may not hold more than two other directorships in listed companies outside the Group, including foreign companies. He must also seek the opinion of the Board of Directors before accepting a new directorship in a listed company outside the Group, including any foreign company.
(2) Company incorporated into the Group following the completion of the merger by absorption of MPI S.A. by the Company on 23 December 2015.
(3) Formerly Maurel & Prom Nigeria, MPI was listed on Euronext Paris from 15 December 2011 to 23 December 2015. MPI was absorbed by the Company on 23 December 2015.

C) Observer

In accordance with the Bylaws and the Internal Regulations, the Board of Directors may appoint a maximum of four observers to the Company, chosen from among the natural persons. The term of office for observers is set at three years. Observers are required to attend and observe the meetings of the Board of Directors, and may be consulted by it. They may also present observations at General shareholders' meetings on the proposals submitted to them, if they see fit. They must be invited to every meeting of the Board of Directors. The Board of Directors may assign specific tasks to observers. They may sit on committees created by the Board of Directors, except for the Audit Committee. The Board of Directors may decide to pay observers a proportion of the attendance fees allotted to it by the General Shareholders' Meeting, and authorise the reimbursement of expenses that observers incur during the course of their work for the Company. No observers had been appointed by the Board of Directors as at the date of this Annual Report.

3.2.2 Operations of administrative and management bodies

3.2.2.1 Organisation and operations of the Board of Directors

A) Description of the Board of Directors

The Board of Directors determines the strategies for the Company's business and ensures their implementation. With due respect to the powers expressly given to the shareholders' meetings and within the limits of the corporate purpose, it addresses all questions related to the Company's proper functioning and governs, by its decisions, the affairs that concern it. The Board of Directors is mandated by all the shareholders. It is collectively answerable and legally responsible to the General Shareholders' Meeting in the performance of its duties.

In its relations with third parties, the Company is bound even by acts of the Board of Directors that are not included within the scope of the corporate purpose (unless the Company can prove that the third party knew that the act was beyond the scope of that purpose or that, given the circumstances, the third party could not have been unaware of that fact), the publication of the Bylaws alone not constituting sufficient proof.

The Internal Regulations also reprise and set out certain articles in the Bylaws including membership of the Board of Directors and the concept of independent director, the operating rules, missions, rights and obligations incumbent on directors as laid down in a "charter", the appointment and role of observers and the membership and remits of the Audit Committee, the Risk Observatory and the Appointments and Remuneration Committee. The Internal Regulations are available on the Company's website: www.maureletprom.fr.

B) Chairman of the Board of Directors

The Board of Directors chooses a Chairman from among its own members, who should be an individual, and, if it so decides, one or more Vice Chairmen. The Board of Directors sets the term of their office, which cannot exceed the term of their office as a director. The Board can terminate these offices at any time.

Since 10 April 2017, the role of Chairman of the Board of Directors has been held by Aussie B. Gautama.

The age limit for the role of Chairman of the Board of Directors is 75. If the Chairman of the Board of Directors reaches this age during his/her term in office, he/she is deemed to have automatically resigned.

Powers of the Chairman of the Board of Directors

The Chairman of the Board of Directors organises and directs the work of the Board of Directors, and reports on this work to the General Shareholders' Meeting. The Chairman oversees the proper operation of the Company's bodies and ensures, in particular, that the directors are capable of fulfilling their duties.

The Chairman may convene a meeting of the Board of Directors as often as necessary and at least once per quarter. He sets the meeting's agenda and chairs the meeting.

More specifically, the Chairman offers his assistance and expertise to executive management without prejudice to management's executive responsibilities or the prerogatives of the Board of Directors and its committees. In this regard, he may represent the Company on a global level, particularly with government authorities and the Company's partners and strategic stakeholders. He may furthermore be consulted by executive management on all significant events concerning the Company's strategy in the context of the strategic objectives set for it by the Board of Directors, the Company's organisation, major investment and disinvestment projects, important financial transactions, community initiatives, and the appointment of senior managers for the Company's key activities and functions. He may also attend any meeting regarding the aforementioned subjects, but in any event will be kept regularly informed by executive management of significant events or situations related thereto.

The Chairman of the Board of Directors represents the Board of Directors with respect to shareholders. He reports back to the Board of Directors on this task.

C) Operating rules of the Board of Directors

Convening of the Board of Directors

The Board of Directors meets at least four times a year and as often as is necessary in the interest of the Company, and is convened by its Chairman. When the Board of Directors has not met for more than two months, at least one-third of the Board's members are required to ask the Chairman to convene a Board meeting. The Chief Executive Officer may also ask the Chairman to convene a Board meeting to consider a specific agenda. The Chairman of the Board of Directors is then bound to act on such requests. The frequency and duration of Board of Directors' meetings allow for in-depth review and discussion of matters within its remit.

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The agenda is set by the Chairman of the Board of Directors, and is sent to the members within a reasonable amount of time before the meeting is held. The Board may be convened by any means (verbally, by letter, by email, by fax or by phone) with reasonable advance notice, unless in an emergency.

The meetings are held at any location indicated in the notice to meeting. The Board of Directors meets at a location selected by the Chairman of the Board of Directors to enable as many Board members as possible to attend.

Attendance at Board of Directors' meetings

Directors may be represented at Board of Directors meetings by another director, in accordance with laws, regulations, the Bylaws and the Internal Regulations. The proxy authority must be in writing. No director may hold more than one proxy in any given meeting.

Except when the Board of Directors meets to deliberate on matters specified in Articles L. 232-1 and L. 233- 16 of the French Commercial Code (preparation and approval of the company annual and consolidated financial statements and management report for the Company and the Group), directors are deemed to be present, for the purposes of establishing a quorum and a majority, if attending by video conference or teleconference (including conference calls) and using equipment that allows them to be identified and guarantees their actual attendance, i.e. by at least transmitting attendees' voices and ensuring clear, continuous, live transmission of the deliberations. Where such methods are used in certain meetings, the Chairman must indicate that in the notice to meeting.

Deliberations by the Board of Directors

The meetings of the Board of Directors are chaired by the Chairman of the Board of Directors or, in his/her absence, and if so appointed, by the Vice-Chairman most senior in age. During the 2018 fiscal year, all of the Board of Directors' meetings were chaired by the Chairman of the Board of Directors. If the Chairman and Vice-Chairman of the Board of Directors are both absent, the Board of Directors appoints one of the directors present to chair the meeting. The General Secretary of the Company acts as the secretary for the meeting.

The Board of Directors may only validly deliberate when at least half of its members are present. Decisions are made by the majority vote of the members present or represented. In the event of a tie, the meeting Chairman has the casting vote.

An attendance register is kept, which is signed by the directors attending each Board of Directors' meeting, and gives the names of the directors attending the meeting by videoconference or by any other means of telecommunication authorised by law who are deemed to be present.

Each member is informed of the responsibilities and of the confidentiality of the information received in the Board of Directors' meetings that he/she attends.

The deliberations of the Board of Directors must be clear and are recorded in meeting minutes established in accordance with the law. The meeting minutes are recorded in a special register and signed by the Chairman of the Board of Directors and a director. The draft minutes are provided to all directors for approval prior to signature. Without being unnecessarily detailed, the draft minutes must include, in addition to all the information required by applicable laws and regulations, a summary of the deliberations and decisions taken by succinctly listing the questions raised or reservations expressed and any technical incident related to the videoconference or to any means of telecommunications used that may have disrupted the meeting.

In accordance with the applicable legal provisions, the Statutory Auditors are invited to attend the meetings of the Board of Directors called to review the interim and annual financial statements.

Frequency of meetings of the Board of Directors and directors' attendance

The frequency of meetings and directors' average attendance rates are presented in the "Frequency of meetings and directors' attendance" section of this chapter.

D) Role of the Board of Directors

The Board of Directors is a collegiate body mandated by all the shareholders and exercises the authority devolved to it by law to act in the corporate interests of the Company in all circumstances. It determines the Company's business strategy and ensures its implementation. With due respect to the powers expressly given to the shareholders' meetings and within the limits of the corporate purpose, it addresses all questions related to the Company's proper functioning and governs, by its decisions, the affairs that concern it.

As part of its mission, the Board of Directors has authority for the following matters, including without limitation:

- preparing the parent company financial statements, the consolidated financial statements, the annual management report (for the Company and the Group) and documents setting out management forecasts;
- discussing and approving the major operations envisaged by the Group (i.e. (i) that may significantly impact the strategy of the Company and of the companies that it controls, their financial structure or their scope of activity, the Group's results or the structure of its balance sheet or risk profile, (ii) organic growth operations, and (iii) internal restructuring operations) and giving its prior approval to any significant operation outside the Company's stated strategy;
- approving all proposed mergers and demergers;
- defining the Company's financial communication policy and ensuring the quality of the information provided to shareholders and the financial markets via the financial statements that it approves, the Annual Report and press releases, or when major transactions are conducted;

- at least one meeting a year to reviewing the entire strategy of the Group;
- authorising surety bonds, endorsements and guarantees;
- convening General shareholders' meetings and setting their agenda;
- choosing the Company's organisational structure;
- appointing and dismissing the Chairman of the Board of Directors, the Chief Executive Officer, and any deputy Chief Executive Officer tasked with managing the Company, checking their management performance, setting their remuneration and approving the scope of their powers;
- appointing members of the Board of Directors' special committees;
- approving the list of directors each year who are considered to be independent in accordance with the Internal Regulations;
- co-opting, in the circumstances stipulated by law, one or more directors;
- granting to one or more directors any special mandates for one or more specific purposes;
- assessing its own work by reviewing its own operating procedures, checking that important issues are properly prepared and discussed and measuring each director's actual contribution to its work in terms of their expertise and their involvement in its deliberations;
- distributing attendance fees;
- setting all exceptional remuneration for directors for all duties performed or offices held;
- deciding to relocate the registered office within France, subject to ratification at the next Ordinary General Shareholders' Meeting;
- authorising "regulated" agreements;
- reviewing issues related to the Company's corporate and environmental responsibility;
- review risk mapping and more specifically risks related to corporate, environmental and societal responsibility and certain risks related to specific files;
- staying informed of all important events affecting the Company's markets;
- carrying out all inspections and checks that it considers appropriate.

It addresses the following issues in particular, in conjunction with its special committees:

- the proper definition of powers within the Company and the proper exercise of the respective powers and responsibilities of management bodies within the Company;
- the fact that no one person has the power to commit the Company without supervision, excluding corporate officers acting under delegated powers received;
- the proper running of internal control bodies and the satisfactory nature of the terms of the Statutory Auditors' assignment; and
- the proper running of the special committees it has created.

It is further specified that the Board of Directors is kept informed about:

- the financial position, cash position and commitments of the Company and the Group;
- the Company's liquidity position, in a timely manner, to enable it to take, as applicable, any decisions relative to its financing and indebtedness; and
- market trends, the competitive environment and the main challenges, including with regard to the Company's corporate and environmental responsibility.

Work of the Board of Directors in 2018

The following agenda items were deliberated upon at the meetings of the Board of Directors held in 2018:

- review and approval of the parent company and consolidated financial statements for the fiscal year ended 31 December 2017, proposed allocation of income for the fiscal year ended 31 December 2017, the management report and the Chairman's report on corporate governance;
- convening of the annual Ordinary and Extraordinary General Shareholders' Meeting and setting of the agenda, draft resolutions, and approval of the Board of Directors' Report for that Meeting;
- review of directors' status in terms of the independence criteria adopted in the Internal Regulations;
- resignation of a director and co-opting of a replacement director;
- delegation of powers to the Chief Executive Officer with respect to surety bonds, endorsements and guarantees and report of the Chief Executive Officer;
- review of the list of regulated agreements the execution of which continued during the last fiscal year;
- approval of the implementation of a plan to award performance and bonus shares to employees;
- arrangements for the distribution of attendance fees;
- setting of remuneration for the Chairman of the Board of Directors and the Chief Executive Officer;
- review of the financial statements for the first half of 2018 and the draft statement concerning the 2018 first-half results;
- for the Chief Executive Officer to sign acquisition agreements for assets in Angola;
- authorisation for the Chief Executive Officer to sign agreements with Rockover;
- convening of the Extraordinary General Shareholders' Meeting relating to the completion of the Rockover transaction;
- convening of the annual Ordinary General Shareholders' Meeting upon the second notice of meeting;
- answers to shareholders' written questions;
- presentation of a year-end estimate for 2018 and the draft budget for 2019;
- recognition of the effective completion of the Rockover transaction.

Executive sessions without the presence of the Chief Executive Officer were also held.

E) Nature of the information provided to directors for the preparation of their work and duties

Information prior to each meeting of the Board of Directors

A detailed file is sent to the members of the Board of Directors, within a sufficient period of time, prior to each meeting containing the information that allows a full examination to be made of the points included within the agenda of the Board of Directors.

More specifically, it contains the minutes of the previous meeting, the significant events occurring since the previous meeting of the Board of Directors and, where relevant, ongoing or planned operations.

The Chief Executive Officer generally provides comment on these documents during the meetings of the Board of Directors.

The members of the Board of Directors may also request prior to or in relation to the meetings of the Board of Directors any additional information and documents they consider vital to the performance of their duties, specifically in relation to the meetings' agenda. The directors must ensure that they have sufficient information in a timely manner for the Board of Directors to hold valid deliberations.

Between Board of Directors meetings, the Company also provides the directors with useful information if such information is important or when required in urgent matters. Such information also includes any relevant information, including information of a critical nature, regarding the Company, notably press and financial analysis articles.

Financial information

Each quarter, the Chief Executive Officer presents a report on the activity of the Group and its main subsidiaries for the past quarter.

A detailed and annotated income statement and balance sheet are presented by the Chief Financial Officer at each half-year and year-end.

In the three months after the closing of each fiscal year, the draft consolidated financial statements are sent to the Board of Directors for verification. The Board of Directors then presents its activity report and the financial statements for the period to the General Shareholders' Meeting.

The Board of Directors ensures that investors and shareholders receive relevant, balanced and educational information regarding the strategy, growth and non-financial stakes that are material to the Company and its long-term prospects.

Information on particular transactions

With regard to transactions for external growth or the sale of assets, the Board of Directors examines the data that are provided to it by the Chief Executive Officer on the transactions and strategy, and gives its view on the advisability of the proposals submitted, and if necessary, authorises the Chief Executive Officer to proceed with the transactions.

Permanent information

The Board of Directors may also ask the Chief Executive Officer and management, whenever necessary, for any information or analysis that it deems appropriate, or, to give a presentation on a specific subject. Directors may ask to meet with the Company's senior executives, without executive corporate officers having to be present, subject to having informed them about this beforehand.

In addition, between meetings, the members of the Board of Directors are regularly kept informed of the events or transactions that are significant to the Company.

Each director may also request any additional training as he or she considers necessary on the specific features of the Company, its businesses and its industry sector. Training is organised, offered and paid for by the Company. For fiscal year 2018, the director co-opted in 2018 received training in the rules of governance in listed companies referring to the AFEP-MEDEF Code and European and French rules applicable to listed companies, as well as in insider trading and financial results. The training sessions were conducted by a law firm. The Company also provided several training courses on matters of corporate law and stock market law applicable to the Company's operations.

Directors' duties

The Internal Regulations include a directors' charter that sets out the principles to which directors must adhere. The charter tasks directors with certain obligations aimed mainly at ensuring that they understand the provisions that are applicable to them, avoid conflict of interest situations, devote the necessary time and attention to their duties, comply with the legal provisions and the AFEP-MEDEF Code governing multiple simultaneous mandates, and observe strict confidentiality requirements in respect of information of a non-public nature that go beyond exercising discretion as required by law. It also reminds them that despite their being individual shareholders in the Company, they each represent all shareholders and must act in the corporate interest in all circumstances, unless acting on their own account. They are also bound by an obligation of loyalty.

In accordance with the provisions of the AFEP-MEDEF Code and the Internal Regulations, directors must attend General shareholders' meetings. Note that in this regard, all directors attended the General Shareholders' Meeting of 20 June 2018.

The Internal Regulations are available on the Company's website: www.maureletprom.fr.

F) Assessment of the Board of Directors

The Board of Directors carries out a self-assessment in which it reviews its membership, structure and operation as well as that of its committees. This assessment is designed to review the Board of Directors' operating procedures, to check that important issues are correctly prepared and discussed and to measure each director's actual contribution to the work of the Board of Directors in terms of their expertise and their involvement in its deliberations.

This assessment is also an opportunity for the Board of Directors to analyse the desired balance of representation both on the Board and the special committees, specifically in terms of diversity (gender representation, nationality, age, qualifications and professional experience, etc.) and to periodically analyse whether its structure and operating procedures are suited to the performance of its duties. The Board of Directors' diversity policy is presented in the "Board of Directors diversity policy" section of this chapter.

In this respect, the Board of Directors devotes one agenda item a year to a discussion about the way that it operates, and carries out a formal assessment every three years. This formal evaluation may be carried out under the supervision of the Appointments Committee or an independent director, with the help of an external consultant. The last formal evaluation was conducted in 2014 by the Board of Directors and focused on the fiscal year ended 31 December 2013. This is explained in detail in section 3.1 "Statements on corporate governance" of this chapter.

With regard to the Board's assessment for fiscal year 2017, when the assessment was carried out in 2018 the Board of Directors decided to set up a think tank on the missions and organisation of the Board's committees, introduce a succession plan for executive corporate officers, and establish an integration programme for new Board members. With regard to the monitoring of these improvements:

- the formalisation of a succession plan for the Chief Executive Officer will be launched by the Appointments and Remuneration Committee following the appointment of the Company's new Chief Executive Officer to provide the Appointments and Remuneration Committee, prior to the definition of this new succession plan, with better visibility on the impact of future managerial changes on the Company's management; and
- the Board of Directors will continue the think tank on the missions and organisation of the Board's committees during the 2019 fiscal year.

With regard to the Board's assessment for fiscal year 2018, at its meeting of 25 April 2019, the Board of Directors discussed its membership (in terms of the number of women directors on the Board, members' skills and international representation) and operation, as well as the operation of its special committees, and the information contained in the reports given to members with the aim of improving the Board's work.

The review showed that the directors were unanimously satisfied with the Board's operating procedures. The composition of the Board was satisfactory, particularly with regard to the diversity of director profiles, equal gender representation, its size and the number of independent directors in the context of a controlled company. It was noted that the frequency of the meetings allow the Board to perform checks as appropriate. In general, the quality of the information provided by the Company to help the directors carry out their duties means that discussions are always of high quality. Directors furthermore unanimously expressed their appreciation of the way the Board of Directors' special committees operated and the efficient team work within these committees. They also recognised the fact that the special committees were chaired by independent directors. The Board of Directors also reviewed each director's effective contribution to the Board's work. It was shown that the directors all had a high level of commitment, diligence and preparation, reflected in their strong capacity to contribute effectively to the Board's discussions. During this assessment, the Board of Directors decided to continue and complete discussions on the missions and organisation of the Board's committees.

Furthermore, the directors meet periodically and at least once per year, without the Company's executive corporate officers, to assess their performance and discuss the future management of the Company.

3.2.2.2 Organisation and operation of the special committees

In accordance with the Internal Regulations, the Board of Directors has three special committees designed to help the Board run smoothly and to provide the Board with efficient support as it prepares its decisions. These include: (i) the Audit Committee, (ii) the Appointments and Remuneration Committee, and (iii) the Risk Observatory.

A) Audit Committee

Membership of the Audit Committee

At least two-thirds of the Audit Committee must be made up of independent directors of the Company; it may not include any executive corporate officers of the Company. The members of the Audit Committee are selected by the Board of Directors from among its members. The members of the Audit Committee are experts in finance, accounting or statutory account auditing (see section 3.2.1.1 (a) of this Annual Report).

The Chairman of the Audit Committee is appointed by the Board of Directors for the duration of his or her term as director or for a period set by the Board of Directors. The appointment or renewal of the Chairman of the Audit Committee, as proposed by the Appointments and Remuneration Committee, is closely reviewed by the Board of Directors.

The members of the Audit Committee are appointed for the term of their mandates as members of the Board of Directors, or for a term set by the Board of Directors. They may, however, resign during any meeting of the Board of Directors without reason or advance notice.

When appointed, the members of the Audit Committee may receive information on the particularities of the Company's accounting, financial and operational systems.

As at 31 December 2018, membership of the Audit Committee was as follows:

- Roman Gozalo (Chairman and independent director);
- Nathalie Delapalme (independent director);
- Aris Mulya Azof (director) [1].

Changes to the membership of the Audit Committee during the 2018 fiscal year are presented in the table in the *Changes to the membership of the Board of Directors* section of this chapter.

Operation of the Audit Committee

Convening meetings of the Audit Committee

The Audit Committee is convened by its Chairman or at the request of the Chairman of the Board of Directors and meets as often as he or she deems necessary or appropriate, at least twice yearly and in any event prior to the meetings of the Board of Directors held to approve the financial statements.

The Audit Committee may be convened by any means (orally, by letter, by email, by fax or by telephone) with reasonable advance notice, unless in an emergency.

The Chairman of the Audit Committee sets the agenda for the meetings and sends it to the Chairman of the Board of Directors and the Chief Executive Officer, as required.

Attendance at meetings of the Audit Committee

Only the members of the Audit Committee are automatically entitled to attend its meetings.

The Chairman of the Board of Directors, the Chief Executive Officer, the other directors, the Chief Financial Officer, the Chief Audit Executive, the external auditors and all other persons may attend its meetings when invited to do so by the Committee's Chairman.

If the Audit Committee is conducting interviews of the chief financial officers and heads of accounting, cash and internal audit, such interviews may be conducted without the Company's executive management.

At least once a year, the Audit Committee must meet to speak with the internal and external auditors without other members of management being present. It is preferable that the Audit Committee schedule separate meetings to speak with the internal and external auditors.

The Audit Committee may contact the Company's senior executives after having informed the executive corporate officers and is responsible for reporting on that to the Board of Directors.

The Audit Committee may, provided that it informs the Chairman of the Board of Directors or the Board of Directors beforehand and is responsible for reporting thereon to the Board of Directors, use external appraisers, at the Company's expense, to request external technical studies. In such cases, the Audit Committee must ensure the expertise and objectivity of these appraisers.

Audit Committee meetings may be held anywhere. Prior to each meeting, at the request of one or more members of the Audit Committee, the Audit Committee Chairman may decide that the meeting will take place by means of teleconference or video conference (including conference calls), allowing the members to be identified and guaranteeing their effective attendance, i.e. by transmitting at least attendees' voices and ensuring clear, continuous, live transmission of the deliberations. Audit Committee members attending the meeting by telecommunication or videoconference means are deemed in attendance and counted for a quorum. Where such methods are used in certain meetings, the Chairman must indicate that in the notice to meeting.

The special committees carry out their duties under the responsibility of the Board of Directors. The members of each special committee to the Board of Directors act in a collegiate manner.

Deliberations of the Audit Committee

Audit Committee meetings are chaired by its Chairman.

The Audit Committee shall only be quorate if at least half its members are present. The proposals, opinions, reports and recommendations that the Committee issues to or prepares for the attention of the Board of Directors are agreed by a majority of the Committee's members in attendance at the meeting. In the event of a tie, the Chairman of the Committee has the casting vote.

Information provided to the members of the Audit Committee

Documentation relating to the agenda for the Audit Committee meeting is prepared using a standard format and is sent to committee members in advance of the relevant meeting.

General Secretary of the Audit Committee

The Chairman of the Audit Committee appoints the person who will perform the Committee's secretarial functions.

Minutes of the meetings of the Audit Committee

The Audit Committee reports on its work at the next meeting of the Board of Directors, in the form of opinions, information, proposals, reports, recommendations or full and accurate minutes, and notifies the Board promptly of any problems encountered.

(1) PIEP resigned as director with effect from 20 June 2018 and was replaced by Aris Mulya Azof, who was co-opted during the same meeting and for whom the ratification of this co-optation as director will be submitted to the General Shareholders' Meeting of 13 June 2019. For information, it should be noted that Aris Mulya Azof resigned as director with effect from 20 March 2019 and was replaced by Narendra Widjajanto, who was co-opted during the same meeting and whose co-optation as director will be submitted for ratification to the General Shareholders' Meeting of 13 June 2019. Narendra Widjajento was appointed on 20 March 2019 as a member of the Audit Committee as a replacement for Aris Mulya Azof, who resigned, subject to approval by the General Shareholders' Meeting of 13 June 2019 of his co-optation as director.

Role of the Audit Committee

The general role of the Audit Committee, as defined by the Internal Regulations, is to assist the Board of Directors so that the latter has the information and resources needed to ensure the quality of internal controls and the reliability of the financial information provided to shareholders and the financial markets.

The role of the Audit Committee is as follows:

Accounts, transactions and financial information

- review the parent company and consolidated financial statements as well as those of the Company's main subsidiaries;
- review the scope of the Group's consolidated companies and, as the case may be, the reasons why companies have not been included;
- check that the accounting methods adopted (i) for the preparation of the parent company and consolidated financial statements, (ii) for the Group's scope of consolidation and (iii) for the processing of material transactions are relevant and consistent;
- review any material transactions that may cause conflicts of interest;
- monitor the process of preparing financial information;
- monitor the effectiveness of internal control and risk management systems, their deployment and the implementation of corrective actions in coordination with the Risk Observatory when material weaknesses or irregularities are found or identified;
- review the Statutory Auditors' main findings regarding the parent company and consolidated financial statements as well as internal control and internal audit;
- receive internal audit and risk control reports;
- interview the heads of internal audit and risk control and, in coordination with the Risk Observatory, express an opinion on the organisation of their departments;
- remain informed of the internal audit programme;
- receive internal audit reports and a periodic summary of those reports;
- review the report prepared by the Chairman of the Board of Directors on those same topics at the General Shareholders' Meeting;
- review, in coordination with the Risk Observatory, the risks to which the Company is exposed and the solutions adopted by the Company to address such risks;
- review material off-balance-sheet commitments;
- ensure that systems to detect and correct any deficiencies are in place. To that end, the Audit Committee assesses the importance of any deficiencies or weaknesses of which it has been informed and in turn notifies the Board of Directors;
- review risk mapping and more specifically risks related to corporate, environmental and societal responsibility and certain risks related to specific files;
- review any matter likely to have a material impact on the substance and presentation of the parent company and consolidated financial statements.

The parent company and consolidated financial statements are reviewed by the Audit Committee sufficiently in advance of those documents being reviewed by the Board of Directors.

The review of the financial statements is accompanied by a presentation by management describing the exposure to risks and the material off-balance sheet commitments of the Company as well as the accounting options applied.

Relations with the Statutory Auditors

- regularly interview the Statutory Auditors, in particular at meetings discussing the process of preparing financial information and the review of parent company and consolidated financial statements, to hear their reports on the performance of their tasks and the conclusions of their review, it being understood that the Statutory Auditors may be interviewed without the executive officers directors being present. The purpose of such meetings is to allow the Audit Committee to be informed by the Statutory Auditors of the main risk areas or uncertainties identified, the audit approach adopted, and any problems encountered in performing their tasks;
- be informed by the Statutory Auditors of any material weaknesses in internal control identified during their review in terms of the procedures for preparing and processing accounting and financial information;
- interview the Statutory Auditors regarding (i) their schedule of work and the sampling they have undertaken, (ii) any modifications that they consider should be made to the accounts or accounting documents and their observations on the evaluation methods used, (iii) any irregularities and inaccuracies they may have discovered and (iv) any conclusions arising from the observations and adjustments to the results for the period compared with those for the previous period;
- propose to the Board of Directors the procedure for selecting the Statutory Auditors, prepare a call for tender, if necessary, as provided for by law, and approve the specifications and choice of auditor;
- manage the procedure for selecting the Statutory Auditors and submit a recommendation regarding the Statutory Auditors proposed for appointment by the General Shareholders' Meeting;
- where applicable, supervise the call for tender process and approve the specifications and choice of firms consulted, selecting the Statutory Auditors on a "best bid" rather than a "lowest bid" basis in compliance with the rotation obligations stipulated by law, and;
- oversee the Statutory Auditors' legal review of the parent company and consolidated financial statements.

Monitoring the rules for independence and objectivity of the Statutory Auditors

- monitor the independence of the Statutory Auditors;
- ensure that it receives communication from the Statutory Auditors each year including (i) their statement of independence, (ii) the amount of fees paid to the Statutory Auditors' network by the companies controlled by the Company for services not directly linked to the Statutory Auditors' certification duties and (iii) information on the services performed relating directly to the Statutory Auditors' certification duties;
- review with the Statutory Auditors the risks to their independence and the safeguards taken to mitigate those risks;
- make sure that the fees paid by the Company and the Group to the Statutory Auditors, and the percentage they represent of the revenue of the auditors' firms and their network, do not jeopardise the Statutory Auditors' independence;
- make sure that the Statutory Auditors ensure that their duties exclude all other work not linked to this assignment by referring to the Statutory Auditors' professional Code of Ethics and standards of practice, with the firm appointed and the network to which it belongs refraining from all other work or consultancy (legal, tax, IT or other) performed directly or indirectly for the Company in accordance with applicable provisions.

Approval of the services provided by the Statutory Auditors

- review beforehand work that is incidental or directly additional to the audit of the accounts that may be performed by the selected firms (such as acquisition audits) but excluding evaluation and consultancy work; and
- pre-approve services other than certification in accordance with the methods set out in Article 3.4 of the Audit Committee Internal Regulations which are included in the Internal Regulations.

Activity of the Audit Committee during the fiscal year ended 31 December 2018

During the fiscal year ended 31 December 2018, the Audit Committee held four working sessions attended by the Company's financial management and the Statutory Auditors. The attendance rate at these sessions was 100% (see the "Frequency of meetings and directors' attendance" section of this chapter, which presents the average attendance rate of each member of the Audit Committee at meetings of this committee).

At these sessions, the Audit Committee worked mainly on:

- approving the parent company and consolidated financial statements for the fiscal year ended 31 December 2017;
- reviewing the Annual Report (including the Company and Group management report, the annual financial report and the Board of Director's report on corporate governance and internal control);
- establishing the Statement of Non-Financial Performance;
- approving the financial statements for the first half of 2018;
- forecasting profits for 2018; and
- preparing the budget for 2019.

B) Appointments and Remuneration Committee

Membership of the Appointments and remuneration Committee

At least half the Appointments and Remuneration Committee must be made up of independent directors of the Company; it may not include any executive corporate officers of the Company. The members of the Appointments and Remuneration Committee are selected by the Board of Directors from among its members or from outside the Board for their expertise.

The Chairman of the Appointments and Remuneration Committee, who should qualify as an independent director, is appointed by the Board of Directors for the duration of his or her term as director or for a period set by the Board of Directors. The appointment or renewal of the Chairman of the Appointments and Remuneration Committee is closely reviewed by the Board of Directors.

The members of the Appointments and Remuneration Committee are appointed for a term commensurate with their term of office as a member of the Board of Directors, or for a term set by the Board of Directors. Members of the Appointments and Remuneration Committee may, however, resign without reason or advance notice.

In the event that the roles of Chairman of the Board of Directors and Chief Executive Officer are separated, the non-executive Chairman may be a member of the Appointments and Remuneration Committee.

As at 31 December 2018, membership of the Appointments and Remuneration Committee was as follows:

- Nathalie Delapalme (Chairman, independent director);
- Roman Gozalo (independent director);
- Denie S. Tampubolon (director).

Membership of the Appointments and Remuneration Committee remained unchanged during the 2018 fiscal year (see the "Changes to the membership of the Board of Directors" section of this chapter).

Operation

Convening meetings of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee is convened by its Chairman or at the request of the Chairman of the Board of Directors, and meets as often as the Chairman deems necessary or appropriate, at least twice yearly.

The Appointments and Remuneration Committee may be convened by any means (orally, by letter, by email, by fax or by telephone) with reasonable advance notice, unless in an emergency. The Chairman of the Appointments and Remuneration Committee sets the agenda for the meetings and sends it to the Chairman of the Board of Directors and the Chief Executive Officer, as required.

Attendance at meetings of the Appointments and Remuneration Committee

Only the members of the Appointments and Remuneration Committee are automatically entitled to attend its meetings.

The executive corporate officer is involved with the work of the Appointments and Remuneration Committee, except during discussions regarding (i) the renewal of his or her office and (ii) the analysis of its remuneration policy, including when the roles of Chairman of the Board and Chief Executive Officer are combined.

To carry out its work, the Appointments and Remuneration Committee may interview the Company's and the Group's senior managers, after having informed the executive corporate officers about it and is responsible for reporting on that to the Board of Directors. The Appointments and Remuneration Committee may also be assisted by external consultants and request external technical studies on matters relating to their expertise, at the Company's expense, after having informed the Chairman of the Board of Directors or the Board of Directors itself about it and is responsible to report thereon to the Board of Directors. The Appointments and Remuneration Committee ensures the objectivity and independence of the consultants used.

Appointments and Remuneration Committee meetings may be held anywhere. Prior to each meeting, at the request of one or more members of the Appointments and Remuneration Committee, the Chairman of the Appointments and Remuneration Committee may decide that the meeting would take place by means of telecommunication or by videoconference (including conference calls) that allows them to be identified and guarantees their effective participation, i.e. by at least transmitting attendees' voices and ensuring clear, continuous, live transmission of the deliberations. Appointments and Remuneration Committee members attending the meeting via these means are deemed to be present for the purposes of establishing a quorum. Where such methods are used in certain meetings, the Chairman must indicate that in the notice to meeting.

Deliberations by the Appointments and Remuneration Committee

Appointments and Remuneration Committee meetings are chaired by its Chairman.

The Appointments and Remuneration Committee shall only be quorate if at least half its members are present. The proposals, opinions, reports and recommendations that the Committee issues to or prepares for the attention of the Board of Directors are agreed by a majority of the Committee's members in attendance at the meeting. In the event of a tie, the Committee's Chairman has the casting vote.

Information for members of the Appointments and Remuneration Committee

Documentation relating to the agenda of the Appointments and Remuneration Committee meeting is prepared using a standard format and is sent to its members before each meeting.

Secretarial functions for the Appointments and Remuneration Committee

The Chairman of the Appointments and Remuneration Committee appoints the person who will perform the Committee's secretarial functions.

Minutes of Appointments and Remuneration Committee meetings

The Appointments and Remuneration Committee reports on its work at the next meeting of the Board of Directors, in the form of opinions, information, proposals, reports, recommendations or full and accurate minutes.

Role of the Appointments and Remuneration Committee

Selection and appointments

The Appointments and Remuneration Committee is responsible for the preparation and membership of the Company's management bodies. In this respect, its duties are as follows:

- to formulate reasoned proposals for the Board of Directors regarding the appointment of the Company's executive and non-executive corporate officers as well as its directors. These proposals are made after reviewing in detail all factors to be taken into account in its deliberations, specifically:
  - the desired balance of representation on the Board of Directors in light of the composition of and changes in the Company's shareholder structure,
  - the gender balance on the Board of Directors,
  - nationalities and international experience: the search for and assessment of potential candidates, and
  - the opportunities for renewing mandates;
- to strive to reflect a diversity of experience and points of view while ensuring that the Board of Directors retains the necessary objectivity and independence from executive management and any particular group of shareholders, and ensuring the stability of the Company's corporate bodies;
- to strive, when formulating its proposals, to ensure that (i) the independent directors in office account for (a) at least half of the members of the Board of Directors if the Company's capital is widely held and the Company has no controlling shareholders or (b) at least one-third of the members of the Board of Directors if the Company is controlled within the meaning of Article L. 233-3 of the French Commercial Code, and (ii) the Audit Committee and Risk Observatory do not include any executive corporate officer and that at least two-thirds of the members of the Audit Committee are independent directors and one member of the Risk Observatory is independent;
- to organise a procedure for selecting future independent directors and carry out its own research on potential candidates before approaching them;
- to review, each year before the publication of the Annual Report and on a case by case basis, the status of each director in terms of the independent criteria given in the Internal Regulations and submit its proposals to the Board of Directors for the latter to review the status of each candidate, as described in Article 1.2 of the Internal Regulations. The Appointments and Remuneration Committee also reviews the independence of candidates before appointing them as a new director;

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- to prepare a succession plan for executive corporate officers; and
- to give its advice, when requested by the Board of Directors, on the recruitment or dismissal of a non-executive corporate officer.

Remuneration (for executive corporate officers, non-executive corporate officers, corporate officers and employees)

The duties of the Appointments and Remuneration Committee are as follows:

- reviewing and formulating proposals regarding the remuneration and benefits for executive corporate officers (fixed and variable remuneration, where appropriate). It defines the rules for setting the variable portion of said remuneration and then checks to make sure that the rules are applied;
- making recommendations with regard to the retirement and benefits plan, benefits in kind and rights to various pecuniary benefits for directors and corporate officers and the financial conditions of their departure from the Board;
- providing advice to the Board of Directors on the general policy for the award of bonus shares or performance shares, long-term incentive arrangements and financial instruments proposed by the Group's executive management in accordance with applicable rules and recommendations;
- submitting its proposal to the Board of Directors on award of bonus shares or performance shares, long-term incentive arrangements and financial instruments, explaining the reasons for its choice and the consequences;
- formulating proposals, at the beginning of each fiscal year, for that year, on the remuneration policy for executive corporate officers as well as the elements of the remuneration mentioned above, in compliance with laws, regulations, the AFEP-MEDEF Code, market conditions and the Company's best interests. Board of Directors meetings relating to the remuneration of executive corporate officers are held without the latter attending;
- checking that the remuneration policy for executives who are not corporate officers of the Company is consistent with market practices and the Company's best interests. In this respect, the Appointments and Remuneration Committee must be kept informed of the remuneration policy for key non-executive corporate officers. In relation to this, the Committee involves the executive corporate officers in its work;
- recommending to the Board of Directors (i) the total amount of attendance fees that will be submitted for approval to the General Shareholders' Meeting and (ii) the method for distributing attendance fees among the members of the Board of Directors, taking into account the actual attendance of those members at meetings of the Board of Directors and of the special committees on which they sit, it being specified that the variable portion is the predominant component. To do so, at the end of each fiscal year the Appointments and Remuneration Committee obtains the attendance record for the meetings of the Board of Directors and its special committees from the Company's General Secretary. Using the applicable rules, the Appointments and Remuneration Committee calculates the remuneration and proposes the corresponding attendance fees for each of the directors and their services. The proposals are then submitted to the Board of Directors for deliberation, in principle no later than the Board of Directors meeting held to approve the financial statements;
- issuing an opinion, if so requested, on any proposals for exceptional remuneration made by the Board of Directors to compensate any member assigned particular duties or given a special mandate, in compliance with the provisions of Article L. 225-46 of the French Commercial Code; and
- reviewing any issue submitted to it by the Chairman of the Board of Directors relating to the matters described above as well as any planned capital increases reserved for employees.

Activity of the Appointments and Remuneration Committee during the fiscal year ended 31 December 2018

The Appointments and Remuneration Committee met five times during 2018, with an attendance rate of 97.78% (see the "Frequency of meetings and directors' attendance" section of this chapter, which presents the average attendance rate of each member of the Appointments and Remuneration Committee at meetings of this committee).

The Appointments and Remuneration Committee notably:

- reviewed the renewal of the terms of office of directors;
- reviewed the co-optation of a director;
- gave an update on the search for the Chief Executive Officer's successor;
- examined the remuneration policy for the Chief Executive Officer and the Chairman of the Board of Directors for the 2018 fiscal year;
- studied the proposed resolutions for the remuneration of the Chairman of the Board of Directors and the Chief Executive Officer ahead of the General Shareholders' Meeting;
- examined the remuneration element of the report on corporate governance;
- reviewed the allocation of attendance fees.

Its recommendations regarding remuneration were based principally on an analysis of the individual performances and contributions of the individuals concerned.

C) Risk Observatory

Membership of the Risk Observatory

At least one member of the Risk Observatory must be an independent director of the Company; it shall not include any executive corporate officers of the Company.

The Chairman of the Risk Observatory is appointed by the Board of Directors for the duration of his or her term as director or for a period set by the Board of Directors. The appointment or renewal of the Chairman of the Risk Observatory, as proposed by the Appointments and Remuneration Committee, is closely reviewed by the Board of Directors.

The members of the Risk Observatory are selected by the Board of Directors from among its members or from outside the Board for their skills and expertise in the area of activities of the Risk Observatory.

The members of the Risk Observatory are appointed for a term commensurate with their term of office as a member of the Board of Directors, or for a term set by the Board of Directors. Members of the Risk Observatory who are not Directors are appointed for a term of one year, renewable automatically. They may, however, resign without reason or notice.

As at 31 December 2018, membership of the Risk Observatory was as follows:

- Carole Delorme d'Armaillé (Chairman, independent director);
- Nathalie Delapalme (independent director);
- Roman Gozalo (independent director);
- Maria R. Nellia (director)[1].

Membership of the Risk Observatory remained unchanged during the 2018 fiscal year (see the "Changes to the membership of the Board of Directors" section of this chapter).

Operation of the Risk Observatory

Convening meetings of the Risk Observatory

The Risk Observatory is convened by its Chairman or at the request of the Chairman of the Board of Directors and meets as often as he or she deems necessary or appropriate, at least twice yearly and in any event prior to the meetings of the Board of Directors held to approve the financial statements.

The Risk Observatory may be convened by any means (orally, by letter, by email, by fax or by telephone) with reasonable advance notice, unless in an emergency. The Chairman of the Risk Observatory sets the meeting agenda.

Attendance at meetings of the Risk Observatory

Only the members of the Risk Observatory are automatically entitled to attend its meetings.

The Chairman of the Board of Directors, the Chief Executive Officer, the other directors, the Chief Financial Officer, the Chief Audit Executive, the external auditors and all other persons may attend its meetings only when invited to do so by the Risk Observatory's Chairman.

If the Risk Observatory is conducting interviews of the Chief Financial Officer, heads of accounting, cash and internal audit, the interviews may be conducted without the Company's executive management, if the Risk Observatory so desires.

At least once a year, the Risk Observatory must meet to speak with the internal and external auditors without other members of management being present. It is preferable that the Risk Observatory schedule separate meetings to speak with the internal and external auditors.

The Risk Observatory may, subject to informing the Chairman of the Board of Directors or the Board of Directors itself and assuming responsibility for reporting thereon to the Board of Directors, use external consultants to request external technical studies. In such cases, the Risk Observatory must ensure the expertise and objectivity of these appraisers.

Risk Observatory meetings may be held anywhere. Prior to each meeting, at the request of one or more members of the Risk Observatory, the Chairman of the Risk Observatory may decide that the meeting would take place by means of telecommunication or by videoconference (including conference calls) that allows them to be identified and guarantees their effective participation, i.e.by at least transmitting attendees' voices and ensuring clear, continuous, live transmission of the deliberations. Risk Observatory members attending the meeting by means of telecommunication or videoconference are deemed in attendance and counted for a quorum. Where such methods are used in certain meetings, the Chairman must indicate that in the notice to meeting.

Deliberations of the Risk Observatory

Risk Observatory meetings are chaired by its Chairman.

The Risk Observatory shall only be quorate if at least half its members are present. The proposals, opinions, reports and recommendations that the Risk Observatory issues to or prepares for the attention of the Board of Directors are agreed by a majority of the Risk Observatory's members in attendance at the meeting. In the event of a tie, the Risk Observatory's Chairman has the casting vote.

Information for members of the Risk Observatory

Documentation relating to the agenda for the Risk Observatory meeting is prepared using a standard format and is sent to Risk Observatory members in advance of the relevant meeting.

Secretarial functions for the Risk Observatory

The Chairman of the Risk Observatory appoints the person who will perform the Observatory's secretarial functions.

Minutes of the meetings of the Risk Observatory

The Risk Observatory reports on its work at the next meeting of the Board of Directors, in the form of opinions, information, proposals, reports, recommendations or full and accurate minutes, and notifies the Board promptly of any problems encountered.

The Annual Report must also include an outline of the activity of the Risk Observatory in the past year.

(1) Maria R. Nellia resigned as director with effect from 20 March 2019 and was replaced by Ida Yusmiati, whose co-optation as director will be subject to ratification by the General Shareholders' Meeting of 13 June 2019. Ida Yusmiati was appointed on 20 March 2019 as a member of the Risk Observatory as a replacement for Maria R. Nellia, who resigned, subject to approval by the General Shareholders' Meeting of 13 June 2019 of her co-optation as director.

Role of the Risk Observatory

The Risk Observatory's role, as approved by the Board of Directors and included in the Internal Regulations, is as follows:

- monitor, in coordination with the Audit Committee, the effectiveness of internal control and risk management systems, their deployment and the implementation of corrective actions when material weaknesses or irregularities are found or identified;
- review any material transactions that may cause conflicts of interest;
- review the Statutory Auditors' main findings regarding the parent company and consolidated financial statements as well as internal control and internal audit;
- receive internal audit and risk control reports;
- review the Board of Directors report on those same topics at the General Shareholders' Meeting;
- interview the heads of internal audit and risk control and, in coordination with the Audit Committee, express an opinion on the organisation of their departments;
- review, in coordination with the Audit Committee, the risks to which the Company is exposed and the solutions adopted by the Company to address such risks, paying particular attention to potential tax risks and their consequences in terms of reputation;
- ensure that systems to detect and correct any deficiencies are in place. To that end, the Risk Observatory assesses the importance of any deficiencies or weaknesses of which it has been informed and in turn notifies the Board of Directors regarding these matters; and
- review, with the assistance of the auditors and external consultants, the Group's corporate and environmental responsibility strategy and the options chosen for its implementation.

Activity of the Risk Observatory during the fiscal year ended 31 December 2018

The Risk Observatory met three times during 2018, with an attendance rate of 100% (see the "Frequency of meetings and directors' attendance" section of this chapter, which presents the average attendance rate of each member of the Risk Observatory at meetings of this committee).

The Risk Observatory mainly addressed risks and more specifically risks related to corporate, environmental and societal responsibility as well as certain risks related to specific files. It also worked on the issues relating to anti-corruption regulations ("Sapin II" law).

3.2.2.3 Limitations on the powers of executive management

The Chief Executive Officer has the broadest powers to act in the Company's name in all circumstances, and exercises his or her powers within the limits of the Company's corporate purpose, in due respect of those powers that the law expressly reserves for shareholders' meetings and the Board of Directors.

He represents the Company in its relations with third parties. The acts of the Chief Executive Officer are binding on the Company, even if they do not fall within the corporate purpose.

The provisions of the Bylaws or decisions taken by the Board of Directors which limit the powers of the Chief Executive Officer are not binding on third parties (Article L. 225-56 of the French Commercial Code).

Since 24 April 2017, for transactions not included in the annual budget approved by the Board of Directors, the Board's prior approval is now required for the following decisions to be made by the Chief Executive Officer (and the Deputy CEO as necessary):

- any Financial Commitment (immediate or deferred) in an amount exceeding five per cent [(5)]% of the Group's non-current assets per Transaction;
- the Group's strategy in terms of financing and hedging of interest and exchange rate risks and oil prices, as well as the signing, amendment or early repayment of loans or bond issues whose amount exceeds twenty per cent (20%) of the Group's net debt;
- any Transaction, regardless of the amount, that may affect the Group's strategy or materially change its scope (in particular, purchasing or selling stakes in significant mining rights);
- any Transaction on Company shares outside the liquidity agreement and share repurchase plan approved by the Board of Directors;
- any decision to undertake a procedure to list the Company on a regulated market or delist any financial instrument issued by the Company or one of its subsidiaries;
- any surety bonds, endorsements and guarantees in the Company's name for an amount not to exceed fifty million euros (€50 million) per transaction or a combined total amount of one hundred million euros (€100 million) per year, with the understanding that firstly, in accordance with the Company's Bylaws, this authority has a one-year validity, and secondly, that the Chief Executive Officer shall report annually to the Board of Directors on the amount and nature of the surety bonds, endorsements and guarantees that he has granted under this authority;
- any Material transaction involving a merger, demerger, partial transfer of assets or similar transaction;
- the signature, amendment or termination of any joint venture or agreement related to the mining sector or partnership that may have a material impact on the Group's business;
- the provision of collateral on business assets;
- the adoption of significant changes in accounting methods;
- in the event of litigation, the conclusion of any transaction that has a net impact for the Group (after taking account of insurance) exceeding ten million euros (€10 million);
- the appointment or dismissal of a member of the senior management team (members of the Executive Committee); and
- the hiring/appointment, dismissal/lay-off of the person(s) serving as Chief Executive Officer of the main subsidiaries.

In compliance with the provisions of Articles L. 225-35 and R. 225-38 of the French Commercial Code, the Board of Directors unanimously resolved to renew the authorisation for the Chairman and Chief Executive Officer to freely grant endorsements or guarantees in the name of the Company for one year, starting on 20 June 2018, regardless of the term of the commitments that are secured, endorsed or guaranteed and up to the limit of the aforementioned amounts. The Chief Executive Officer may not grant any endorsement, security bond or guarantee that exceeds this cap to a third party without the express authorisation of the Board of Directors. Furthermore, the Chief Executive Officer may grant surety bonds, endorsements or guarantees in the name of the Company to the tax and customs authorities with no restriction as to the amount.

Unless the context expressly indicates otherwise, the above terms have the meaning so assigned to them:

Financial Commitment(s) or **Transaction(s)** means any total, firm Financial Commitment for a period of five (5) years following the initial decision-making, such as an acquisition, investment, restructuring or asset sale, including mining rights or equity stakes (even minority stakes) in companies.

Material or **Materially** means an inclusive amount exceeding five per cent (5%) of the Group's non-current assets at the time of the Transaction, with the information and data available at the time, for the total duration of the Transaction.

These restrictions on powers are listed in the Internal Regulations which are available on the Company's website: www.maureletprom.fr.

3.2.2.4 Relationships between the Company and members of the Board of Directors and management

A) Prevention of market abuse

The Company has introduced a Code of Conduct relating to the prevention of insider trading transactions (the "**Code**"). This code was last updated by the Board of Directors following the entry into force of European Regulation (EU) 596/2014 on market abuse ("**MAR**") on 3 July 2016 and the publication on 26 October 2016 of the French Financial Markets Authority Position-Recommendation n° 2016-08 regarding ongoing information and the management of inside information.

The Code sets out the rules of professional conduct relating to transactions in financial instruments carried out by corporate officers and by employees of the Company and Group, as well as some of the main legal provisions on which it is based.

The Code includes the definition of inside information and gives examples of information that could be considered as such. It then outlines the type of person(s) who could be considered "insiders".

The prevention of insider trading requires the establishment of specific procedures. The Code provides in particular:

- a summary of the obligation of discretion of insiders, including:
  - the general obligation not to carry out transactions involving the financial instruments when holding inside information before it becomes public knowledge,
  - the general ban on disclosing inside information outside the ordinary scope of their office, function or profession, for other purposes, or for another activity, than those for which the information is intended,
  - the ban on carrying out transactions on the financial instruments: the code provides that, subject to exceptions set out in the relevant regulations, insiders must not carry out any transactions, on their own behalf or on behalf of a third party, either directly or indirectly, which relate to the financial instruments during the following blackout periods: (i) between (and including) the fifteenth calendar day preceding the publication of the Company's quarterly information and the trading day following the publication of this information and (ii) between (and including) the thirtieth calendar day preceding the publication of the press release for the annual and half-year results and the trading day following the publication of this information. Moreover, Company shares allocated free of charge cannot be sold (i) during the ten trading days before and the three trading days after the date on which the consolidated financial statements, or failing this the annual financial statements, are published and/or (ii) within the period between the date on which the Company and/or Group's corporate bodies become aware of inside information and the date ten trading days after this inside information is made public,
  - the ban on carrying out speculative transactions, in particular by engaging in hedging transactions on the financial instruments, including on shares, share purchase or subscription options, rights to shares that may be granted free of charge, and shares resulting from the exercise of options or granted free of charge, except for the implementation of liquidity agreements on shares that may be granted free of charge,
  - the obligation for Group corporate officers to hold financial instruments;
- a reminder of rules relating to insider lists;
- specific obligations for corporate officers, senior-level management and their relations to individually disclose any transactions involving the financial instruments to the French Financial Markets Authority and the Company.

Finally, the Code presents the main penalties applied.

The Code is available on the Company's website: www.maureletprom.fr.

B) Company shares held by Board members

The Internal Regulations stipulate that directors must commit to (i) purchasing 500 shares every year using the attendance fees they receive (or any smaller number of shares corresponding to an amount of €3,000), and (ii) keeping those shares until the end of their term of office. This rule does not apply to the Company's controlling shareholder director or to directors representing the Company's controlling shareholder. As at the date of this Annual Report, PIEP held 141,998,480 Company shares, representing 70.75% of the capital.

To the Company's knowledge, the details of equity interests in the Company held by the corporate officers at 31 December 2018 are included in the "Presentation of the membership of the Board of Directors at 31 December 2018" section of this chapter, which presents the members of the Board of Directors.

C) Securities transactions

No securities transaction carried out by one or more of the Company's corporate officers after their appointment was reported to the Company during the fiscal year ended 31 December 2018 and up until the date of this Annual Report, with the exception of a share disposal by the Chief Executive Officer as part of the implementation of liquidity measures set forth in the provisions of the Tender Offer Agreement described in paragraph b) below.

D) Contracts with the issuer or its subsidiaries granting benefits under the terms of such contracts

With the exception of the agreement described below, the members of the Board of Directors have not, as of the date of the Annual Report, entered into any contracts with Company code or its subsidiaries that grant benefits under the terms of such contracts.

Tender Offer Agreement

It should be noted that on 25 August 2016, the Company, PIEP and PT Pertamina (Persero) signed a tender offer agreement relating the takeover bid, which included in particular:

- the commitment on the part of PIEP to implement a liquidity facility of bonus shares for beneficiaries of these shares;
- the Company's commitments in terms of governance, with PIEP having the option, in the event of a successful takeover, to appoint all members of the Company's Board of Directors (with the exception of independent members) to reflect the Company's potential new share ownership structure.

3.2.2.5 Disclosures about members of the Board of Directors and executive management

A) Potential conflicts of interest

As at 31 December 2018 and the date of this Annual Report, the Company was not aware of any potential conflict of interest between the private interests of the members of the Board of Directors and/or executive management and their duties with respect to the Company.

In order to prevent a potential conflict of interest, the Internal Regulations require that members of the Board of Directors comply with strict obligations. To this end, the Internal Regulations of the Board of Directors provide that each director:

- is obliged "*to inform the Board of Directors of any existing or potential conflict of interest arising from his or her duties in another company, and must take all appropriate measures (particularly concerning information available to directors) and refrain from attending discussions and voting in the corresponding deliberations*";
- cannot "*assume responsibilities, on a personal basis, in companies or in businesses that compete with the Company or the Group without notifying the Board of Directors and the Chairman of the Appointments and Remuneration Committee*";
- must not "*use his or her title and office as a director to procure for personal gain or provide to a third party any benefit, financial or otherwise*";
- must "*refrain from any individual interference in corporate affairs, especially by making direct contact with senior managers, employees, the Group's customers, shareholders or investors, unless for the specific task entrusted to him or her by the Board of Directors or the Board of Directors' committee of which he or she is a member*"; and
- must "*immediately notify the Chairman of the Board of Directors of any agreement entered into by the Company in which he or she has a direct or indirect interest*".

The Internal Regulations were updated during the 25 April meeting of the Board of Directors to take into account changes to the AFEP-MEDEF Code in its revised version of June 2018.

Additionally, every year the Company asks the directors about conflicts of interest that may exist.

The Internal Regulations, which include rules relating to the prevention of conflicts of interest, are available on the Company's website: www.maureletprom.fr.

To the best of the Company's knowledge, there are no family ties between members of executive management and members of the Board of Directors.

B) Other information

To the Company's knowledge, over the past five years no member of the Board of Directors or executive management:

- has been convicted of fraud;
- has been involved, as an executive or non-executive corporate officer, in any bankruptcy, sequestration or liquidation proceedings;
- has been prevented by a court from acting as a member of an administrative, management or supervisory body of an issuer, or from being involved in managing or conducting the affairs of an issuer;
- has been convicted of any offence and/or received an official public penalty issued by the statutory or regulatory authorities (including professional bodies).

3.2.3 Remuneration and benefits of all kinds granted to corporate officers

3.2.3.1 Executive corporate officers

On the recommendation of the Appointments and Remuneration Committee, the Board of Directors determines the remuneration of its executive and non-executive corporate officers, taking into account in particular the rules and determination principles set out in the AFEP-MEDEF Code.

The remuneration policy for the Company's executive corporate officers is reviewed and discussed each year by the Board of Directors. This remuneration concerns the Chairman of the Board of Directors and the Chief Executive Officer.

Note that any positions held by executive corporate officers in the Company's subsidiaries are not compensated.

A) Remuneration policy for the 2018 fiscal year

Remuneration policy for the Chairman of the Board of Directors for the 2018 fiscal year

In essence, the remuneration of the Chairman of the Board of Directors for the fiscal year ended 31 December 2018 comprised a fixed portion and attendance fees and did not include any other remuneration or benefits.

The principles and criteria for determining the remuneration and benefits of any kind paid or awarded to the Chairman of the Board of Directors for the fiscal year ended 31 December 2018 that were approved by 99.82% of participants at the Company's General Shareholders' Meeting of 20 June 2018 under the 15th resolution are provided in the Company's 2017 Annual Report, section 3.2.3.1 (c) I.

Remuneration policy for the Chief Executive Officer for the 2018 fiscal year

In essence, the remuneration of the Chief Executive Officer for the fiscal year ended 31 December 2018 comprised a fixed portion, variable remuneration, benefits in kind (including the reimbursement of travel expenses) as well as the possibility, in exceptional cases, to grant him the corresponding exceptional remuneration. The remuneration policy for the Chief Executive Officer for the 2018 fiscal year does not include any other components or benefits than those described above.

It should also be noted that the remuneration policy for the Chief Executive Officer is matched to that of other Group executives, as necessary.

The principles and criteria for determining the remuneration and benefits of any kind paid or awarded to the Chief Executive Officer for the fiscal year ended 31 December 2018 that were approved by 97.41% of participants at the Company's General Shareholders' Meeting of 20 June 2018 under the 16th resolution are provided in the Company's 2017 Annual Report, section 3.2.3.1 (c) II.

B) Details of the remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer for the last two fiscal years

Remuneration paid for the 2018 fiscal year

At its meeting of 24 April 2018, the Board of Directors, acting on the recommendation of the Appointments and Remuneration Committee, set the remuneration of the Chairman of the Board of Directors and the Chief Executive Officer for the fiscal year ended 31 December 2018 based on the terms provided for in the remuneration policies approved by the General Shareholders' Meeting of 20 June 2018 under the 15th and 16th resolutions respectively.

We draw your attention to the fact that, pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the variable remuneration components of the Chief Executive Officer shall only be paid after the General Shareholders' Meeting of 13 June 2019 has approved the fixed, variable and exceptional components of the total remuneration and benefits of any kind paid or granted to the Chief Executive Officer for the fiscal year ended 31 December 2018 pursuant to the terms set out by Article L. 225-100 of the French Commercial Code.

Chairman of the Board of Directors

In line with the 2018 remuneration policy (see the Company's 2017 Annual Report, section 3.2.3.1 (c) I), the fixed remuneration paid by the Company to Aussie B. Gautama for the fiscal year ended 31 December 2018 includes an annual fixed component amounting to €120,000 and attendance fees on the same basis as other directors, in the amount of €61,476.

Chief Executive Officer

In line with the 2018 remuneration policy (see the Company's 2017 Annual Report, section 3.2.3.1 (c) II), the fixed remuneration paid by the Company to Michel Hochard for the fiscal year ended 31 December 2018 was €425,000.

With regard to annual variable remuneration, in accordance with the 2018 remuneration policy (see the Company's 2017 Annual Report, section 3.2.3.1 (c) II), during its 24 April 2018 meeting, the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, decided that this remuneration would be determined based on quantifiable criteria related to the Company's operating, financial and strategic performance, as well as on qualitative criteria.

The quantifiable and qualitative criteria selected for 2018, which are considered to be particularly representative of the Company's performance, are as follows:

— Quantifiable criteria:

1. the increase in net hydrocarbon reserves at the end of 2018 compared with those at the end of 2017: 20% of annual fixed remuneration;
2. growth in EBITDA compared with that forecast in the 2018 budget: 20% of annual fixed remuneration;
3. the completion, by the end of 2018, of all investments planned in the 2018 budget: 20% of annual fixed remuneration;

— Qualitative criteria:

1. ongoing efforts in terms of safety and the environment: 20% of annual fixed remuneration;
2. the individual performance of the Chief Executive Officer: 20%[1] of annual fixed remuneration.

The Board of Directors, during its 25 April 2019 meeting, on the recommendation of the Appointments and Remuneration Committee, assessed the expected achievement level of the quantifiable and qualitative criteria of the annual variable remuneration of Michel Hochard and set its amount according to the conditions provided for in the 2018 remuneration policy (see the Company's 2017 Annual Report, section 3.2.3.1 (c) II).

This assessment found the achievement level of the quantifiable criteria to be 40% (from a possible maximum of 60%) of the annual fixed remuneration due to Michel Hochard for the 2018 fiscal year. The criterion for the achievement, by the end of 2018, of all the investments set out in the 2018 budget was not met, whereas the other two criteria were fully met. The achievement level of qualitative criteria was 35% (from a possible maximum of 40%) of the annual fixed remuneration due to the Chief Executive Officer for the 2018 fiscal year, as the criteria relating to continued efforts in terms of safety and the environment were only partially met. The partial failure to meet this criterion is mainly due to the restart in 2018 of drilling operations which are more risky in nature than production operations (see section 4.1.7.5 "Industrial accidents and occupational diseases" of this Annual Report). Due notably to the work achieved and the investment of the Chief Executive Officer in the "Rockover transaction" (as described in section 7.3.2.3 "Rockover" of this Annual Report) and the creation of M&P Trading (as described in section 7.3.3 "Crude oil trading in Gabon" of this Annual Report), as part of the development of the Group's activities, the Board of Directors noted that the achievement level of criteria relating to the individual performance of the Chief Executive Officer was 25% of the annual fixed remuneration due to the Chief Executive Officer for the 2018 fiscal year. The assessment carried out by the Board of Directors led it to set Michel Hochard's variable remuneration for 2018 at 75% of his annual fixed remuneration due for the same fiscal year, i.e., €318,750, of the maximum percentage of 100% of fixed remuneration that variable remuneration may represent for this fiscal year. The quantified targets of quantifiable criteria, along with the evaluation sub-criteria for qualitative targets, which were set precisely and predetermined, are not publicly disclosed for confidentiality purposes, in line with the provision of Article 25.2 of the AFEP-MEDEF Code.

In accordance with the 2018 remuneration policy, (see the Company's 2017 Annual Report, section 3.2.3.1 (c) II), Michel Hochard received, during the fiscal year ended 31 December 2018, benefits in kind (a foreign travel per diem in the amount of €1,250 for business trips outside France, provisions under a profit-sharing agreement applied within the Company, and a mobile phone) totalling €90,538 (€59,288 of which was paid during fiscal 2018).

In accordance with the 2018 remuneration policy, (see the Company's 2017 Annual Report, section 3.2.3.1 (c) II), Michel Hochard did not receive, during the fiscal year ended 31 December 2018, any components of remuneration or benefits other than those described above.

In fiscal year 2018, Michel Hochard, Chief Executive Officer, was also a director of Seplat Petroleum Development Company Ltd ("Seplat"). As such, he received £114,444 in attendance fees from Seplat for his directorship in 2018. It should be noted, however, that the sums he received in respect of this directorship are not related to his office as the Company's Chief Executive Officer.

For information purposes, Michel Hochard's Employment Contract as the Company's Chief Administrative and Financial Officer (which is suspended for the duration of his role as Company Chief Executive Officer) contains a two-year non-compete clause which comes into force upon termination of his contract on any grounds whatsoever. The clause bars him from performing any equivalent salaried role in a similar field of business for a Company competitor. The financial indemnity owed for this non-compete obligation amounts to 35% of the remuneration he would have earned for the corresponding time period. The Company may, however, unilaterally decide to release Michel Hochard from this obligation. Moreover, if Michel Hochard is dismissed or forced to discontinue his role as Chief Financial Officer within 18 months following a change of control of the Company or a significant change in the majority shareholder's interest in the Company, he would receive dismissal remuneration equivalent to 24 months' gross pay (calculated based on the average gross monthly pay received over the 15 months preceding the dismissal or forced departure), it being noted that this remuneration would be in addition to the legal and statutory remuneration due when the Employment Contract is terminated. As at 31 December 2018, he had received no remuneration for the components set out in his Employment Contract.

Remuneration paid for the 2017 fiscal year

At its meeting of 24 April 2017, the Board of Directors, acting on the recommendation of the Appointments and Remuneration Committee, set the remuneration of the Chairman of the Board of Directors and the Chief Executive Officer for fiscal year 2017 based on the terms provided for in the remuneration policies approved by the General Shareholders' Meeting of 22 June 2017 under the 20th and 21st resolutions respectively, by 98.98% and 98.45% of participants, respectively.

Chairman of the Board of Directors

In accordance with the 2017 remuneration policy, (see the Company's 2016 Annual Report, section 3.2.3.2.2), the remuneration of Jean-François Hénin, Chairman of the Board of Directors until 10 April 2017, includes, for the fiscal year ended 31 December 2017, an annual fixed component amounting to €97,823, calculated pro rata to the actual term of office served, based on annual gross fixed remuneration of €325,000 and attendance fees on the same basis as other directors, in the amount of €20,136.

As part of the change in its chairmanship, the Board of Directors reviewed the fixed remuneration of Aussie B. Gautama. In this respect, it should be noted that the Board of Directors, acting on the recommendation of the Appointments and Remuneration Committee, decided to set this remuneration at an amount of €120,000 based on criteria taken into account for the remuneration of the Chairman of the Board of Directors and in light of its new shareholding structure.

(1) This percentage may be increased to 50% of annual fixed remuneration, but the total annual variable remuneration may not exceed 100% of annual fixed remuneration.

The 2017 remuneration of Aussie B. Gautama, Chairman of the Board of Directors as from 10 April 2017, includes an annual fixed component amounting to €87,692, calculated pro rata to the actual term of office served, based on annual gross fixed remuneration of €120,000 and attendance fees on the same basis as other directors, in the amount of €32,131.

Chief Executive Officer

In accordance with the 2017 remuneration policy, (see the Company's 2016 Annual Report, section 3.2.3.2.2), the remuneration of the Chief Executive Officer includes, for the fiscal year ended 31 December 2017, (i) fixed annual remuneration of €425,000, (ii) an award of 240,000 bonus performance shares valued at €552,000 and (iii) benefits in kind comprising a foreign travel per diem of €1,250 plus other customary benefits in kind for a total amount of €96,883.

With regard to the award of performance shares to the Chief Executive Officer, at its meeting of 24 April 2017, the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, and on the authority granted by the Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 15 June 2016, decided to award 240,000 bonus performance shares to the Chief Executive Officer. The Board approved the plan to award bonus performance shares and set the employment conditions and two performance criteria related to:

— the success of the transition phase following the acquisition of the Company by PIEP;

— participation in the implementation of succession planning and the process for recruiting the future Chief Executive Officer in conjunction with the Appointments and Remuneration Committee, and, if necessary, the transfer of files to the future Chief Executive Officer.

The vesting period is three years and there is no lock-up period, it being specified that (i) the definitive grant of performance shares is subject to an employment condition (which must be assessed by the Board of Directors after one year), (ii) the Chief Executive Officer must retain 20% of the shares resulting from the performance share award in bearer form until he steps down from his office, and (iii) he must not engage in risk-hedging transactions on these shares, with the exception of a liquidity agreement that the majority shareholder would offer to all beneficiaries of bonus or performance shares.

In accordance with the 2017 remuneration policy, (see the Company's 2016 Annual Report, section 3.2.3.2.2), the Board of Directors assessed the employment condition and performance criteria during its 20 June 2018 meeting which was held following the annual General Shareholders' Meeting and recorded a criteria achievement rate of 75%, which entitled the Chief Executive Officer to 180,000 bonus shares. Note that these shares will be delivered at the end of the three-year vesting period.

In fiscal year 2017, Michel Hochard, Chief Executive Officer, was also a director of Seplat. As such, he received US$318,343 in attendance fees from Seplat for his directorship in 2017. It should be noted, however, that the sums he received in respect of this directorship are not related to his office as the Company's Chief Executive Officer.

For information purposes, under his Employment Contract as the Company's Chief Financial Officer (suspended for his term of office as the Company's Chief Executive Officer), Michel Hochard, Chief Executive Officer, is bound by a non-compete clause applicable for two years following the termination of his contract for any reason, which prohibits him from performing any equivalent paid function in a similar field of activity for a competitor of the Company. The financial indemnity owed for this non-compete obligation amounts to 35% of the remuneration he would have earned for the corresponding time period. The Company may, however, unilaterally decide to release Michel Hochard from this obligation. Moreover, if Michel Hochard is dismissed or forced to discontinue his role as Chief Financial Officer within 18 months following a change of control of the Company or a significant change in the majority shareholder's interest in the Company, he would receive dismissal remuneration equivalent to 24 months' gross pay (calculated based on the average gross monthly pay received over the 15 months preceding the dismissal or forced departure), it being noted that this remuneration would be in addition to the legal and statutory remuneration due when the Employment Contract is terminated. As at 31 December 2017, he had received no remuneration for the components set out in his Employment Contract.

Comparative tables for remuneration components for fiscal years 2017 and 2018

Summary table of remuneration, options and shares granted to each executive corporate officer (AMF Table No. 1)

Name and title of executive corporate officer: Aussie B. Gautama, Chairman of the Board of Directors since 10 April 2017	Fiscal year 2018	Fiscal year 2017
Remuneration due for the fiscal year	181,476	119,823[a]
Value of multi-year variable remuneration granted during the year	-	-
Value of options granted during the year	-	-
Value of performance shares attributed during the year	-	-
TOTAL	**181,476[b]**	**119,823**

(a) Amounts paid in fixed remuneration calculated pro rata to the actual term of office served by Aussie B. Gautama as Chairman of the Board of Directors in fiscal year 2017, based on annual gross fixed remuneration of €120,000.
(b) The remuneration components due to Aussie B. Gautama for his role as Chairman of the Board of Directors in fiscal year 2018 will be subject to approval by the General Shareholders' Meeting of 13 June 2019.

Name and title of executive corporate officer: Michel Hochard, Chief Executive Officer	Fiscal year 2018	Fiscal year 2017
Remuneration due for the fiscal year	834,288	521,883
Value of multi-year variable remuneration granted during the year	-	-
Value of options granted during the year	-	-
Value of performance shares allocated during the year	-	552,000
TOTAL	**834,288[a]**	**1,073,883**

(a) The remuneration components due to Michel Hochard for his role as Chief Executive Officer in fiscal year 2018 will be subject to approval by the General Shareholders' Meeting of 13 June 2019. The variable component of Michel Hochard's remuneration will only be paid following the approval of the fixed, variable and exceptional components of remuneration paid or granted to Michel Hochard for the 2018 fiscal year.

Name and title of executive corporate officer: Jean-François Hénin, Chairman of the Board of Directors until 10 April 2017	Fiscal year 2018	Fiscal year 2017
Remuneration due for the fiscal year	-	117,959[a]
Value of multi-year variable remuneration granted during the year	-	-
Value of options granted during the year	-	-
Value of performance shares attributed during the year	-	-
TOTAL	**-**	**117,959**

(a) Amounts paid in fixed remuneration calculated pro rata to the actual term of office served by Jean-François Hénin as Chairman of the Board of Directors in fiscal year 2017, based on annual gross fixed remuneration of €325,000.

Summary table of each executive corporate officer's remuneration (AMF Table No. 2)

Name and title of executive corporate officer: Aussie B. Gautama, Chairman of the Board of Directors since 10 April 2017	Amounts in fiscal year 2018		Amounts in fiscal year 2017	
	Due	Paid	Due	Paid
Fixed remuneration	120,000	120,000	87,692	87,692[a]
Annual variable remuneration	-	-	-	-
Variable multi-year remuneration	-	-	-	-
Exceptional remuneration	-	-	-	-
Attendance fees	61,476	61,476	32,131	32,131[b]
Benefits in kind	-	-	-	-
TOTAL	**181,476**	**181,476[c]**	**119,823**	**119,823**

(a) Amounts due in fixed remuneration calculated pro rata to the actual term of office served by Aussie B. Gautama as Chairman of the Board of Directors in fiscal year 2017, based on annual gross fixed remuneration of €120,000.
(b) Attendance fees due to Aussie B. Gautama as from 10 April 2017, date on which Aussie B. Gautama was co-opted by the Board of Directors as director and Chairman of the Board of Directors.
(c) The remuneration components due to Aussie B. Gautama for his role as Chairman of the Board of Directors in fiscal year 2018 will be subject to approval by the General Shareholders' Meeting of 13 June 2019.

Name and title of executive corporate officer: Jean-François Hénin, Chairman of the Board of Directors until 10 April 2017	Amounts in fiscal year 2018		Amounts in fiscal year 2017	
	Due	Paid	Due	Paid
Fixed remuneration[a]	-	-	97,823	97,823
Annual variable remuneration	-	-		
Variable multi-year remuneration	-	-		
Exceptional remuneration	-	-		
Attendance fees[b]	-	-	20,136	20,136
Benefits in kind	-	-	-	-
TOTAL	**-**	**-**	**117,959**	**117,959**

(a) Amounts due in fixed remuneration calculated pro rata to the actual term of office served by Jean-François Hénin as Chairman of the Board of Directors in fiscal year 2017, based on annual gross fixed remuneration of €325,000.
(b) Attendance fees due to Jean-François Hénin up to 10 April 2017, the effective date of his resignation as director and Chairman of the Board of Directors.

Name and title of executive corporate officer: Michel Hochard, Chief Executive Officer	Amounts in fiscal year 2018		Amounts in fiscal year 2017	
	Due	Paid	Due	Paid
Fixed remuneration	425,000	425,000	425,000	425,000
Annual variable remuneration	318,750	-	-	-
Variable multi-year remuneration	-	-	-	-
Exceptional remuneration	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (travel allowance) and overseas per diems	90,538	59,288	96,883	96,883
TOTAL	**834,288**	**484,288[a]**	**521,883**	**521,883**

(a) The remuneration components due to Michel Hochard for his role as Chief Executive Officer in fiscal year 2018 will be subject to approval by the General Shareholders' Meeting of 13 June 2019. The variable component of Michel Hochard's remuneration will only be paid following the approval of the fixed, variable and exceptional components of remuneration paid or granted to Michel Hochard for the 2018 fiscal year.

Options to subscribe for or purchase shares granted during the fiscal year to each executive corporate officer (AMF Table No. 4)

No options to subscribe for or purchase shares were granted to any executive corporate officer during the fiscal year ended 31 December 2018. It should be noted that the Company is no longer authorised by the General Shareholders' Meeting to grant options to subscribe for or purchase shares.

Options to subscribe for or purchase shares exercised during the fiscal year by each executive corporate officer (AMF Table No. 5)

No options to subscribe for or purchase shares were exercised by any executive corporate officer during the fiscal year ended 31 December 2018.

Bonus shares granted to each executive corporate officer during the fiscal year (AMF Table No. 6)

No bonus shares were granted to any executive corporate officer during the fiscal year ended 31 December 2018.

Bonus shares becoming available to each executive corporate officer during the fiscal year (AMF Table No. 7)

No bonus shares granted to any executive corporate officer became available during the fiscal year ending 31 December 2018.

History of bonus share grants (AMF Table No. 9)

Date of General Shareholders' Meeting	14/06/2012	17/12/2015	15/06/2016	15/06/2016	20/06/2018
Date of Board meeting	**28/03/2014**	**25/02/2016**	**31/03/2017**	**24/04/2017**	**03/08/2018**
Total number of bonus shares granted	56,840	1,080,600	895,000	240,000	157,700
Of which number of bonus shares granted to Michel Hochard, Chief Executive Officer	-	240,000[a]	-	240,000[b]	-
Vesting date	28/03/2016	25/02/2017	31/03/2018	24/04/2020	03/08/2019
End of lock-up period	28/03/2018	25/02/2018	31/03/2019	24/02/2020	03/08/2020
Number of shares vested to Michel Hochard	-	240,000	-	-	-
Aggregate number of shares cancelled or null and void	5,000	-	-	60,000	-
Bonus shares outstanding at year-end	-	-	895,000	-	157,700

(a) At its meeting of 25 February 2016, the Board approved the plan to award bonus performance shares and set the employment condition and three performance criteria related to:
– the reduction in the Group's structuring costs, for 42% of the shares granted;
– compliance with the commitments under the RCF, for 29% of the shares granted; and.
– the finalisation of the merger with MPI, for 29% of the shares granted.
The performance criteria were fully met.

(b) At its meeting of 24 April 2017, the Board approved the plan to award bonus performance shares and set the employment conditions and two performance criteria related to:
– the success of the transition phase following the acquisition of the Company by PIEP;
– participation in the implementation of succession planning and the process for recruiting the future Chief Executive Officer in conjunction with the Appointments and Remuneration Committee, and, if necessary, the transfer of files to the future Chief Executive Officer.
The Board of Directors assessed the employment condition and performance criteria during its 20 June 2018 meeting which was held following the annual General Shareholders' Meeting and recorded a criteria achievement rate of 75%, which entitled the Chief Executive Officer to 180,000 bonus shares. Note that these shares will be delivered at the end of the three-year vesting period.

Summary of benefits granted to executive corporate officers (AMF Table No.11)

	Employment Contract	Supplementary pension scheme	Remuneration or benefits due or that may be due as a result of termination or change of role	Remuneration relating to a non-compete clause
Aussie B. Gautama Position: Chairman of the Board of Directors Term of office start date: 10 April 2017	No	No	No	No
Michel Hochard Position: Chief Executive Officer First appointed: 26 May 2014 Term of office start date: 22 June 2017 Term of office end date: Approval of financial statements for the fiscal year ended 31 December 2018	Yes[a]	No[b]	No[c]	No

(a) The Employment Contract for the role of Company Chief Financial Officer held by Michel Hochard has been suspended since his appointment as the Company's Chief Executive Officer on 26 May 2014 and will remain so for his entire term of office as Chief Executive Officer (see section 3.1 of this Annual Report).

(b) Except for the group pension scheme.

(c) No provisions or stipulations provide for remuneration in the event that Michel Hochard is forced to leave his role as Chief Executive Officer. However, his Employment Contract, which is suspended for his term of office, provides for a severance and non-compete remuneration package if his Employment Contract as Chief Financial Officer is broken. This remuneration package is described in section 3.2.3.1 (B) of this Annual Report.

Shareholder vote on the remuneration components paid or awarded to executive corporate officers for the fiscal year ended 31 December 2018

The details of the remuneration paid or granted to Aussie B. Gautama in his capacity as Chairman of the Board of Directors for the fiscal year ended 31 December 2018 are described in the table below:

Aussie B. Gautama

Remuneration components paid or awarded for the fiscal year ended 31 December 2018	Amount or carrying amount submitted for vote	Description
Fixed remuneration	€120,000	During fiscal year 2018, Aussie B. Gautama received remuneration for his role as Chairman of the Board of Directors. During that period he received the gross sum of €120,000. Details of the annual fixed remuneration approved by the General Shareholders' Meeting of 20 June 2018 under the vote on the remuneration of the Chairman of the Board of Directors for the fiscal year ended 31 December 2018 provided in the Company's 2017 Annual Report, section 3.2.3.1 (C) I.
Annual variable remuneration	N/A	Aussie B. Gautama receives no variable remuneration.
Deferred variable remuneration	N/A	Aussie B. Gautama receives no deferred variable remuneration.
Variable multi-year remuneration	N/A	Aussie B. Gautama receives no variable multi-year remuneration.
Exceptional remuneration	N/A	Aussie B. Gautama receives no exceptional remuneration.
Stock options, performance shares and any other long-term remuneration	Options = N/A Equities = N/A Other remuneration = N/A	Aussie B. Gautama receives no stock options, performance shares or any other long-term remuneration.
Attendance fees	€61,476	This amount corresponds to the attendance fees paid to Aussie B. Gautama during the fiscal year ended 31 December 2018. Details of the annual fixed remuneration approved by the General Shareholders' Meeting of 20 June 2018 under the vote on the remuneration of the Chairman of the Board of Directors for the fiscal year ended 31 December 2018 provided in the Company's 2017 Annual Report, section 3.2.3.1 (C) I.

Remuneration paid or awarded for the fiscal year just ended that have been or will be submitted for vote at the General Shareholders' Meeting under the procedure for regulated agreements and commitments	Amount or carrying amount submitted for vote	Description
Valuation of benefits of any kind	N/A	Aussie B. Gautama receives no other benefits.
Severance pay	N/A	Aussie B. Gautama is not entitled to a severance package.
Non-compete remuneration	N/A	Aussie B. Gautama is not entitled to non-compete remuneration.
Supplementary pension scheme	N/A	Aussie B. Gautama is not entitled to any supplementary pension scheme, with the exception of the existing group pension scheme.

The details of the remuneration paid or granted to Michel Hochard in his capacity as Chief Executive Officer for the fiscal year ended 31 December 2018 are described in the table below:

Michel Hochard

Details of remuneration due or awarded for the fiscal year ended 31 December 2018	Amount or carrying amount submitted for vote	Description
Fixed remuneration	€425,000	During fiscal year 2018, Michel Hochard received remuneration for his role as Chief Executive Officer. He received €425,000. Details of the annual fixed remuneration approved by the General Shareholders' Meeting of 20 June 2018 under the vote on the remuneration policy for the Chief Executive Officer for the fiscal year ended 31 December 2018 can be found in the Company's 2017 Annual Report, in section 3.2.3.1 (C) II.
Annual variable remuneration	€318,750	During the 2018 fiscal year, Michel Hochard received variable remuneration of €318,750. The Board of Directors assessed the achievement of performance criteria during its meeting of 25 April 2019 (see the *Remuneration paid for the 2018 fiscal year* section of this Annual Report, page 59). Details of the annual variable remuneration approved by the General Shareholders' Meeting of 20 June 2018 under the vote on the remuneration policy for the Chief Executive Officer for the fiscal year ended 31 December 2018 can be found in the Company's 2017 Annual Report, in section 3.2.3.1 (C) II.
Deferred variable remuneration	N/A	Michel Hochard receives no deferred variable remuneration.
Variable multi-year remuneration	N/A	Michel Hochard receives no variable multi-year remuneration.
Exceptional remuneration	N/A	Michel Hochard receives no exceptional remuneration.
Stock options, performance shares or any other long-term remuneration	N/A	Michel Hochard receives no stock options, performance shares or any other long-term remuneration.
Attendance fees	N/A	As Michel Hochard is not a Company director or an observer, he is not entitled to attendance fees.
Valuation of benefits of any kind	€90,538 (€59,288 of which was paid in fiscal 2018)	Michel Hochard has his travel expenses and overseas per diems paid. Details of the annual fixed remuneration approved by the General Shareholders' Meeting of 20 June 2018 under the vote on the remuneration policy for the Chief Executive Officer for the fiscal year ended 31 December 2018 can be found in the Company's 2017 Annual Report, in section 3.2.3.1 (c) II.

Remuneration paid or awarded for the fiscal year ended that have been or will be submitted for vote at the General Shareholders' Meeting under the procedure for regulated agreements and commitments	Amount submitted for vote	Description
Severance pay[a]	N/A	Michel Hochard is not entitled to a severance package for his role as CEO.
Non-compete remuneration[a]	N/A	Michel Hochard is not entitled to non-compete remuneration for his role as CEO.
Supplementary pension scheme	N/A	Michel Hochard is not entitled to any supplementary pension scheme, with the exception of the existing group pension scheme.

(a) A description of the severance package and non-compete agreement benefits under the suspended Employment Contract is provided in section 3.2.3.1 (b) of the Annual Report.

C) Principles and criteria governing the determination, allocation and award of the fixed, variable and exceptional components of total remuneration and benefits of any kind that may be owed or awarded for fiscal year 2019 to the Chairman of the Board and the Chief Executive Officer with respect to their office

Law No. 2016-1691 of 9 December 2016 on transparency, anti-corruption and modernization of economy – the "Sapin II Law" – requires a binding vote of the shareholders on the principles and criteria governing the determination, allocation and award of the fixed, variable and exceptional components of total remuneration and benefits of all kinds that may be owed or awarded to the Chairman of the Board and to the Chief Executive Officer for financial year 2019 (i.e., the remuneration policy).

The purpose of this section is to present, in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria set by the Board of Directors, based on the recommendation of the Appointments and Remuneration Committee (the "**ARC**")[1].

We suggest that you approve the principles and criteria presented in this report. Two resolutions will be presented for the Chairman of the Board and for the Chief Executive Officer respectively. If the shareholders at the Ordinary and Extraordinary General Meeting scheduled for 13 June 2019 do not approve (one of) these resolutions, the relevant remuneration will be determined in accordance with remuneration granted for the previous fiscal year, which is the remuneration policy approved by the General Shareholders' Meeting of 20 June 2018 under the 15th and 16th resolutions.

As a reminder, all components of remuneration paid to the Chairman of the Board and to the Chief Executive Officer of Établissements Maurel & Prom S.A. (the "**Company**") are determined by the Board of Directors, acting on the recommendation of the ARC by reference to the principles set out in the AFEP-MEDEF Corporate Governance Code for listed companies, as amended in June 2018 (the "**AFEP-MEDEF Code**").

Remuneration policy applying to the Chairman of the Board of Directors (a non-executive corporate officer) for fiscal year 2019

The Chairman of the Board's remuneration is made up of fixed remuneration and attendance fees.

Fixed remuneration

The Chairman of the Board's fixed annual remuneration is determined, inter alia, based on a thorough analysis of market practices, size and market capitalization of the Company, the separation between the roles of the Chairman and those of the Chief Executive Officer, the Chairman's experience, technical skills, and the scarcity and critical importance of those skills, past individual remuneration and years of service of the Chairman of the Board.

Attendance fees

The Chairman of the Board also receives attendance' fees, on the same basis as other directors and following the same rules, which take into account the actual term of office served by each as member of the Board (for the fixed portion of directors' fees) and actual attendance at Board meetings and the coefficient attributed to the office held by each member (Director, Chairman of the Board, Vice-Chairman of the Board, Chairman of a special committee and member of a special committee).

Implementation of the 2019 policy for Aussie B. Gautama

Aussie B. Gautama receives an annual fixed remuneration. After taking into account all of Aussie B. Gautama's remuneration components and a study conducted by a firm specialising in the structure and remuneration of Board chairmen, the Board of Directors, acting on the recommendation of the ARC, decided to set Aussie B. Gautama's remuneration for fiscal year 2019 at a gross amount of €125,000.

Aussie B. Gautama also receives attendance fees.

(1) The ARC consists of three members, two of whom (including the Chairman) are independent under the criteria of the AFEP-MEDEF Code as reprised in the Board of Directors' Internal Regulations.

Remuneration policy for the Chief Executive Officer (an executive corporate officer) for the 2019 fiscal year

Remuneration policy for the 2019 fiscal year

The remuneration of the Chief Executive Officer comprises the following elements:

Fixed remuneration

The Chief Executive Officer receives a fixed annual remuneration.

Fixed annual remuneration compensates the Chief Executive Officer for his responsibilities. Its amount is based on an in-depth analysis of market practices, the size and market capitalisation of the Company, the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer, experience, skills and their scarcity. Except in special circumstances, this fixed remuneration is only reviewed at relatively long intervals.

Annual variable remuneration

The Chief Executive Officer also receives an annual variable remuneration which is in line with the duties entrusted to him, his expertise and experience, as well as market practices. It is specified, in accordance with AFEP-MEDEF Code, that the allocation of annual variable remuneration will also benefit other Group employees.

As the variable component of the remuneration must be in line with the performance of the Chief Executive Officer, the Company's strategy and progress made by the latter, this remuneration is determined based on quantifiable and qualitative criteria:

- quantifiable criteria is based on the Company's operating, financial and strategic performance, which is assessed according to a sliding and proportional scale. Quantifiable targets to be achieved are specifically predetermined and are not disclosed to the public for reasons of confidentiality;
- qualitative criteria are predetermined and specific. They aim to asses social, safety, health, environmental and, more generally, societal policies. Moreover, the Board of Directors reserves the right to introduce a qualitative criteria related to the performance of the Chief Executive Officer, the assessment of which is left to the entire discretion of the Board. Details of assessment sub criteria are not made public for reasons of confidentiality.

The criteria and targets are approved annually by the Board of Directors, which acts on the recommendation of the ACC.

The total amount of the variable component is expressed as a percentage of annual fixed remuneration, with each criterion entitling to a portion of the percentage of the annual fixed remuneration. The maximum amount of annual variable remuneration is set at 100% of the Chief Executive Officer's annual fixed remuneration. The share related to quantifiable criteria has been set at 60% and the share related to qualitative criteria has been set at 40%[1] of the annual fixed remuneration.

Long-term variable remuneration

The Board of Directors may decide to award variable long-term remuneration to the Chief Executive Officer.

The purpose of awarding long-term variable remuneration is to encourage the Chief Executive Officer to take a long-term approach to his activities, but also to build loyalty and promote the alignment of his interests with those of the Company and its shareholders.

This remuneration, which may be awarded as bonus shares or paid in cash, is subject to performance criteria that must be met over several years in line with one or several quantifiable criteria based on the Company's operating, financial and strategic performance, to which may be added one or several qualitative criteria related to social, safety, health, environmental and, more generally, societal policies. These performance criteria are set in advance by the Board of Directors, which acts on the recommendation of the ARC.

The total amount of the long-term variable remuneration is expressed as a percentage of the annual fixed remuneration, with each criterion giving entitlement to a portion of the percentage of the annual fixed remuneration. The maximum amount of annual long-term variable remuneration cannot exceed 100% of the Chief Executive Officer's annual fixed remuneration.

The final payout of long-term remuneration is also subject to a continuous employment condition subject to the exceptions set out in the plan's regulations[2] or decided by the Board of Directors. In the event that the Board of Directors decides to waive the employment condition, this condition can only be waived on a time-proportionate basis and upon reasoned opinion.

In the event of the allocation of bonus shares, the Board of Directors (i) ensures that the proposed allocation does not represent an excessive share of the total number of bonus shares allocated and that it has a limited impact in terms of dilution and (ii) sets the number of shares to be held by the Chief Executive Officer until the termination of his duties as a corporate officer. In line with the applicable legal provisions and the Company's practices, bonus shares may also be awarded to the Group's senior managers and employees.

Exceptional remuneration

In accordance with the AFEP-MEDEF Code, only very exceptional circumstances may generate exceptional remuneration. Reasons for ward of such exceptional remuneration must be provided by the Board, who will need to explain the circumstances giving rise thereto.

Non-compete remuneration

In line with the AFEP-MEDEF Code, a non-compete commitment covering the Chief Executive Officer in his role as a corporate officer may be implemented by the Board of Directors to protect the Company's interests.

The introduction of a non-compete payment is subject to the provisions of Article L. 225-42-1 of the French Commercial Code.

Severance pay

Under certain circumstances, the Board of Directors may decide to award a severance payment to the Chief Executive Officer, in line with the AFEP-MEDEF Code.

The allocation of a severance payment is subject to strict performance conditions.

(1) In the event of very exceptional circumstances, and based on a reasoned decision by the Board of Directors, the share of qualitative criteria may be increased to 70% of the annual fixed remuneration, but the total annual variable remuneration may not exceed 100% of the annual fixed remuneration.
(2) Death, disability and retirement.

The introduction of a severance payment is subject to the provisions of Article L. 225-42-1 of the French Commercial Code.

Benefits in kind

The Chief Executive Officer receives benefits in kind. This allocation is determined based on the needs related to the exercise of this office.

We draw your attention to the fact that Articles L. 225-37-2 and L. 225-100 of the French Commercial Code provide that, where such components exist, the variable and exception remuneration components of the Chairman of the Board and the Chief Executive Officer shall only be paid after a shareholders' General Meeting has approved the fixed, variable and exceptional components of the total remuneration and benefits of any kind.

Change in governance

In the event that a new Chief Executive Officer is appointed during the fiscal year, the elements of remuneration, principles and criteria set out in the Chief Executive Officer's remuneration policy described above will continue to apply. The Board of Directors, upon the recommendation of the ARC, will thus determine the elements of remuneration, principles, criteria, objectives and levels of performance, adapting them to the new Chief Executive Officer's circumstances. Moreover, if a new Chief Executive Officer is recruited from outside the Company, the Board of Directors reserves the right to award an amount (in cash or shares) to compensate him/her for the loss of remuneration related to the departure from his/her previous position (golden hello payment).

Implementation of the 2019 policy for Michel Hochard

Michel Hochard receives annual fixed remuneration. After taking into account all of Michel Hochard's remuneration components and a study conducted by a firm specialising in the structure and remuneration of Chief Executive Officers, the Board of Directors, acting on the recommendation of the ARC, decided not to make any changes to Michel Hochard's remuneration for fiscal year 2019, which has remained unchanged, at a gross amount of €425,000, since [10 April 2017].

Michel Hochard receives an annual variable remuneration established in line with principles set out in the 2019 remuneration policy.

Michel Hochard receives benefits in kind which include a foreign travel per diem in the amount of €1,250 for business trips outside France, a death and disability plan applicable within the Company, provisions under a profit-sharing agreement applied in the Company and a mobile phone.

Except for the three components of remuneration described above, Michel Hochard does not receive any other remuneration for his role as Chief Executive Officer[1].

3.2.3.2 Non-executive corporate officers

The members of the Board of Directors and the observer, if applicable, receive attendance fees which are voted on each year by the General Shareholders' Meeting. The allocation of attendance fees is approved in accordance with the distribution rules decided by the Board of Directors acting on the recommendations of the Appointments and Remuneration Committee, and in accordance with the recommendations of the AFEP-MEDEF Code.

The distribution of attendance fees takes into consideration the actual term of office of each member of the Board of Directors during the fiscal year in question (for the fixed attendance fees) as well as their actual presence at meetings of the Board of Directors and the committees (for the variable attendance fees). This distribution includes a variable component which is predominant.

The total annual amount of attendance fees of €450,000 allocated by the General Shareholders' Meeting has remained unchanged for more than a decade.

On the recommendation of the Appointments and Remuneration Committee, the Board of Directors, at its meeting of 20 March 2019, decided to distribute the budget for attendance fees for the 2018 fiscal year according to the following rule:

- a fixed portion which represents 40% of the overall budget and is distributed proportionally to the actual term of office as director served during the fiscal year in question;
- a variable portion, which accounts for 60% of the overall budget and is distributed in accordance with attendance and with the rating attached to each member's role (director, Chairman of the Board of Directors, Vice-Chairman of the Board of Directors, Chairman of a specialised committee, and member of a specialised committee).

Non-executive corporate officers do not receive any remuneration or benefits other than the attendance fees paid. There is no supplementary pension scheme in place for non-executive corporate officers.

No options for the subscription or purchase of shares or for bonus shares have been granted to the Company's non-executive corporate officers by the Company or by Group companies during the last three fiscal years. Furthermore, no options to subscribe for or purchase shares were exercised by or granted to any non-executive corporate officer during the fiscal year ended 31 December 2018.

Note that any positions held by executive corporate officers in the Company's subsidiaries are not compensated.

(1) For information purposes, Michel Hochard's Employment Contract as the Company's Chief Administrative and Financial Officer (which is suspended for the duration of his role as Company Chief Executive Officer) contains a two-year non-compete clause which comes into force upon termination of his contract on any grounds whatsoever. The clause bars him from performing any equivalent salaried role in a similar field of business for a Company competitor. The financial indemnity owed for this non-compete obligation amounts to 35% of the remuneration he would have earned for the corresponding time period. The Company may, however, unilaterally decide to release Michel Hochard from this obligation. Moreover, if Michel Hochard is dismissed or forced to discontinue his role as Chief Financial Officer within 18 months following a change of control of the Company or a significant change in the majority shareholder's interest in the Company, he would receive dismissal remuneration equivalent to 24 months' gross pay (calculated based on the average gross monthly pay received over the 15 months preceding the dismissal or forced departure), it being noted that this remuneration would be in addition to the legal and statutory remuneration due when the Employment Contract is terminated.

The Company's non-executive corporate officers received the remuneration shown in the table below (in euros) during the fiscal years ending 31 December 2018 and 31 December 2017, respectively:

Summary table of attendance fees and other remuneration received by non-executive corporate officers (AMF Table No. 3)

Non-executive corporate officers	Amount paid in fiscal year 2018	Amount paid in fiscal year 2017
Gérard Andreck [a]		
Attendance fees		16,000
Other remuneration	-	-
Xavier Blandin [b]		
Attendance fees		30,786
Other remuneration	-	-
Nathalie Delapalme		
Attendance fees	85,317	67,527
Other remuneration	-	-
Carole Delorme d'Armaillé		
Attendance fees	58,032	52,111
Other remuneration	-	-
Roman Gozalo		
Attendance fees	83,197	72,039
Other remuneration	-	-
François Raudot Genêt de Chatenay [c]		
Attendance fees		15,436
Other remuneration	-	-
Eloi Duverger [d]		
Attendance fees		15,436
Other remuneration	-	-
Denie S. Tampubolon		
Attendance fees	53,529	47,411
Other remuneration	-	-
Christian Bellon de Chassy (observer) [e]		
Attendance fees		20,446
Other remuneration	-	-
Maria R. Nellia [c]		
Attendance fees	56,178	27,431
Other remuneration	-	-
PIEP, represented by Huddie Dewanto [a] [f]		
Attendance fees	21,614	33,071
Other remuneration	-	-
Aris Mulya Azof [f]		
Attendance fees	30,590	-
Other remuneration	-	-
TOTAL	**388,457**	**397,694**

(a) Gérard Andreck resigned as director on 10 April 2017. He was replaced by PIEP, which was co-opted on that same day. The co-optation of PIEP was ratified by the General Shareholders' Meeting of 22 June 2017.
(b) Xavier Blandin did not seek the renewal of his term of office as director, which expired on 22 June 2017. Acting on the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided not to replace him.
(c) François Raudot Genêt de Châtenay resigned as director on 10 April 2017. He was replaced by Maria R. Nellia, who was co-opted on that same day. The co-optation of Maria R. Nellia was ratified by the Ordinary shareholders' Meeting of 22 June 2017.
(d) Eloi Duverger resigned as director on 10 April 2017. Acting on the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided not to replace him.
(e) Christian de Chassy did not seek the renewal of his term of office, which expired on 22 June 2017. Acting on the recommendation of the Appointments and Remuneration Committee, the Board of Directors decided not to replace him.
(f) PIEP resigned as director on 20 June 2018. Its replacement, Aris Mulya Azof, was co-opted on that same day. The ratification of this co-optation is proposed to the General Shareholders' Meeting of 13 June 2019.

3.2.3.3 Equity interest of corporate officers in the Company's capital

As at 31 December 2018, the Company's corporate officers together held 309,016 Company shares, i.e. 0.15% of the capital, representing 0.15% of theoretical voting rights and 0.15% of exercisable voting rights. The obligation for corporate officers to hold shares as stipulated in the internal regulations does not apply to directors representing the Company's controlling shareholder, it being specified that as at 31 December 2018, PIEP held 141,998,480 Company shares.

The details of equity interests in the Company as well as the transferable securities issued by Company held by the corporate officers to the Company's knowledge, are shown in the "Presentation of the membership of the Board of Directors" section of this Annual Report.

In addition to the provisions of the Code (see section 3.2.2.2 (f) of this Annual Report, the members of the Board of Directors are subject to the laws and regulations governing trading in company securities.

3.3 AGREEMENTS REFERRED TO IN ARTICLE L. 225-37-4 OF THE FRENCH COMMERCIAL CODE

To the Company's knowledge, there is no agreement referred to in Article L. 225-37-4, paragraph 2 of the French Commercial Code, with the exception of the agreement mentioned below.

As part of the Group's refinancing described in section 7.2.1 of this Annual Report, PIEP, the Company's main shareholder[1], entered into a Sponsor Support Agreement with Maurel & Prom West Africa (a Company wholly-owned subsidiary) pursuant to which PIEP undertook to provide Maurel & Prom West Africa, at its request, with the funds required in the event of default under the term loan (as described in section 7.2.1.1 of this Annual Report).

The special report of the Company's Statutory Auditors on the regulated agreements and commitments referred to in Articles L. 225-38 *et seq.* of the French Commercial Code for fiscal year 2018 is provided in section 6.5.2 of this Annual Report.

3.4 RULES FOR ADMISSION AND CONVENING GENERAL SHAREHOLDERS' MEETINGS

3.4.1 Convening General shareholders' meetings

General shareholders' meetings are convened, under conditions stipulated by law, by the Board of Directors or, otherwise, by the Statutory Auditors or by any other legally authorised persons. General shareholders' meetings are held at the registered office or at any other location specified in the meeting notice. The conditions of admission to General shareholders' meetings are described below.

In accordance with Article R. 225-85 of the French Commercial Code, a person is entitled to attend a General Shareholders' Meeting on the basis of the registration of shares in the name of the shareholder or the authorised intermediary registered on the shareholder's behalf, pursuant to paragraph 7 of Article L. 228-1 of the French Commercial Code, by midnight, Paris time, on the second business day before the meeting, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the authorised intermediary.

The registration or accounting entry of shares in the bearer share accounts kept by the authorised intermediary is evidenced by a shareholding certificate issued by the authorised intermediary, sent electronically where necessary, under the conditions set out in Article R. 225-61 of the French Commercial Code, and attached to the postal vote or proxy form or to the request for the admission card made out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary. A certificate is also issued to any shareholder wishing to attend the meeting in person who has not received their admission card by midnight, Paris time, on the second business day before the meeting.

(1) PIEP was also a director of the Company until 20 June 2018.

3.4.2 Shareholder access to and participation in General shareholders' meetings

A duly convened General Shareholders' Meeting represents all shareholders. Its decisions are binding for all shareholders, even those who are absent, dissenting or legally incapable.

Regardless of the number of shares that he/she owns, every shareholder has the right to participate in General shareholders' meetings, be it personally, by appointing a proxy, or by voting remotely, in accordance with current laws and regulations.

Any shareholder may also send a proxy to the Company without indicating the name of their representative. Any such proxies which do not indicate the name of the representative will be considered as a vote in favour of the resolutions submitted or approved by the Board of Directors to the Meeting.

However, proof of the right to participate in the Company's General shareholders' meetings, in any form whatsoever, can be shown by the accounting entry or the registration of shares under the terms and conditions stipulated by the applicable regulations.

Postal or proxy voting forms, as well as shareholding certificates may, if the Board of Directors so stipulates, be established in electronic form and duly signed in accordance with applicable laws and regulations. For this purpose, the form may be directly entered and signed electronically on the website set up by the Meeting's clearing agent. The form may be electronically signed (i) by entering, in accordance with the provisions of the first sentence of the second paragraph of Article 1367 of the French Civil Code, an identifying code and a password, or (ii) by any other process that meets the conditions defined in the first sentence of the second paragraph of Article 1367 of the French Civil Code.

The proxy or vote thus expressed before the meeting via this electronic method, as well as the acknowledgement of receipt given, if any, shall be considered an irrevocable written instruction enforceable against all parties, except in cases of sales of securities, which are subject to the notification provided for in Article R. 225-85 section IV of the French Commercial Code.

The procedures for sending postal and proxy voting forms shall be specified by the Board of Directors in the advance notice and the meeting notice.

Under the applicable legal and regulatory conditions, the Board of Directors may arrange for shareholders to attend and vote at the Meeting via video conference or other means of teleconferencing that allow shareholders to be identified and which comply with legal and regulatory requirements. The Board shall ensure that the means of identification are effective.

For the purposes of establishing the quorum and majority required for any General Shareholders' Meeting, shareholders who attend the General Shareholders' Meeting via video conferencing or other means of teleconferencing that allow them to be identified, in accordance with applicable legal and regulatory conditions, shall be deemed present.

3.5 FACTORS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID

Share capital structure

The structure of the Company's share capital is detailed in section 6.1.

Direct or indirect shareholdings in the Company's share capital of which it is aware

Direct or indirect shareholdings in the Company's share capital of which it is aware are detailed in section 6.3.

Statutory restrictions on the exercise of voting rights

Article 10 of the Bylaws, which also appears in section 6.2.4 of this Annual Report, stipulates that any shareholder who has not declared to the Company that they have exceeded a threshold of 2% of the capital or voting rights or any multiple of this 2% threshold shall be deprived of voting rights with respect to the shares exceeding the percentage that should have been declared. This restriction may, as the case may be, have an impact in the event of a public offering.

Agreements between shareholders of which the Company is aware and which may lead to restrictions on share transfers and the exercise of voting rights

As part of the TOA, PIEP offered all beneficiaries of bonus shares whose shares were not available to be contributed to the takeover bid the option of entering into a liquidity agreement. Under this liquidity mechanism, PIEP must, at any time during two six-month windows starting on the expiry date of the tax-related lock-up period for the bonus shares issued under a given plan and then on the first anniversary of that date (each of these periods, a "Liquidity Window"), acquire from each beneficiary who has entered into said agreement and who so requests, all of the bonus shares that the beneficiary holds under that plan. In addition, each beneficiary of a given plan who has entered into the liquidity agreement must, at any time during two six-month periods starting on the first day following the expiration of each Liquidity Window and at PIEP's request, transfer to PIEP all the shares that they hold under that plan. The aforementioned promises may only be carried out in the event of prior determination of reduced liquidity in the Company's shares. To the Company's knowledge, the liquidity agreements held 1,196,440 shares as at the date of this Annual Report.

Rules applicable to the appointment and replacement of members of the Board of Directors and to amendments to the Company's Bylaws

With the exception of the age limit of (i) 75 years imposed by the Bylaws on the Chairman of the Board of Directors (Article 17.2 of the Company's Bylaws) and (ii) 70 years imposed by the Bylaws on the Chief Executive Officer and, as applicable, the Chief Operating Officer (Articles 22.3 and 23.5 of the Company's Bylaws), there are no provisions in the Bylaws that differ from those provided by law with respect to the appointment and replacement of members of the Board of Directors or the amendment of the Bylaws.

Powers of the Board of Directors

Pursuant to the resolution approved by the shareholders at the General Shareholders' Meeting of 20 June 2018, the Board of Directors may not implement the Company's share buyback programme during any period of public offering on the Company's shares.

In addition, in accordance with the decision of the General Shareholders' Meeting of 20 June 2018, which was renewed by the decisions of the General Shareholders' Meeting of 12 December 2018, the Board of Directors may not decide to issue shares or transferable securities conferring access to capital, with or without pre-emptive subscription rights, during periods of public offering on the Company's shares, with the exception of awards of bonus shares or issues of shares or transferable securities conferring access to capital reserved for employees.

Agreements modified or terminated in the event of a change in control of the Company

The term bank loan entered into by the Company on 10 December 2017 as part of the refinancing of its debt, as described in section 7.2.1.1 of this Annual Report, contains a change in control clause pursuant to which any lender may request the immediate repayment of sums loaned in the event that PIEP ceases to control the Company.

Change in control of the Company means the case where PIEP (i) (either directly or indirectly through the holding of share capital, the exercise of voting rights, the holding of their investment or the management of their rights, contracts or otherwise) would no longer have the power to (A) vote or exercise control over 50% of the maximum number of votes that may be cast at a General Shareholders' Meeting of the Company; or (B) appoint and/or dismiss all or the majority of the members of the Board of Directors or other governing body of the Company; or (C) exercise control over the decisions of the Company or its management policy; or (ii) would cease to hold more than 50% of the Company's issued share capital.

3.6 DELEGATIONS OF AUTHORITY GRANTED BY THE GENERAL SHAREHOLDERS' MEETING TO THE BOARD OF DIRECTORS REGARDING CAPITAL INCREASES

Authorities and delegations granted by the Company's General shareholders' meetings still in force at 31 December 2018 and, as applicable, their use during the 2018 fiscal year are described in the tables below:

Resolution No.	Type of authority or delegation	Ceiling	Duration of authority from 20/06/2018	Comments
Eighteen	Delegation of authority granted to the Board of Directors to issue Company shares or transferable securities conferring access to the capital of the Company or of one of its subsidiaries and/or entitling holders to the allotment of debt securities, with shareholders' pre-emptive subscription rights[a].	Total nominal value of capital increases: €100m. Total par value of any debt securities that may be issued: €700m.	26 months, i.e. until 20 August 2020.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 15 June 2016. This delegation cannot be used in a public offering of Company shares. This delegation was not used as at 31 December 2018, nor as at the date of this Annual Report.
Nineteen	Delegation of authority granted to the Board of Directors to issue Company shares or transferable securities conferring access to the capital of the Company or of one of its subsidiaries and/or entitling holders to the allotment of debt securities in the event of a public offering, with removal of shareholders' pre-emptive subscription rights[a][b].	Total nominal value of capital increases: €60m. Total par value of any debt securities that may be issued: €420m.	26 months, i.e. until 20 August 2020.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 15 June 2016. This delegation cannot be used in a public offering of Company shares. This delegation was not used as at 31 December 2018, nor as at the date of this Annual Report.

Resolution No.	Type of authority or delegation	Ceiling	Duration of authority from 20/06/2018	Comments
Twenty	Delegation of authority granted to the Board of Directors to issue Company shares and transferable securities conferring access to the capital of the Company or of one of its subsidiaries and/or entitling holders to the allotment of debt securities by private investment governed by Article L. 411-2 section II of the French Monetary and Financial Code, with removal of shareholders' pre-emptive subscription rights [a] [b].	Total nominal value of capital increases: €60m. Limit: 20% per year of the Company's share capital as calculated at the date of the Board of Directors' decision to use the delegation. Total nominal value of any debt securities that may be issued: €420m.	26 months, i.e. until 20 August 2020.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 15 June 2016. This delegation cannot be used in a public offering of Company shares. This delegation was not used as at 31 December 2018, nor as at the date of this Annual Report.
Twenty-one	Delegation of authority to the Board of Directors, in the event of an issue, with removal of shareholders' preferential subscription rights, of shares or transferable securities conferring access to capital and/or which give the right to allocate debt securities to set the issue price in accordance with the conditions set by the shareholders' Meeting [a] [b].	Total nominal value of capital increases: 10% of the Company's share capital (as it exists at the date of decision of the Board of Directors) per year. This ceiling counts towards the ceiling of the resolution pursuant to which the issue was decided.	26 months, i.e. until 20 August 2020.	This authority replaced the previous authority granted for the same purpose by the General Shareholders' Meeting of 15 June 2016. This authority cannot be used in a public offering of Company shares. This authority was not used as at 31 December 2018, nor as at the date of this Annual Report.
Twenty-two	Authorisation for the Board of Directors to increase the number of instruments to be issued, in the event of capital increase with or without removal of shareholders' preferential subscription rights [a] [b].	The increase must be made within 30 days of the end of the initial subscription period and may not exceed 15% of the initial issue. It must be made at the same price as that used for the initial issue. This ceiling counts towards the ceiling of the resolution pursuant to which the issue was decided.	26 months, i.e. until 20 August 2020.	This authority replaced the previous authority granted for the same purpose by the General Shareholders' Meeting of 15 June 2016. This authority cannot be used in a public offering of Company shares. This authority was not used as at 31 December 2018, nor as at the date of this Annual Report.
Twenty-three	Delegation of authority granted to the Board of Directors to issue Company shares or transferable securities conferring access to the capital of the Company and/or entitling holders to the allotment of debt securities in the event of a public offering initiated by the Company, with removal of shareholders' pre-emptive subscription rights [a] [b].	Total nominal value of capital increases: €60m. Total nominal value of any debt securities that may be issued: €420m.	26 months, i.e. until 20 August 2020.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 15 June 2016. This delegation cannot be used in a public offering of Company shares. This delegation was not used as at 31 December 2018, nor as at the date of this Annual Report.

Resolution No.	Type of authority or delegation	Ceiling	Duration of authority from 20/06/2018	Comments
Twenty-four	Delegation of authority granted to the Board of Directors to issue Company shares or transferable securities conferring access to the capital of the Company and/or entitling holders to the allotment of debt securities with a view to remunerating the contributions in kind made to the Company, without shareholders' preferential subscription rights [a] [b].	Total nominal value of capital increases: dual limit of €60 million and 10% of the Company's share capital (as existing on the date of the Board of Directors' decision). Total nominal value of any debt securities that may be issued: €420m.	26 months, i.e. until 20 August 2020.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 15 June 2016. This delegation cannot be used in a public offering of Company shares. This delegation was not used as at 31 December 2018, nor as at the date of this Annual Report.
Twenty-five	Delegation of authority granted to the Board of Directors to increase the Company's capital by capitalising reserves, profits, premiums or other sums which may be capitalised.	Maximum nominal value equal to the total sums that may be incorporated into the capital pursuant to the regulations in force.	26 months, i.e. until 20 August 2020.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 15 June 2016. This delegation cannot be used in a public offering of Company shares. This delegation was not used as at 31 December 2018, nor as at the date of this Annual Report.
Twenty-sixth	Authority granted to the Board of Directors to allocate Company shares free of charge to employees and/or corporate officers of the Company and its subsidiaries, removing shareholders' pre-emptive subscription rights.	Number of ordinary bonus shares awarded: 1% of the Company's share capital (as existing at the date of the Board of Directors' decision to award them).	38 months i.e. until 20 August 2021.	This authority replaced the previous authority granted for the same purpose by the General Shareholders' Meeting of 15 June 2016. This authority was used to allocate shares under the plan of 3 August 2018 for 157,700 shares.

(a) Counts towards the €100-million total ceiling on capital increases and the €700-million total ceiling on debt securities.
(b) Counts towards the €60-million ceiling on capital increases and the €420-million ceiling on debt securities.

Lastly, under the terms of the 28th resolution of the General Shareholders' Meeting of 20 June 2018, the Board of Directors is authorised to cancel Company shares up to a limit of 10% of the Company's share capital per 24-month period. This authority was granted for a period of 18 months from the date of the aforementioned General Meeting.

Authorisations and delegations granted to the Board of Directors by the Extraordinary General Shareholders' Meeting of 12 December 2018 with respect to issues of shares and securities conferring access to capital were as follows:

Resolution No.	Type of authority or delegation	Ceiling	Duration of authority from 12/12/2018	Comments
One	Delegation of authority to the Board of Directors to issue, with the removal of shareholders' pre-emptive subscription rights in favour of Rockover Energy Limited, shares in the Company for a total nominal amount of €4,137,370.93.	Total nominal value of capital increases: €4,137,370.93.	6 months, i.e. until 12 June 2019.	Delegation fully used on 14 December 2018.
Two	Delegation of authority granted to the Board of Directors to execute capital increases reserved for employees enrolled in the Company savings plan, with the removal of shareholders' pre-emptive subscription rights.	Total nominal value of capital increases: €1m.	26 months, i.e. until 12 February 2021.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 20 June 2018. This delegation was not used as at 31 December 2018.

4 STATEMENT OF NON-FINANCIAL PERFORMANCE

The Group's sustainable development challenges, its policies for managing them and results for fiscal year 2018 are presented in the environmental and social report below, which, along with the business model described in section 1.1.3 Business Model of this Annual Report, comprises the Maurel & Prom Group's Statement of Non-Financial Performance for the fiscal year ended 31 December 2018.

In accordance with Articles L. 225-102-1 and R. 225-105 *et seq.* of the French Commercial Code, the management report presents information on the manner in which the Company addresses the social and environmental consequences of its activities as well as its corporate commitments to promote sustainable development, anti-discrimination measures and diversity.

This information is presented in accordance with the applicable laws and regulations and focuses on Group entities that the Group controls and that employ staff.

Due to the nature of its activities, the Group is not directly exposed to issues pertaining to food waste, food insecurity, respect for animal welfare or responsible food. As it is not a downstream participant in the hydrocarbon sector, the Group is not able to provide or adopt measures to promote the health and safety of consumers. Since these issues did not appear relevant, they have been excluded from this report.

Financial data for 2017, originally denominated in euros, have been translated into US dollars, the reporting currency for the 2018 financial statements, at the average EUR/USD rate of 1.1293.

Maurel & Prom Group's sustainable development priorities

To be a long-term partner and investor

As an oil and gas operator, Maurel & Prom Group has a mission to develop the potential natural resources entrusted to it by its host countries in a way that respects people and the environment. A significant portion of the Group's business and reserves is located in countries exposed to higher risks of political and economic instability than countries with more developed economies. Even more than elsewhere, the daily local business of an operator consists in achieving industrial and financial objectives, ensuring the health, safety and security of people and property, protecting the environment, contributing to the development of the areas that host its activities, and being a model of governance in keeping with the agreements entered into with its host countries.

To contribute to local development on a long-term basis

With regard to local development, the Group's contribution is rooted in the regions in which it operates, with 80% of the Group's workforce recruited locally and directly. Support for the local economy is also substantial, with more than 70% of the purchases made by the Gabonese and Tanzanian subsidiaries coming from local companies (55% for Caroil Gabon). With regard to populations living near its operations, which are located in non-urbanised areas with no basic infrastructure, the Group finances and runs local economic and social development projects. In 2018, the Group's annual contractual commitments to local communities, excluding local jobs, totalled US$8.2 million for all subsidiaries combined, added to which was US$247,000 for community projects developed using its own funds.

Whenever possible, local residents are given priority for jobs, whether temporary (civil engineering) or permanent (HTM drilling, green space maintenance, catering, environment, waste sorting), with subsidiaries or their subcontractors. In 2018 in Gabon, 436 people living in villages near the Onal and Coucal sites were given temporary or permanent jobs.

To improve EHS-S performance on an ongoing basis

More favourable market conditions since 2017 led to the planning and preparation for the resumption of exploration and development activities.

In the context of this resumption of drilling programmes and operations, which are risky by nature, protecting the health and safety of people and protecting the environment have become the Group's top priority. In 2018 the Group recorded a total of five lost-time injuries, two of them occurring within the Group's scope and three of them affecting contractors. Three of the injuries were recorded during drilling operations. These accidents occurred after a three-year suspension of operations against a backdrop of equipment upgrades and team renewal and reinforcement. They resulted in corrective action. At 31 December 2018, the Group had recorded 92 successive days without lost-time injuries.

At end-February 2019, a total of 40 positions had been allocated to health, safety, security and the environment.

To prevent, manage and repair local environmental impacts

Throughout the project development cycle and up to the end of the project life cycle, including the point where the assets are returned to the authorities, the Group provides the human and financial resources needed to prevent and clean up pollution. It also assesses and funds the cost of site remediation. In 2018 the Group recorded five minor crude oil spills in Gabon, all of which resulted in a complete clean-up of the affected areas. In Colombia in 2019, the SSJN-9 permit entered the third and final year of the forest offset programme prior to the return of the exploration permit to the authorities.

As at 31 December 2018, provisions and guarantees for environmental risks across the Group were nil. However, the Group has established a provision for abandoning and restoring sites. As at 31 December 2018, that provision amounted to US$37.5 million, versus US$43.0 million for fiscal year 2017. As at 31 December 2018, the Group had not recorded any other provisions for non-financial risk.

To control climate risks

Hydrocarbon Exploration and Production activities are now seen within a global energy transition perspective, which affects the Group's business. Natural gas production in Tanzania accounted for 40.5% of the Group's operated oil and gas production in 2018.

In Tanzania, all of the gas produced is used locally for the country's power generation needs. The increased demand for power by the industrial sector in Dar Es Salaam drove up M&P Tanzania's production volumes by +69% compared to 2017.

To manage the new risks related to climate change, the Maurel & Prom Group has been responding to the annual CDP[‡] questionnaires since 2014. Climate risk management is the responsibility of executive management, which issues regular reports thereon to the Audit Committee and the Risk Observatory (specialised committees of the Board of Directors). Maurel & Prom was awarded a B rating in 2017 and an A- in 2018, attesting to its commitment to managing its environmental footprint.

In Gabon, the Group's subsidiary continued to implement its plan to use the gas associated with its crude oil production. The additional benefit of this will be to stop routine flaring.

To promote the Maurel & Prom Group's Principles of Conduct

In 2017 and 2018, the Group revised its Health, Safety, Security and Environment Charter and laid out its values and commitments in an Ethics Charter, a Code of Conduct and Anti-corruption Guidelines. These establish common Principles of Conduct for all companies controlled by the Group. Since their adoption, these Principles have been communicated to all staff, while 176 employees in five countries have received training in the Group's Principles of Conduct and anti-corruption rules.

The Group expects its employees, customers, suppliers and intermediaries to contribute individually and collectively to the promotion of its values, which are respect, integrity, team spirit, high professional standards, honesty, good faith, loyalty and commitment.

The Maurel & Prom Group's Corporate Social Responsibility policy

Corporate Social Responsibility	Environmental responsibility	Governance
— to implement an inclusive employment policy, to ensure that social dialogue is maintained; — to continuously improve employees' health and safety conditions; — to contribute to the local economy and implement sustainable development programmes for local communities living near its facilities;	— to measure, control and repair the Group's environmental footprint; — to protect the environment to safeguard operational efficiency; — to help safeguard biodiversity and ecosystems to limit the direct and indirect environmental impacts of its activities;	— to participate in sustainable development initiatives; — to respect ethical rules, to combat corruption; — to meet the new obligations regarding environmental and social transparency.

The Maurel & Prom Group's CSR policy is designed to address the Group's sustainable development challenges as described below.

The Maurel & Prom Group's sustainable development challenges

Socio-economic challenges	Heath and safety challenges	Environmental challenges
— managing skills and employment; — developing local content; — promoting human rights; — respecting the rules of ethics and transparency, combating corruption and tax evasion;	— protecting personnel; — preventing and managing risks related to health and safety; — maintaining the integrity of facilities; — controlling the EHS-S risk management practices of contractors and subcontractors;	— preventing local environmental impacts; — controlling the energy and climate footprint; — safeguarding biodiversity and ecosystem services; — managing water resources.

Since 2012, and in order to assess the materiality of the environmental and social information provided in its Annual Report, Maurel & Prom has referred to the recommendations of the IPIECA, IOGP and API as set out in the *Oil and Gas Industry Guidance on Voluntary Sustainability Reporting*.

Internally, stakeholder expectations are identified during interviews with managers responsible for relations with Maurel & Prom's stakeholders (investor relations, relations with creditors, relations with host country authorities, relations with NGOs, and relations with employees, shareholders and partners), when mapping Group risks, during reasonable environmental and social due diligence conducted by Maurel & Prom and at the time of annual non-financial reporting. The materiality assessment of economic, environmental and social issues was also discussed in depth during a strategic review in February 2018.

(1) www.cdp.net. CDP is an international platform that studies the impact of large companies' activities on climate and sets the standard for non-financial ratings on this issue.

4.1 CORPORATE SOCIAL PERFORMANCE

Maurel & Prom's recruitment policy is guided by the insourcing of skilled trades, the transfer and sharing of skills through in-house training, and the local filling of management positions at all levels of responsibility. Maurel & Prom bases its staff recruitment on explicit, non-discriminatory criteria and guarantees equal opportunities for all employees at all stages of their careers.

In March 2019, the Group featured the female employees at its Tanzanian subsidiary in a report entitled "Women in the Field" ("*femmes de terrain*"), which can be viewed on the Company's website.

4.1.1 Employment policy

The collapse in oil prices, which began in 2014 and continued into 2015 and 2016, had a major impact on players in the oil and oil-related sector. The increase in crude oil prices in 2017 – which was substantial but nevertheless well below pre-recession levels – is a strong incentive to maintain operating efficiency efforts. These are essential for meeting the challenges that characterise upstream oil and gas activities, namely massive investment, technological advances, the exploration of new geographic regions that are more difficult to access, and the need to train skilled local labour and encourage women to hold positions at every level of the organisation.

The Group's recruitment policy is aimed at providing it with the best skills to support its development.

4.1.1.1 Total workforce and breakdown by gender, age and geographic region

As at 31 December 2018, the Group had 652 employees in seven countries.

91% of the Group's workforce is based in Africa. The Gabonese subsidiary continues to be the Group's largest operation in terms of headcount. At end-December 2018, Maurel & Prom Gabon had 338 employees representing 51.8% of the Maurel & Prom Group's total workforce, compared with 339[1] employees representing 63.4% of the total workforce at end-2017. Caroil Gabon is now the Group's second largest operation with 134 people employed at the subsidiary at the end of 2018. The headcount in Tanzania was stable at 93 employees.

Caroil has retained an operational base in Congo. The office in Peru has closed, the Servicios Integrados UW subsidiary was created in Venezuela, and a two-person office was set up in Italy.

The tables below show the breakdown of the workforce at end-2018 and end-2017 based on job, age bracket, geographic region, gender and contract type (expatriates or local employees).

The table below shows the breakdown of the Group's workforce by type of position held at end-December 2017 and 2018:

Position	31/12/2017 [a]	31/12/2018
Engineers	65	99
Technicians	309	349
Support staff	162	204
TOTAL	**536**	**652**

(a) The 2017 headcount has been adjusted for staff movements related to transfers.

(1) The 2017 headcount has been adjusted for staff movements related to transfers.

The table below shows the breakdown of the Group's workforce by age bracket at 31 December 2017 and 2018:

Breakdown by age bracket	31/12/2017[a]	31/12/2018
Up to 25 years of age	3	5
25 to 34 years of age	117	140
35 to 44 years of age	220	282
45 to 54 years of age	141	178
Over 55 years of age	55	47
TOTAL	**536**	**652**

(a) The 2017 headcount has been adjusted for staff movements related to transfers.

The table below shows the breakdown of the Group's workforce by geographic region and gender at 31 December 2017 and 2018:

Geographic breakdown (registered workforce) All types of employement contract, by gender	2017[a]			2018					
	Men	Women	Total	Men	%	Women	%	Total	%
Africa	430	58	91%	523	93%	68	77%	591	91%
Latin America	4	3	1%	8	1%	4	5%	12	2%
Europe – Middle East	30	11	8%	33	6%	16	18%	49	8%
SUB-TOTAL	**464**	**72**	**100%**	**564**	**100%**	**88**	**100%**	**652**	**100%**
TOTAL	**536**	**652**							

(a) The 2017 headcount has been adjusted for staff movements related to transfers.

In 2018, a total of 81% of women employed in the Group worked in support functions, 11% held technical positions and 8% held engineering positions, versus 31%, 54% and 15%, respectively, in the distribution of jobs between the various functions within the Group.

The table below shows the breakdown of the Group's workforce by contract type (expatriates or local employees) at 31 December 2018:

Breakdown of expatriate/local employees as at 31/12/2018	Expatriate	%	Local	%	Total
Africa	119	20%	472	80%	591
Latin America	2	17%	10	83%	12
Europe	3	6%	46	94%	49
TOTAL	**124**	**19%**	**528**	**81%**	**652**

In 2018 the percentage of workers at the Gabonese and Tanzanian subsidiaries who were recruited locally was 89% and 88% respectively. Most of the workforce at Caroil Gabon was local, boosted by expatriate personnel which accounted for 49% of the headcount.

4.1.1.2 Recruitment and dismissals

In 2018 there were 196 new hires, of which 85% were on permanent employment contracts.

The headcount at Caroil increased, with its various entities accounting for 68.3% of new hires for the period. The resumption of operations at two rigs in Gabon required new teams to be set up. Caroil responded to two onshore and offshore calls for tenders in Congo, where Caroil kept its base.

The table below shows the Group's new hires as at 31 December 2017 and 2018:

Recruitment			2017			2018
	Permanent	Casual	Total	Permanent	Casual	Total
Total Group	27	20	47	159	37	196
O/w Company	3	3	6	8	-	8

The table below shows departures from the Group, excluding retirees and role changes, as at 31 December 2017 and 2018:

	2017	2018
Departures excluding retirees/role changes, of which:	30	66
Voluntary departures (resignations, negotiated departures, contract terminations)	10	30
End of fixed-term contract	8	9
Dismissals	10	26
Deaths	2	1
TOTAL DEPARTURES/TOTAL WORKFORCE	**5.6%**	**10.1%**

In 2018, employee departures accounted for 10.1% of the total workforce, up from 2017 (5.6%).

A total of 55% of departures concerned Caroil entities, reflecting the subsidiary's employee turnover. The base in Tanzania was closed in 2018. In terms of outlook for 2019, operations will continue from the two bases in Gabon and Congo.

4.1.1.3 Equality of treatment

The Group ensures that all employees receive equal opportunities by basing its recruitment around explicit and non-discriminatory criteria, by raising the awareness of operating entity managers and recruitment staff on these issues, and by complying with applicable laws. Due to its international presence, the Group is fully aware that promoting diversity is also synonymous with the fight against all forms of discrimination, whether it involves access to different social environments, gender equality or integration.

A) Measures taken to promote gender equality

The Group does not discriminate between men and women when hiring to fill vacancies. As at 31 December 2018, women accounted for 14.8% of new hires for the full year and 13.0% of the Group's workforce. This percentage is unchanged from 2017.

B) Measures taken to encourage the employment and integration of people with disabilities

The Group has not taken affirmative action to integrate the diverse range of disabilities into its working environment and strategic business planning.

As at 31 December 2018, the Group had no disabled employees.

C) Anti-discrimination policy

The Group strives to offer equal opportunities for all employees at every stage of their professional career. In this respect, the Group does not base its decisions on criteria such as race, nationality, religion, ethnic origin, gender, marital status, morals, political opinions, union activities or state of health (unless declared incapacitated by an occupational physician). The only criteria that the Group recognises as valid are a person's professional qualities and qualifications.

The Group is committed to full compliance with the principles of non-discrimination, as set out in French law (declaration of human and citizens' rights, laws and decrees in force) and in applicable European and local law.

4.1.1.3.1 Relationship with integration associations and teaching establishments

In terms of integration, the Gabonese subsidiary signed a "young apprentice" framework agreement ("CAJ") with the vocational integration fund FIR (*Fonds d'aide à l'insertion et réinsertion professionnelle*). The agreement is designed to promote the entry of young graduates into the workforce. Since 2015 the subsidiary has received 32 CAJ trainees. Seven apprenticeships have led to job offers, including two new hires in 2018.

4.1.1.3.2 Promotion of and compliance with the International Labour Organisation's Fundamental Conventions, freedom of association and the right to collective bargaining/elimination of discrimination in respect of employment and occupation/elimination of forced and compulsory labour/effective abolition of child labour

The Group's general policy complies with the general principles of international law (OECD, ILO and EU law) as well as national laws that exclude, in particular, all forms of discrimination, harassment, forced labour and child labour.

4.1.2 Training policy

The Group faces a two-fold challenge in its training programme: firstly developing corporate culture around health, safety, security and the environment (EHS-S), both internally and among its contractors and subcontractors, as discussed in section 4.1.7 "Implementation of the health, safety and security policy" of this chapter, and secondly developing continuous training and skills transfer to local workers.

The Group's training policy is organised around tasks such as the updating and renewal of skills certificates in safety techniques, training local employees in oil-related occupations, continuous training based on individual career paths and training for HSE managers, all of which are entrusted to external training agencies.

Skills transfer and "localisation" are arranged internally and are divided into four key strands: theory classes and operational tutorials, practical exercises and group exercises at the operating site, on-site technical learning, and on-the-job training (OJT).

There are two objectives for internal training:

— minimise training costs and prioritise training in EHS-S and typical occupations (exploration and operations); and

— as a priority, strengthen the abilities and further develop the skills of exploration and development staff.

Exploration and operations-related training is provided in the form of on-the-job training. In 2018, training at the Gabonese subsidiary focused on well operations (maintenance and replacement of internal well equipment). In addition, 176 employees in five countries have been trained in the Group's Principles of Conduct and anti-corruption rules referred to in section 4.3.1, "Measures undertaken to prevent corruption and tax avoidance", of this chapter.

4.1.2.1 Number of hours and budget allocated to training

The table below shows the number of hours of external training provided to Group employees in fiscal years 2017 and 2018, along with the associated cost.

	2017		2018	
	Number of hours of training	Cost	Number of hours of training	Cost
	11,377	US$553,709	6,612	US$454,733

The Gabonese and Tanzanian subsidiaries account for 83% of total training hours. The number of hours allocated to external training for Group employees was divided between the Gabonese subsidiary, which accounted for 46%, and the Tanzanian subsidiary, which accounted for 37%.

In 2018, emphasis was placed on EHS-S training as part of an IOHS/HSE management training programme organised in Paris for site managers, supervisors and production managers, and on certification-based training such as IWCF accreditation, fire prevention, electrical accreditation renewal and machinery operation. Training was also provided for support functions on management, taxation, labour law, special customs regimes and the implementation of new financial and purchasing software.

4.1.3 Management of industrial relations

A) Organisation of social dialogue, especially procedures for employee information, consultation and negotiation

The quality of industrial relations within the Group is the result of dialogue between employees, their representatives and management.

In the Group's subsidiaries, dialogue is organised in accordance with applicable laws and regulations.

In Gabon, the first quarter of 2017 had been marked by labour disputes and the launch of a strike at the Gabonese subsidiary on 22 February 2017. As this strike was declared illegal, work resumed on 13 March 2017.

Executive management implemented initiatives to re-establish internal communications and resume dialogue with the two oil industry unions (ONEP and SAP – *Syndicat Autonome du Pétrole*) at a series of negotiation meetings aimed at bringing back employee representatives. The negotiation process, conducted in close collaboration with Gabon's Special Labour inspectorate in charge of the oil sector, led to the election of employee representative councils at three establishments (POG, Onal and Coucal) on 11 December 2017, for three-year terms.

In January 2018, training for all staff representatives on the role they play was organised and co-facilitated by an external firm and the director of ISTRAP (inspectorate in charge of the oil sector). Statutory meetings were held during the year. Lastly, the Standing Committee for Economic and Social Dialogue (CPCES) met in June 2018.

In addition to consulting employees at general meetings and distributing information memos, the Gabonese subsidiary's human resources department arranges regular site visits in an effort to stay in touch with local staff and anticipate any needs.

In Tanzania, employees joined the Tanzania Mines, Energy, Construction and Allied Workers Union (TAMICO). A branch of the union was opened in 2015 in Mnazi Bay. Representatives from the union relay employees' demands to the employer. If necessary, a three-party meeting is arranged, attended by employee, employer and union representatives.

In Colombia, social dialogue is promoted through monthly meetings of an occupational Health and Safety Committee and quarterly meetings of a committee tasked with preventing workplace harassment. These committee meetings are opportunities for employees and employers to come together to discuss topics other than those solely related to occupational health and safety.

B) Overview of collective agreements

The Group operates in countries where the relatively recent local hydrocarbon exploration and production industry does not always have a collective branch agreement.

In the absence of such measures, the Group's subsidiaries, on a case-by-case basis, enter into collective agreements in particular to cover employee healthcare costs and remuneration.

In 2018, there were no new collective agreements within the Group.

4.1.4 Remuneration and changes in remuneration

The remuneration of corporate officers is described in section 3.2.3 of this Annual Report.

The Group strives to recognise and to fairly reward the contribution of each employee to the Company's success. Remuneration varies according to each person's position, skills, performance and potential. These common principles are adjusted in accordance with local parameters such as social legislation, economic conditions and the job market in the various countries in which the Group operates.

For the Group as a whole, personnel expenses break down as follows:

Total payroll, including *(in US$ thousands)*	**2017**	**2018**
Wages and salaries	36,772	50,546
Profit-sharing	643	909
Other personnel expenses	14,995	14,916
NET VALUE	**52,409**	**66,372**

The increase in wages and salaries reflects the Group's increased headcount and the restructuring of the Caroil drilling subsidiary in 2018.

4.1.4.1 Profit-sharing

Employees of the Company and of Maurel & Prom Assistance Technique are able to share in the Group's performance through a profit-sharing plan and an employee savings scheme. The Group has also decided to establish a bonus share allocation system to reward high-potential employees of the Group's foreign companies in which the collective profit-sharing schemes permitted under French law do not exist.

4.1.4.2 Profit-sharing plan

Employees of the Company and Maurel & Prom Assistance Technique may participate in a profit-sharing plan. The profit-sharing plans currently in place at these companies were set up for Maurel & Prom Assistance Technique and for the Company with effect from 1 January 2016 and 1 January 2018, respectively. These agreements have a dual purpose: (i) to rally employees in order to boost Group productivity and (ii) to reward each person's contribution to the common effort to increase productivity and improve the way that work is organised.

4.1.4.3 Employee savings scheme

On 1 March 2002, the Company set up a proactive employee savings scheme by giving employees the option of subscribing to a Company Savings Plan ("CSP"). This plan has a one-year term and is automatically renewable for one-year periods. Since 8 September 2010, a CSP has been set up within Maurel & Prom Assistance Technique.

All employees of these companies with at least three months' service may join the plan, if they wish to do so. Contributions to the Company Savings Plan can be made from all or part of any employee profit-sharing, voluntary additional payments by the beneficiary (to the extent permitted by law), Company contributions, and transfer of savings to the plan by the beneficiary.

Employees are encouraged to save through a flexible contribution schedule that is applied across the Board and available to all beneficiaries.

Employer contributions to the CSP in 2018 (amounts paid into the CSP on behalf of the employees) amounted to €136,608 (US$161,333), versus €188,068 (US$212,385[1]) in 2017.

(1) €188,068 converted at the average 2017 EUR/USD rate of 1.1293.

4.1.4.4 Bonus shares granted to Group employees

	Plan 2014	Plan 2016	Plan 2017	Plan 2018
Award date	28/03/2014	25/02/2016	31/03/2017	03/08/2018
Vesting period	28/03/2016	25/02/2017	31/03/2018	03/08/2019
Holding period	28/03/2018	25/02/2018	31/03/2019	03/08/2020
Number of employees concerned	17	36	31	44
Number of bonus shares	51,840	1,080,600 [a]	895,000 [b]	157,700

(a) Including bonus shares awarded to the Chief Executive Officer.
(b) Excluding shares awarded to the Chief Executive Officer.

4.1.4.5 Pension plan and other benefits

Maurel & Prom and Maurel & Prom Assistance Technique participate in a supplementary pension scheme, which is a group insurance policy with Generali. This affiliation covers all employees, with employer contributions set at 8% for tranches A, B and C. The sums paid under this scheme amounted to €450,774 in 2018 (US$532,364), versus €401,044 (US$452,899) in 2017.

4.1.5 Organisation of work

4.1.5.1 Organisation of working time

The average working week is set by national law and adjusted according to the local context.

In France, the Company has been governed by the oil industry collective agreement since 1 March 2004.

4.1.5.2 Working hours

In France, a protocol to control and reduce working hours has been in place since 19 May 2003. Under this protocol, the working week for Company employees is 35 hours.

In addition, on 1 January 2011, the Company implemented a system for all managers and employees who have discretion over how to assign their time, based on a set number of working days. Under this system, the working time for the employees concerned is counted in days and no longer in hours. An annual limit of 218 days per year is set by collective agreement, but an employee may lawfully work beyond this up to a maximum of 282 days per year.

4.1.5.3 Overtime

There is no overtime system in place for employees who work a 35-hour week, or for employees working a set number of days. However, the latter may recoup any days worked over and above the limit set by the collective agreement.

The limit for employees of Caroil in metropolitan France is 218 days a year. Caroil expatriate employees are bound by their particular shift work system.

4.1.5.4 Absenteeism rate

In 2018, the total rate of absenteeism was estimated at 2.6% versus 2.0% in 2017. The absenteeism rate due to illness was stable at 1.7%.

The following calculation method is used:

— overall absenteeism: B/(A+B); and

— absenteeism through illness: C/(A+B)

where:

(A) corresponds to the number of days actually worked by all employees under contract, including training days;

(B) corresponds to the number of days of absence (due to sickness, occupational illness, maternity, workplace accident including work-related travel accident, or any other absence not provided for contractually); and

(C) is the number of sick days (excluding occupational illness, maternity, workplace accident or work-related travel accident, etc.).

4.1.6 Health, safety and security policy

Health and safety are a key concern for the Group. They are also the core focus of the Health, Safety, Security and Environment Charter which governs the exercise of oil operator activities.

The health and safety policy is designed to protect workers, manage risks related to health, safety and the environment that may arise during the course of its operations, and ensure the integrity of its facilities.

The Group's EHS-S management system (its Operating Management System or OMS) was defined in 2008 based on the HSE management model used by the International Association of Oil and Gas Producers (IOGP). It is revised and improved on a regular basis. In 2017, five new EHS-S policies were adopted, laying out the commitments made by the subsidiaries with regard to the environment; health, safety and security; ethics; driving and travel; alcohol and drug consumption; and the fight against malaria based on the World Bank's ABCD programme.

The Group's EHS-S management system promotes an EHS-S culture within the company that is shared with its partners and based on regulatory compliance, risk analysis, training, emergency preparedness and ongoing improvement. The Group has adopted a procedure for selecting and managing subcontractors and contractors in order to monitor their EHS-S practices and performance. During interviews, the Group's subsidiaries are required to follow a selection process that includes an EHS-S assessment of the offers submitted by potential partners, in addition to a technical and financial assessment. The EHS-S obligations of selected partners are then clearly defined and attached to the contract binding them to the Group. Finally, subcontractors and contractors are managed and supervised by Maurel & Prom's sponsoring and EHS-S departments from the time they move onto the site to the launch and subsequent performance of operations.

In 2018, the Group completed the roll-out of the OMS in its Gabonese and Tanzanian subsidiaries. Annual targets have been set to continuously improve practices and performance.

In 2018, the Group began the process to obtain ISO 45001 certification for its Operating Management System at its subsidiaries in Gabon and Tanzania.

Caroil's quality, occupational health and safety, and environment management system is underpinned by a documentation system with triple certification (ISO 14001: 2015, ISO 9001: 2015 and OHSAS 18001: 2007).

4.1.7 Implementation of the health, safety and security policy

4.1.7.1 Group arrangements to address workplace health and safety

In terms of organisation, EHS-S responsibilities are clearly defined at all levels.

The EHS-S manager, who reports to the Group's Chief Executive Officer, is responsible for the Group-wide implementation of the principles of the Group's Health, Safety, Security and Environment Charter drawn up in 2006 and revised in 2018. As such, he defines the Group's EHS-S policy, objectives and organisation.

The Group has also set up an EHS-S executive committee, chaired by Maurel & Prom's Chief Executive Officer. It comprises the Group's Chief Operating Officer, the General Secretary and the EHS-S manager. The committee defines the Group's EHS-S policy and objectives, revises the objectives when necessary, and monitors EHS-S performance and the corresponding action plans. The EHS-S Executive Committee met in June and December 2018.

Within the Group's subsidiaries, their respective CEOs have ultimate responsibility for EHS-S issues and are tasked with ensuring that, in all their subsidiary's activities, the health and safety of individuals, environmental protection and the protection of goods and property are respected.

The Group is committed to improving working conditions on an ongoing basis, preventing risks and reducing nuisances by implementing an EHS-S management programme based on best industry practices, in compliance with national regulations.

The countries in which the Group operates, particularly Gabon, Tanzania and Colombia, have passed specific laws governing employee health and working conditions, which the subsidiaries apply.

The Gabonese subsidiary has updated its EHS-S policy and the collection and processing of EHS-S performance indicators have improved significantly. A comprehensive record of incidents and accidents is kept, from which information can be drawn. Corrective actions are also recorded and monitored. Preventive action procedures have been introduced. Key performance indicators (KPIs) measure progress achieved as a result of these initiatives.

The Tanzanian subsidiary now has a solid EHS-S policy. Since 2016 it has kept comprehensive records of incidents and accidents, monitors corrective actions and has preventive action procedures in place. In 2018, the subsidiary continued to implement the Group's EHS-S management system through a major effort to provide mandatory training in fire prevention, construction machinery operation and defensive driving. Site managers, supervisors and production managers have all received IOHS-certified training.

The traditional approach to HSE responsibilities in drilling activities is to allocate them on a strictly contractual basis between the drilling company and the operator. The drilling company sets up an EHS-S management system and is in charge of its implementation. The same rules apply to intra-Group relations, between drilling subsidiary Caroil and the Group's exploration and production subsidiaries.

4.1.7.2 EHS-S training policy objectives

The goal of the Group's EHS-S training policy is to develop a corporate EHS-S culture both internally and among subcontractors and contractors.

The Group's training policy is organised around tasks such as updating and renewing skills certificates in safety techniques and training HSE managers, all of which are entrusted to external training agencies.

Preventive safety training covers electrical certification and command of preventive safety techniques in an oil and gas environment. The Group updated its OMS in 2017 based on IOGP standards and rolled out internal training modules for selected HSE managers at the Gabonese and Tanzanian subsidiaries (specifically IOHS and HSE management training). It also continued to revise the EHS-S training matrix. This now comprises around 10 internal training modules, including an HSE training course and training in defensive driving delivered by a four-person team with independently approved skills. In addition, 12 people were trained in fire prevention in 2018. Priority was given to mandatory training courses (i.e. HSE management training, well control training, HLO (Helicopter Landing Officer)/HDA (Helideck Assistant), fire prevention, first aid, electrical accreditation, and monitoring working at height).

In-house training pertained to safety induction (a minimum amount of HSE knowledge is required to be allowed on site) and was given to subsidiary employees and contractors, i.e. 2,520 individuals in 2018 and 1,170 in 2017.

4.1.7.3 Occupational health and safety conditions

In Gabon, risk prevention programmes are systematically deployed at all Maurel & Prom Gabon sites and facilities. Since 2014, on-site induction procedures were revised to make a medical check-up and HSE accreditation mandatory before starting a job. Since 2017, all employees must follow ten basic rules to gain access to the site. A multiple-choice test is used to check their knowledge of those rules. With regard to traffic accidents, in 2014 geolocation devices and radios were installed in every vehicle and throughout the site.

In Tanzania, the subsidiary is working with the Occupational Safety and Health Authority (OSHA) and refers to the OSHA Act of 2003.

In Colombia, compliance with the guidelines for the prevention of industrial accidents and occupational diseases is verified via half-yearly EHS-S activity and performance reports sent to the National Hydrocarbon Agency, by audits carried out by the Agency as part of its annual EHS-S audits of all exploration and production contracts as well as via audits conducted by the Colombian Security Council.

4.1.7.4 Overview of collective agreements on occupational health and safety signed with trade unions or employee representatives

In recent years, the Group has established agreements on social protection for its employees at most of its subsidiaries (in France, Gabon, Colombia and Tanzania). Under certain conditions, these agreements cover employees' medical expenses and potentially their families' medical expenses.

In Colombia, the subsidiary has set up an occupational Health and Safety Committee as required by local law. The committee includes an employee representative, an employer representative and a mediator. This committee is tasked with promoting and monitoring compliance with occupational health and safety rules and regulations.

In Gabon, in 2018 the subsidiary upgraded the operating procedures of the occupational Health and Safety Committee to bring them in line with legal requirements.

4

4.1.7.5 Industrial accidents and occupational diseases

The frequency of workplace accidents involving Group employees is shown in the table below:

	Group scope 2017	Group scope 2018
Lost Time Injury Frequency (LTIF)	0.26	1.58
Total Recordable Injury Rate (TRIR)	0.78	3.15

The Lost Time Injury Frequency (LTIF) rate is the total number of deaths and injuries or illnesses resulting from work that prevent the person from working on the day following the accident (Lost Time Injuries – LTI), multiplied by one million hours worked and divided by the number of hours worked.

The Total Recordable Injury Rate (TRIR) is the total number of (i) deaths; (ii) injuries or illnesses resulting from work that prevent the person from working on the day following the accident (LTI); (iii) Restricted Work Day Cases (RWDC) corresponding to an injury causing medically certified incapacity provided it is not caused by death or injury with work stoppage; plus (iv) Medical Treatment Cases (MTC), defined as an injury requiring treatment by a doctor or nurse, multiplied by one million hours worked and divided by the number of hours worked.

In 2018, the Group recorded five lost-time accidents for contract workers, two of which were recorded by drilling subsidiary Caroil, i.e. two accidents on a fully consolidated basis for Group employees.

In 2018, Caroil recorded three lost-time accidents for all salaried and contract personnel.

These accidents occurred following a three-year suspension of drilling operations during a time of equipment upgrades and recruitment of teams. They resulted in corrective action comprising (i) the introduction at each rig of two teams of drilling coaches (extra staff with the highest skill levels who are tasked with passing on best practices and identifying bad practices), (ii) the completion of a study on the risk of falling objects, (iii) the definition of a corrective action plan and list of control items, (iv) the introduction of an in-house health and safety training day before workers can be deployed on site, (v) the verification of curriculum vitae, and (vi) the adoption and application of a green hat policy for new hires during their first three on-site rotations. As at 31 December 2018, the subsidiary recorded 125 consecutive days without lost-time accidents.

In 2018, M&P Gabon recorded one lost-time injury at a contractor site in addition to the drilling subsidiary's three lost-time injuries.

The MP Colombia subsidiary recorded one lost-time injury related to a no-fault traffic accident at a contractor site.

In 2018, the Tanzanian subsidiary recorded 879 consecutive days with no lost-time accidents for all employees and contractors.

As at 31 December 2018, the Group had not recorded any lost-time injuries for 92 days.

The Group's French companies did not report any occupational illnesses in 2018. Furthermore, the Company is not aware of any occupational illnesses that could be reportable by the Group's subsidiaries under the applicable regulations in the countries in which those subsidiaries are based.

In Gabon, road accidents account for a large proportion of industrial accidents. This is partly due to the site's geographical remoteness in a mountainous region. During the rainy and dry seasons, both of which are extreme, the tracks are slippery. The area's undulating terrain exacerbates the safety issue. Maurel & Prom Gabon has successively taken various corrective measures to reduce this risk, mainly by setting up a Good Driving training programme, training employees in defensive driving, using GPS to track vehicles and equipping six vehicles with interior and exterior roll bars at the Onal and Coucal sites. In 2018 transport-related accidents (air, road or river) accounted for 32% of reported incidents. Road risk caused more than half of those incidents but now seems to be under control thanks to the many aforementioned measures.

In 2017, 36% of recorded injuries, regardless of severity, were to hands and fingers. As a result, a major hand and finger injury reduction campaign was conducted in February 2018. In 2018, hand and finger injuries accounted for 19% of recorded injuries.

Critical drilling activities include handling with the risk of pinching/crushing, lifting operations with the risk of objects falling, and working at height. Transportation and malaria are also causes of accidents and illness.

The risk of explosion from the uncontrolled release of a gas cloud or of flammable hydrocarbons is considered a major or catastrophic scenario. A series of equipment and redundant barriers are provided, as well as training for sensor staff whose ability to control an eruption is tested every two years.

4.1.7.6 Facility integrity

In Gabon, facilities date from 2009. They are monitored to guard against service disruptions. A dedicated integrity division has been established at the Gabonese subsidiary and plans to have a staff of seven before the end of 2019.

In Tanzania, the approach is the same, albeit led in a different way due to the subsidiary's size. Since December 2018, a contractor has been implementing an on-site maintenance programme and an inspection plan for production facilities.

4.1.7.7 Subcontractors and suppliers

In connection with its activities, the Group regularly seeks technical assistance for its Exploration and Production activities, and civil engineering and construction works, but also for its programmes to promote environmental protection and sustainable development.

In 2018, 55%, 77% and 82% of purchases were made from local companies by Caroil Gabon, Maurel & Prom Gabon and MPEP Tanzania, respectively.

To protect itself against the risk of insufficient control of environmental and social factors by its partners, the Maurel & Prom Group has written provisions into its contracts designed to ascertain whether its business partners' EHS-S practices comply with its own standards. The provisions also establish the exact EHS-S responsibilities and performance objectives required for the term of the contracts concerned, as described in section 4.1.6, "Health, safety and security policy".

With regard to taking account of environmental and social issues in its purchasing policy, the Group's sourcing is guided by accessibility criteria.

The equipment purchased by the Group is generally prefabricated and assembled in European countries. There has been a trend to relocate the production of this equipment in countries that may be considered sensitive from an environmental or social point of view. The Group remains particularly attentive, insofar as the control measures it may take, to the quality produced by the supplier and to production conditions.

4.1.8 Contribution to local development policy

In addition to the career opportunities offered locally by upstream oil businesses, the Group conducts sustainable development programmes to help local communities living near its facilities.

4.1.8.1 Local content

The regional and economic impact of Maurel & Prom's activities in terms of jobs and development can be measured directly by the number of jobs created at Group subsidiaries (see section 4.1.1.2, "Recruitment and dismissals", in this chapter) and indirectly through the supply chain. The Gabonese and Tanzanian subsidiaries, for instance, purchase more than 70% of their supplies from local companies (55% for Caroil Gabon).

National authorities encourage the localisation of the oil industry through local content policies. For example, in Tanzania the 2015 Oil Code contains provisions regarding local preference.

4.1.8.2 Policy for managing relations with local communities

In terms of social impact, the Group's activities do not require involuntary population displacements or generate interaction with indigenous people within the Group's spheres of influence. The subsidiaries' social investment is focused on those living near the Group's facilities.

The policies with regard to local communities are developed with Group subsidiaries and adapted to the countries in which they operate. In Colombia, Gabon and Tanzania, staff include a team dedicated to managing relations with the communities living near the sites.

4.1.8.2.1 Respect for human rights

The new Code of Conduct adopted at the end of 2017 affirms the Group's commitment to uphold the universal declaration of human rights, the ILO Fundamental Conventions, and the OECD Guidelines for Multinational Enterprises.

As part of a responsible approach, the Group considers the respect of human rights when assessing new investment projects, conducting social and environmental impact studies and throughout the life of its projects. Failure to adhere to human rights principles can have an adverse effect on the feasibility of a project, its financing, progress and completion as well as the Group's image.

Populations located in the sphere of influence of the Group's projects are consulted at project presentation meetings to identify any interactions that may occur between the projects and the customs and development needs of the villages concerned. The projects are then adapted accordingly. This was the case with the Kari and Nyanga-Mayombe exploration projects, when the location of the future wells and access to platforms were revised following public consultation meetings. The Sustainable Development Department drew up a sensitivity map related to the presence of neighbouring populations.

In Gabon, the subsidiary logs any claims or complaints from local residents made through its various communication channels. The aim is to qualify the complaint or incident, ensure exhaustive follow-up, and provide mediation or remuneration within a very short period of time.

In Colombia, in order to limit the risk of social opposition to its activities under the Muisca exploration permit, Maurel & Prom requested that its environmental authorisation be amended to reduce the operating scope and limit potential impact.

Throughout an operation, communication is arranged with representatives from the local population and local authorities to deal with any complaints and ensure that the subsidiaries get involved in the most appropriate community projects.

4.1.8.2.2 Regional and economic impact of the Group's activities on local residents and neighbouring populations

Impact studies have concluded that Maurel & Prom's activities have a positive impact on local development beyond the supplies purchased in the country.

Since 2016, the Gabonese subsidiary has been conducting a programme to promote the integration of local female workers in catering jobs at the Onal site. Eventually some 20 permanent jobs will be created. Also in 2016, the Tanzanian subsidiary recruited 20 people directly from the village neighbouring the Maurel & Prom facilities in Mnazi Bay. In 2018, in Gabon, 436 people living in villages near the Onal and Coucal sites were given temporary or permanent jobs. During public consultations with local communities regarding new exploration drilling projects on the Nyanga-Mayombe and Kari permits, Maurel & Prom committed to prioritising the use of local skilled labour via its subcontractors or, for specific work requiring no particular skills, available local labour. It also committed to using local service providers with the necessary approvals where appropriate.

4.1.8.3 Social investment

In terms of social investment, the Group is committed contractually, alongside national governments, to local development programmes and committed on its own initiative to projects singled out by its subsidiaries. Projects are chosen from a list prepared with local communities located within the sphere of influence of Maurel & Prom's activities.

In Gabon, the Group's subsidiary contributes to the Local Communities Development Fund (FDCL), which was created in 2010 to pursue community projects in operating regions and surrounding areas. The fund's annual allocation for 2018 totalled US$1.2 million for the Ezanga, Kari and Nyanga-Mayombe PSAs, for an aggregate allocation of US$10.8 million since the fund was created.

The fund was initially administered by a four-party commission consisting of the Directorate-General for Hydrocarbons, Maurel & Prom Gabon, the local administrative authority and community representatives. It is now managed by the Diversified Investment Fund, which was created by decree 0313/PR/MPH of 25 September 2014.

In April 2017, the technical commission held a meeting in Lambaréné on behalf of the Ezanga PSA, during which community projects covering access to water, energy, health care, education and job creation, aimed at villages located within the Ezanga permit's sphere of influence, were identified and placed on the FDCL's agenda.

Since 1 January 2013, Maurel & Prom Gabon has also contributed to the Provision for Diversified Investment (PDI) and the Provision for Hydrocarbon Investment (PHI) as part of the Ezanga production sharing agreement, to help address sustainable development challenges. The PDI and PHI provide financial support for nationwide development projects. The selected projects are managed and supervised by a stewardship committee statutorily comprised of a representative of the Gabonese Presidential Office, two representatives of the oil authorities, a representative of the Ministry of the Economy and one person representing the operator. The project completed under the PDI and PHI involved the rehabilitation and development of rural roads in the town of Lambaréné (Moyen Ogooué Province). It ended in 2018. Since the creation of the PDI and PHI, Maurel & Prom has contributed US$25.5 million, including US$7.0 million in respect of fiscal 2018.

In addition to its contractual obligations, Maurel & Prom Gabon is developing social projects aimed at supporting the upgrading of basic community infrastructure, preferably in operating areas.

In Tanzania, the subsidiary completed the construction or remediation of 11 social projects within the BRM permit sphere of influence. These community support projects involved seven primary and secondary schools, a community clinic, two roads, the provision of solar panels to the Mafia health care centre, and well drilling in villages in the Mafia area. In 2018, the subsidiary provided computers to the nursery, and primary and secondary schools in the village of Msimbati. The subsidiary has also begun the construction of a new classroom in the village.

4.1.8.3.1 Relations with persons or organisations with an interest in Maurel & Prom's activities, notably environmental protection associations, consumer groups and local residents' associations

The Group has special relationships with environmental NGOs, such as Gabon's National Agency for National Parks (ANPN), that work with the national parks near or within which the Group carries out some of its operations.

The Group also conducts partnership initiatives, particularly those related to environmental protection. Maurel & Prom Gabon helps finance the anti-poaching and wildlife management programme PROLAB (in collaboration with the CBG and ANPN under the agreement mentioned in section 4.2.6, Protection of biodiversity and ecosystems), and contributes to the development and monitoring of its annual action programme.

The Group's Gabonese subsidiary sits on national park local management advisory committees. These committees are advisory bodies intended to promote dialogue between villages, civil society, non- governmental organisations, the private sector and the administrative authorities.

Lastly, because the Onal site and Kari permit are located within the Lower-Ogooué Ramsar site, Maurel & Prom Gabon is a partner in the project spearheaded by the General Directorate for the Environment and Protection of Nature (DGEPN) to support the management of critical wetlands in Gabon. An audit of facilities on Onal conducted by the Environment Ministry in 2017 led to the establishment of a Management Committee for the Lower-Ogooué Ramsar site of which M&P is the vice-chair. One of its programmes is aimed at raising public awareness about fishing resource conservation.

4.2 ENVIRONMENTAL PERFORMANCE

4.2.1 General environmental policy

In terms of environmental protection, the Group's objectives are to preserve the areas that may be impacted by its activities and to raise awareness of environmental issues among employees, contractors, subcontractors and local residents.

The Group's environmental policy aims to (i) prevent, measure, mitigate and repair local environmental impacts resulting from its activities, (ii) control its energy consumption and greenhouse gas emissions, (iii) manage water resources and (iv) safeguard biodiversity and ecosystem services.

The Group's commitments are laid out in its Health, Safety, Security and Environment Charter, updated in 2018 and sent to the Group's partners, contractors, suppliers and subcontractors.

4.2.2 Implementation of the Maurel & Prom Group's environmental policy

4.2.2.1 Group arrangements to address environmental issues and, where necessary, environmental assessment and certification initiatives

Environmental management is integral to the EHS-S departments of the Group's subsidiaries. It is the subject of regular reporting to the highest echelons of the company.

The Group's EHS-S management system is described in section 4.1.6, "Health, safety and security policy".

In 2018, the Group began the process to obtain ISO 14001 certification for its Operating Management System at the Gabonese and Tanzanian subsidiaries.

4.2.2.2 Reasonable due diligence – Assessing and managing project environmental impacts

Every project is initially based on a preliminary risk study that leads to the definition of a social and environmental action plan approved by the competent authorities. Adequate financial, human and technical resources are then made available to apply it. The implementation of these management plans is subject to regular internal and external audits by the competent authorities.

Environmental impact assessments (EIAs) are carried out in accordance with local regulations, before and throughout the project. In order to identify, assess and prevent risks, the Group relies on internal expertise and independent experts recommended by the local authorities.

If the site is situated in a national or Marine Park, every project is discussed with park administrators.

Once these risk studies have been completed, the Group deploys the following action plans:

- upstream, to combat soil degradation, water table deterioration or sludge seeping into farmland and rivers, the Group asks civil engineering contractors and services to conduct earthwork along roads and at site platforms. Weaker areas are stabilised by putting in plant cover (replanting by hydroseeding); and
- downstream, sites are preserved by rehabilitating deforested areas, sorting waste and controlling waste destruction.

In Gabon, 29 of the subsidiary's full-time employees have been working on environmental policy implementation since 2018. They report to the EHS-S department. Twenty-six people work on-site as environmental staff in charge of the waste collection centre at the Onal site, as site HSE supervisors, or as environmental safety assistants.

The total amount of external expenditure the Gabonese subsidiary has devoted to impact studies, impact notices, environmental monitoring of flora and the monitoring of environmental and social management plans since 2016 stands at US$394,699.

In 2018, two EIAs were prepared ahead of the future exploration drilling on the Kari and Nyanga-Mayombe permits. Two further EIAs were prepared on the Ezanga permit, one for the exploitation of the laterite quarry and the other for the construction of a bypass from the production centre (the latter is currently awaiting approval). As part of the development activities on the Ezanga 2 permit, Environmental Impact Notices (EINs) were produced for the drilling of the OMOC-901 and OMKO-401 wells. Their purpose was to provide authorities with sufficient information to issue approval to proceed with these projects. They also provide the developer with the necessary information to implement the project in compliance with sustainable development principles.

In France, exploration activities conducted in early 2019 on the Mios permit (Caudos Nord wells) were preceded by an impact study on water resources, a hazard study and a health study, all of which were made public. Two impact notices were submitted to authorities to obtain drilling approval and licensing rights. The prefectoral drilling approval was received on 27 April 2018. The appraisal process for the concession application is in progress.

4.2.3 Measures to prevent, reduce or repair local environmental impacts

4.2.3.1 Water

In Gabon, in order to control water quality, Maurel & Prom has built a water treatment plant to process waste water from drilling and has installed piezometric wells on certain fields (four at the Onal field).

These measures allow it to sample, monitor and analyse waste water from drilling and river water surrounding the platforms. These monitoring actions are supplemented by measures intended to limit the effects of accidental hydrocarbon pollution through the availability of floating booms and dispersants to be used only when absolutely necessary.

4.2.3.2 Air

Hydrocarbon exploitation produces atmospheric emissions that can contribute to the formation of particle clouds and acid rain. These atmospheric emissions may be governed by local standards that define the type of substance to be controlled, based on local standards and operating permits.

4.2.3.3 Soil

The risks of soil contamination related to the Group's activities arise essentially from drilling mud, accidental spills and waste storage (see sections 4.2.3.4 "Number of accidental hydrocarbon spills" and 4.2.3.6 "Waste prevention and management".

In 2018, the Gabonese subsidiary continued to set up a waste collection centre at the Onal site which includes a transit area for sorting and conditioning waste before it is sent to subcontractors for treatment. A dedicated concrete structure has been built to house soiled waste. It has a surface area of 100m2, a holding tank and a roof. The structure is designed to limit soil pollution in waste storage areas.

4.2.3.4 Number of accidental hydrocarbon spills

	2017	2018
Number of hydrocarbon spills reaching the environment (more than 1 barrel)	13	5
Gross volume of hydrocarbon spills reaching the environment *(in m³)*	176.5	52.4

In 2018, there were five accidental hydrocarbon spills into the natural environment for a gross volume of 52.4 m³. Areas impacted by these events were cleaned and waste was removed for treatment by a specialist company. Corrective measures have been taken to reduce the risk of such incidents happening in the future.

In December 2017, the Gabonese subsidiary had recorded one environmental incident that qualified as major because the volume of crude oil spilled exceeded the 500-barrel threshold.

It turned to local communities, which sent 151 people to help with the clean-up. Significant resources (power shovels, bulldozers, buses, dugout canoes and other equipment) were also deployed to remove the pollution. Samples subsequently taken upstream and downstream from the anti-pollution dams confirmed the effectiveness of the pollution removal and the absence of pollution in Lake Ezanga.

4.2.3.5 Noise pollution and other nuisances

Oil and gas activities can cause a nuisance for workers and people living near the exploration or production sites. This is mainly due to noise and smells, but could also be vibrations and road, sea or waterway traffic.

To prevent noise nuisance, the Group encloses equipment such as electricity generators.

In Gabon, noise pollution is not deemed to be significant outside the sites.

In addition, it should be noted that the Group's facilities in Tanzania, which are located in a protected Marine Park, must strive not to create light pollution during turtle egg-laying and whale breeding seasons.

4.2.3.6 Waste prevention and management

4.2.3.6.1 Measures for preventing, recycling and re-using waste and other waste recovery or disposal methods

In accordance with Article 9 of the Charter, the Group strives to control its waste production. The Group's subsidiaries engaged in hydrocarbon exploration and production have set up waste sorting, treatment and recycling systems.

In Gabon, waste produced at production platforms, accommodation facilities, landing stages, aerodromes or access roads is dealt with by eight environmental officers who conduct daily rounds picking up any waste produced and sorting it based on type. Once sorted, the waste is loaded into trailers and sent via barge to companies in Port-Gentil for treatment and disposal. Recyclable waste is exported.

4.2.3.7 Land use

The land footprint of seismic surveys and exploration activities is very limited over time. When operations cease and the land is surrendered, the Group works to return it to its original state by involving the local populations in the restoration process (choice of varieties to be replanted, for example).

The effects of its production activities are felt over a longer period.

The Group strives to limit its footprint by seeding the embankments and terracing created by its activities to guard against runoffs or landslides. It also ensures that any accidental spills that may occur are confined to the land it occupies.

The Group's activities are located on land that is not subject to any land use disputes. In Gabon, the areas used are situated in logging concessions exploited by other companies.

At end-2018, the estimated total footprint occupied by platforms and access roads in Gabon was 719 hectares.

In Colombia and Peru, operating restrictions are in force depending on the type of zone (exclusion zone, operating zone with tight restrictions, operating zone with moderate restrictions, and operating zone with no restrictions). After selling its stake in the Sabanero field in September 2013, the Colombian subsidiary's operational footprint was limited to the two Muisca platforms. The footprint is 8.2 hectares and Maurel & Prom is continuing to overhaul the previous exploration and forest offset platforms.

In Colombia, the management of block SSJN-9, which was temporarily handed back to the National Hydrocarbon Agency (ANH), entered its shutdown phase, a three-year period during which the Company must make good its brownfield (2.5 hectares) through reforestation of a surface area six times greater than the area initially occupied. In 2017, the Colombian subsidiary finalised the identification of 15 hectares to fulfil its environmental obligations under a three-year programme that began in 2016. Once the brownfield is made good and the reforestation is complete, ANH will take back the block permanently.

4.2.4 Managing energy consumption, measures taken to improve energy efficiency, and use of renewable energy

The Group uses various energy sources for its oil and gas exploration and production operations. The facilities consume bought or produced natural gas, diesel for certain generators, fuel (kerosene, diesel and petrol) for transportation, and a marginal amount of electricity.

To improve the energy efficiency of the Gabonese operations, some of the platforms have been electrified so that gas can be used instead of diesel. The Gabonese subsidiary has developed a project to use the associated gas it produces. More information about this project can be found in section 4.2.5 of this chapter.

In Gabon, solar-powered autonomous lighting has been installed at isolated logistics sites. In Tanzania, the subsidiary has elected to use solar emergency power supplies for its computer servers.

The Group's consolidated energy consumption to operate fixed and mobile combustion sources at the Gabonese and Tanzanian subsidiaries and Caroil showed little change in 2018 at 27,473.0 toe versus 27,149.4 toe in 2017.

4.2.5 Management of greenhouse gas emissions and consequences on climate change of the Company's activities and use of the goods and services it produces

In oil Exploration and Production activities, greenhouse gas emissions are mainly linked to natural gas associated with oil production, which may be flared, vented or possibly leaked (scope 1).

It is standard practice to flare (burn off) excess gas to ensure the safety of the facility. The quantity of gas flared can also depend on whether or not processes have been put in place for reinjecting gas and infrastructures for processing gas, using the gas internally at the facility, selling the hydrocarbons extracted commercially or even the type of hydrocarbon extracted. Flared gas is clearly a non-value-adding resource and a source of pollution. In recent years, the sector has made progress in reducing the volumes of gas flared and the associated greenhouse gas emissions.

In the Group, gas flaring is limited. In Tanzania, the subsidiary does not flare gas. In Gabon, the Onal wells have a low gas/oil ratio (GOR). The GOR represents the amount of gas dissolved in the oil; the lower the ratio, the less gas is present and the lower the volume of gas flared, relatively speaking. Other direct sources of greenhouse gas emissions are mainly generator groups that run on petrol and gas, generators, compressors at facilities and camps, and transportation methods used by the Group (small boats, vehicles, trucks and planes) and potential fugitive leaks. Gas vented in Gabon is not measured.

The Gabonese subsidiary has run an energy efficiency project for several years aimed at maximising the use of associated gas produced by the Onal wells. The Group's objective is to use this gas for power generation, as a substitute for some of the natural gas purchased from third parties. This budgeted project was scheduled to be operational in 2018 but required process studies. It is now expected to be fully operational in 2020.

Over the operated scope in Gabon, the volume of gas flared in 2018 was 41.5MNm^3 versus 37.9MNm^3 in 2017.

Indirect greenhouse gas emissions related to power consumption of offices in Gabon and Tanzania are scope 2 of the Group's assessed greenhouse gas emissions.

Emissions related to final oil and gas use make up the largest portion of the Group's scope 3 greenhouse gas emissions.

Downstream of Maurel & Prom's activities, oil is used for refining or in the petrochemical industry, while gas is used for power generation.

Some of the oil produced in Gabon is refined locally by the Sogara refinery in Port-Gentil. The remaining production is exported, transformed and marketed by traders. The Group has no information as to the use of the produced crude.

Gas produced in Tanzania is used locally. A small percentage is used to supply the Mtwara power plant, which belongs to Tanesco (Tanzania Electric Supply Company Limited), while the largest percentage is sold to TPDC for manufacturers and for power generation needs. In 2018, only the percentage of emissions corresponding to gas produced was measured.

While insignificant compared to the emissions discussed above, emissions related to air travel by Group staff and contractors are still measured.

In 2018, consolidated greenhouse gas emission figures reflecting emissions from fixed and mobile sources (scope 1) over the scope of the Gabonese and Tanzanian subsidiaries and Caroil amounted to an estimated 13,830 tCO_2e/MMboe versus 13,851 tCO_2e/MMboe in 2017.

Consolidated indirect greenhouse gas emissions (scope 2) corresponding to the Gabonese and Tanzanian subsidiaries' power purchases and Caroil's activities were estimated at 389 tCO_2e in 2018 versus 248 tCO_2e in 2017.

With regard to scope 3, consolidated greenhouse gas emissions corresponding to combustion of the natural gas produced by the Group in Tanzania for power generation are estimated at 1,927 ktCO_2e for 2018.

Consolidated greenhouse gas emissions induced by the air and helicopter travel of employees of the Gabonese and Tanzanian subsidiaries amounted to an estimated 2,153 tCO_2e (excluding Caroil).

4

4.2.6 Protection of biodiversity and ecosystems

The potential impact of activities on biodiversity is assessed by conducting environmental impact studies on each of the Group's permits. Species are surveyed, detailed forest inventories are produced and environmental management plans are drawn up. In 2018, two EIAs were prepared ahead of the future exploration drilling on the Kari and Nyanga-Mayombe permits. Two further EIAs were prepared on the Ezanga permit, one for the exploitation of the laterite quarry and the other for the construction of a bypass from the production centre.

Preservation of the ecosystem requires training and raising the awareness of staff, subcontractors and local populations by emphasising the prohibition of clearing plant material, hunting and poaching.

In Gabon, a memorandum of understanding on environmental protection in the Gamba Complex of Protected Areas (Kari permit) was signed in 2014. As part of this project, initiated in 2015, awareness campaigns for local populations and workers, along with surveillance measures, have been planned in conjunction with the Compagnie des bois du Gabon (CBG), the WWF and the Ministry for Water and Forests. The memorandum of understanding was established following a number of meetings and discussions with the CBG and pools resources for combating poaching and protecting the environment. The project is funded on a quarterly basis in conjunction with other operators in the area and has an oversight body. In 2018, an inventory was produced of fauna present in the forest concession area and will be used to strengthen anti-poaching measures.

Since 2017, Maurel & Prom has hosted environmental awareness campaigns at its Onal and Coucal sites for World Environment Day. The campaigns are led by the WWF, the Gabonese Park Authorities (ANPN) and the Gabonese Ministry of Water and Forests. In 2018 the campaign focused on the theme of plastic pollution.

The Group's Gabonese subsidiary sits on national park local management advisory committees. These committees are advisory bodies intended to promote dialogue between villages, civil society, non- governmental organisations, the private sector and the administrative authorities.

Lastly, because the Onal site and Kari permit are located within the Lower-Ogooué Ramsar site, Maurel & Prom Gabon is a partner in the project spearheaded by the General Directorate for the Environment and Protection of Nature (DGEPN) to support the management of critical wetlands in Gabon. An audit of facilities on Onal conducted by the Environment Ministry in 2017 led to the establishment of a Management Committee for the Lower-Ogooué Ramsar site of which M&P is the vice-chair. One of its programmes is aimed at raising public awareness about fishing resource conservation.

4.2.7 Sustainable management of water and other resources

4.2.7.1.1 Consumption of freshwater and water supply in accordance with local restrictions

No Group sites are involved in water-use disputes.

The water produced by the Group, which is water mixed with reservoir oil or brine, is separated, treated and reinjected into the geological formation.

Freshwater extractions are for domestic needs (human consumption for life's essentials) and industrial needs (making concrete for construction, civil engineering and maintenance, making mud during drilling, and cooling systems for facilities).

In Tanzania, freshwater consumption is limited to bottled drinking water (the camp water is desalinated).

4.2.7.1.2 Water discharge

In Gabon, most of the underground and surface freshwater extracted for sanitation or industrial (drilling) purposes is reinjected or treated and released into the natural environment.

4.2.7.1.3 Consumption of raw materials and measures taken to improve the efficiency of their use

The main raw materials consumed by the Group's activities are water and power. Measures taken by the Group to recover associated gas and convert it into energy are described in section 4.2.4, "Managing energy consumption, measures taken to improve energy efficiency, and use of renewable energy".

4.3 GOVERNANCE PERFORMANCE

In 2017, the Maurel & Prom Group laid out its Ethics Charter and Code of Conduct. The Group uses these as the cornerstone of its fundamental values and Principles of Conduct. Anti-corruption Guidelines reaffirm the Group's commitment to upholding the essential values of honesty, good faith, integrity, loyalty and commitment.

4.3.1 Anti-corruption and anti-tax avoidance initiatives

The measures taken by the Maurel & Prom Group to prevent corruption are multifaceted.

In 2017, the Maurel & Prom Group reaffirmed the values and Principles of Conduct behind every action taken by its executives, supervisory staff and employees worldwide, and more generally by any individual representing Maurel & Prom. For example, the Group included Anti-corruption Guidelines in its Code of Conduct in accordance with anti-corruption laws, regulations and standards. These include the guidelines resulting from the Sapin II Act in France, the US Foreign Corrupt Practices Act and the UK Bribery Act 2010. Accordingly, the Group prohibits all forms of corruption and prescribes measures to prevent and identify acts of corruption within the Group. The measures also include a strict disciplinary sanction scheme.

Since their adoption, the Principles of Conduct have been communicated to all employees and will gradually be disseminated to all Group partners. A total of 176 Group employees in five countries have received training in the Group's Principles of Conduct and anti-corruption rules.

The Group's purchasing policy is based on a tendering process. Calls for tender are open to shortlisted companies only. The bids are opened in the presence of the supervisory authority. In Gabon, the threshold at which tenders become compulsory is now US$500,000, in accordance with the new terms of the Ezanga permit.

Group subsidiaries participate in the Extractive Industry Transparency Initiative surveys when so requested. The most recent survey concerning the Group was on Tanzania for the period 2014-2015 and was the subject of a Tanzania Extractive Industry Transparency Initiative report in June 2017.

The Group has published details of the amounts paid to governments of countries in which it operates in section 7.9, "Sums paid to governments of countries where extractive activities are carried out", of this Annual Report.

The Maurel & Prom Group has a number of intermediary holding companies that fully or jointly own Group interests in certain subsidiaries. These holding companies are in turn directly owned by the Company.

Maurel & Prom Drilling Services is a company registered in the Netherlands. Maurel & Prom Drilling Services holds shares in Caroil after the Company acquired Caroil from Tuscany.

Maurel & Prom Colombia BV is a company registered in the Netherlands and in which Canadian company Frontera Energy has a 50% stake. It holds the Muisca, COR-15 and SSJN-9 permits.

The Company owns a percentage of the Mnazi Bay permit through the acquisition of a 60% stake in Cyprus Mnazi Bay Limited (CMBL), a company historically registered in Cyprus. CMBL is jointly owned with Wentworth (40%). The company is audited and fully consolidated in the Group's financial statements.

Maurel & Prom West Africa is a company registered in Belgium and a wholly owned subsidiary of the Company. Maurel & Prom West Africa owns 100% of the capital of Maurel & Prom Gabon.

Dividends paid by M&P Gabon to the Company are channelled through Maurel & Prom West Africa, the borrower of the $600-million term loan concluded in December 2017 with a consortium of international banks.

The Group publishes details of the income of the subsidiaries in Note 5.7 Subsidiaries and participations, and details of the income and income tax by tax jurisdiction in section 7.1.3, Overview of the breakdown of activities, income and taxes by tax jurisdiction.

4.3.2 Lobbying

The Maurel & Prom Group does not engage in lobbying.

4.3.3 Climate reporting

The Group is making progress in its ability to meet the new Corporate Social Responsibility transparency obligations.

Since 2013, the Maurel & Prom Group has responded to the CDP's climate change questionnaire, and in 2018 scored A- on a scale from A (best performance) to F. These scores are provided to fund managers, investors and issuers of "low carbon" or "sustainable" stock market indexes. The CDP questionnaire updates reporting practices every year and is used by companies as a guide to building an ambitious climate policy, offering comparisons with other companies or industry sectors.

4.3.4 Diversity of the Board of Directors and executive management

The Group's diversity policy for its Board of Directors, the criteria for assessing diversity, the targets to be achieved, implementation methods, results obtained during fiscal 2018, and the diversity policy for executive management are presented in section 3.2.1.1, "members of the Board of Directors and executive management", of this Annual Report.

4.4 INDEPENDENT THIRD-PARTY REPORT ON THE STATEMENT OF NON-FINANCIAL PERFORMANCE

Établissements Maurel & Prom, fiscal year ended 31 December 2018.

Independent third-party report on the Statement of Non-Financial Performance

Following the request made to us as auditors (COFRAC-accredited under Certificate 03-1595[1]), we hereby present the results of our audit carried out in accordance with Articles L. 225-102-1 and R. 225-105 *et seq.* of the French Commercial Code.

The purpose of our audit was to verify the compliance of the Statement of Non-Financial Performance (Déclaration de Performance Extra-Financière or "DPEF") and the fairness of the information selected by the Company and presented in the DPEF included in the 2018 Annual Report.

This information on Corporate Social Responsibility (CSR) was collected and consolidated under the responsibility of the Chief Executive Officer and coordinated by the Établissements Maurel & Prom Administration department, in accordance with the Maurel & Prom Group's procedures.

Our responsibility is to express an opinion on the DPEF pursuant to Articles A.225-2 *et seq.* of the French Commercial Code governing the procedures to be followed by independent third parties, and based on our own audit. The conclusions below relate only to the information required under the French Commercial Code (Business Model described in Chapters 1 and 4: 2018 Statement of Non-Financial Performance of the 2018 Annual Report) and not to the 2018 Annual Report as a whole.

Nature and extent of the audit

SOCOTEC Environnement's audit primarily consisted of:

— an assessment of the Company for the purposes of understanding the Maurel & Prom Group's activities and structure, including an analysis of the 2018 Annual Report and interviews with management;

— a risk assessment to establish an audit plan specific to the activities undertaken and the information reported in the DPEF (required for listed companies);

— the implementation of the audit plan;

— the drafting of a preliminary report subject to the Company's approval; and

— the drafting of a final report including the declaration of compliance of the DPEF and opinion on the information contained therein).

Based on a documentary audit performed between 4 March and 26 April 2019 and an on-site audit conducted on 2 and 3 April 2019 by two of our CSR experts, our review audit consisted of interviews with the management at the Maurel & Prom Group's head office and with the individuals at head office and in Gabon and Tanzania responsible for preparing the CSR Information.

We carried out the following audit to obtain assurance that the DPEF and selected information are free from material misstatement:

— we assessed the Maurel & Prom Group's procedures in terms of their relevance, reliability, ease of comprehension and completeness (use of a questionnaire sent to subsidiaries, additional requests made to the CSR Steering Committee, consolidation tools and internal control);

(1) List of offices and coverage available at www.cofrac.fr.

- at the Maurel & Prom Group, we conducted interviews with the persons responsible for environmental and social reporting to check compliance with internal procedures;
- checks were performed on all quantitative 2018 CSR Information for all consolidated subsidiaries of the Maurel & Prom Group with regard to its consistency with the previous year's data and with the Maurel & Prom Group's current position, as well as to ensure that it has been properly consolidated;
- we performed a thorough examination of the understanding and proper application of procedures for important information[1] (questionnaire responses), and conducted in-depth tests based on sampling techniques, consisting of checking the calculations made and reconciling the CSR Information with the supporting evidence in terms of quantitative information.

In 2018, the quantitative data thus selected covered 100% of the consolidated workforce for social/societal aspects. The audits also covered the environmental aspects of all the operating subsidiaries (Exploration and Production activities in Gabon and Tanzania, representing all of Maurel & Prom's hydrocarbon production; drilling activity on its own account or on behalf of third parties): the scope of our audit covered 82% (energy consumption) to 91% (greenhouse gas emissions) of the data contributing to the quantification of the environmental indicators presented.

The energy consumption data as well as data related to greenhouse gas emissions (scope 1, intensity of emissions and scope 2) were verified with reasonable assurance.

In our opinion, our methodology for identifying important information and auditing data based on the selected sampling provides a reasonable basis for the conclusions and comments expressed below.

Conclusion

Declaration of compliance

We hereby declare that the Statement of Non-Financial Performance complies with the provisions of Articles L. 225-100-2-1 and R. 225-105 of the French Commercial Code.

Opinion on the fairness of the reported information

Based on our audit, we did not identify any material misstatements that could call into question:

- the compilation and consolidation of the information drawn up in accordance with internal procedures and the information gathered; and
- the fairness of the information.

29 April 2019

For SOCOTEC Environnement, the Auditors

Patrick Armando and Jean-Michel Prioleau

(1) Important information taken into account in 2018: workforce and distribution; recruitment and redundancies; remuneration and career advancement; organisation of workplace dialogue; health and safety conditions and workplace accidents (frequency and severity rates); training; methods employed to prevent environmental risks; financial guarantees; energy consumption and greenhouse gas emissions (including flared gas); economic and social impact of activities on local populations; subcontractor and supplier relations.

5 FINANCIAL STATEMENTS

5.1 GROUP CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

5.1.1 Statement of financial position

Assets

(in US$ thousands)	Notes	31/12/2018	31/12/2017[a], adjusted
Intangible assets (net)	3.3	199,920	162,636
Property, plant and equipment (net)	3.3	1,451,162	1,470,890
Non-current financial assets (net)	4.2	7,835	7,884
Other non-current assets (net)	3.6	44,675	46,568
Equity associates	2.4	253,629	150,589
Deferred tax assets	6.1	23,741	32,497
NON-CURRENT ASSETS		**1,980,962**	**1,871,063**
Inventories (net)	3.4	14,104	7,796
Trade receivables and related accounts (net)	3.5	95,188	59,111
Other current financial assets	4.2	53,511	80,479
Other current assets	3.6	39,114	43,160
Current tax receivables	6.1	473	534
Current financial instruments	4.4	1,615	-
Cash and cash equivalents	4.3	279,871	260,138
CURRENT ASSETS		**483,875**	**451,218**
Assets held for sale and discontinued operations		-	-
TOTAL ASSETS		**2,464,837**	**2,322,281**

Liabilities

(in US$ thousands)		31/12/2018	31/12/2017[a], adjusted
Share capital		193,345	188,554
Additional paid-in capital		44,836	32,010
Consolidated reserves		853,124	842,768
Treasury shares		(41,453)	(55,330)
Net income, Group share		58,066	6,422
EQUITY, GROUP SHARE		**1,107,918**	**1,014,424**
Non-controlling interests		2,425	(1,351)
TOTAL EQUITY		**1,110,343**	**1,013,073**
Non-current provisions	3.9	38,019	49,245
Shareholder loans	4.4	100,000	100,000
Other non-current borrowings and financial debt	4.4	595,692	593,612
Deferred tax liabilities	6.1	390,247	370,286
NON-CURRENT LIABILITIES		**1,123,958**	**1,113,143**
Shareholder loans	4.4	-	95
Current bond borrowings	4.4	-	348
Other current borrowings and financial debt	4.4	2,047	1,887
Trade payables and related accounts	3.7	59,852	56,784
Current tax liabilities	6.1	4,971	6,107
Other current liabilities	3.8	147,829	115,031
Current provisions	3.9	15,838	15,813
CURRENT LIABILITIES		**230,536**	**196,065**
Liabilities held for sale and discontinued operations		-	-
TOTAL LIABILITIES		**2,464,837**	**2,322,281**

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to note 6.10.

5.1.2 Consolidated statement of profit & loss and other comprehensive income

Net income for the period

(in US$ thousands)	Notes	31/12/2018	31/12/2017[a], adjusted
Sales	3.1	440,179	400,629
Other Operating Income	2.4	2,689	85
Change in overlift/underlift position	1.2	(13,217)	-
Operating expenses	3.2	(184,645)	(211,593)
EBITDA		**245,006**	**189,121**
Depreciation and amortisation & provisions related to production activities net of reversals		(104,970)	(111,182)
Depreciation and amortisation & provisions related to drilling activities net of reversals		(904)	852
Current operating income		**139,131**	**78,791**
Provisions and impairment of drilling assets		(9,146)	(6,916)
Expenses and impairment of exploration assets net of reversals		(1,158)	5,539
Other non-current income and expenses		(2,972)	(12,514)
Income from asset disposals		215	(64)
OPERATING INCOME	**3.2**	**126,071**	**64,836**
— Cost of gross debt		*(28,924)*	*(57,192)*
— Income from cash		*5,156*	*1,473*
— Income and expenses related to interest-rate derivative financial instruments		*(111)*	*6,820*
Cost of net debt		(23,879)	(48,899)
Net foreign exchange adjustment		(2,527)	(32,658)
Other financial income and expenses		(233)	(1,553)
Financial income	**4.1**	**(26,639)**	**(83,111)**
Income tax	6.1	(68,352)	(31,198)
Net income from consolidated companies		**31,080**	**(49,472)**
Income from equity associates	2.4	30,585	56,281
CONSOLIDATED NET INCOME		**61,665**	**6,809**
o/w: — Net income, Group share		*58,066*	*6,422*
— Non-controlling interests		*3,599*	*385*

Other comprehensive income for the period

(in US$ thousands)	31/12/2018	31/12/2017[a], adjusted
Net income for the period	**61,665**	**6,809**
Foreign exchange adjustment for the financial statements of foreign entities	1,139	(2,738)
Change in fair value of hedging Investments instruments	1,680	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**64,484**	**4,071**
– Group share	*60,707*	*3,616*
– Non-controlling interests	*3,776*	*453*

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to note 6.10. Income statement reporting has also been amended, as explained in the same note. Lastly, the application of IFRS 15 has led to a reclassification involving the sales item and a new item, "Change in overlift/underlift positions", as explained in note 1.2.

5.1.3 Consolidated changes in shareholders' equity

(in US$ thousands)	Capital	Treasury shares	Premiums	Other reserves	Currency translation adjustment	Income for the period	Equity, Group share	Non-controlling interests	Total equity
31 December 2016	**188,554**	**(71,839)**	**90,636**	**985,533**	**(8,966)**	**(50,150)**	**1,133,768**	**(1,804)**	**1,131,964**
Change in accounting method				(125,054)		(833)	(125,887)		(125,887)
1 January 2017, adjusted	**188,554**	**(71,839)**	**90,636**	**860,479**	**(8,966)**	**(50,983)**	**1,007,881**	**(1,804)**	**1,006,077**
Net income						6,422	6,422	385	6,807
Other comprehensive income					(2,806)		(2,806)	68	(2,738)
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**(2,806)**	**6,422**	**3,616**	**453**	**4,069**
Appropriation of income – dividends			(41,784)	(9,199)		50,983	-		-
Bonus shares				3,260			3,260		3,260
Changes in treasury shares		16,509	(16,842)				(333)		(333)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**-**	**16,509**	**(58,626)**	**(5,939)**	**-**	**50,983**	**2,927**	**-**	**2,927**
31 December 2017[(a)]	**188,554**	**(55,330)**	**32,010**	**854,540**	**(11,772)**	**6,422**	**1,014,424**	**(1,351)**	**1,013,073**
Net income						58,066	58,066	3,599	61,665
Fair value of hedging instruments				1,680			1,680		1,680
Other comprehensive income				(104)	1,066		962	177	1,139
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**-**	**1,576**	**1,066**	**58,066**	**60,707**	**3,776**	**64,484**
Appropriation of income – dividends				6,422		(6,422)	-		-
Reserved capital increases	4,791		27,452				32,243		32,243
Other				(179)			(179)		(179)
Bonus shares				1,472			1,472		1,472
Changes in treasury shares		13,877	(14,626)				(749)		(749)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**4,791**	**13,877**	**12,827**	**7,715**	**-**	**(6,422)**	**32,787**	**-**	**32,787**
31 December 2018	**193,345**	**(41,453)**	**44,836**	**863,830**	**(10,706)**	**58,066**	**1,107,918**	**2,425**	**1,110,343**

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to note 6.10.

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5.1.4 Consolidated statement of cash flows

(in US$ thousands)	Notes	31/12/2018	31/12/2017[a], adjusted
Net income		61,665	7,860
Tax expense for continuing operations		68,352	31,393
Consolidated income from continuing operations		**130,017**	**39,253**
Net increase (reversals) of amortisation, depreciation and provisions	3.3, 3.4, 3.5, 3.6, 3.9	111,575	118,757
Exploration and decommissioning expenses	3.3	1,158	8,362
Income from equity associates	2.4	(30,585)	(56,281)
Other income and expenses calculated on bonus shares		1,472	3,183
Gains (losses) on asset disposals		(215)	64
Dilution gains and losses	2.4	(2,215)	-
Unrealised gains (losses) due to changes in fair value			(6,522)
Other financial items		24,378	86,081
CASH FLOW BEFORE TAX		**235,584**	**192,896**
Income tax paid		(40,719)	(29,272)
Change in working capital requirements for operations		(2,563)	21,373
– Inventories	*3.4*	*(1,058)*	*1,701*
- Trade receivables	*3.5*	*(37,447)*	*(26,786)*
– Trade payables	*3.7*	*3,448*	*3,352*
– Other receivables	*3.6 & 4.2*	*15,180*	*22,269*
– Other payables	*3.8*	*17,314*	*20,837*
NET CASH FLOW FROM OPERATING ACTIVITIES		**192,301**	**184,997**
Proceeds from disposals of property, plant and equipment and intangible assets		215	-
Disbursements for acquisitions of property, plant and equipment and intangible assets	3.3	(143,575)	(37,775)
Acquisitions of property, plant & equipment paid in equity instruments	3.3	32,243	
Dividends received from equity associates	2.4	12,059	-
Change in deposits		(100)	71,729
Acquisition of equity associates	2.4	(50,928)	-
Other cash flows from investment activities			-
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**(150,085)**	**33,954**
Proceeds from new loans			662,440
Repayments	4.4	(714)	(803,792)
Additional paid-in capital on hedging instruments	4.4	(464)	-
Interest paid on financing	4.4	(25,648)	(27,472)
Interests from investment	4.1	5,156	1,410
NET CASH FLOW FROM FINANCING ACTIVITIES		**(21,669)**	**(167,413)**
Impact of exchange rate fluctuations		(144)	4,742
CHANGE IN CASH POSITION[b]		**20,403**	**56,279**
CASH[b] AT BEGINNING OF PERIOD		**259,354**	**203,075**
CASH[b] AT END OF PERIOD		**279,757**	**259,354**

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to note 6.10.
(b) Bank overdrafts are included in cash.

5.1.5 Notes to the consolidated financial statements

NOTE 1 GENERAL INFORMATION

Établissements Maurel & Prom S.A. (the "Company") is domiciled in France. The Company's registered office is located at 51 rue d'Anjou, 75008 Paris, France. The Company's consolidated financial statements include the Company and its subsidiaries (the entity designated as the "Group" and each one individually as the "entities of the Group") and the Group's share in its joint ventures. The Group, which is listed for trading on Euronext Paris, acts primarily as an operator specialising in the exploration and production of hydrocarbons (oil and gas).

The consolidated financial statements were approved by the Board of Directors on 20 March 2019.

To make the Group's financial information easier to read and better reflect the results of its activities, which are primarily in US dollars, the Group changed the reporting currency of its financial statements from the euro to the dollar in fiscal year 2018, as permitted by IAS 21. Following this change in accounting method under IAS 8, the comparative financial statements are presented in US dollars.

The Group has also changed the presentation of operating expenses, in accordance with general practice in the sector.

The method for changing the reporting currency is detailed in note 6.10: Changes in presentation.

Amounts are rounded off to the nearest thousand dollars, except where otherwise indicated.

Note 1.1 Significant events

As a reminder, the Group entered Gabon in February 2005 by acquiring assets from Rockover and Masasa. At the time of this acquisition, the Group undertook to pay a sum based on future production. In 2018, the Group acquired these commitments from Rockover for a consideration price of US$43 million, recorded in the parent company financial statements under "intangible assets" as follows:

- 25% paid in cash (US$10.75 million);
- 75% (US$32.25 million) was settled by issuing new Maurel & Prom shares as compensation. The Group implemented a capital increase for a total nominal amount of €4,137,370.93 (US$4,791,075.54 at a fixed rate of US$1.158 for €1) by issuing 5,373,209 new shares, each with a nominal value of €0.77 (US$0.89) and a unit subscription price of €5.182 (US$6.001). These shares were fully subscribed by Rockover and paid up by offsetting the receivable held as a result of M&P's buyback of the deferred payments. The new shares were issued with all entitlements and are equivalent to existing shares. Upon concluding this transaction, M&P's share capital stood at €154,549,411.94 (US$193,344,949 converted at the historic rate) divided into 200,713,522 shares each with a par value of €0.77 (US$0.96).

Also in October 2018, the Group signed a sale and purchase agreement to acquire 20% of AJOCO's working interest in two production and development blocks in shallow waters off the coast of Angola. A deposit of US$2 million was paid prior to the effective closing of this acquisition. It will be finalised once the administrative approvals have been published.

In December 2018, the Group completed the acquisition of the 40% interest held by Shell Exploration and Production Investments B.V. ("Shell") in the Petroregional del Lago joint venture (the "PRDL joint venture"), which operates the Urdaneta West oil field located at Lake Maracaibo, Venezuela. The total consideration for the acquisition of Shell's shares in the joint venture was €70 million, financed by Maurel & Prom's existing cash position and composed as follows:

- €47 million paid upon closing the transaction; and
- €23 million payable in December 2019, on the anniversary date of the transaction closure.

Note 1.2 Preparation basis

Normative framework

Pursuant to Regulation (EC) No 1606/2002 of 19 July 2002 on international standards, the consolidated financial statements of the Maurel & Prom Group for the fiscal year ended 31 December 2018 have been prepared in accordance with IAS/IFRS International Accounting Standards applicable as at 31 December 2018, as approved by the European Union and available at: https://ec.europa.eu/info/banking-and-finance-website-notice-users_en.

International Accounting Standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and their interpretations (Standing Interpretations Committee and International Financial Reporting Standards Interpretations Committee).

The application of IFRS as published by the IASB would have no material impact on the financial statements presented herein. New legislation or amendments adopted by the European Union and mandatory from 1 January 2018 do not have a material impact on the Group's financial statements as at 31 December 2018, with the exception of the impact of IFRS 15 described below.

IFRS 15 "Revenue from Contracts with Customers"

Maurel & Prom has adopted the new IFRS 15 standard in its financial statements as from 1 January 2018 and has elected to apply the "cumulative catch-up" transition and implementation method without restating comparative periods.

The impact of the transition to IFRS 15 on the financial statements of the Group is essentially a reporting adjustment between sales and changes in overlift/underlift position.

Given that production is mainly located in Gabon and the existence of a single supply route (Cap Lopez) for the Group's production in that country, the Group's financial statements can differ significantly depending on whether the extracted oil is lifted onto a tanker (which corresponds to the sale of the oil) just before or just after the closing.

Until 31 December 2017, sales were recognised on the basis of the Group's entitlements on the production delivered to the oil terminals ("entitlement method") and not on the actual liftings. The entry into force of IFRS 15 from 1 January 2018 led to a change in sales recognition, which is now determined based on oil sold, i.e. oil lifted. The Group now recognises timing variances between liftings and the theoretical entitlement in the cost of sales by posting over- or underlift positions (on a separate line in the income statement), valued at market price, to other current assets (underlift position) or other current liabilities (overlift position). This change of method does not impact EBITDA.

The impacts on the consolidated financial statements are as follows:

(in US$ thousands)	**31/12/2018 before IFRS 15**	**Impact of IFRS 15**	**31/12/2018 as reported**
Sales	426,962	13,217	440,179
Other Operating Income	2,689		2,689
Change in overlift/underlift position	-	(13,217)	(13,217)
Operating expenses	(184,645)		(184,645)
EBITDA	**245,006**	**-**	**245,006**

Assets *(in US$ thousands)*	**31/12/2018 before IFRS 15**	**Impact of IFRS 15**	**31/12/2018 as reported**
NON-CURRENT ASSETS	**1,980,962**		**1,980,962**
Inventories (net)	14,104		14,104
Trade receivables and related accounts (net)	81,971	13,217	95,188
Other current financial assets	53,511		53,511
Other current assets	39,114		39,114
Current tax receivables	473		473
Current financial instruments	1,615		1,615
Cash and cash equivalents	279,871		279,871
CURRENT ASSETS	**470,658**	**13,217**	**483,875**
TOTAL ASSETS	**2,451,620**	**13,217**	**2,464,837**

Liabilities *(in US$ thousands)*	**31/12/2018 before IFRS 15**	**Impact of IFRS 15**	**31/12/2018 as reported**
TOTAL EQUITY	**1,110,343**		**1,110,343**
NON-CURRENT LIABILITIES	**1,123,958**		**1,123,958**
Other current borrowings and financial debt	2,047		2,047
Trade payables and related accounts	59,852		59,852
Current tax liabilities	4,971		4,971
Other current liabilities	134,611	13,217	147,829
Current provisions	15,838		15,838
CURRENT LIABILITIES	**217,319**	**13,217**	**230,536**
TOTAL EQUITY AND LIABILITIES	**2,451,620**	**13,217**	**2,464,837**

IFRS 9 "financial instruments"

The provisions of IFRS 9 on the classification, measurement and impairment of financial assets are applied retrospectively by the Group at 1 January 2018, with no restatement of the comparative period. The application of the "impairment of financial assets" component had no material impact for the Group as at 1 January 2018, but the application of the "Classification and Measurement" component led the Group to reformulate the Fair Value table, as provided in note 5.7: Fair value.

The standards or interpretations published by the International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRS IC) not yet in force at 31 December 2018 are as follows:

IFRS 16 "Leases"

IFRS 16, which will be mandatory as from 1 January 2019, has not been applied early by the Group. Analyses performed in this regard led to the application of the simplified retrospective transition method. The expected effects are outlined in note 6.5.2: Lease commitments: IFRS 16 transition estimate.

IFRIC 23 "Uncertainty Over Income Tax Treatments"

The interpretation of IFRIC 23, applicable from 1 January 2019, clarifies the provisions of IAS 12 "Income Taxes" regarding recognition and assessment when there is uncertainty about the treatment of income tax. An analysis is currently under way to assess transition impacts and methods.

The consolidated financial statements are prepared according to the historical cost convention, except for certain categories of assets and liabilities valued at fair value (derivative instruments), in accordance with IFRS.

IFRS have been applied by the Group consistently for all reported periods, with the exception of the changes mentioned.

Use of judgement and accounting estimates

The preparation of consolidated financial statements under IFRS requires the Group to make accounting choices, produce a number of estimates and use certain assumptions that may affect the reported amounts of assets and liabilities, the notes concerning potential assets and liabilities as at the reporting date, and the income and expenses for the period. Changes in facts and circumstances may lead the Group to review such estimates.

The results obtained may differ materially from such estimates when different circumstances or assumptions are applied.

In addition, when a specific transaction is not treated by any standard or interpretation, the Group's Management uses its own discretion to define and apply the accounting methods that will provide relevant, reliable information. The financial statements give a true and fair view of the Group's financial position, performance and cash flows. They reflect the substance of transactions, are prepared with prudence, and are complete in all material respects.

Management estimates used in preparing financial statements relate primarily to:

- recognition of oil carry transactions and impairment tests on oil assets;
- provisions for site remediation;
- valuation of equity associates and underlying assets;
- accounting treatment of derivative instruments subscribed by the Group;
- estimated proven and probable hydrocarbon reserves;
- recognition of deferred tax assets.

NOTE 2 BASIS FOR CONSOLIDATION

Note 2.1 Consolidation methods

Consolidation

The entities controlled by Établissements Maurel & Prom SA are fully consolidated.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements as from the date control is gained until the date control ceases.

Intra-Group balances, transactions, income and expenses are eliminated on consolidation.

Equity associates

Joint ventures and associates are consolidated using the equity method.

- Joint ventures are arrangements giving the Group joint control, according to which it has rights to the net assets of the arrangement and not rights to the assets and obligations for the liabilities of the arrangement.
- Associated entities are entities over whose financial and operating policies the Group has significant influence without controlling or jointly controlling them. Significant influence is assumed when the percentage of voting rights is greater than or equal to 20%, unless a lack of participation in the Company's management reveals a lack of significant influence. When the percentage is less, the entity is consolidated using the equity method if significant influence can be demonstrated.

The gains resulting from transactions with the equity associates are eliminated through a reduction of the equity associate to the extent of the Group's stake in the associate. Losses are eliminated in the same way as gains, but only insofar as they do not represent an impairment.

When the impairment criteria as defined in IAS 39 "Financial instruments: Recognition and Measurement" indicate that equity associates may have declined in value, the amount of the impairment loss is measured using the rules specified in IAS 36 "Impairment of Assets".

Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 "Business Combinations". Thus, when control of a company is acquired, this method requires the recognition of the identifiable assets and assumed liabilities by the Group at their fair value (with exceptions) in accordance with IFRS guidelines.

The Group values the goodwill on the acquisition date as:

- the fair value of the transferred consideration; plus
- the amount recognised for non-controlling interests in the acquired company; plus
- if the business combination is carried out in stages, the fair value of any interest previously held in the acquired company; minus
- the net amount recognised (generally at fair value) for the identifiable assets acquired and the liabilities taken over.

When the difference is negative, a profit for acquisition under advantageous conditions must be recognised directly in Operating Income.

Costs related to the acquisition, other than those related to the issuance of a debt or equity securities, which the Group bears as a result of a business combination, are expensed as they are incurred.

Determination of goodwill is finalised within a period of one year from the acquisition date.

Such goodwill is not amortised but tested for impairment at the end of each accounting period and whenever there is an impairment indicator; any impairment charge recognised on goodwill is irreversible.

Changes in the percentage of the Group's stake in a subsidiary which do not result in a loss of control are recognised as equity transactions.

Goodwill relating to equity associates is recognised under equity associates.

Currency translation

The consolidated financial statements are presented in US dollars, which is the Group's reporting currency.

The functional currency of the operating subsidiaries is the US dollar.

The Group refinanced its historic debt (which was in both euros and US dollars) in US dollars at the end of December 2017 and, as a result of this change, updated its analysis of the functional currency of its financial holdings. As a result of this analysis, the US dollar was adopted as the functional currency instead of the euro as from the refinancing date. This change in the functional currency of its financial holdings was reflected in the financial statements as at 31 December 2017.

The Group then changed the reporting currency in its 2018 financial statements, as outlined in note 6.10: Changes in presentation.

The financial statements of foreign subsidiaries for which the functional currency is not the US dollar are converted using the closing rate method. Assets and liabilities, including goodwill on foreign subsidiaries, are translated at the exchange rate in effect on the closing date of the fiscal year. Income and expenses are converted at the average rate for the period. Currency translation adjustments are recognised under the "Currency translation adjustments" item of other comprehensive income within shareholders' equity, while those related to minority interests are recognised under "non-controlling interests". Currency translation adjustments related to a net investment in a foreign activity are recorded directly under other comprehensive income.

Expenses and income in foreign currencies are recognised at their equivalent in the functional currency of the entity concerned at the transaction date. Assets and liabilities in foreign currencies are reported in the balance sheet at their equivalent value in the functional currency of the entity concerned based on the closing rate. Differences resulting from conversion into foreign currencies at this closing rate are carried on the income statement as other financial income or other financial expenses.

When the payment of a monetary item that is a receivable or a payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the resulting foreign exchange gains and losses are considered to be part of the net investment in a foreign operation and are accounted for in other comprehensive income and presented as a translation reserve.

In case of difference in the functional currency, the Group applies hedge accounting to foreign currency adjustments between the functional currency of the foreign activity and the functional currency of the holding.

Foreign exchange adjustments resulting from the translation of financial liabilities designated as a net investment hedge of a foreign activity are recognised as other comprehensive income for the effective portion of the hedge and accumulated in the translation reserve. Any adjustment relating to the ineffective portion of the hedging is recognised in net income. When the net investment hedged is sold, the amount of the adjustments recognised as the translation reserve related to it is reclassified in the income statement as income from the disposal.

Note 2.2 Information about reporting entities and non-consolidated equity interests

Pursuant to ANC recommendation 2017-01 of 2 December 2017, the full list of Group entities is presented in the period's Annual Report, chapter 7.

Note 2.3 List of consolidated entities

Notable changes in reporting entities in fiscal year 2018 primarily pertained to the following companies:

Companies integrated into the consolidation scope

- Maurel & Prom Angola S.A.S, responsible for the Group's interests in the Angolan permits, particularly Blocks 3/05 and 3/05A;
- Maurel & Prom Exploration Production France S.A.S, responsible for the Group's interests in the Français Mios permit as from 2018;
- Maurel & Prom Venezuela S.L., holding the shares acquired in the joint venture Petroregional del Lago S.A;
- M&P Servicios Integrados UW S.A., a technical support company;
- Caroil Assistance Technique International S.A, a payroll services company;
- Maurel & Prom Trading S.A., a company dedicated to oil and gas marketing.

Acquisition of a stake in an associate

In December 2018, the Group acquired a 40% stake in Petroregional del Lago (PRDL) for €70 million, of which €47 million was paid in cash on the acquisition date. The book value of Petroregional del Lago's net assets was US$205 million, representing a US$82 million share in the Group's financial statements.

The consolidated companies are as follows:

Company	Registered office	Consolidation method[a]	% control 31/12/2018	% control 31/12/2017
Établissements Maurel & Prom S.A.	Paris	Parent	Consolidating company	
Maurel & Prom Assistance Technique S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Assistance Technique International S.A.	Geneva, Switzerland	FC	99.99%	99.99%
Maurel & Prom West Africa S.A.	Brussels, Belgium	FC	100.00%	100.00%
Maurel & Prom Gabon S.A.	Port-Gentil, Gabon	FC	100.00%	100.00%
Maurel & Prom Exploration et Production BRM S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Exploration Production Tanzania Ltd	Dar Es Salaam, Tanzania	FC	100.00%	100.00%
Cyprus Mnazi Bay Limited	Nicosia, Cyprus	FC	60.08%	60.08%
Maurel & Prom Mnazi Bay Holdings S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Namibia S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Peru Holdings S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Peru SAC	Lima, Peru	FC	100.00%	100.00%
Maurel & Prom Italia	Ragusa, Sicily	FC	100.00%	100.00%
Maurel & Prom East Asia S.A.S.	Paris, France	FC	100.00%	100.00%
MP Energy West Canada Corp.	Calgary, Canada	FC	100.00%	100.00%
MP West Canada S.A.S.	Paris, France	FC	100.00%	100.00%
Saint-Aubin Énergie Québec Inc	Montreal, Canada	FC	100.00%	100.00%
Saint-Aubin Exploration & Production Québec Inc	Montreal, Canada	FC	100.00%	100.00%
Maurel & Prom Colombia BV	Rotterdam, Netherlands	EM	50.00%	50.00%
Seplat	Lagos, Nigeria	EM	20.46%	21.37%
Deep Well Oil & Gas, Inc	Edmonton, Alberta, Canada	EM	19.57%	19.67%
Maurel & Prom Drilling Services	Amsterdam, Netherlands	FC	100.00%	100.00%
Caroil S.A.S	Paris, France	FC	100.00%	100.00%
Caroil Assistance Technique International S.A.	Geneva, Switzerland	FC	100.00%	N/A
Maurel & Prom Trading S.A.	Paris, France	FC	100.00%	N/A
Maurel & Prom Venezuela S.L.	Madrid, Spain	FC	100.00%	N/A
Petroregional del Lago (PRDL)	Caracas, Venezuela	EM	40.00%	N/A
M&P Servicios Integrados UW S.A.	Caracas, Venezuela	FC	100.00%	N/A
Maurel & Prom Angola S.A.S.	Paris, France	FC	100.00%	N/A
Maurel & Prom Exploration Production France S.A.S.	Paris, France	FC	100.00%	N/A

(a) FC: Full consolidation / EM: Equity method.

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Note 2.4 Equity associates

(in US$ thousands)	Maurel & Prom Colombia BV	Seplat	Deep Well Oil	Petroregional del Lago	Total
Equity associates as at 31/12/2017	**856**	**149,817**	**(84)**	**-**	**150,589**
Income	(1,374)	32,024	(65)	-	30,585
Dilution reserves effect[b]	-	(6,354)	192	-	(6,162)
Value of diluted shares[b]		8,749		-	8,749
Movement in OCI		(179)		-	(179)
Additions to the consolidation scope				82,108	82,108
Dividends		(12,059)		-	(12,059)
EQUITY ASSOCIATES AS AT 31/12/2018	**(519)**	**171,996**	**44**	**82,108**	**253,629**

The data below is presented as reported in the financial statements of the joint ventures and associates (those wholly owned and not proportionately owned) as at 31 December 2018, after translation into US dollars, adjustments to fair value and for accounting method consistency where applicable.

(in US$ thousands)	Maurel & Prom Colombia BV	Seplat	Deep Well Oil	Petroregional del Lago	Total
Location	**Colombia**	**Nigeria**	**Canada**	**Venezuela**	
	Joint venture	**Associate**	**Associate**	**Joint venture**	
Activity	**Exploration**	**Production**	**Exploration**	**Production**	
% Interest	*50.001%*	*20.46%*	*19.57%*	*40.00%*	
Total non-current assets	151	1,663,131	398	205,270	
Other current assets	4,266	273,376	66	-	
Cash and cash equivalents	352	584,723	298	-	
TOTAL ASSETS	**4,768**	**2,521,230**	**762**	**205,270**	
Total non-current liabilities	429	601,976	493	-	
Total current liabilities	5,377	324,973	45	-	
TOTAL LIABILITIES (EXCL. EQUITY)	**5,805**	**926,949**	**539**	**-**	
Reconciliation with balance sheet values					
TOTAL SHAREHOLDERS' EQUITY OR NET ASSETS	**(1,037)**	**1,594,281**	**223**	**205,270**	
Share held	**(519)**	**326,201**	**44**	**82,108**	
IFRS 3 fair value adjustment[a]		(162,954)			
Value of diluted shares[b]		8,749			
BALANCE SHEET VALUE AT 31/12/2018	**(519)**	**171,996**	**44**	**82,108**	**253,629**
Sales	151	746,140	9		
Operating Income	(1,283)	325,097	(336)		
Foreign exchange gains and losses		1,433			
Loss on derivatives on hydrocarbons		(1,936)			
Interest expense	(1,280)	(61,230)	6		
Corporate income tax	(185)	(116,814)	-		
NET INCOME FROM EQUITY ASSOCIATES	**(2,749)**	**146,550**	**(330)**	**-**	
Share held	**(1,374)**	**29,985**	**(65)**	**-**	
Restatements for standardisation[c]		2,039			
P&L VALUE AT 31/12/2018	**(1,374)**	**32,024**	**(65)**	**-**	**30,585**

(a) Fair value adjustment for Seplat under IFRS 3 (consolidated at the stock market value) recorded in 2015 in connection with the merger with MPI.
(b) Seplat issued 25 million bonus shares which resulted in a 0.9% dilution of M&P's equity stake less the IFRS 3 fair value adjustment from 2015. Equity was thus reduced by US$6.5 million. At the same time, the diluted shares were valued at the market price of US$8.7 million. On a net basis, the dilution gain on the equity share, recorded in "Other income from operations", was US$2 million.
(c) For Seplat, this is recognition through profit or loss of share-based payments.

The Group's share of income from equity associates amounted to US$31 million, reflecting the full return of Seplat's hydrocarbon production to the levels achieved before a force majeure was declared on the export terminal and the stepping up of its gas production.

In December 2018, the Group acquired a 40% stake in Petroregional del Lago (PRDL) for €70 million (as explained in note 1.1). The book value of Petroregional del Lago's net assets was US$205 million, representing a US$82 million share in the Group's financial statements.

Identifiable assets acquired and liabilities assumed were measured on a preliminary basis as at 31 December 2018, resulting in the fair value of this investment being recognised in non-current assets. During the 12-month measurement period, the fair values of the identifiable assets acquired and liabilities assumed will be refined.

As at 31 December 2018, and given the current local context, the Group did not recognise any material difference between the fair value of this investment and the acquisition price.

The 2017 comparative information is provided below:

(In US$ thousands, adjusted)	**Maurel & Prom Colombia BV**	**Seplat**	**Deep Well Oil**	**Total**
Location	**Colombia**	**Nigeria**	**Canada**	
	Joint venture	**Associate**	**Associate**	
Activity	**Exploration**	**Production**	**Exploration**	
% Interest	*50.001%*	*21.369%*	*19.670%*	
Total non-current assets	92	1,764,789		
Other current assets	8,064	412,629		
Cash and cash equivalents	832	437,212		
TOTAL ASSETS	**8,988**	**2,614,630**	**-**	
Total non-current liabilities	580	431,407	427	
Total current liabilities	6,696	685,426		
TOTAL LIABILITIES (EXCL. EQUITY)	**7,276**	**1,116,833**	**427**	
Reconciliation with balance sheet values				
TOTAL SHAREHOLDERS' EQUITY OR NET ASSETS				
Historical conversion adjustment		109,742		
NET ASSETS	**1,712**	**1,607,539**	**(427)**	
Share held	**856**	**343,509**	**(84)**	
IFRS 3 fair value[a]		(193,691)		
BALANCE SHEET VALUE AT 31/12/2017	**856**	**149,817**	**(84)**	**150,589**
Sales	-	452,179	-	
Operating Income	(2,143)	130,250	(1,941)	
Exchange loss		682		
Loss on derivatives on hydrocarbons		(18,518)		
Financial income	(65)	(68,417)		
Corporate income tax	(242)	221,233	-	
NET INCOME FROM EQUITY ASSOCIATES	**(2,450)**	**265,230**	**(1,941)**	
Share held	**(1,225)**	**56,676**	**(382)**	
Restatements for standardisation[b]		1,212		
P&L VALUE AT 31/12/2017	**(1,225)**	**57,888**	**(382)**	**56,281**

(a) Fair value adjustment for Seplat under IFRS 3 (consolidated at the stock market value) recorded in 2015 in connection with the merger with MPI.
(b) For Seplat, this is mainly recognition through profit or loss of share-based payments and the deconsolidation of a subsidiary.

NOTE 3 OPERATIONS

Note 3.1 Segment reporting

In accordance with IFRS 8, the segment information reported must be based on the very same principles as those used in the internal reporting. It must reproduce the internal segment information defined to manage and measure the Group's performance.

Maurel & Prom's activities are split into three segments: exploration, production and drilling. Information by region is only relevant at the asset level and is presented in the notes on fixed assets. The other activities mainly concern the holding companies' support and financial services. Operating Income and assets are broken down for each segment based on the entities' contributing accounts, which include consolidation adjustments.

(In US$ thousands)	Hydrocarbon production					Other activities			31/12/2018
	Gabon	Tanzania	Nigeria (Seplat)	Angola[a]	Venezuela[a]	Exploration	Drilling	Holding company	
Sales	389,299	38,911		-			11,970		440,179
Operating Income and expenses	(161,813)	3,509	2,407	(9)	(782)	(2,862)	(26,959)	(8,663)	(195,174)
EBITDA	**227,485**	**42,420**	**2,407**	**(9)**	**(782)**	**(2,862)**	**(14,989)**	**(8,663)**	**245,006**
Depreciation and amortisation, impairment loss & provisions for assets in production and drilling assets	(95,472)	(9,029)				79	(904)	(548)	(105,874)
Provisions and impairment of drilling assets							(9,146)		(9,146)
Expenses and impairment of exploration assets net of reversals						(1,158)			(1,158)
Other non-recurring expenses				-	(693)		(186)	(2,092)	(2,972)
Gain (loss) on asset disposals	-	-					125	90	215
OPERATING INCOME	**132,014**	**33,391**	**2,407**	**(9)**	**(1,476)**	**(3,942)**	**(25,101)**	**(11,214)**	**126,071**
SHARE OF INCOME OF EQUITY ASSOCIATES			**32,024**			**(1,439)**			**30,585**
Net cash flow generated from operating activities	**182,434**	**29,108**		**(2,374)**	**(1,321)**	**16,335**	**(6,892)**	**(24,989)**	**192,301**
Intangible investments	**44,139**					**6,214**	**(2)**	**206**	**50,557**
INTANGIBLE ASSETS (NET)	**175,428**	**17,375**				**6,919**	**28**	**169**	**199,920**
Investments in property, plant and equipment	**70,225**	**2,440**				**1,053**	**19,005**	**294**	**93,017**
PROPERTY, PLANT AND EQUIPMENT (NET)	**1,376,838**	**48,941**				**2,968**	**21,793**	**623**	**1,451,162**

(a) The hydrocarbon sectors in Angola and Venezuela were created in 2018 but will not make a full-year contribution to the Group's net income until 2019.

The 2017 comparative information is provided below:

(In US$ thousands[(a)] translated)	Gabon	Tanzania	Nigeria (Seplat)	Exploration	Drilling	Holding company	31/12/ 2017
Sales	361,290	23,126		96	16,117		400,629
Purchases & operating expenses and personnel expenses, net of other income	(158,297)	(6,318)		(5,444)	(22,905)	(17,725)	(210,688)
EBITDA	**202,994**	**16,808**		**(5,347)**	**(6,788)**	**(17,726)**	**189,941**
Depreciation and amortisation, impairment loss & provisions for assets in production and drilling assets	(107,623)	(6,548)			852	3,188	(110,132)
Provisions and impairment of drilling assets					(6,916)		(6,916)
Expenses and impairment of exploration assets net of reversals				5,196			5,196
Other non-recurring expenses						(11,990)	(11,990)
Gain (loss) on asset disposals	(65)					1	(64)
OPERATING INCOME	**95,307**	**10,259**		**(151)**	**(12,852)**	**(26,527)**	**66,035**
SHARE OF INCOME OF EQUITY ASSOCIATES	**-**	**-**	**57,888**	**(1,607)**	**-**	**-**	**56,281**
Net cash flow generated from operating activities	**177,107**	**1,501**		**12,129**	**(7,517)**	**1,777**	**184,997**
Intangible investments	**138**			**2,377**	**34**		**2,549**
INTANGIBLE ASSETS (NET)	**132,402**	**19,105**		**1,741**	**21**	**-**	**153,269**
Investments in property, plant and equipment	**33,100**	**1,775**			**225**	**126**	**35,226**
PROPERTY, PLANT AND EQUIPMENT (NET)	**1,316,104**	**49,546**		**1,834**	**17,094**	**461**	**1,385,038**

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to note 6.10.

Note 3.2 Operating Income

Sales

Oil-related sales, corresponding to the sale of production on deposits operated by the Company were determined based on oil sold, i.e. oil lifted. The Group now recognises time variances between liftings and the theoretical entitlement in the cost of sales by posting over- or underlift positions, valued at market price, to other current assets (underlift position) or other current liabilities (overlift position).

Gas sales are recognised at the point of connection to customers' facilities.

Drilling services sales are recognised using the percentage of completion principle based on the drilling, the progress being measured in terms of depth reached and time spent on the task.

Operating Income

The Group uses a number of indicators to assess the performance of its activities:

Earnings before interest, taxes, depreciation and amortisation (EBITDA) represents sales net of the following items:

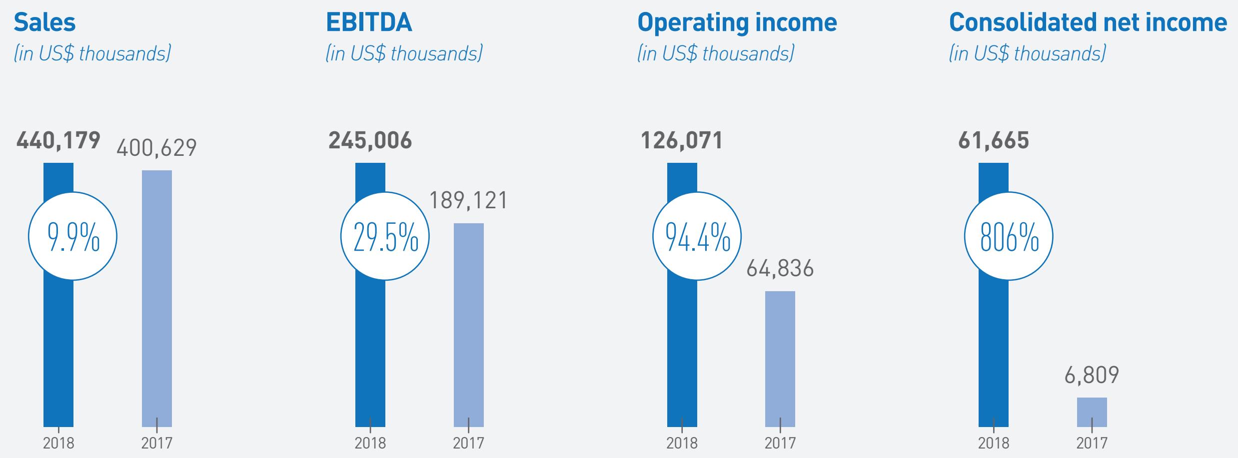
- other Operating Income;
- purchases of consumables and services (grouped in production purchases and expenses);
- taxes (including mining royalties and other taxes associated with operations);
- personnel expenses.

The last three items were grouped together by function in operating expenses.

Current operating income corresponds to EBITDA after amortisation and depreciation of tangible and intangible assets, including depletion.

Items between Current operating income and Operating Income correspond to income and expenses considered as unusual, non-recurring and material, including:

- material capital gains and losses resulting from asset sales;
- impairment of operating assets;
- depreciations related to discontinued exploration assets;
- expenses incurred in the exploration phase (up to the identification of a prospect), given that the volatility of such expenditures is unpredictable, depending on the results of exploration activities;
- costs relating to business combinations and restructuring.



The Group's consolidated sales for 2018 amounted to US$440 million, up 10% compared to 2017. The sharp rise in oil prices in 2018 – the average sale price was up 30% at US$68.8/bbl versus US$53.0/bbl in 2017 – more than offset the drop in oil production volume in Gabon related to technical evacuation constraints, leading to an overall increase in sales. The increase in the demand for gas in Tanzania led to a significant increase in gas production in 2018. Total production stood at 83.2 MMcfpd at 100% in 2018, up 69% compared to the previous year. In the second half of 2018, average production was 87.0 MMcfpd.

Operating Income amounted to US$139 million, up from the previous year largely because of the increase in the price of Brent.

Other non-current income and expenses mostly comprised costs related to business combinations.

Note 3.3 Fixed assets

Maurel & Prom conducts part of its Exploration and Production activities under Production Sharing Contracts (PSCs). This type of contract, signed with the host country, sets rules for cooperation (in association with potential partners) and for production sharing with the government or the state-owned company that represents it, and defines the taxation terms.

Under these agreements, the Company agrees to finance its percentage of interest in exploration and production operations, and in exchange receives a share of production known as "cost oil". The sale of this production share normally allows the Company to recover its investments, as well as the operating costs incurred. The production balance (known as "profit oil") is then split between the Company and the state in variable proportions and the Company pays its share of tax on the revenue from its activities.

Under such Production Sharing Contracts, the Company recognises its share of assets, sales and net income in light of its percentage held on the permit in question.

The following methods are used to account for the costs of oil-related activities:

Oil search and exploration rights

- Mining permits: Expenditures for the acquisition and allocation of mining permits are recorded as intangible assets and, during the exploration phase, amortised on a straight-line basis over the estimated duration of the permit or, during the development phase, in line with the amortisation rate for the oil production facilities. If the permit is withdrawn or the exploration fails, the remaining amortisation is recorded once.
- Acquired mining rights: Acquisitions of mining rights are recorded as intangible assets and, if they have led to the discovery of oil reserves, depreciated in accordance with the unit-of-production method based on proven and probable reserves. The depreciation rate equals the ratio between the field's hydrocarbon production over the fiscal year and the proven and probable hydrocarbon reserves at the beginning of the same fiscal year, re-estimated on the basis of an independent appraisal.

Exploration costs

The Group applies IFRS 6 for the recognition of exploration costs.

Hydrocarbon production fees and assets are accounted for in accordance with the "successful efforts" method.

Charges incurred prior to the issuance of the exploration permit are recognised as expenses.

Studies and works concerning the exploration, including geology and geophysics costs, are recorded under expenses until a prospect is identified.

Expenses incurred to identify a prospect such as exploratory drilling are capitalised and are depreciated as soon as the production starts.

Drilling expenditure that does not result in a commercial discovery is posted under expenses for the total amount incurred once it is decided to permanently abandon work in the zone concerned or in the connected zone.

When the technical feasibility and commercial viability of the oil production project can be proven (analysis based on the outcome of appraisal wells or seismic study work, etc.) and following the issuance of an Exclusive Development and Production Authorisation (AEDE), these costs then become development costs, a portion of which is transferred to property, plant and equipment, depending on their nature.

Once an impairment indicator appears (permit expiry date, absence of further budgeted exploration expenses, etc.), an impairment test is carried out to ensure that the book value of the expenses incurred does not exceed the recoverable amount.

In addition, when the technical feasibility and commercial viability of the oil production project can be demonstrated, exploration assets are systematically subject to an impairment test.

Impairment tests are carried out at the permit level, in accordance with the common practice within the industry.

Oil production assets

Oil production fixed assets include assets recognised during the exploration phase and transferred to property, plant and equipment following discoveries, and assets relating to field development (production drilling, surface facilities, oil routing systems etc.).

Depletion

Fixed assets are depreciated according to the unit-of-production method.

For general facilities, i.e. those which concern the entire field (pipelines, surface units, etc.), the depreciation rate equals the ratio of the field's hydrocarbon production during the fiscal year to the proven reserves at the beginning of the same fiscal year. If applicable, they are weighted by the ratio (proven)/(proven + probable) reserves for that field, in order to take into account their relative role in the production of all proven and probable reserves of the field in question.

For specific facilities, i.e. those dedicated to specific areas of a field, the depreciation rate used equals the ratio of the field's hydrocarbon production during the fiscal year to the proven developed reserves at the beginning of the same fiscal year.

The reserves taken into account are the reserves determined on the basis of analyses conducted by independent organisations, to the extent that the said analyses are available on the reporting date.

Site remediation costs

Provisions for site remediation are recognised when the Group has an obligation to dismantle and remediate a site.

The discounted site remediation cost is capitalised and added to the value of the underlying asset and amortised at the same rate.

Financing of oil-related costs for third parties (carry)

The financing of third-party oil costs is an activity that consists of the substituting, as part of an oil joint operation, for another member of the joint operation to finance its share of the cost of works.

When the contract terms give it similar characteristics to those of other oil assets, the financing of oil costs on behalf of third parties is treated as an oil asset.

Consequently, and in accordance with paragraph 47 (d) of ASC 932 usually applied in the oil sector, the accounting rules are those applicable to expenses of the same nature as the Group's own share (fixed assets, depreciation, impairment, operating costs as expenses):

- accounting for exploration costs financed as intangible assets (carried partners' share entered as the Maurel & Prom share);
- if prospecting does not result in a producing asset: recognition of all costs as expenses;
- in the case of producing assets: the transfer of costs booked as intangible assets to property, plant and equipment (technical facilities);
- the share of hydrocarbons accruing to the carried partners and used to repay that cost of carry is treated as sales for the partner that carries it;
- reserves corresponding to the carried costs are added to the reserves of the partner that carries the costs;
- depreciation of technical facilities (including the share of carried partners) according to the unit-of-production method by including in the numerator the production for the period allocated to recovery of the carried costs and in the denominator the share of reserves used to recover all of the carried costs.

Other intangible assets

Other intangible assets are recognised at their acquisition cost and posted on the balance sheet at that value, after deducting accrued amortisation, depreciation and any impairment.

Amortisation is calculated on a straight-line basis and the amortisation period is based on the estimated useful life of the different categories of intangible assets depreciated over a period ranging from one to three years.

Other property, plant and equipment

The gross value of other property, plant and equipment corresponds to the acquisition or production cost. It is not revalued.

Depreciation is calculated on a straight-line basis, and the depreciation period is based on the estimated useful life of the different categories of property, plant and equipment, which are predominantly as follows:

- buildings: 10 years;
- infrastructure: 8 to 10 years;
- drilling rigs: 3 to 20 years;
- technical facilities: 3 to 10 years;
- fixtures and fittings: 4 to 10 years;
- transportation equipment: 3 to 8 years;
- office and computer equipment: 2 to 5 years; and
- office furniture: 3 to 10 years.

Finance leasing contracts are agreements whose effect is to transfer virtually all risk and benefits inherent in the ownership of the asset from the lessor to the lessee. Such contracts are recognised in the balance sheet as assets at fair value, or at the discounted value of the minimum lease payments as defined in the contract if lower. The corresponding debt is recognised under balance sheet liabilities as financial debt. Such assets are depreciated on the basis of the Group's estimation of their useful life.

Leasing contracts that are not lease financing agreements as defined above are recognised as regular leasing contracts. Payments for regular leasing contracts are booked in the income statement on a straight-line basis over the period of the lease.

Borrowing costs are capitalised when the asset in question meets the eligibility conditions as defined by IAS 23R.

Asset impairment

When events indicate a risk of impairment on the intangible and tangible assets, and with regard to goodwill and intangible assets not amortised at least once a year, an impairment test is carried out in order to determine whether their net book value is lower than their recoverable amount, with the recoverable amount defined as the higher between the fair value (less exit costs) and the value in use. The value in use is determined by discounting future cash flows expected from the use and disposal of the assets.

Concerning the oil assets in production, cash flows are determined based on the hydrocarbon reserves identified, the related production profile and the discounted sale prices after taking into account the applicable tax terms as defined in the Production Sharing Contracts.

The permit is generally used as the cash-generating unit (CGU). A CGU is a set of assets whose ongoing use generates cash flows that are largely independent of the cash flows generated by other groups of assets. In certain cases, a permit may contain exploration and production assets.

With regard to the Group's other activities, impairment tests are performed on the basis of the Company's business plans, including a terminal value.

The discount rate used takes into account the risk associated with the activity and its geographical location.

If the recoverable amount is lower than the net book value, an impairment is recognised for the difference between these two amounts.

This impairment may be reversed according to the net book value that the asset would have held on the same date, had it not been impaired. However, impairment losses recorded on goodwill are irreversible.

Note 3.3.1 Intangible assets

(in US$ thousands)	**31/12/2017, adjusted [a]**	**Currency translation adjustment**	**Invest.**	**Transfer**	**Op. expenses**	**Amort.**	**31/12/2018**
Ezanga (Gabon)	140,608	-	44,139	(344)	-	(8,975)	175,428
Mnazi Bay (Tanzania)	20,289	-	-	-	-	(2,914)	17,375
Assets attached to permits in exploration	**1,687**	**65**	**6,214**	**1,004**	**(1,801)**	**(250)**	**6,919**
Drilling	22	13	(2)		-	(5)	28
Other	29	-	206	-	-	(66)	169
INTANGIBLE ASSETS (NET)	**162,636**	**77**	**50,557**	**660**	**(1,801)**	**(12,210)**	**199,920**

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to Note 6.10.

On the Ezanga permit, investments correspond to the rights purchased from Rockover for US$43 million as consideration for a reserved capital increase of US$32.25 million and a cash payment of US$10.75 million.

The recoverable values of all the assets in the Group's exploration portfolio were analysed in accordance with IFRS 6 and IAS 36.

No impairment was recognised on the intangible assets of Ezanga, Kari, Nyanga-Mayombé and Mnazi Bay.

Exploration expenses in Namibia relating to the acquisition of seismic data were incurred before the presence of a hydrocarbon prospect had been determined and consequently were expensed for the period under the "successful effort" method.

The changes in intangible assets for the previous fiscal year are stated below in US dollars:

(In US$ thousands [a], adjusted)	**31/12/2016**	**Currency translation adjustment**	**Invest.**	**Transfer**	**Op. expenses**	**Amort.**	**31/12/2017**
Ezanga (Gabon)	148,277		138			(7,806)	140,608
Mnazi Bay (Tanzania)	38,724			(10,478)		(3,268)	20,289
Assets attached to permits in exploration	**7,912**	**-**	**2,337**	**-**	**(8,023)**	**-**	**1,687**
Drilling	56	(2)	34	1		(65)	22
Other	9	-	40	-	-	(21)	29
INTANGIBLE ASSETS (NET)	**194,978**	**(2)**	**2,549**	**(10,477)**	**(8,023)**	**(11,160)**	**162,636**

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to note 6.10.

The breakdown of the net values of intangible assets between gross and amortisation is as follows:

(In US$ thousands)	**Goodwill**	**Oil search and production rights**	**Exploration expenses**	**Other**	**Total**
Gross value at 31/12/2017 [a], adjusted	7,679	231,334	88,459	4,756	332,228
Amortisation at 31/12/2017 [a], adjusted	(7,679)	(69,123)	(88,459)	(4,331)	(169,592)
NET BOOK VALUE AT 31/12/2017, ADJUSTED [a]	**-**	**162,210**	**-**	**425**	**162,636**
Gross value at 31/12/2018	7,331	278,443	96,020	3,203	384,997
Amortisation at 31/12/2018	(7,331)	(85,266)	(89,782)	(2,698)	(185,078)
NET BOOK VALUE AT 31/12/2018	**-**	**193,177**	**6,238**	**505**	**199,920**

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to note 6.10.

Note 3.3.2 Property, plant and equipment

(In US$ thousands)	31/12/2017, adjusted [a]	Currency translation adjustment	Invest.	Transfer	Impairment	Amort.	31/12/2018
Ezanga (Gabon)	1,397,683	-	70,225	344	-	(91,414)	1,376,838
Mnazi Bay (Tanzania)	52,617	-	2,440	-	-	(6,115)	48,941
Mios (France)	(1)	(32)	1,053	-	-	-	1,020
Nyanga-Mayombé (Gabon)	1,948	-	-	-	-	-	1,948
Drilling	18,153	2	19,005		(9,146)	(6,222)	21,793
Other	490	-	294	-	-	(161)	623
PROPERTY, PLANT AND EQUIPMENT (NET)	**1,470,890**	**(30)**	**93,017**	**344**	**(9,146)**	**(103,913)**	**1,451,162**

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to note 6.10.

Investments in property, plant and equipment over the period primarily concern production investments on the Ezanga permit.

Pursuant to IAS 36, impairment tests were performed in order to determine the recoverable value of the assets.

Concerning the production activities in Gabon and Tanzania, the value in use was determined on the basis of the reserves, costs and future cash flows resulting from reports issued by independent appraisers.

The calculation assumptions are based on (i) a forward price for Brent of US$62/bbl in 2019, US$70/bbl in 2020, US$77/bbl in 2021 and US$79/bbl inflated as from 2022 for oil sales or the contract gas price for gas sales, and (ii) a discount rate of 10%. A reasonable change in one of the pertinent indicators of these impairment tests, i.e. a decrease in the sale price of 5% (in the case of Ezanga), of -5% in production, or of 100 basis points in the discount rate would not lead to the impairment of the production assets.

Fair value of drilling assets was estimated based on reports by appraisers, using the same methodologies as in previous years.

Based on investments in the period, the fair value was measured at US$22 million.

The changes in property, plant and equipment for the previous fiscal year are presented in US dollars:

(in US$ thousands [a], adjusted)	31/12/2016	Currency translation adjustment	Invest.	Transfer	Impairment	Amort.	31/12/2017
Ezanga (Gabon)	1,464,399		33,100			(99,816)	1,397,683
Mnazi Bay (Tanzania)	43,643		1,775	10,478		(3,280)	52,617
Nyanga-Mayombé (Gabon)	1,948						1,948
Drilling	23,520		225	(1)	(4,861)	(729)	18,153
Other	521	(7)	126			(151)	489
PROPERTY, PLANT AND EQUIPMENT (NET)	**1,534,032**	**(7)**	**35,226**	**10,477**	**(4,861)**	**(103,976)**	**1,470,890**

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to note 6.10.

The breakdown of the net values of property, plant and equipment between gross and amortisation is as follows:

(in US$ thousands)	Land and buildings	Technical facilities	Down payments and construction in progress	Other	Total
Gross value at 31/12/2017, adjusted [a]	9,262	2,235,239	1,038	82,504	2,328,042
Depreciation at 31/12/2017, adjusted [a]	(2,791)	(844,828)	(661)	(8,871)	(857,151)
NET BOOK VALUE AT 31/12/2017, ADJUSTED [a]	**6,471**	**1,390,411**	**376**	**73,632**	**1,470,890**
Gross value at 31/12/2018	9,268	2,301,358	5,701	90,260	2,406,586
Amortisation at 31/12/2018	(3,291)	(944,577)	(519)	(7,036)	(955,423)
NET BOOK VALUE AT 31/12/2018	**5,976**	**1,356,781**	**5,182**	**83,223**	**1,451,162**

(a) Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018, pursuant to note 6.10.

Note 3.4 Inventories

(in US$ thousands)	31/12/2017, adjusted	Currency translation adjustment	Change	Impairment/ Reversals	31/12/2018
Ezanga (Gabon)	-	-	9,896	-	9,896
BRM (Tanzania)	6,087	(225)	-	(1,653)	4,208
Drilling	1,710	-	(8,838)	7,128	-
INVENTORIES (NET)	**7,796**	**(225)**	**1,058**	**5,474**	**14,104**

Inventories are valued using the weighted average cost method at acquisition or production cost. Production cost includes consumables and direct and indirect production costs. Hydrocarbon inventories are valued at production cost, including field and transportation costs and the depreciation of assets used in production. A provision is created when the net realisable value is lower than the cost of inventories.

Note 3.5 Trade receivables

Trade receivables are initially recognised at fair value and then at amortised cost.

At year end, impairment losses on trade receivables are losses expected over the life of the receivables, in accordance with IFRS 9. The Group's exposure to credit risk is influenced by customers' individual characteristics.

(In US$ thousands)	31/12/2017, adjusted	Currency translation adjustment	Change	Transfer	Impairment/ Reversals	31/12/2018
Ezanga (Gabon)	13,183	-	34,798	-	-	47,981
Mnazi Bay (Tanzania)	37,954	-	4,741	-	-	42,695
Drilling	7,865	-	(2,001)	(175)	(1,192)	4,498
Other	109	(3)	(92)	-	-	14
TRADE RECEIVABLES AND RELATED ACCOUNTS (NET)	**59,111**	**(3)**	**37,447**	**(175)**	**(1,192)**	**95,188**

Trade receivables on Ezanga for hydrocarbon sales essentially reflect the receivables from Total Oil Trading SA and Sogara, both of which purchase production from the Ezanga permit fields. The change in the balance of receivables for the period is due to timing variances in lifting.

The trade receivables on Mnazi Bay for natural gas sales are mostly from the national company TPDC and Tanesco.

Drilling trade receivables mainly correspond to receivables from leading oil companies.

The recoverability of all of these receivables is not called into question. There is no significant impaired receivable.

Note 3.6 Other assets

Other current assets include assets related to the regular operating cycle, some of which can be produced more than 12 months after the reporting date. At year end, impairment losses on trade receivables are losses expected over the life of the receivables, in accordance with IFRS 9.

(in US$ thousands)	31/12/2017, adjusted	Currency translation adjustment	Change	Transfer	Impairment/ Reversals	31/12/2018
Supplier advances	3,505	-	(510)		(300)	2,695
Prepaid and deferred expenses	1,153	(3)	741		(56)	1,836
Tax and social security receivables	85,070	(2,000)	(2,919)	(124)	(768)	79,259
OTHER ASSETS (NET)	**89,728**	**(2,003)**	**(2,688)**	**(124)**	**(1,124)**	**83,789**
Gross	94,470	(2,003)	(2,743)	-		89,723
Impairment	(4,742)		56	(124)	(1,124)	(5,934)
NON-CURRENT	**46,568**	**(1,893)**	**-**			**44,675**
CURRENT	**43,160**	**(110)**	**(2,688)**	**(124)**	**(1,124)**	**39,114**

"Tax and social security receivables (excluding corporate income tax)" primarily comprise VAT receivables from the Gabonese State, denominated in XAF, the portion subject to a protocol being classified as non-current.

Note 3.7 Trade payables

(in US$ thousands)	31/12/2017, adjusted	Currency translation adjustment	Change	Transfer	31/12/2018
Ezanga (Gabon)	43,548	-	2,163	-	45,711
Mnazi Bay (Tanzania)	673	-	298	-	971
Drilling	5,727	-	732	(259)	6,199
Other	6,836	(120)	255	-	6,970
TRADE PAYABLES AND RELATED ACCOUNTS	**56,784**	**(120)**	**3,448**	**(259)**	**59,852**

Note 3.8 Other debts

(In US$ thousands)	31/12/2017, adjusted	Currency translation adjustment	Change	Transfer & scope	31/12/2018
Social security liabilities	11,658	(66)	1,056		12,648
Tax liabilities	37,774	(10)	8,780		46,544
Fixed asset liabilities	2,025	-	(41)		1,984
Advances	27,180		(606)		26,574
Overlift position liability	-		13,252		13,252
Investment liabilities				27,000	27,000
Miscellaneous liabilities	36,394	587	(5,127)	(12,026)	19,827
OTHER CURRENT LIABILITIES	**115,031**	**511**	**17,314**	**14,973**	**147,829**

Investment liabilities correspond to the balance due to Shell on the anniversary of the closing of the acquisition of its stake in Petroregional del Lago.

Note 3.9 Provisions

In accordance with IAS 37 – "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has an obligation at fiscal year-end to a third party deriving from a past event, the settlement of which should result in an outflow of resources that constitute economic benefits.

The site remediation obligation is recognised at the discounted value of the estimated cost for the contractual obligation for dismantling; the impact of the passage of time is measured by applying a risk-free interest rate to the amount of the provision. The effect of the accretion is posted under "Other financial income and expenses".

Severance payments on retirement correspond to defined benefit plans. They are provisioned as follows:

- the actuarial method used is known as the projected unit credit method, which states that for each year of service, an additional unit of benefit must be allocated. These calculations incorporate assumptions about mortality, staff turnover and projections of future salaries; and
- the differences between actual and forecast commitments (based on projections or new assumptions) and those between the projected and actual return on funds invested are called actuarial gains and losses. They are recognised under other comprehensive income, without the possibility of being subsequently recycled through net income. The cost of past services is recognised under net income, whether they are acquired or not.

(in US$ thousands)	31/12/2017, adjusted	Currency translation adjustment	Increase	Reversal	Transfer	31/12/2018
Site remediation	42,957	(116)	986	(7,364)	1,004	37,466
Pension commitments	1,070	(6)	100			1,164
Other	21,031	(253)		(5,511)	(39)	15,227
PROVISIONS	**65,058**	**(376)**	**1,085**	**(12,875)**	**965**	**53,857**
NON-CURRENT	**49,245**	**(122)**	**1,085**	**(7,364)**	**(4,824)**	**38,019**
CURRENT	**15,813**	**(253)**	**-**	**(5,511)**	**5,789**	**15,838**

Site remediation provisions for production sites are established based on an appraisal report and updated using US Bloomberg Corporate AA rates to remain aligned with the term of the commitment. For example, a 4.7% rate projected over 40 years is used to calculate the provision for the Ezanga remediation.

The other provisions cover various risks including tax and employee-related risks in the Group's various host countries.

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NOTE 4 FINANCING

Note 4.1 Financial income

(in US$ thousands)	31/12/2018	31/12/2017, adjusted
Interest on overdrafts	(422)	(50)
Interest on ORNANE bonds	(17)	(32,283)
Interest on shareholder loans	(3,793)	(4,486)
Interest on other borrowings	(24,692)	(20,373)
GROSS FINANCE COSTS	**(28,924)**	**(57,192)**
Income from cash	5,156	1,473
Net income from derivative instruments	(111)	6,820
NET FINANCE COSTS	**(23,879)**	**(48,899)**
Net foreign exchange adjustment	(2,527)	(32,658)
Other	(233)	(1,553)
OTHER NET FINANCIAL INCOME AND EXPENSES	**(2,760)**	**(34,211)**
FINANCIAL INCOME	**(26,639)**	**(83,111)**

Gross borrowing costs use the effective interest rate of the loan (i.e. the actuarial rate which takes into account issuance fees).

Net foreign exchange variances are mainly due to the revaluation at the closing rate of the Group's foreign currency positions that are not in the Group's functional currency (USD).

- the €/US$ conversion at 31/12/2017 was 1.199 versus 1.145 at the balance sheet date;
- positions in transactional currencies that are not in the USD functional currency used by all consolidated entities are largely Gabonese receivables amounting to €69 million (denominated in XAF).

Other financial income and expenses are mainly comprised of the accretion of the provision for site remediation.

Note 4.2 Other financial assets

Other financial assets are initially recognised at fair value and then at amortised cost.

At year end, impairment losses on trade receivables are losses expected over the life of the receivables, in accordance with IFRS 9.

(In US$ thousands)	31/12/2017, adjusted	Currency translation adjustment	Change	Transfer	Impairment/ Reversals	31/12/2018
Equity associates current accounts	3,267	(221)	96	-	-	3,142
Deposits	4,617	(22)	99			4,693
Other advances	13,064	2,911	(14,237)		(97)	1,641
Ezanga carry receivables (Gabon)	56,925	-	(2,660)	(12,026)		42,238
Mnazi Bay carry receivables (Tanzania)	9,534	-	(1,791)			7,743
Miscellaneous receivables	956	(21)	1,524	-	(571)	1,888
OTHER FINANCIAL ASSETS (NET)	**88,363**	**2,647**	**(16,969)**	**(12,026)**	**(668)**	**61,346**
NON-CURRENT	**7,884**	**(244)**	**195**	**-**	**-**	**7,835**
CURRENT	**80,479**	**2,890**	**(17,164)**	**(12,026)**	**(668)**	**53,511**

Carry receivables correspond to the Group's financing of the share of costs accruing to its partners under partnership agreements. These are recovered by reallocating a portion of the hydrocarbon sales accruing to carried partners to the Group.

The pace of recovery of these carry receivables is based on the activity's regular operating cycle and may consequently exceed 12 months.

Note 4.3 Cash and cash equivalents

Bank deposits correspond to the balances of current accounts and short-term investments of excess cash.

(in US$ thousands)	31/12/2018	31/12/2017, adjusted
Liquid assets, banks and savings banks	199,076	199,170
Short-term bank deposits	1,468	948
Marketable securities	79,327	60,020
CASH AND CASH EQUIVALENTS	**279,871**	**260,138**
Bank loans [a]	(113)	(784)
NET CASH AND CASH EQUIVALENTS	**279,757**	**259,354**

(a) Bank loans are reported under debt as shown below.

Note 4.4 Borrowings

(In US$ thousands)	31/12/2017, adjusted	Repayment	Interest expense	Interest withdrawal	Other movements	31/12/2018
Term loan (US$600m)	591,385		2,080			593,465
Shareholder loan	100,000					100,000
Lease financing debt	2,226		334	(334)	-	2,226
NON-CURRENT	**693,612**	**-**	**2,414**	**(334)**	**-**	**695,692**
2019 ORNANE bonds	345	(345)	17	(17)	-	-
2021 ORNANE bonds	3	(3)			-	-
Lease financing debt	412	(366)				46
Current bank loans	784		422	(422)	(670)	113
Accrued interest	787		26,071	(24,875)	(95)	1,888
— Shareholder loan (US$100m)	*95*		*3,793*	*(3,793)*	*(95)*	-
—Term loan (US$600m)	*692*		*22,278*	*(21,082)*	-	*1,888*
CURRENT	**2,330**	**(714)**	**26,510**	**(25,313)**	**(765)**	**2,047**
BORROWINGS	**695,942**	**(714)**	**28,924**	**(25,648)**	**(765)**	**697,739**

Note 4.4.1 Bonds

At the end of the 2017 fiscal year, only 16,936 ORNANE 2019 bonds and 240 ORNANE 2021 bonds remained outstanding. The Group exercised its right to amortise the convertible bonds early, under the terms and conditions set forth in their respective issue contracts, effective as at 12 February 2018.

Note 4.4.2 Other borrowings

Other borrowings are initially recognised at their fair value and then at amortised cost. Issuance costs are recognised as a deduction against the initial fair value of the loan. Financial expenses are then calculated on the basis of the loan's effective interest rate (i.e. the actuarial rate taking issuance costs into account).

By refinancing its entire debt on favourable terms at the end of December 2017, the Group rescheduled its repayments over seven years, including a two-year grace period. It was also an opportunity to align the functional currency of the financial holdings with that of the operational entities and denominate them in US dollars, thereby reducing future exposure to exchange rate fluctuations.

Shareholder loan

In December 2017, as part of its refinancing, the Group set up a shareholder loan with PIEP for an initial amount of US$100 million, with a second tranche of US$100 million that can be drawn down at Maurel & Prom's discretion.

The terms of this new facility are as follows:

Initial amount	US$100 million
Additional amount	US$100 million that can be drawn down at will
Maturity	December 2024
First repayment	December 2020
Repayment	17 quarterly instalments
Borrowing rate	LIBOR + 1.60%

US$600-million term loan

The Group took out a US$600-million term loan with a group of nine international banks on 21 December 2017.

The terms of this loan are as follows:

Initial amount:	US$600 million
Maturity	December 2023
First repayment	March 2020
Repayment	16 quarterly instalments
Borrowing rate	LIBOR + 1.50%

At the end of June 2018, the Group took out interest-rate derivatives to limit the cost of debt in the event of a rise in interest rates.

The nominal amount hedged was US$250 million for maturities between July 2020 and July 2022 at the three-month LIBOR.

The hedge was qualified as a "cash flow hedge" under IFRS 9. Only the intrinsic value was designated as a hedging instrument. The time value was treated as a hedging cost and recognised as OCI then amortised in the income statement in accordance with the straight-line method. The fair value of these derivatives is recognised on the balance sheet under "Non-current derivative financial assets".

(in US$ thousands)	31/12/2017	OCI	31/12/2018
FINANCIAL INSTRUMENTS	-	1,615	1,615

NOTE 5 FINANCIAL RISK & FAIR VALUE

Note 5.1 Risks of fluctuations in hydrocarbon prices

Historically, oil and gas prices have always been highly volatile and can be impacted by a wide variety of factors, such as the demand for hydrocarbons directly related to the general economy, production capacities and levels, government energy policies and speculative practices. The oil and gas industry's economy and especially its profitability are very sensitive to fluctuations in the price of hydrocarbons expressed in US dollars.

The Group's cash flows and future results are therefore strongly influenced by changes in the price of hydrocarbons expressed in US dollars. No hedging on the price of hydrocarbons took place in 2018.

For the full year, the average price of Brent increased by 30% to US$68.8/bbl versus US$53/bbl in 2017.

A decrease of 10% in the price of oil from the average price in 2018 would have impacted sales and EBITDA by -US$39 million.

Note 5.2 Foreign exchange risk

Given that its activity is to a large extent international, the Group is theoretically exposed to various types of foreign exchange risk:

- changes in foreign exchange rates affect the transactions recognised as Operating Income (sales flow, cost of sales, etc.);
- the revaluation at the closing rate of debts and receivables in foreign currencies generates a financial exchange risk;
- there is also a foreign exchange risk linked to the conversion into US dollars of the accounts of Group entities whose functional currency is the euro. The resulting exchange gain/loss is recorded in other comprehensive income.

In practice, this exposure is currently low, since sales, most operating expenses, most investments and the Group's borrowings are denominated in US dollars.

The Group's reporting and operating currencies are both US dollars.

The impact on consolidated income and on shareholders' equity as at 31 December 2018 of a 10% rise or fall in the €/US$ exchange rate is shown below:

(in US$ thousands)	Impact on pre-tax income		Impact on exchange gain/loss (equity)	
	10% rise in €/US$ exchange rate	10% decline in €/US$ exchange rate	10% rise in €/US$ exchange rate	10% decline in €/US$ exchange rate
EUR equivalent	(7,233)	7,233	(5,179)	5,179
Other currencies				
TOTAL	**(7,233)**	**7,233**	**(5,179)**	**5,179**

The average annual €/US$ exchange rate was relatively stable at US$1.13 for €1 in 2017 versus US$1.18 for €1 in 2018. The €/US$ exchange rate as at 31 December 2018 was 1.15 versus 1.20 at 31 December 2017.

Against this backdrop, the Group booked a foreign exchange loss of US$2.5 million to financial income in 2018 – substantially less than the foreign exchange loss of US$32.7 million in 2017.

The Group holds liquid assets primarily in US dollars to finance its projected investment expenses in that currency. There were no ongoing foreign exchange transactions as at 31 December 2018.

The Group's consolidated foreign exchange position as at 31 December 2018 (i.e. positions on the currencies in which transactions were conducted) was US$72 million and can be analysed as follows:

(In US$ thousands)	Assets and liabilities	Commitments in foreign currency	Net position before hedging	Hedging instruments	Net position after hedging
Trade receivables and payables	91,151		91,151		91,151
Other creditors and sundry liabilities	(18,818)		(18,818)		(18,818)
EQUIVALENT EUR EXPOSURE	**72,332**	**-**	**72,332**	**-**	**72,332**

Note 5.3 Liquidity risk

Due to the nature of its industrial and commercial activity, the Group is exposed to liquidity shortage risks or risks that its financing strategy proves to be inadequate. These risks are exacerbated by oil price levels, which could affect the Group's ability to obtain refinancing if they were to remain low over the long term. A report on the sources of financing available as at 31 December 2018 appears in Note 4.4: Borrowings.

The Group's liquidity is detailed in the consolidated statements of cash flow drawn up weekly and sent to executive management.

Seven-day, monthly, quarterly and year-end forecasts are also prepared at the same time.

The earnings are compared to forecasts using those statements, which, in addition to liquidity, make it possible to assess the foreign exchange position.

As at 31 December 2018, the Group had cash and cash equivalents amounting to US$280 million.

To the Company's knowledge, there are no limitations or restrictions on the raising of cash from the Group's subsidiaries.

The table below shows the breakdown of financial liabilities by contractual maturity:

(in US$ thousands)	2019	2020	2021	2022	2023	> 5 years	Total contractual flow	Total balance sheet value
Shareholder loan	3,966	9,852	26,881	25,947	25,014	24,084	115,744	100,000
Term loan (US$600m)	24,694	172,376	166,511	160,714	154,867		679,162	595,353
Current bank loans	113						113	113
Lease financing debt	341	341	341	341	341	4,032	5,737	2,272
TOTAL	**29,115**	**182,568**	**193,732**	**187,002**	**180,223**	**28,115**	**800,755**	**697,739**

The Company has specifically reviewed its liquidity risk and its future maturities.

As at 31 December 2018, the Company was in compliance with all ratios set out in the term loan. To date, the Group believes that it is in a position to meet its contractual maturities.

For information, as at 31 December 2017, the non-discounted contractual flows (principal and interest) on the outstanding financial liabilities, by maturity date, were as follows:

(in US$ thousands)	2018	2019	2020	2021	2022	> 5 years	Total contractual flow	Total balance sheet value
Shareholder loan	3,148	3,140	9,031	26,206	25,468	48,721	115,714	100,095
2019 ORNANE bonds	3						3	3
2021 ORNANE bonds	345						345	345
Other	18,939	18,887	167,118	162,357	157,648	152,938	677,888	592,077
Current bank loans	784						784	784
Lease financing debt	412	341	341	341	341	3,646	5,423	2,638
TOTAL	**23,631**	**22,368**	**176,490**	**188,905**	**183,457**	**205,306**	**800,157**	**695,942**

Note 5.4 Interest rate risk

Like any company that uses external lines of credit and invests its excess cash, the Group is exposed to an interest rate risk.

The Group's consolidated gross debt as at 31 December 2018 amounted to US$698 million. It mainly consisted of two floating-rate loans.

In 2018 the Group took out financial instruments to limit its exposure to interest rate risk, as per Note 4.4.2.

As at 31 December 2018, the interest rate risk can be assessed as follows:

(in US$ thousands)	31/12/2018	31/12/2017
2019 ORNANE bonds		3
2021 ORNANE bonds		346
FIXED RATE	**-**	**348**
Term loan (US$600m)	595,353	592,077
Shareholder loan	100,000	100,095
Lease financing debt	2,272	2,638
Current bank loans and other	113	784
FLOATING RATE	**697,739**	**695,594**
BORROWINGS	**697,739**	**695,942**

A 1-point rise in interest rates would result in an additional interest expense of US$4 million per year on the income statement.

A significant portion of cash is held in floating rate demand deposits. A 1-point rise in interest rates would result in a US$2 million increase in net income.

Note 5.5 Counterparty risk

The Group is exposed to a credit risk due to loans and receivables that it grants to third parties as part of its operating activities, short-term deposits that it holds at banks, and, if applicable, derivative instrument assets that it holds.

(In US$ thousands)	31/12/2018		31/12/2017 [a], adjusted	
	Balance sheet total	Maximum exposure	Balance sheet total	Maximum exposure
Non-current financial assets	7,835	7,835	7,884	7,884
Other non-current assets	44,675	44,675	46,568	46,568
Trade receivables and related accounts	95,188	95,188	59,111	59,111
Current financial assets	53,511	53,511	80,479	80,479
Other current assets	39,114	39,114	43,160	43,160
Cash and cash equivalents	279,871	279,871	260,138	260,138
TOTAL	**520,194**	**520,194**	**497,339**	**497,339**

Maximum exposure corresponds to the balance sheet outstanding net of provisions. The Group believes that it does not incur any significant counterparty risk, as its production is mainly sold to a leading oil group: Total Gabon. Guarantees are in place to cover outstanding amounts on gas sales in Tanzania. Other financial or non-financial current assets do not present any significant credit risk.

Note 5.6 Country risk

A significant proportion of the Group's production and reserves is located in countries outside the OECD area, some of which may be affected by political, social and economic instability. In recent years, some of these countries have experienced one or more of the following situations: economic and political instability, conflicts, social unrest, terrorist group actions, and the imposition of international economic sanctions. The occurrence and extent of incidents related to economic, social and political instability are unpredictable but it is possible that such incidents may have a material adverse impact on the Group's production, reserves and activities in the future.

In addition, the Group conducts Exploration and Production activities in countries whose government and regulatory framework may be unexpectedly modified and where the application of tax rules and contractual rights is unpredictable. In addition, the Group's Exploration and Production activities in these countries are often conducted in collaboration with national entities, where the State exercises significant control. Interventions by governments in these countries, which may be strengthened, may concern different areas, such as:

— allocation or refusal to grant exploration and production mining rights;

— imposition of specific drilling requirements;

— control over prices and/or production quotas as well as export quotas;

— higher taxes and royalties, including those related to retroactive claims, regulatory changes and tax adjustments;

— renegotiation of contracts;

— late payments;

— currency restrictions or currency devaluation.

If a host State intervenes in one of these areas, the Group could be exposed to significant costs or see its production or the value of its assets decline, which could have a significant adverse effect on the Group's financial position.

At the reporting date, no material restrictions that would limit the Group's ability to access or use its assets and settle its liabilities were recorded with regard to its activities in geographic regions that have been experiencing political or regulatory instability, or with regard to financing agreements of Group entities/projects (subsidiaries, joint ventures or associates). Country risk was taken into consideration in the impairment tests of fixed assets by applying a risk factor per country to the discount rate.

At the end of January 2019, the Office of Foreign Assets Control of the United States Department of the Treasury announced that the Venezuelan state oil company Petróleos de Venezuela, S.A. ("PDVSA") was considered a "specially designated national" within the meaning of US regulations and therefore subject to international sanctions. With regard to our activities in Venezuela, the Group is taking the necessary steps to avoid falling within the scope of the US sanctions related to Venezuela and thus towards PDVSA. It should be noted in particular that cash flows relating to the Group's business in Venezuela are contractually denominated in euros.

Note 5.7 Fair value

Fair value positions according to the hierarchy set out in IFRS 13 are established based on the same assumptions as those presented for the consolidated financial statements as at 31 December 2017.

The application of IFRS 9 led to a review of the reporting of financial asset and liability categories, and these are now reported as follows (no major changes versus the reporting under IAS 39):

(In US$ thousands)			31/12/2018		31/12/2017 [a], adjusted	
	Categories	Level	Balance sheet total	Fair value	Balance sheet total	Fair value
Non-current financial assets	Amortised cost	Level 2	7,835	7,835	7,884	7,884
Trade receivables and related accounts	Amortised cost	Level 2	95,188	95,188	59,111	59,111
Other current financial assets	Amortised cost	Level 2	53,511	53,511	80,479	80,479
Derivative financial instruments	Fair value	Level 1	1,615	1,615	-	-
Cash and cash equivalents			279,871	279,871	260,138	260,138
TOTAL ASSETS			**438,019**	**438,019**	**407,611**	**407,611**
Other borrowings and financial debt	Amortised cost	Level 2	597,739	597,739	595,499	595,499
Bonds	Amortised cost	Level 2	-	-	348	348
Trade payables	Amortised cost	Level 2	59,852	59,852	56,784	56,784
Other creditors and sundry liabilities	Amortised cost	Level 2	147,829	147,829	115,031	115,031
TOTAL LIABILITIES			**805,419**	**805,419**	**767,662**	**767,662**

The net book value of financial assets and liabilities at the amortised cost is considered to correspond to a reasonable approximation of their fair value given their nature.

The net book value of the Group's cash corresponds to its fair value given that it is considered to be liquid.

The fair value of derivative financial instruments is based on the instrument's market value at period-end, as explained in Note 4.4.2 "Other borrowings".

NOTE 6 OTHER INFORMATION

Note 6.1 Income taxes

The tax expense on the income statement includes the current tax expense or income and the deferred tax expense or income.

Deferred taxes are recorded based on the temporary differences between the book values of assets and liabilities and their tax bases. Deferred taxes are not discounted. Deferred tax assets and liabilities are measured based on the tax rates adopted or to be adopted on the closing date.

Deferred tax assets, resulting primarily from losses carried forward or temporary differences, are not taken into account unless their recovery is considered likely. To ascertain the Group's ability to recover these assets, factors taken into account include the following:

- the existence of sufficient temporary differences taxable by the same tax authority for the same taxable entity, which will create taxable amounts on which unused tax losses and tax credits may be charged before they expire; and
- forecasts of future taxable income allowing prior tax losses to be offset.

With the exception of the companies holding the Mnazi Bay permit, for which the possibility of recovery of deferred tax assets has been demonstrated, the other deferred tax assets relating to losses carried forward are not recognised in excess of deferred tax liabilities in the absence of sufficient probability of future taxable profits on which the carried forward losses could be offset. From a structural perspective, this is notably the case for Établissements Maurel & Prom S.A. (parent company).

The corporate income tax expense payable mainly corresponds to the recognition of the income tax paid in kind through profit oil to the State on the Ezanga permit in Gabon.

Deferred tax income primarily results from the depreciation of the temporary difference between recoverable costs from a tax perspective and the recognition of fixed assets in the consolidated financial statements for the Ezanga and Mnazi Bay permits.

Note 6.1.1 Reconciliation between the balance sheet total, tax liability and tax paid

(In US$ thousands)	Deferred tax	Current tax	Total
ASSETS AT 31/12/2017, ADJUSTED[a]	**32,497**	**534**	**33,031**
LIABILITIES AT 31/12/2017, ADJUSTED[a]	**(370,286)**	**(6,107)**	**(376,393)**
NET VALUE AT 31/12/2017, ADJUSTED[a]	**(337,789)**	**(5,573)**	**(343,363)**
Tax expense	(28,709)	(39,642)	(68,352)
Payments		40,719	40,719
Currency translation adjustments	(8)	(2)	(10)
ASSETS AT 31/12/2018	**23,741**	**473**	**24,214**
LIABILITIES AT 31/12/2018	**(390,247)**	**(4,971)**	**(395,218)**
NET VALUE AT 31/12/2018	**(366,506)**	**(4,498)**	**(371,004)**

Note 6.1.2 Breakdown of deferred taxes

(In US$ thousands)	31/12/2018	31/12/2017 adjusted
Valuation difference of property, plant and equipment	23,741	32,497
DEFERRED TAX ASSETS	**23,741**	**32,497**
Valuation difference of property, plant and equipment	390,247	370,286
DEFERRED TAX LIABILITIES	**390,247**	**370,286**
NET DEFERRED TAX	**366,506**	**337,789**

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Note 6.1.3 Reconciliation between the tax expense and income before tax

(In US$ thousands)	31/12/2018	31/12/2017 adjusted
Income before tax from continuing operations	130,017	39,306
— Net income from equity associates	*30,585*	*56,335*
INCOME BEFORE TAX EXCLUDING EQUITY ASSOCIATES	**99,432**	**(17,029)**
Distortion taxable base Gabon	(123,017)	(18,763)
Distortion taxable base other income and expenses calculated under IFRS	(2,407)	
Distortion taxable base Tanzania	(1,143)	(3,913)
TAXABLE INCOME (I)	**(27,135)**	**(39,705)**
(A) THEORETICAL TAX INCOME (I*33.33%)	**9,044**	**13,234**
(B) TAX RECOGNISED IN INCOME	**(68,352)**	**(31,392)**
DIFFERENCE (B-A)	**(77,396)**	**(44,627)**
— Tax difference on recoverable costs and Gabon tax rate	*(20,250)*	*718*
— Tax difference on recoverable costs and Tanzania tax rate	*(3,797)*	*(2,600)*
— Profit oil tax/Notional sales	*(31,065)*	*(30,812)*
— Non-activated deficits and other	*(22,284)*	*(11,933)*

Note 6.2 Earnings per share

Two earnings per share are presented: the basic net earnings per share and the diluted earnings per share. In accordance with IAS 33, diluted earnings per share is equal to the net income attributable to holders of ordinary shares arising from the parent company divided by the weighted average number of ordinary shares outstanding during the period, after adjusting the numerator and denominator for the impact of any potentially dilutive ordinary shares. Potential ordinary shares are treated as dilutive if, and only if, their conversion to ordinary shares has the effect of reducing earnings per share from the ordinary activities undertaken. Treasury shares are not taken into account in the calculation.

	31/12/2018	31/12/2017 adjusted
NET INCOME (GROUP SHARE) FOR THE PERIOD *(in US$ thousands)*	**58,066**	**6,422**
Share capital	200,713,522	195,340,313
Treasury shares	3,521,082	4,312,391
AVERAGE NUMBER OF SHARES OUTSTANDING	**192,040,048**	**191,027,922**
NUMBER OF DILUTED SHARES	**192,101,692**	**192,162,922**
EARNINGS PER SHARE *(US$)*		
Basic	0.30	0.03
Diluted	0.30	0.03

Note 6.3 Shareholders' equity

Treasury shares are recognised as a reduction of shareholders' equity evaluated at acquisition cost.

Subsequent changes in fair value are not taken into account. Similarly, proceeds from the disposal of treasury shares do not affect net income for the fiscal year.

Bonus shares allocated by Maurel & Prom to its employees are recognised under personnel expenses once granted and are spread over the vesting period; the method by which they are spread depends on the respective vesting conditions of each plan. The fair value of bonus shares is determined in line with the share price on the allocation date (minus discounted future dividends).

Following the approval by the General Shareholders' Meeting of 20 June 2018, the Board of Directors is authorised to repurchase up to 10% of the Company's existing share capital at a maximum unit price of €10.

A total of 2,242,865 shares were bought and 2,139,174 shares were sold under the liquidity agreement.

As at 31 December 2018, the Company held 3,521,081 treasury shares (1.75% of share capital for a gross value of €42 million at the end of 2018), including 195,547 shares under the liquidity agreement.

As at 31 December 2018, according to the table of capital transfers below, there were 200,713,522 Company shares, and the share capital was €154,549,411.94.

	Number of shares	Treasury shares
As at 31/12/2016	**195,340,313**	**5,448,245**
– Changes in treasury shares		-1,135,854
As at 31/12/2017	**195,340,313**	**4,312,391**
– Changes in treasury shares		-791,310
– Capital increase	5,373,209	
AS AT 31/12/2018	**200,713,522**	**3,521,081**

The bonus share allocations are as follows:

Date of allocation decision	Vesting date	Number of shares
31/03/2017	31/03/2018 [a]	895,000
24/04/2017	24/04/2020 [b]	180,000
03/08/2018	03/08/2019 [a]	157,700

(a) The minimum lock-in period for the shares held by beneficiaries is set at one year from the vesting date. The 2018 plan is subject to performance conditions.
(b) There is no minimum lock-in period for this plan.

Note 6.4 Related parties

(In US$ thousands)	Income	Expenses	Amount due from related parties (net)	Amount payable to related parties
1) Equity associates				
Maurel & Prom Colombia BV			2,756	
2) Other related parties				
PIEP		(3,793)		100,000

Note 6.5 Off-balance-sheet commitments Contingent assets and liabilities

Note 6.5.1 Work commitments

Oil-related work commitments are valued based on the budgets approved with partners. They are revised on numerous occasions during the fiscal year depending on aspects such as the results of oil work carried out.

Unconditional commitments made to governments for 2019 as part of permit applications are limited to two mandatory wells in Gabon on the Kari and Nyanga-Mayombé permits. No information has been provided relating to equity associates.

Note 6.5.2 Lease commitments: IFRS 16 transition estimate

The Group decided to apply IFRS 16 as from 1 January 2019, using the simplified retrospective method, and to apply the following exemptions:

- short-term contracts (less than or equal to one month);
- low-value contracts;
- contracts that the Group had not previously identified as containing a lease, pursuant to IAS 17 and IFRIC 4.

The Group has analysed the commitments that could potentially meet the definition of a lease (or a lease component within a contract). On this basis, there are a limited number of contracts that fall within the scope of IFRS 16.

The first-time application impact of IFRS 16 on the Group's debt is expected to be less than US$30 million.

Note 6.5.3 US$600-million term loan

Maurel & Prom West Africa S.A., sole and whole owner of Maurel & Prom Gabon, took out a US$600-million term loan on 10 December 2017. This loan is guaranteed by the parent company Établissements Maurel & Prom. The borrower also benefits from the financial support of the Group's main shareholder, PT Pertamina Internasional Eksplorasi dan Produksi (PIEP), should it fail to meet its payment obligations in respect of this loan.

No Group assets have been pledged as collateral. However, restrictions on the use of certain bank accounts registered in the name of Maurel & Prom Gabon and Maurel & Prom West Africa were specified in the event of default on this new loan (except in certain cases).

Furthermore, under the terms of the new loan, the Group has undertaken to meet certain financial ratios at 30 June and 31 December of each year:

- ratio for the Group's consolidated net debt to EBITDAX (earnings before interest, taxes, depreciation, amortisation and impairment net of the impact of foreign exchange gains and losses and exploration costs) not to exceed 4.00:1.00, calculated over a 12-month period prior to the reference date;
- the Group's debt service cover ratio (DSCR) calculated over the six months preceding the reference date, to be higher than 3.50:1.00; and
- Group Tangible Net Worth to exceed US$500 million at each reference date.

The Group was in compliance with these covenants as at 31 December 2018.

The Group is also committed to maintaining a minimum consolidated amount of US$100 million cash in its bank accounts, failing which it would be forced to draw on the unused portion of the PIEP shareholder loan described above.

Établissements Maurel & Prom has agreed that the total dividend paid out per calendar year for a period of 36 months after drawdown will not exceed US$10 million, while guaranteeing that minimum working capital requirements agreed by the parties will be respected.

Note 6.5.4 Subordination agreements with PIEP

Under the term loan of December 2017, the Group signed a subordination agreement pursuant to which some liabilities towards PIEP are subordinate to the repayment of the bank term loan.

Note 6.5.5 Financial support agreement with PIEP

As part of the term loan of December 2017, the Group signed a Sponsor Support Agreement with PIEP and the credit agent whereby PIEP promises to make the necessary funds available to the Group in the event of default on the new loan.

Note 6.5.6 Contractual commitments in Gabon

Under the terms of the purchase agreement and subsequent amendments thereto entered into with the Gabonese government and Rockover in February 2005, Maurel & Prom is obliged to pay the Masasa Trust:

- 1.4% of production valued at the official sale price, paid monthly;
- a royalty amounting to US$0.65 for every barrel produced from the date that total production in all licensed zones exceeds 80 MMbbl; and
- 5% on production from the sole Banio field, valued at the official sale price, when total production from this field exceeds 3.865 million barrels;
- 2% of total available production, valued at the official sale price, up to 30 MMbbl and 1.5% above this limit, based on production from operating permits with the Nyanga-Mayombé exploration permit. This commitment is recognised in expenses commensurate with production, knowing that production in the Banio field (the only Nyanga-Mayombé exploration permit to date) is currently suspended indefinitely.

Note 6.5.7 Angola

The Group is in the process of finalising the acquisition of the 20% stake held by AJOCO. The total amount of the transaction will be US$80 million, which will be financed by the Group's existing cash position and by offsetting amounts owed by AJOCO to the operator, Sonangol EP. The transaction also provides for an additional payment of up to US$25 million subject to oil price performance and resource development.

Note 6.6 Group workforce

As at 31 December 2018, the Group had 652 employees.

Note 6.7 Executive remuneration

Principal Officers include the management team composed of the Chairman, the Chief Executive Officer and the Chief Operating Officer and members of the Board of Directors.

(in US$ thousands)	31/12/2018	31/12/2017 [a]
Short-term benefits	1,691	1,812
Share-based payment	331	1,090
TOTAL	**2,022**	**2,902**

Note 6.8 Auditors' fees

Fees paid to Statutory Auditors (including members of their networks) are analysed below:

(In US$ thousands)	2018				2017			
	KPMG		IAC		KPMG		IAC	
	Amount	%	Amount	%	Amount	%	Amount	%
Statutory audit, certification, examination of individual and consolidated financial statements:								
– Issuer	748	79%	431	78%	697	83%	418	84%
– Fully consolidated subsidiaries	37	4%	119	21%	44	5%	80	16%
Other work and services directly related to the audit assignment:								
– Issuer	158	17%	5	1%	82	10%		
– Fully consolidated subsidiaries					11	1%		
TOTAL	**943**	**100%**	**555**	**100%**	**835**	**100%**	**497**	**100%**

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Note 6.9 Events after the reporting period

To the best of Maurel & Prom's knowledge, there are no other post-balance sheet events likely to adversely affect the Company's financial position, assets and liabilities, net income or activities.

Note 6.10 Changes in presentation

The Group has changed its presentation of operating expenses to facilitate comparison with other sector players. This change consisted in presenting purchases and operating expenses, taxes and personnel expenses as a single line item, "Operating expenses", in the income statement.

To make the Group's financial information easier to read and better reflect the results of its activities, which are primarily in US dollars, the Group changed the reporting currency of its financial statements from the euro to the dollar in fiscal year 2018, as permitted by IAS 21. Following this change in accounting method under IAS 8, the comparative financial statements are presented in dollars.

At the end of 2017, following the refinancing, the Group changed the holding companies' functional currency from the euro to the US dollar to align most of the Group's functional currencies to the US dollar.

The Group then changed the reporting currency of its financial statements from the euro to the US dollar for fiscal year 2018 to make the Group's financial information easier to read and better reflect the results of its activities, which are primarily in US dollars.

The change in reporting currency in the consolidated financial statements following the change in functional currency of the holding companies complies with IFRS insofar as IAS 21 allows the Group to choose its reporting currency.

This change was applied retrospectively, in accordance with IAS 1.

In accordance with IAS 1, Currency translation adjustments were reset to zero at 1 January 2004, the date of transition to IFRS. The cumulative translation adjustments from consolidation are presented as if the Group had used the US dollar as the reporting currency for its consolidated financial statements since that date.

The translation reserve as at 31 December 2018 mainly corresponds to the translation of the parent company's equity items, denominated in euros and translated at the historic rate.

In the context of a significant change in presentation, below are the last three years of financial position and comprehensive income, in accordance with IAS 40.

Extract of financial position in USD

Assets *(in US$ thousands)*	**31/12/2018**	**31/12/2017**	**31/12/2016**
Intangible assets (net)	199,920	162,636	194,978
Property, plant and equipment (net)	1,451,162	1,470,890	1,534,032
Non-current financial assets (net)	7,835	7,884	81,039
Other non-current assets (net)	44,675	46,568	40,803
Equity associates	253,629	150,589	94,697
Deferred tax assets	23,741	32,497	35,097
NON-CURRENT ASSETS	**1,980,962**	**1,871,063**	**1,980,644**
Inventories (net)	14,104	7,796	9,678
Trade receivables and related accounts (net)	95,188	59,111	32,315
Other current financial assets	53,511	80,479	112,386
Other current assets	39,114	43,160	32,989
Current tax receivables	473	534	1,333
Current financial instruments	1,615		
Cash and cash equivalents	279,871	260,138	203,230
CURRENT ASSETS	**483,875**	**451,218**	**391,930**
TOTAL ASSETS	**2,464,837**	**2,322,281**	**2,372,575**

Liabilities *(in US$ thousands)*	**31/12/2018**	**31/12/2017**	**31/12/2016**
Share capital	193,345	188,554	188,554
Additional paid-in capital	44,836	32,010	90,636
Consolidated reserves	853,124	842,768	856,948
Treasury shares	(41,453)	(55,330)	(71,839)
Net income, Group share	58,066	6,422	(56,418)
EQUITY, GROUP SHARE	**1,107,918**	**1,014,424**	**1,007,881**
Non-controlling interests	2,425	(1,351)	(1,804)
TOTAL EQUITY	**1,110,343**	**1,013,073**	**1,006,077**
Non-current provisions	38,019	49,245	47,514
Shareholder loans	100,000	100,000	
Other non-current borrowings and financial debt	595,692	593,612	664,939
Non-current derivative financial liabilities	-	-	6,088
Deferred tax liabilities	390,247	370,286	371,004
NON-CURRENT LIABILITIES	**1,123,958**	**1,113,143**	**1,089,545**
Other current borrowings and financial debt	2,047	2,330	105,453
Trade payables and related accounts	59,852	56,784	52,788
Current tax liabilities	4,971	6,107	6,699
Other current liabilities	147,829	115,031	96,606
Current provisions	15,838	15,813	15,407
CURRENT LIABILITIES	**230,536**	**196,065**	**276,952**
TOTAL EQUITY AND LIABILITIES	**2,464,837**	**2,322,281**	**2,372,575**

Extract of comprehensive income in USD

(in US$ thousands)	31/12/2018	31/12/2017	31/12/2016
Sales	440,179	400,629	351,046
Other Operating Income	2,689	85	653
Change in overlift/underlift position	(13,217)	-	
— Purchases and operating expenses	*(73,674)*	*(102,547)*	*(101,445)*
— Taxes	*(44,239)*	*(56,216)*	*(44,724)*
— Personnel expenses	*(66,732)*	*(52,831)*	*(49,785)*
Operating expenses	(184,645)	(211,593)	(195,954)
EBITDA	**245,006**	**189,121**	**155,746**
Depreciation and amortisation, impairment loss & provisions related to production activities net of reversals	(104,970)	(111,182)	(130,421)
Depreciation and amortisation, impairment loss & provisions related to drilling activities net of reversals	(904)	852	(4,448)
CURRENT OPERATING INCOME	**139,131**	**78,791**	**20,877**
Provisions and impairment of drilling assets	(9,146)	(6,916)	-
Expenses and impairment of exploration assets net of reversals	(1,158)	5,539	(8,385)
Other non-current income and expenses	(2,972)	(12,514)	7,179
Income from asset disposals	215	(64)	(413)
OPERATING INCOME	**126,071**	**64,836**	**19,258**
— Cost of gross debt	*(28,924)*	*(57,192)*	*(39,486)*
— Income from cash	*5,156*	*1,473*	*1,427*
— Income and expenses related to interest-rate derivative financial instruments	*(111)*	*6,820*	*2,561*
Cost of net debt	(23,879)	(48,899)	(35,498)
Net foreign exchange adjustment	(2,527)	(32,658)	4,410
Other financial income and expenses	(233)	(1,553)	(2,373)
FINANCIAL INCOME	**(26,639)**	**(83,111)**	**(33,461)**
Income before tax	99,432	(18,274)	(14,204)
Income tax	(68,352)	(31,198)	(11,539)
NET INCOME FROM CONSOLIDATED COMPANIES	**31,080**	**(49,472)**	**(25,743)**
Income from equity associates	30,585	56,281	(30,581)
CONSOLIDATED NET INCOME	**61,665**	**6,809**	**(56,324)**
o/w: – Net income, Group share	*58,066*	*6,422*	*(56,418)*
– Non-controlling interests	*3,599*	*385*	*94*

To facilitate the transition, the main aggregates of the financial statements are shown below as if they had been presented in euros:

Extract of financial position in EUR

Assets *(in € thousands)*	**31/12/2018**	**31/12/2017**	**31/12/2016**
Intangible assets (net)	174,592	135,720	179,607
Property, plant and equipment (net)	1,267,391	1,226,457	1,455,236
Other non-current financial assets (net)	6,841	6,572	76,879
Other non-current assets (net)	39,018	38,829	38,708
Equity associates	221,275	125,564	89,837
Deferred tax assets	20,734	27,096	33,295
NON-CURRENT ASSETS	**1,729,850**	**1,560,239**	**1,873,563**
Inventories (net)	12,318	6,501	9,181
Trade receivables and related accounts (net)	83,133	49,288	30,657
Other current financial assets	46,726	67,019	112,046
Other current assets	34,160	35,988	31,296
Current tax receivables	413	445	1,264
Current financial instruments	1,410	-	-
Cash and cash equivalents	244,429	216,908	192,799
CURRENT ASSETS	**422,590**	**376,148**	**377,243**
TOTAL ASSETS	**2,152,440**	**1,936,387**	**2,250,806**

Liabilities *(in € thousands)*	**31/12/2018**	**31/12/2017**	**31/12/2016**
EQUITY, GROUP SHARE	**967,385**	**845,722**	**955,105**
Non-controlling interests	2,118	(979)	(662)
TOTAL EQUITY	**969,503**	**844,743**	**954,443**
Non-current provisions	33,205	41,062	45,076
Shareholder loans	87,336	83,382	-
Other non-current borrowings and financial debt	520,255	494,965	630,812
Non-current derivative financial liabilities	-	-	5,776
Deferred tax liabilities	340,827	308,752	351,963
NON-CURRENT ASSETS	**981,623**	**928,160**	**1,033,626**
Current borrowings and financial debt	1,788	1,943	100,040
Trade payables and related accounts	52,272	47,347	50,078
Current tax liabilities	4,341	5,092	6,355
Other current liabilities	129,081	95,915	91,648
Current provisions	13,832	13,185	14,616
CURRENT LIABILITIES	**201,314**	**163,483**	**262,738**
TOTAL EQUITY AND LIABILITIES	**2,152,440**	**1,936,387**	**2,250,806**

Extract of comprehensive income in EUR

Net income *(in € thousands)*	**31/12/2018**	**31/12/2017**	**31/12/2016**
Sales	372,718	354,759	317,227
Other Operating Income and expenses	(165,243)	(186,565)	(176,486)
EBITDA	**207,432**	**168,194**	**140,741**
Operating Income	106,725	58,475	17,402
Financial income	(22,586)	(73,553)	(30,238)
Income tax	(57,876)	(27,798)	(10,428)
Income from equity associates	25,896	49,837	(27,635)
CONSOLIDATED NET INCOME	**52,159**	**6,960**	**(50,897)**

5.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

To the shareholders of Établissements Maurel & Prom S.A.

Opinion

In compliance with the engagement entrusted to us by your General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Établissements Maurel & Prom S.A. for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the audit of the consolidated financial statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (code de déontologie) for Statutory Auditors.

Emphasis of Matter

We draw attention to the following matter described in:

- note 1.2. of the annex to the consolidated accounts concerning the first application of IFRS 9 "financial instruments", which deals with the classification, valuation and impairment of financial assets and IFRS 15 "income from ordinary business contracts concluded with customers " for which the application impacts the presentation of the turnover and the positions of oil abductions;
- note 6.10 of the annex to the consolidated financial statements detailing, in particular, the change in the presentation for the euro to the US dollar.

Justification of Assessments – Key audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impact of reserve estimate on production assets valuation

Risk identified	Our response
Every year the Group engages specialists to independently appraise the reserves for each oil producing permit. Proven and probable reserves correspond, respectively, to oil and gas reserves that are "reasonably certain" and "reasonably probable" to be producible using current technology, at current prices, with current commercial terms and government consent. The estimation of hydrocarbon reserves is fundamental to recognising assets related to the Group's oil operations, especially with regard to recognising exploration expenditures in accordance with the "successful efforts" method that the Group applied for the first time in this fiscal year, determining the depreciation rate of those assets according to the unit-of-production method described in note 3.3 to the consolidated financial statements, as well as to the impairment tests conducted by the Cash Generating Units (CGUs) on production activities. Reserve estimates are by nature uncertain because of the geoscience and engineering data used to determine the volume in the fields. It is also complex because of the contractual terms and conditions that determine the Group's share of reserves. For these reasons, we have considered the estimate of proven and probable reserves to be a key audit matter.	The procedures carried out consisted in: — noting the procedures set up by the Group to determine its hydrocarbon reserves; — assessing the qualifications of the independent appraisers tasked with estimating and certifying the reserves; — analysing changes in reserves compared to the end of the previous fiscal year so that our audit can focus on the main changes for the period; — comparing actual production in previous years with the corresponding expected production; — analysing the assumptions used by the group and the independent appraisers to determine the proven and probable reserves recoverable before the agreements conferring the production permits expire and, as necessary, the reasons that led the Group to consider that the renewal of this entitlement was reasonably certain, for the estimate of the reserves; in the case of gas reserves, corroborating their recognition level based on existing sales agreements; — assessing whether the revised reserve estimates were properly taken into account by the Group during impairment tests and for recording depreciation and amortisation expenses.

Carrying value of oil & gas production assets

Risk identified	Our response
As at 31 December 2018, the Group's production activity was split between the Ezanga and Mnazi Bay permits, which represent MUSD1,684 in net non-current assets and account for 85% of the Group's non-current assets. We deemed that the impairment of non-current production activity assets was a key audit matter because of their material importance in the Group's financial statements. Furthermore, the determination of their recoverable value, based on the value of their expected updated future cash flow, requires the use of assumptions, estimates and material assessments by management, as indicated in note 3.3 to the consolidated financial statements. Specifically, a sustained climate of low hydrocarbon prices would adversely affect the Group's results and, as a consequence, significantly impact the recoverable value of production activity assets. The Group deems that a permit generally constitutes a Cash Generating Unit (CGU). A CGU is a set of assets whose ongoing utilisation generates cash flows that are largely independent of the cash flows from the other asset groups. The Group performs impairment tests on those assets, the procedures for which are described in note 3.3 to the consolidated financial statements. The main assumptions that Management takes into consideration when assessing recoverable value are, as mentioned in note 3.3.2 to the consolidated financial statements, as follows: — the future price of hydrocarbons; — operating costs; — estimates of hydrocarbon reserves; — forecasts of produced, marketed volumes; — the discount rate after tax.	For those two assets subject to an impairment test, our audit involved obtaining the value in use (future discounted cash flows) and analysing whether, in the event that the value thus obtained is lower than the net book value, an impairment was recognised. To assess the relevance of Management's assumptions and the data included in the assessment models, we produced a comparative analysis of industry practices relating to hydrocarbon prices (in the short, medium and long term) and discount rates. In addition, we analysed the data underlying future cash flows used to determine the recoverable value of assets included in the tested CGUs: — the production profiles used were compared to reserves certified by independent appraisers; — assumptions of operating costs were corroborated with the levels of actual budgeted costs resulting from forecasts established by Management and presented to the Board of Directors; — we assessed whether the tax rates used were consistent with applicable tax regimes or prevailing oil contracts.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance provided for in Article L. 225-102-1 of the the French Commercial Code (code de commerce) is contained in the Group's management report, being clarified that, in accordance with the provisions of Article L. 823-10 of that code, the information contained in this Declaration has not been the subject of our share of verification of sincerity or concordance with the consolidated accounts and must be the subject of a report by an independent third-party body.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Établissements Maurel & Prom S.A. by the annual general meeting held on June 12, 2014 for KPMG and for International Audit Company.

As at December 31, 2018, KPMG and International Audit Company were in the 5 year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements 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 professional 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 these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

— identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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;

— obtains 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 internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses 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. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (*code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors
French original signed by

Paris-La Défense, on the 29 April 2019	Paris, on the 29 April 2019
KPMG Audit	International Audit Company
Éric Jacquet	**Francois Caillet**
Partner	Partner

5.3 PARENT COMPANY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

5.3.1 Balance sheet

Assets

(in € thousands)	Note	Gross	Depreciation & amortisation & Provisions	Net at 31/12/2018	Net at 31/12/2017
INTANGIBLE ASSETS	**4.1**	**3,934**	**(3,844)**	**90**	**25**
PROPERTY, PLANT AND EQUIPMENT	**4.2**	**10,413**	**(2,990)**	**7,422**	**5,193**
Equity interests	4.4	310,813	(168,617)	142,196	143,370
Other fixed financial assets	4.3	517	(182)	335	270
FIXED FINANCIAL ASSETS		**311,330**	**(168,799)**	**142,531**	**143,640**
FIXED ASSETS		**325,677**	**(175,633)**	**150,044**	**148,857**
Commodity inventory		135	(135)	-	-
Trade receivables and related accounts		489	(470)	19	1,394
Other receivables	4.5	540,842	(370,539)	170,303	124,097
Treasury shares		41,639	(29,894)	11,746	15,191
Cash instruments	4.8	69,281		69,281	50,046
Available funds	4.8	124,659	-	124,659	121,207
CURRENT ASSETS		**777,045**	**(401,037)**	**376,008**	**311,936**
Prepaid expenses		596	-	596	541
Translation adjustment for assets	4.7	4,801	-	4,801	4,735
TOTAL ASSETS		**1,108,118**	**(576,670)**	**531,448**	**466,069**

Liabilities

(in € thousands)	Note	Net at 31/12/2018	Net at 31/12/2017
Share capital		154,549	150,412
Additional paid-in capital		38,984	27,664
Legal reserve		10,485	9,336
Other reserves		159	(2,688)
Carry forwards		21,823	-
Income for the period		16,912	22,971
SHAREHOLDERS' EQUITY	**4.9**	**242,912**	**207,696**
Provisions for risks		13,293	12,213
Provisions for expenses		857	1,153
PROVISIONS FOR RISKS AND EXPENSES	**4.10**	**14,150**	**13,366**
Convertible bond borrowings		-	295
Loans and other borrowings from financial institutions		-	769
Miscellaneous borrowings and financial debt		-	-
Financial debt		**-**	**1,064**
Trade payables and related accounts		3,113	3,547
Tax and social security payables		5,025	4,401
Fixed asset liabilities and related accounts		1,620	1,627
Other debts	4.12	254,995	211,254
Miscellaneous liabilities		**264,753**	**220,829**
LIABILITIES		**264,753**	**221,893**
Translation adjustment for liabilities	4.7	9,633	23,114
TOTAL LIABILITIES		**531,448**	**466,069**

5.3.2 Income

(in € thousands)	Note	Net at 31/12/2018	Net at 31/12/2017
Sales		18,169	17,943
Reversals on amortisation, depreciation and provisions		425	4,315
Other Operating Income		1,022	-
Transfers of expenses		372	
OPERATING INCOME		**19,988**	**22,258**
Other purchases and external expenses		(13,815)	(18,207)
Taxes and charges		(733)	(1,700)
Wages and salaries		(7,679)	(5,845)
Social security contributions		(3,460)	(3,467)
Other operating expenses		(9,390)	(10,964)
OPERATING EXPENSES		**(35,077)**	**(40,184)**
Depreciation charges on fixed assets		(841)	(156)
Depreciation charges on deferred expenses		-	(10,210)
Provisions for impairment of current assets		(149)	(1,737)
DEPRECIATION/AMORTISATION ALLOWANCES AND OPERATING PROVISIONS		**(990)**	**(12,103)**
OPERATING INCOME (LOSS)		**(16,079)**	**(30,028)**
SHARE OF INCOME OF JVS		**-**	**(96)**
Interest on ORNANE bonds		-	(3,357)
Interest on other borrowings		(3,239)	(17,803)
Income from cash		4,108	1,650
INTEREST FROM BORROWINGS AND CASH		**869**	**(19,509)**
ALLOCATIONS TO AND REVERSALS OF PROVISIONS ON TREASURY SHARES		**8,440**	**6,857**
Credit losses on investments		(19,987)	(600)
Interest receivables		292	25,656
Reversals of provisions on securities and current accounts		31,149	11,805
Allocations to provisions on securities and current accounts		(42,146)	(73,956)
INCOME ON SECURITIES AND INVESTMENT-RELATED RECEIVABLES		**(30,693)**	**(37,095)**
FINANCIAL EXPENSES		**(159)**	**-**
DIVIDENDS RECEIVED		**85,596**	**85,500**
Foreign exchange gains and losses		9,325	(34,826)
Financial provisions for foreign exchange rate differences		-	(373)
Reversals of financial provisions for foreign exchange rate differences		373	48,854
EXCHANGE LOSS		**9,698**	**13,654**
FINANCIAL INCOME	**4.15**	**73,750**	**49,310**
CURRENT INCOME BEFORE TAX		**57,671**	**19,282**
Extraordinary income	4.16	1	223
Extraordinary expenses	4.16	(37,965)	(560)
Allocations to and reversals of provisions for extraordinary risks		(2,194)	408
Gains and losses on treasury shares		(156)	(68)
Proceeds from the disposal of other fixed assets		77	1
EXTRAORDINARY INCOME		**(40,238)**	**3**
Income tax		(521)	3,686
PROFIT OR LOSS		**16,912**	**22,971**

5.3.3 Notes to the Parent company financial statements

NOTE 1 GENERAL INFORMATION

Établissements Maurel & Prom S.A. (the "Company") is domiciled in France. The Company's registered office is located at 51 rue d'Anjou, 75008 Paris, France. The consolidated financial statements were approved by the Board of Directors on 20 March 2019. The financial statements are presented in euros. Amounts are rounded off to the nearest thousand euros, except where otherwise indicated.

NOTE 2 SIGNIFICANT EVENTS

In December 2018, the Group signed an agreement to acquire the 40% holding of Shell Exploration and Production Investments B.V. ("Shell") as "Shareholder B" in Petroregional del Lago joint venture ("PRDL Joint Venture"), which operates the Urdaneta West oil field in Lake Maracaibo, Venezuela. The total consideration for the acquisition of Shell's shares in the joint venture was €70 million, financed by Maurel & Prom's existing cash position and composed as follows:

- €47 million paid upon closing the transaction; and
- €23 million payable in December 2019, on the anniversary date of the transaction closure.

To this end, the Company transferred €44 million to its subsidiary MP Venezuela. The Company also created the company Servicios Integrados UW to provide technical assistance.

As a reminder, the Group entered Gabon in February 2005 by acquiring assets from Rockover and Masasa.

During this acquisition, the Group undertook to pay the Sellers a percentage of future production. In October 2018, the Group bought back these commitments from Rockover for the sum of US$43 million (€37 million), recorded in the parent company financial statements under "extraordinary expenses":

- 25% paid in cash (US$10.75 million);
- 75% (US$32.25 million) was settled by issuing new Maurel & Prom shares as compensation. The Group implemented a capital increase for a total nominal amount of €4,137,370.93 (US$4,791,075.54 at a fixed rate of US$1.158 for €1) by issuing 5,373,209 new shares, each with a nominal value of €0.77 (US$0.89) and a unit subscription price of €5.182 (US$6.001). These shares were fully subscribed by Rockover and paid up by offsetting the receivable held as a result of M&P's buyback of the deferred payments. The new shares were issued with all entitlements and are equivalent to existing shares. Upon concluding this transaction, M&P's share capital stood at €154,549,411.94 (US$193,344,949 converted at the historic rate) divided into 200,713,522 shares each with a par value of €0.77 (US$0.96).

Also in October 2018, the Group signed a sale and purchase agreement for the acquisition of the 20% working interest owned by AJOCO in two production and development blocks in shallow waters off the coast of Angola. The Company paid €2 million to its subsidiary MP Angola for the security deposit stipulated in the acquisition agreement. It will be finalised once the administrative approvals have been published.

The Company also recognised dividends of €75 million from MP Gabon S.A. and €10.5 million from Seplat.

NOTE 3 ACCOUNTING POLICIES

The parent company financial statements have been drawn up in accordance with accounting principles generally accepted in France and in particular with the provisions of the General Chart of Accounts resulting from French Accounting Standards Authority (ANC) Regulation 2018-07 of December 2018 amending ANC Regulation 2014-03. ANC Regulation 2017-03 regarding exploration expenses that could no longer be capitalised was applied early by the Company as from 1 January 2017.

Accounting policies were applied in compliance with the principle of prudence, in accordance with the following basic assumptions:

- going concern assumption;
- consistency of accounting methods;
- independence of fiscal years;

and in accordance with the general rules for preparing and presenting annual financial statements.

The basic method used to evaluate the items recorded in the accounts is the historical cost method. The main methods used are as follows:

Oil assets

Expenditures for the acquisition and allocation of mining permits are recorded as intangible assets and, during the exploration phase, amortised on a straight-line basis over the estimated duration of the permit or during the development phase, in line with the amortisation rate for the oil production facilities.

If the permit is withdrawn or the exploration fails, the remaining amortisation is recorded once.

Exploration studies and work, including geology and geophysics expenditure, are expensed in accordance with ANC Regulation 2017-03 of November 2017.

Only costs that specifically relate to identifying prospects such as exploration drilling are capitalised, and they are amortised once exploitation commences.

Drilling expenditure that does not result in a commercial discovery is expensed for the total amount incurred.

Provisions for extraordinary impairment or amortisation are booked when accumulated costs are greater than discounted future cash flow estimates or when technical difficulties are encountered. Impairments are determined per exploration permit.

Other property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are recognised at their acquisition cost.

Depreciation and amortisation expenses are calculated over the estimate life of the assets based on straight-line (SL) or declining balance (DB) methods as follows:

- fixtures and fittings: SL over 5 to 10 years;
- office and computer equipment: SL or DB over 3 to 5 years;
- office furniture: SL over 10 years;
- software: SL over 3 years.

Equity interests, fixed investments and related receivables

Equity interests are recognised at their acquisition cost. Receivables from equity interests are valued at their nominal value.

A provision is created when the net realisable value is lower than the acquisition cost. Inventory value, represented by value in use, is determined according to the equity capital and prospective profitability of the companies concerned.

For companies in the exploration phase, equity interests and related receivables are subject to a provision for exploration expenses as long as no decision to turn the project into a commercial development or a producing asset has been made. If proven reserves have been revealed, the value of the securities and receivables is limited to the amount of discounted future earnings at closing.

For other activities, provisions for impairment of equity interests and related receivables are determined by taking into account the financial performance of said equity interests less projected discounted future earnings, changes in net income or their expected resale value.

When losses surpass the value of securities and receivables, a provision for risks is recorded in the same amount.For listed equity interests, the actual value is also determined by taking the share price into account.

Other fixed investments are valued at their purchase price or their market value, whichever is lower. This includes company treasury shares that have been subject to precise allocation.

Receivables

Receivables are recognised at their nominal value. A provision for impairment is recorded when there is a risk of non-payment.

Deferred expenses

Deferred expenses correspond to bond issue costs and bank costs amortised over the time that the principal is being repaid.

Foreign currency transactions

Expenses and income in foreign currencies are posted at their equivalent value in EUR at the transaction date.

Payables, external financing and receivables denominated in foreign currencies are shown on the balance sheet at their equivalent value in EUR at the closing rate. Any difference arising from the translation of foreign currency payables and receivables at that closing rate are recognised on the balance sheet under "Currency translation adjustments". A provision is booked for unrealised losses that are not offset.

Foreign currency liquidity is translated at the closing rate, and Currency translation adjustments are recorded in the income statement. When foreign currency cash is solely allocated to future investments (specific contracts) and isolated as such, future receipts and disbursements make a natural hedge from foreign currency profit or loss.

Provisions for risks and expenses

Provisions for risks and expenses are set up to cover various contingencies that could arise, and particularly risks related to subsidiaries, litigation and foreign exchange losses.

The Company's pension and similar benefit obligations are limited to paying contributions to general mandatory plans and to paying retirement benefits defined in the applicable collective bargaining agreement.

The actuarial method used is known as the projected unit credit method, which sees each year of service as giving rise to an additional unit of benefit. These calculations incorporate assumptions about mortality, staff turnover and projections of future salaries.

Translation of the establishments' annual financial statements

For independent entities whose functional currency is not the euro, annual financial statements are translated into the Company's reporting currency, namely the euro, according to the following principles:

- translation at the closing rate except for intra-company financing accounts which are kept at the historic rate;
- translation of net income items at the average rate for the period.

NOTE 4 ADDITIONAL INFORMATION ON THE BALANCE SHEET AND INCOME STATEMENT

Note 4.1 Intangible assets

(in € thousands)	Gross value	Impairment	Net value
Software at 31/12/2017	1,864	(1,839)	25
Gabon mining permit as at 31/12/2017	3,518	(3,518)	-
TOTAL INTANGIBLE ASSETS AT 31/12/2017	**5,382**	**(5,357)**	**25**
Acquisitions	111		111
Entities that left the group	(1,558)	1,558	-
Depreciation and amortisation		(45)	(45)
TOTAL INTANGIBLE ASSETS AT 31/12/2018	**3,934**	**(3,844)**	**90**
Software at 31/12/2018	416	(326)	90
Gabon mining permit as at 31/12/2018	3,518	(3,518)	-

Note 4.2 Property, plant and equipment

(in € thousands)	Total
Gross value of fixtures and equipment at 31/12/2017	10,097
Amortisation at 31/12/2017	(4,904)
NET VALUE OF PROPERTY, PLANT AND EQUIPMENT AS AT 31/12/2017	**5,193**
Acquisitions	317
Disposals	(138)
Translation by shareholders' equity (gross)	136
Translation by shareholders' equity (amort.)	2,711
Depreciation and amortisation	(796)
NET VALUE OF PROPERTY, PLANT AND EQUIPMENT AS AT 31/12/2018	**7,422**
Gross value of fixtures and equipment at 31/12/2018	10,413
Amortisation at 31/12/2018	(2,990)

Note 4.3 Other fixed financial assets

(In € thousands)	Gross value	Impairment	Net value
Sundry deposits at 31/12/2017	422	(152)	270
TOTAL FINANCIAL ASSETS AS AT 31/12/2017	**422**	**(152)**	**270**
Acquisitions	64		64
Currency translation effect	30	(30)	-
Depreciation and amortisation			
TOTAL INTANGIBLE ASSETS AT 31/12/2018	**517**	**(182)**	**335**
Sundry deposits at 31/12/2018	517	(182)	335

Note 4.4 Equity interests

(in € thousands)	31/12/2017	Change	31/12/2018
Maurel & Prom Assistance Technique	34,211		34,211
Cardinal	6,060		6,060
Seplat Petroleum	140,180		140,180
Panther	10,756		10,756
Maurel & Prom Colombia	92,431		92,431
Intégra Oil	25,840		25,840
MP Angola	37		37
MP Venezuela SPV	3	40	43
MP SIUW		-	-
MP Trading		500	500
Other	755		755
TOTAL GROSS VALUE OF EQUITY INTERESTS	**310,273**	**540**	**310,813**
Maurel & Prom Assistance Technique	(33,096)		(33,096)
Cardinal	(6,060)		(6,060)
Panther	(10,756)		(10,756)
Maurel & Prom Colombia	(90,722)	(1,709)	(92,431)
Intégra Oil	(25,840)		(25,840)
Other	(430)	(4)	(434)
TOTAL IMPAIRMENT OF EQUITY INTERESTS	**(166,903)**	**(1,714)**	**(168,617)**
NET VALUE OF EQUITY INTERESTS	**143,370**	**(1,174)**	**142,196**

Note 4.5 Other receivables

(in € thousands)	31/12/2018	31/12/2017
Advances to group subsidiaries	535,914	479,901
Prepayments to suppliers and debit notes to subsidiaries	7	-
Miscellaneous receivables	4,920	6,819
TOTAL OTHER GROSS RECEIVABLES	**540,842**	**486,720**
Impairment	(370,539)	(362,624)
TOTAL OTHER NET RECEIVABLES	**170,303**	**124,097**

Advances to subsidiaries were as follows:

(In € thousands)	31/12/2018			Transfers		31/12/2017		
	Gross	Impairment	Net	Gross	Impairment	Gross	Impairment	Net
BRM	123,144	(123,144)		7	(7)	123,137	(123,137)	
MP Tanzania	110,944	(10,000)	100,944	(14,967)		125,911	(10,000)	115,911
MP Namibia	11,260	(11,260)		1,323	(1,323)	9,937	(9,937)	
MPDS	57,401	(57,401)		(224)	224	57,625	(57,625)	
East Asia	61,995	(61,995)		38	(38)	61,957	(61,957)	
MP West Canada	47,451	(47,451)		2,474	(2,474)	44,977	(44,977)	
Saint Aubin Energie	1,985	(1,985)		(778)	778	2,763	(2,763)	
MP Peru Holding				(18,366)	18,366	18,366	(18,366)	
ISON Holding	13,049	(13,049)		195	(195)	12,854	(12,854)	
Intégra Oil	3,691	(3,691)				3,691	(3,691)	
Caroil SA	30,754	(30,754)		22,938	(22,938)	7,816	(7,816)	
MPC BV	2,639	(2,639)		(128)	128	2,767	(2,767)	
MP Venezuela SPV	48,831		48,831	44,298		4,533		4,533
MP SIUW	433		433	433				
MP Trading	222		222	222				
Other	22,114	(3,574)	18,540	18,546	3,160	3,568	(6,734)	(3,166)
TOTAL	**535,914**	**(366,943)**	**168,971**	**56,013**	**(4,320)**	**479,901**	**(362,624)**	**117,277**

In December 2018, the Company agreed to waive a receivable held against its subsidiary MP Peru Holding and reversed the provision recorded in previous financial years.

Note 4.6 Maturity of Receivables

(In € thousands)	Total amount	Within one year	More than one year
Deposits and guarantees	335		335
Other receivables	170,303		170,303
Trade receivables and related accounts	19	19	
TOTAL GROSS RECEIVABLES BY DUE DATE	**170,657**	**19**	**170,638**

Note 4.7 Currency translation adjustment

Currency translation adjustments, for both assets and liabilities, pertain to remeasuring payables and receivables (mainly on current accounts and on the shareholder loan denominated in US dollars) at the closing rate.

As the Company was in a passive overall foreign exchange position in US dollars in 2018, it did not provide for active foreign exchange differences during the period.

Note 4.8 Cash instruments, available funds and bank loans

(In € thousands)	31/12/2018	31/12/2017
Bank current accounts and other	124,659	121,207
SICAV (Investment Company with Variable Capital) and FCP (mutual funds)	69,281	50,046
Available funds	**193,941**	**171,254**
Bank loans	-	(769)
NET CASH	**193,941**	**170,485**
Treasury shares	11,746	15,191
Equity interests	**11,746**	**15,191**
NET CASH POSITION	**205,686**	**185,675**

As at 31 December 2018, Maurel & Prom held 3,521,082 treasury shares for a gross value of €42 million.

The comparison between the treasury shares' historic acquisition cost and their average cost at December 2018 led the Company to recognise an additional impairment loss, taking their net book value to €12 million.

Note 4.9 Shareholders' equity

(In € thousands)	31/12/2017	Appropriation of income	Income	Allocation of bonus shares	Currency translation adjustments	Capital increase	31/12/2018
Share capital	150,412					4,137	154,549
Premiums	27,664			(12,386)		23,707	38,984
Legal reserve	9,336	1,149					10,485
Other reserves	(2,688)				2,847		159
Carry forwards		21,823					21,823
Income	22,971	(22,971)	16,912				16,912
SHAREHOLDERS' EQUITY	**207,696**	**-**	**16,912**	**(12,386)**	**2,847**	**27,844**	**242,912**

At 31 December 2018, the share capital was composed of 200,713,522 shares with a par value of €0.77, for a total capital of €154,549,411.94.

Note 4.9.1 Employee share issues and bonus shares

On 20 June 2018, the Combined Shareholders' Meeting delegated authority to the Board of Directors for a 38-month period to decide to grant up to 1% of the share capital one or more times to employees, or a subset thereof, and/or corporate officers, or a subset thereof, of the Company or from companies and economic interest groups affiliated with the Company. This delegation on 20 June 2018 terminates the unused portion of the delegation given on 15 June 2016, effective immediately.

The bonus share allocations are as follows:

Date of allocation decision	Vesting date	Number of shares
31/03/2017	31/03/2018[a]	895,000
24/04/2017	24/04/2020[b]	180,000
03/08/2018	03/08/2019[a]	157,700

(a) The minimum lock-in period for the shares held by beneficiaries is set at one year from the vesting date. The 2018 plan is subject to performance conditions.
(b) There is no minimum lock-in period for this plan.

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Note 4.9.2 Share buyback programme

Following the approval by the General Shareholders' Meeting of 20 June 2018, the Board of Directors is authorised to repurchase up to 10% of the Company's existing share capital at a maximum unit price of €10.

Over the same period, 2,242,865 shares were bought and 2,139,174 shares were sold under the liquidity agreement.

As at 31 December 2018, the Company held 3,521,082 treasury shares (1.75% of share capital for a gross value of €42 million at end-2018), including 195,547 shares under the liquidity agreement.

As at 31 December 2018, according to the table of capital transfers below, there were 200,713,522 Company shares and the share capital was €154,549,411.94.

	Number of shares	Treasury shares
As at 31/12/2016	**195,340,313**	**5,448,245**
– Changes in treasury shares		-1,135,854
At 31/12/2017	**195,340,313**	**4,312,391**
– Changes in treasury shares		-791,309
– Capital increase	5,373,209	
AT 31/12/2018	**200,713,522**	**3,521,082**

Note 4.10 Provisions for risks and expenses

(In € thousands)	31/12/2017	Allocation for the year	Write-backs for the year	31/12/2018
Foreign exchange risk	373		(373)	
Retirement benefits	725	131		856
Other	12,268	12,043	(11,016)	13,294
TOTAL PROVISIONS	**13,366**	**12,174**	**(11,389)**	**14,150**
Operating Income		149	(425)	
Financial income		11,450	(10,964)	
Extraordinary income		575		

Other provisions mainly concern the share of certain subsidiaries' net negative assets.

Note 4.11 Bonds

(In € thousands)	31/12/2018			31/12/2017		
	Share capital	Interest	Total	Capital	Interest	Total
2019 ORNANE bonds				292		292
2021 ORNANE bonds				3		3
CONVERTIBLE BOND BORROWINGS				**295**		**295**

At the end of the fiscal year 2017, only 16,936 ORNANE 2019 bonds and 240 ORNANE 2021 bonds remained outstanding. The Company exercised its right to amortise the convertible bonds early, under the terms and conditions set forth in their respective issue contracts, effective as at 12 February 2018.

Note 4.12 Other debts

(In € thousands)	31/12/2018	31/12/2017
Debts to the Gabon subsidiary	164,153	123,714
Debts to other Group subsidiaries	2,294	2,806
Shareholder loan	87,336	83,462
Other accrued liabilities	1,211	1,272
TOTAL OTHER LIABILITIES	**254,995**	**211,254**

In December 2017, a shareholder loan was set up with PIEP for an initial amount of $100 million, with a second tranche of $100 million that can be drawn down at Maurel & Prom's discretion.

The terms of this new facility are as follows:

Initial amount	US$100 million
Additional amount	US$100 million that can be drawn down at will
Maturity	December 2024
First repayment	December 2020
Repayment	17 quarterly instalments
Borrowing rate	LIBOR + 1.60%

The change in debts to the Gabon subsidiary is as follows:

GABON DEBTS AT END-2017	**(123,714)**
Financing of MP Gabon investments and expenditure	(108,713)
Deposit of MP Gabon income and internal services	13,811
Refinancing	
Dividends received	77,734
Interest on current accounts	(8,501)
Foreign exchange effect on financing in US$	(14,770)
GABON DEBTS AT END-2018	**(164,153)**

Note 4.13 Debt maturities

(In € thousands)	Total amount	Within one year	More than one year	More than five years
Trade payables and related accounts	3,113	3,113		
Tax and social security payables	5,025	5,025		
Fixed asset liabilities and related accounts	1,620	1,620		
Other debts	254,995	167,658	66,787	20,549
TOTAL PAYABLES BY DUE DATE	**264,753**	**177,417**	**66,787**	**20,549**

Note 4.14 Sales

Company sales correspond exclusively to services and studies provided to the Company's subsidiaries, especially in Gabon and Tanzania.

Note 4.15 Financial income

(In € thousands)	Note	Net at 31/12/2018	Net at 31/12/2017
SHARE OF INCOME OF JVS		**-**	**(96)**
Interest on ORNANE bonds		-	(3,357)
Interest on other borrowings	A	(3,239)	(17,803)
Income from cash	B	4,108	1,650
INTEREST FROM BORROWINGS AND CASH		**869**	**(19,509)**
ALLOCATIONS TO AND REVERSALS OF PROVISIONS ON TREASURY SHARES		**8,440**	**6,857**
Credit losses on investments	C	(19,987)	(600)
Interest receivables	G	292	25,656
Allocations to provisions on securities and current accounts	D	(10,998)	(85,761)
INCOME ON SECURITIES AND INVESTMENT-RELATED RECEIVABLES		**(30,693)**	**(37,095)**
FINANCIAL EXPENSES		**(159)**	**-**
DIVIDENDS RECEIVED	E	**85,596**	**85,500**
Foreign exchange gains and losses	F	9,325	(34,826)
Reversals of financial provisions for foreign exchange rate differences		373	48,481
EXCHANGE LOSS		**9,698**	**13,654**
FINANCIAL INCOME		**73,750**	**49,310**

A: interest on the shareholder loan;
B: increase in income due to cash investment in SICAVs;
C: credit loss on investments is equal to the waiver of M&P Peru receivables;
D: provisions are allocated on the basis of value in use, taking into account the subsidiaries' net worth, where applicable;
E: €75 million in Maurel & Prom West Africa dividends and €10.5 million in Seplat dividends;
F: currency differences are mainly attributable to the revaluation of cash in US$;
G: interest on the average annual outstanding amounts of advances to subsidiaries, which fell sharply over 2018.

Note 4.16 Extraordinary income

The Group entered Gabon in February 2005 when it purchased the assets of the Rockover and Masasa groups. At the time of the acquisition, the Group undertook to make "Deferred Payments" based on future production. In 2018, the Company bought back these deferred payments from Rockover for a consideration price of US$43 million (€37 million), recorded in the parent company financial statements under "extraordinary expenses":

- 25% paid in cash (US$10.75 million);
- 75% (US$32.25 million) was settled by issuing new Maurel & Prom shares as compensation.

Note 4.17 Income tax

Maurel & Prom is the parent company of the tax consolidation group comprising Maurel & Prom, M&P Peru Holdings, M&P Volney 5, M&P Angola, M&P West Africa, MPEP BRM, MPEP France, MPEP Namibia, MPEP Mnazi Bay, MP East Asia, MP West Canada, M&P Assistance Technique and Caroil.

NOTE 5 ADDITIONAL INFORMATION

Note 5.1 Financial risks

The Company's results are sensitive to various market risks, including EUR/USD foreign exchange risk, considering that a substantial portion of receivables and liabilities are denominated in US dollars.

The Company is also exposed to liquidity risk and interest rate risk. The Group's borrowing terms and conditions and the financing structure of the Company are described in the Financing paragraph of the 2018 Annual Report.

Successive treasury share repurchase plans have been put in place since 12 January 2005. As at 31 December 2018, the Company held 3,521,081 treasury shares for a gross carrying amount of €42 million, compared to a market value of €12 million. A provision was therefore established in the amount of €30 million. A 10% decrease in the value of these securities would have a negative impact of €1 million on the Company's net income.

Note 5.2 Off-balance sheet commitments

To the best of Maurel & Prom's knowledge, there are no exceptional events, litigation, risks or off-balance sheet commitments likely to adversely affect the Company's financial position, assets and liabilities, results or activities.

Note 5.2.1 US$600-million term loan

Maurel & Prom West Africa S.A., sole and whole owner of Maurel & Prom Gabon, took out a US$600-million term loan on 10 December 2017. This loan is guaranteed by the parent company Établissements Maurel & Prom. The borrower also benefits from the financial support of the Group's main shareholder, PT Pertamina International Eksplorasi Dan Produksi (PIEP), should it fail to meet its payment obligations under this loan.

No Group assets have been pledged as collateral. However, restrictions on the use of certain bank accounts of Maurel & Prom Gabon and Maurel & Prom West Africa were specified in the event of default on this new loan (except in certain cases).

Furthermore, under the terms of this loan, Maurel & Prom West Africa has undertaken to meet certain financial ratios, calculated at Group level, at 30 June and 31 December of each year:

- ratio for the Group's consolidated net debt to EBITDAX (earnings before interest, taxes, depreciation, amortisation and impairment net of the impact of foreign exchange gains and losses and exploration costs) not to exceed 4.00:1.00, calculated over a 12-month period prior to the reference date;
- the Group's debt service cover ratio (DSCR) calculated over the six months preceding the reference date, to be higher than 3.50:1.00; and
- Group Tangible Net Worth to exceed US$500 million at each reference date.

The Group was in compliance with these covenants as at 31 December 2018.

Maurel & Prom West Africa, Établissements Maurel & Prom and Maurel & Prom Gabon have also committed to maintaining a minimum consolidated amount of US$100 million cash in their bank accounts, failing which Établissements Maurel & Prom would be forced to draw on the unused portion of the PIEP shareholder loan described below.

Établissements Maurel & Prom has agreed that the total dividend paid out per calendar year for a period of 36 months after drawdown will not exceed US$10 million while guaranteeing that minimum working capital requirements agreed by the parties will be respected.

Note 5.2.2 Subordination agreements with PIEP

Under the term loan of December 2017, the Group signed a subordination agreement pursuant to which some liabilities towards PIEP are subordinate to the repayment of the bank term loan.

Note 5.2.3 Contractual commitments in Gabon

Under the terms of the purchase agreement and subsequent amendments thereto entered into with the Gabonese government and Rockover in February 2005, Maurel & Prom is obliged to pay the Masasa Trust:

- 1.4% of production valued at the official sale price, paid monthly given that the contractual production threshold has been reached;
- a royalty amounting to US$0.65 for every barrel produced from the date that total production in all licensed zones exceeds 80 MMbbl; and
- 5% on production from the sole Banio field, valued at the official sale price, when total production from this field exceeds 3.865 million barrels;
- 2% of total available production, valued at the official sale price, up to 30 MMbbl and 1.5% above this limit, based on production from operating permits with the Nyanga-Mayombé exploration permit. This commitment is recognised in expenses commensurate with production, knowing that production in the Banio field (the only Nyanga-Mayombé exploration permit to date) is currently suspended indefinitely.

Note 5.2.4 Angola

The Group is in the process of finalising the acquisition of the 20% stake held by AJOCO. The total amount of the transaction will be US$80 million, which will be financed by the Group's existing cash position and by offsetting amounts owed by AJOCO to the operator, Sonangol EP. The transaction also provides for an additional payment of up to US$25 million subject to oil price performance and resource development.

Note 5.3 Company workforce

As at 31 December 2018, the Company has 36 paid staff members.

Note 5.4 Executive remuneration

Principal Officers includes Directors (management team composed of the Chairman, the Chief Executive Officer and the Chief Operating Officer) and members of the Board of Directors.

(in € thousands)	31/12/2018	31/12/2017
Short-term benefits	1,431	1,534
Share-based payment	281	923
TOTAL	**1,712**	**2,457**

Note 5.5 Related companies

(in € thousands)	31/12/2018	31/12/2017
Equity interests	310,813	310,273
Other receivables	535,914	479,901
ASSETS	**846,727**	**790,174**
Fixed asset liabilities	1,612	1,612
Other debts	166,448	126,520
Shareholder loan	87,336	83,462
LIABILITIES	**168,059**	**128,132**
Share from joint ventures	-	(96)
Financial income	292	25,656
Dividends	85,595	85,500
Financial expenses	(23,226)	(7,746)
INCOME STATEMENT	**62,661**	**103,313**

Note 5.6 Post-balance sheet events

To the best of Maurel & Prom's knowledge, there are no post-balance sheet events likely to adversely affect the Company's financial position, assets and liabilities, results or activities.

Note 5.7 Subsidiaries and equity interests

Company	Currency	% held	Capital *(in currencies)*	Share-holders' equity other than share capital *(in currencies)*	Gross carrying amount of securities held *(in €)*	Impair-ment	Net carrying amount of securities held *(in €)*	Gross loans and advances granted[a] *(in €)*	Dividends received	Sales for the previous fiscal year *(in stated currency)*	Net income for the previous fiscal year *(in stated currency)*
France											
Maurel & Prom Assistance Technique	EUR	100%	1,500,000	(273,400)	34,211,193	(33,095,911)	1,115,281	(1,526,885)	-	1,637,686	46,445
MP Trading	EUR	100%	500,000		500,000		500,000	222,357		None	(180,560)
MPEP France	EUR	100%	37,000		37,000	(37,000)	-	384,064		None	(94,598)
Abroad											
Maurel & Prom West Africa	EUR	100%	80,000	3,926,072	80,000	-	80,000	15,492,450	75,000,000	None	77,524,952
MPAT International (Geneva)	EUR	99.99%	195,270	1,470,683	277,714	-	277,714	-	-	16,571,000	438,615
Maurel & Prom Colombia BV	USD	50%	61,000	1,650,691	92,430,958	(92,430,958)	-	2,638,930	-	None	(2,748,706)
Panther Eureka Srl (Sicily)	EUR	100%	128,572	169,973	10,756,245	(10,756,245)	-	2,212,744	-	None	(377,942)
Seplat Petroleum[c]	USD	20.46%			140,180,414	-	140,180,414	8,386	10,594,879		
Cardinal[c]	USD	40%			6,059,688	(6,059,688)	-	-	-		
Integra Oil[c]	USD	10%	37,000		25,839,793	(25,839,793)	-	3,691,399	-	None	
MP Venezuela	EUR	100%	43,000	(29,159)	43,000	-	43,000	48,831,071	-	None	(671,893)
MP SIUW	EUR	100%			1		1	432,996	-	None	
Other[b]					397,006	(396,995)	11	297,512,275			

(a) Including accrued interest.
(b) Includes all subsidiaries, other than those mentioned above, directly owned by Maurel & Prom SA.
(c) No information available.

5.4 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

To the shareholders of Établissements Maurel & Prom S.A.

Opinion

In compliance with the engagement entrusted to us by your General Shareholders' Meeting, we have audited the accompanying financial statements of Établissements Maurel & Prom S.A. for the year ended 31 December 2018.

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 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the audit of the financial statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (code de déontologie) for Statutory Auditors.

Justification of Assessments – Key audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of equity shares and related receivables

Key audit matter	Our response
The equity shares and related receivables on the balance sheet as at 31 December 2018 for a net amount of MEUR 311 represent 59% of the company's assets. For companies in exploration phase, equity shares and related receivables are subject to a depreciation for exploration expenses as long as no decision of business development or production project was not taken. In the event that there has been evidence of proven reserves and for companies with an oil production activity, the value of equity shares and related receivables is limited to the amount of future revenue discounted at the time of closing. For other activities, provisions for depreciation of equity shares and related receivables are determined taking into account the financial performance of the equity mainly derived from discounted cash flow, evolution of income or their probable resale value. For listed investments, the value in use is determined by taking also into consideration the stock exchange price. In this context, and because of the uncertainties in relation with certain elements and in particular the probability of the forecasts realisation, we considered that the correct valuation of equity shares and related receivables was a key point in the audit.	In order to assess the reasonableness of the estimation of current equity, based on the information provided to us, our work consisted mainly of verifying that the estimation of these values determined by the management is based on an appropriate justification of the valuation method and the quantified elements used and, according to equity shares concerned, to: — verify that the equity selected is consistent with the accounts of the entities that have been the subject of an audit or analytical procedures and that the adjustments made, if any, on such equity are based on probative documentation; — verify the stock exchange share price used; — obtain forecasts of cash flow and operating flow for the activities of the entities concerned established by the management; — verify the consistency of the assumptions retained by the management with the data obtained from the reports of independent expertise; — verify the main underlying data for the appraisal of future revenues including oil reserves, forecast sales prices, and discount and inflation rates; — verify that the value issued from the cash flow forecast has been adjusted by the amount of the debt of the entity under consideration. In addition to the appreciation of the equity shares' present value, our works have also included the following works: — to verify the recoverability of receivables related to investments regarding the analysis performed on equity investments; — to verify the posting of a provision for risks if the company is committed to bear the losses of a subsidiary with a negative net equity.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

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 other documents with respect to the financial position and the financial statements provided to shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code (*Code de commerce*).

Information relating to corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Others information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights *has* been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Établissements Maurel & Prom S.A. by the annual general meeting held on June 12, 2014 for KPMG and for International Audit Company.

As at 31 December 2018, KPMG and International Audit Company were in the 5th year of total uninterrupted engagement.

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 French accounting principles 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 it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements 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 professional 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 these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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;
- obtains 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 internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses 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. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors
French original signed by

Paris-La Défense, on the 29 April 2019 KPMG audit **Éric Jacquet** Partner	Paris, on the 29 April 2019 International Audit Company **Francois Caillet** Partner

5.5 FIVE-YEAR FINANCIAL SUMMARY

(in euros)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
I. Financial position at the end of the fiscal year					
a) Capital stock	93,602,812	150,412,041	150,412,041	150,412,041	154,549,412
b) Number of shares issued	121,562,094	195,340,313	195,340,313	195,340,313	200,713,522
II. Total income from operating activities					
a) Sales (exclusive of tax)	17,337,130	16,154,394	16,144,493	17,942,804	18,169,332
b) Income before tax, amortisation, depreciation and provisions	3,834,131	30,657,865	-68,347,851	33,478,240	22,377,263
c) Income tax	-5,795	941,929	63,838	3,685,518	-521,146
d) Income after tax, amortisation, depreciation and provisions	-140,559,277	-196,371,528	-37,492,782	22,971,076	16,912,001
e) Distributed profits [(a)]					
III. Earnings per share					
a) Income after tax, but before amortisation, depreciation and provisions	0.031	0.162	-0.350	0.190	0.114
b) Earnings after tax, amortisation, depreciation and provisions	-1.156	-1.005	-0.192	0.118	0.084
c) Net dividend per share [(a)]					
IV. Personnel					
a) Number of employees	29.5	30	30	30	36
b) Total payroll	4,684,313	6,029,085	5,750,170	5,845,096	7,678,612
c) Sums paid for employee benefits (social security, welfare schemes, etc.)	3,101,679	3,000,771	3,547,316	3,467,000	3,460,293

(a) Amount payable for the fiscal year indicated, paid in the following fiscal year.

6 INFORMATION ABOUT THE COMPANY AND ITS CAPITAL

Information about the company

Company name: Établissements Maurel & Prom

APE Code: the Company's APE code (French Business Code) is 7010Z (Registered office activities).

Trade and Companies Register: the Company is registered in the Paris Trade and Companies Register (Registre du Commerce et des Sociétés de Paris) under number 457 202 331.

Legal Entity Identifier (LEI): 969500ZTY1961C594X25.

Company's date of incorporation (Registration in the Trade and Companies Register): 10 December 1919. The Company is incorporated under French law.

Company duration: 99 years, unless dissolved early or extended. Initially intended until 31 December 2018, the Company's duration was extended, by decision of the shareholders at the Extraordinary General Shareholders' Meeting of 13 October 2014, to 99 years from the date of the meeting, i.e. until 13 October 2113.

Since 14 June 2007, Maurel & Prom has been a public limited company (*société anonyme*) with a Board of Directors, governed by the French Commercial Code (in particular by the provisions of Articles L. 225-17 *et seq.* of the Code), as well as by all other laws and regulations applicable to it.

Registered office: 51, rue d'Anjou – 75008 Paris, France. Tel.: +33 (0)1 53 83 16 00 / Fax: +33 (0)1 53 83 16 04.

6.1 SHARE CAPITAL

6.1.1 Share capital and authorisations to increase capital

6.1.1.1 Subscribed capital

At 31 December 2018, the Company's share capital was €154,549,411.94 (one hundred and fifty-four million five hundred and forty-nine thousand four hundred and eleven euros and ninety-four euro cents), divided into 200,713,522 (two hundred million seven hundred and thirteen thousand five hundred and twenty-two) fully paid-up shares with a nominal value of €0.77 (seventy-seven euro cents) each.

Each share confers a right to the Company's profits and assets in proportion to the share of the capital that it represents. Maurel & Prom's share capital may be increased, reduced or amortised under the terms and conditions governed by law, as the Bylaws make no specific provision for this (see section 6.2.5. of this Annual Report).

6.1.1.2 Authorised capital

Capital increase authorisations and delegations granted by the Company's General Shareholders' Meeting in effect as at 31 December 2018, as well as their potential use during the fiscal year ended 31 December 2018 are described in the tables shown in section 3.6 of this Annual Report.

6.1.2 Treasury shares held by the issuer or on its behalf, or by its subsidiaries – Share repurchase plan

6.1.2.1 2018 share repurchase

Authorities granted by the General shareholders' meetings of 22 June 2017 and 20 June 2018

Authority granted to the Board of Directors by the Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 22 June 2017 (Resolution Twenty-Two) was renewed by the Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 20 June 2018 (Resolution Seventeen).

The share repurchase plan adopted on 20 June 2018 can be summarised as follows:

- the Board of Directors has the authority to purchase, hold or transfer shares of the Company, within the limit of the number of shares representing 10% of the share capital at any time (this percentage applying to share capital adjusted for transactions affecting it subsequent to the General Shareholders' Meeting) or 5% if it pertains to shares purchased to be held or subsequently delivered in payment or exchange as part of a merger, demerger, capital contribution or external growth transaction;
- where the shares are redeemed to boost liquidity, the number of shares used to calculate this 10% limit corresponds to the number of shares purchased, less the number of shares resold over the term of this authority;
- the maximum purchase price must not exceed €10 per share. This price may be adjusted in the event of transactions relating to the share capital such as, in particular, the incorporation of reserves followed by the creation and allocation of free shares and/or the splitting or reverse splitting of shares;
- the maximum value of funds designated for the repurchase plan is €195,340,310 (calculated on the basis of the share capital at 31 December 2017);

— the authority is granted for a period of 18 months, beginning on 20 June 2018 and expiring on 20 December 2019;

— the authority cannot be used in a public offering of Company shares.

The purposes of the share purchase programme are as follows:

— to honour obligations under share option plans, under bonus share allocations (or preference share allocations, where applicable) or other share allocations or sales of shares, including under the employee shareholding or savings plan (or similar), to employees and/or corporate officers of the Company and companies or economic interest groups related to it in accordance with applicable law and regulations, particularly as part of company profit-sharing or any share option plan or bonus share allocation (or preference share allocations, where applicable);

— to honour obligations relating to transferable securities conferring access to Company shares, by any means, immediately or in the future (including any hedging transactions by virtue of the Company's obligations relating to such transferable securities);

— to support the secondary market or the liquidity of Company shares through an investment services provider acting independently on behalf of the Company without being influenced by the Company under a liquidity agreement in accordance with the Ethics Charter recognised by the French Financial Markets Authority (AMF);

— to hold shares for subsequent use as exchange or payment in a potential merger, demerger, capital contribution or external growth transaction;

— to cancel all or part of the shares repurchased;

— to implement any market practices authorised or to be authorised by market authorities; and

— any other transaction or goal that complies with laws and regulations in force or that may eventually be applicable.

Number of securities and proportion of capital that the issuer directly or indirectly holds

At 31 December 2018, the Company holds 3,521,081 of its own shares, or 1.75% of the share capital. The breakdown of securities held by the Company by objective as at 31 December 2018 is as follows:

— 195,547 shares or around 5.54% of the treasury shares held (representing approximately 0.10% of the Company's share capital) were held under a liquidity agreement;

— 3,125,534 shares, or around 88.77% of treasury shares (representing approximately 1.56% of the Company's share capital) were held as part of the Company's share retention objective with a view to their subsequent use in payment or exchange as part of potential external growth transactions;

— 200,000 shares or around 5.68% of treasury shares (representing approximately 0.10% of the capital) are allocated for cancellation.

During the fiscal year ended 31 December 2018, 895,000 shares were cancelled.

6.1.2.2 Report on previous plans

Situation at 31/12/2018	
Percentage of capital held as treasury shares	1.75%
Number of shares cancelled in the past 24 months (1,975,700), i.e.	0.98%
Number of shares held in portfolio	3,521,081
Carrying value of the portfolio in €	€41,639,101.54
Market value of the portfolio in € (based on the weighted average share price in December 2018 of: €3.3358)	€11,745,592.52

From 1 January to 31 December 2018, no repurchased shares were reallocated.

During the past year, the Company made use of its share repurchase plan (liquidity agreement).

The report on the completion of repurchase plans between 1 January and 31 December 2018 under the liquidity agreement with an investment services provider is as follows:

	Cumulative gross flows [(a)]		Positions open on the date that the plan was published			
	Purchases	Sales/ transfers	Open buy positions		Open sell positions	
Number of securities	2,236,885	2,133,195	-	-	-	-
Average maximum term	-	-	-	-	-	-
Average transaction price	4.7588	4.6817	-	-	-	-
TRANSACTION AMOUNTS	**10,644,799**	**9,986,992**	**-**	**-**	**-**	**-**

(a) Total gross flows include cash purchases and sales as well as exercised or expired options and futures.

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6.1.2.3 Description of the share repurchase plan pursuant to Articles 241-1 *et seq.* of the General Regulations of the French Financial Markets Authority (AMF)

Legal framework

The plan is implemented in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code, Regulation (EC) No. 596/2014 of the European Parliament and Council of 16 April 2014, EU delegated act No. 2016/1052 of the European Commission of 8 March 2016 and the General Regulations of the French Financial Markets Authority (AMF).

Objectives of the new repurchase plan submitted to the General Shareholders' Meeting of 13 June 2019

The Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 13 June 2019 will be asked, in a resolution, to renew the authority granted by the Combined Ordinary and Extraordinary shareholders' Meeting of 20 June 2018 (Resolution Seventeen).

The purpose of the new plan will be:

- to honour obligations under share option plans, under bonus share allocations or other share allocations or sales of shares, including under the employee shareholding or savings plan (or similar), to employees and/or corporate officers of the Company and companies or economic interest groups related to it in accordance with applicable law and regulations, or as part of profit-sharing in the company's growth;
- to honour obligations relating to transferable securities conferring access to Company shares, by any means, immediately or in the future (including any hedging transactions by virtue of the Company's obligations relating to such transferable securities);
- to support the market for Company shares under a liquidity agreement in accordance with market practice authorised by the French Financial Markets Authority (AMF);
- to hold shares for subsequent use as exchange or payment in a potential merger, demerger, capital contribution or external growth transaction; and
- to cancel all or part of the shares repurchased.
- The repurchase programme is intended to enable the implementation of any market practices authorised or to be authorised by market authorities, and more generally, to complete any other transaction or purpose that complies with the laws and regulations in force or that may eventually be applicable.

Number of securities and proportion of capital that the issuer directly or indirectly holds

At 31 March 2019, the Company held 3,501,153 treasury shares representing 1.74% of the share capital. The breakdown of securities held by the Company by objective as at 31 March 2019 is indicated below:

- 175,619 shares or around 5.02% of the treasury shares held (representing approximately 0.09% of the Company's share capital) were held under a liquidity agreement;
- 3,125,534 shares or around 89.27% of treasury shares (representing approximately 1.56% of the Company's share capital) were held as part of the Company's share retention objective with a view to their subsequent use in payment or exchange as part of potential external growth transactions; and
- 200,000 shares or around 5.71% of treasury shares (representing approximately 0.09% of the capital) are allocated for cancellation.

Maximum share of capital, maximum number and characteristics of securities, maximum purchase price

Securities concerned

The repurchase plan concerns Company shares (ISIN code FR0000051070), traded on Euronext Paris (compartment B – Midcap), under Legal Entity Identifier (LEI) 969500ZTYI9C1C594X25.

Maximum share of capital

No more than 10% of the total number of shares making up the Company's share capital may be purchased (i.e. 20,071,352 shares, for example, at the date of this publication), it being stated that:

- this limit refers to the Company's share capital which may, if necessary, be adjusted to account for subsequent transactions affecting the share capital that take place after the General Shareholders' Meeting of 13 June 2019. Under no circumstances may the purchases made by the Company cause it to directly or indirectly hold more than 10% of its share capital;
- the number of shares purchased by the Company to hold for use as payment or exchange in a merger, demerger or capital contribution may not exceed 5% of its share capital,(i.e. 10,035,676 shares, for example, at the date of this publication).

Purchase price

The Company may not pay more than €10 per share (excluding acquisition costs) for its treasury shares. Consequently, the maximum amount of funds that the Company may use for this repurchase plan is €200,713,520 (excluding acquisition costs).

Repurchase procedures

These shares may be purchased, sold, transferred, allotted or exchanged one or more times under the terms and conditions set forth by law and/or applicable regulations by any means, in particular on regulated markets, multilateral trading platforms (MTF) or via systematic internalisers or over the counter, including purchases or sales in blocks, by using options or any financial instrument (including derivatives), in all cases, either directly or indirectly through the intermediary of an investment services provider, in accordance with applicable law and regulations on the date of the transactions considered.

These transactions may occur at any time except during periods of public offering concerning the shares of the Company.

Duration of the repurchase plan

The duration of this share repurchase plan is 18 months from the General Shareholders' Meeting of 13 June 2019, i.e. until 13 December 2020.

6.1.3 Convertible or exchangeable securities and warrants

ORNANE 2019 and ORNANE 2021

Following this early repayment, as at 12 February 2018, no ORNANE 2019 or ORNANE 2021 bonds were outstanding and all ORNANE 2019 and ORNANE 2021 bonds had been cancelled.

6.1.4 History of the share capital

The table below shows the change in the share capital of Maurel & Prom during fiscal years 2016, 2017 and 2018.

Date and transaction		Change in capital		Share capital after transaction	Total number of shares outstanding
		Nominal value of the transaction	Number of shares		
28/03/2016	Capital increase following a bonus share award plan	€39,916.80	51,840	€150,451,957.81	195,392,153
28/03/2016	Cancellation of treasury shares	(€39,916.80)	51,840	€150,412,041.01	195,340,313
25/02/2017	Capital Increase following a bonus share award plan	€832,062	1,080,600	€151,244,103.01	196,420,913
25/02/2017	Cancellation of treasury shares	€832,062	1,080,600	€150,412,041.01	195,340,313
24/04/2018	Capital increase following a bonus share award plan	€689,150	895,000	€151,101,191.01	196,235,313
24/04/2018	Cancellation of treasury shares	€689,150	895,000	€150,412,041.01	195,340,313
12/12/2018	Capital increase in cash reserved for Rockover Energy Limited	€4,137,371	5,373,209	€154,549,411.94	200,713,522

To the Company's knowledge, none of its shares have been pledged.

6.1.5 Potential capital dilution

The table below shows the maximum potential dilution of the Company's share capital resulting from the allocation of free shares at 31 December 2018.

Capital at 31 December 2018	€154,549,411,94	200,713,522 shares

	Issue date	Vesting date	Number of potential shares	Potential dilution
Free shares	24/04/2017	24/04/2020	180,000	0.09%
	03/08/2018	03/08/2019	157,700	0.08%
TOTAL FREE SHARES	**-**	**-**	**337,700**	**0.17%**
TOTAL (note that free shares will have no dilutive impact because the same number of treasury shares will be cancelled as the number of shares issued and granted as free shares)	**-**	**-**	**337,700**	**0.17%**

6.2 ARTICLES OF ASSOCIATION AND BYLAWS

The following information:

- corporate purpose;
- provisions relating to administrative and management bodies;
- terms and conditions for exercising voting rights – double voting rights;
- disposal and transfer of shares;
- procedure for modifying shareholders' rights;
- Shareholders' Meeting notices and conditions of admission;
- statutory thresholds;
- rights and obligations attached to each share class;

is included in the Company's Bylaws available at: www.maureletprom.fr.

In addition to the amendments to the Company's Bylaws relating to share capital in the last three fiscal years, no other changes to the Bylaws were approved by the Company's General Shareholders' Meeting.

6.2.1 Corporate purpose

The Company's corporate purpose is described in Article 3 of its Bylaws. The Company has the following purpose, both in France and abroad:

- the management of all shares and membership rights and, to this end, the acquisition of interests in any company, group or association, particularly by way of purchase, subscription and contribution, as well as the sale in any form of said shares or membership rights;
- the prospecting and exploitation of all mineral deposits, particularly liquid or gaseous hydrocarbon deposits and related products;
- the leasing, acquisition, transfer and sale of all wells, land, deposits, concessions, operating permits and prospecting permits, either on its own account or on behalf of third parties, whether by participation or otherwise, and the transportation, storage, processing, transformation and trading of all natural or synthetic hydrocarbons, all liquid or gaseous products or by-products of the subsoil, and all minerals or metals;
- the acquisition of any buildings and their management or sale;
- trading in all products and commodities;
- generally speaking, the Company's direct or indirect participation in all commercial, industrial, property, agricultural and financial transactions, in France or other countries, either by the formation of new companies or by the contribution, subscription or purchase of shares or membership rights, merger, joint venture or otherwise, and generally all transactions of any kind whatsoever directly or indirectly related to these activities and likely to facilitate development or management.

Provisions relating to administrative and management bodies

At its meeting of 25 April 2019, the Company's Board of Directors updated the Internal Rules.

These Internal Rules reprise and detail certain articles in the Bylaws, including membership of the Board and the concept of independent director, the operating rules, missions, rights and obligations incumbent on directors laid down in a charter, the appointment and role of observers and the membership and remits of the Audit Committee, of the Risk Observatory and of the Appointment and Remuneration Committee.

Furthermore, following the legal and regulatory provisions regarding the restrictions or prohibitions of members of the Board of Directors from trading in the Company's shares, the Company has a Code of Conduct to prevent transactions and insider trading which has been updated to take account of the amendments resulting from the entry into force of European Regulation No. 596/2014 of the European Parliament and Council of 16 April 2014 on market abuse (see section 3.2.2.4 (A) of this Annual Report).

The Internal Rules and the Code of Conduct are available on the Company's website (www.maureletprom.fr).

6.2.2 Rights, privileges and restrictions attached to each class of shares in issue

At all General shareholders' meetings, every shareholder who is a member of such meetings has as many votes as the shares that he/she owns or represents, without any limitations other than those arising from statutory provisions.

Each share entitles the holder to one vote. A double voting right is conferred upon the holders of fully paid- up registered shares who are able to prove that they have been shareholders for at least four years without interruption (Article 11, paragraph 7). Furthermore, in the event of a capital increase through the capitalisation of reserves, profits or issue premiums, the double voting right is conferred – immediately upon the issue of any registered shares allocated free of charge – to a shareholder who had old shares benefiting from this same entitlement.

This double voting right will automatically lapse in respect of any shares that were able to be converted into bearer shares or transferred, but it may be reinstated if the new holder of the shares can prove that he/she has been their registered holder for at least four years.

Nevertheless, any transfer from registered share to registered share following an "ab intestate" succession or testamentary succession or division of jointly owned assets or joint property as between spouses shall not interrupt the above four-year period set forth above or shall retain the acquired right. The same applies in the case of inter-vivos gifts between living persons in favour of a spouse or of a relative entitled to inherit.

The double voting right may be cancelled by decision of the Extraordinary General Shareholders' Meeting after ratification by the special meeting of beneficiary shareholders.

Details of double voting rights are given in the share ownership tables in section 6.3 of this Annual Report.

6.2.3 Necessary procedures for modifying shareholders' rights

Any amendment to the Company's Bylaws must be decided or authorised by the Extraordinary General Shareholders' Meeting, acting with the quorum and majority required by the provisions of Article L. 225-96 of the French Commercial Code.

6.2.4 Required statement of declaration of ownership disclosure thresholds

In addition to the thresholds set forth in applicable laws and regulations as defined in Article L 233-7 of the French Commercial Code regarding crossing legal and regulatory thresholds, the Company's Bylaws require that statutory threshold crossings be declared. Any individual or legal entity, acting alone or in concert, that comes to directly or indirectly hold a number of shares representing a percentage of the capital or voting rights equal to or greater than 2%, or a multiple of 2%, as long as it does not hold, alone or in concert, a total number of shares representing more than two thirds of the Company's capital and voting rights, must inform the Company of the total number of shares conferring entitlement to the Company capital that it owns, by registered mail with acknowledgement of receipt sent to the registered office within a period of five trading days from the date on which the aforementioned ownership thresholds are exceeded.

At the request, recorded in the minutes of the General Shareholders' Meeting, of one or more shareholders holding at least 2% of the Company's capital or voting rights, any failure to comply with this disclosure obligation shall be penalised, with respect to the shares exceeding the percentage that should have been declared, by withdrawal of the right to vote at any General Shareholders' Meeting that may be held until the end of a two-year period after the date on which the notification was formally recorded.

The same duty of information applies, with the same timescale and under the same conditions, each time the fraction of capital or voting rights held by a shareholder falls below one of the thresholds mentioned above.

To calculate the thresholds mentioned above, account is taken of the shares and voting rights held, as well as – even if the person concerned does not personally hold shares or voting rights in another manner – comparable shares or voting rights in accordance with Article L. 233-9 of the French Commercial Code, which are divided by the total number of shares comprising the Company's capital and the total number of voting rights attached to those shares. The total number of voting rights is calculated on the basis of all shares to which voting rights are attached, including shares not eligible for voting rights.

In order to identify the owners of bearer shares, the Company is at all times entitled, in accordance with the conditions and the methods laid down by the legal and regulatory provisions, to request that the central depository keeping its share issue account disclose the identity of the owners of shares conferring immediate or future voting rights at General shareholders' meetings, as well as the number of shares held by each of them and, if applicable, any restrictions relating to the shares.

6.2.5 Provisions of the Bylaws reinforcing the laws governing changes to the share capital

The Company's share capital may only be changed in accordance with the laws and regulations in force, namely Articles L. 225-127 *et seq.* of the French Commercial Code. The law takes precedence over any provision of the Bylaws, charter or internal rules in matters concerning changes to the Company's share capital.

6.2.6 Disposal and transfer of shares

Subject to the legal and regulatory provisions, the shares are freely transferable. The shares are registered in an account and are transferred by means of a transfer from one account to another.

6.3 SHAREHOLDING

6.3.1 Current shareholding structure

6.3.1.1 Composition

At 31 December 2018, the capital and voting rights of the Company were distributed as follows:

At 31/12/2018	Number of share	% of capital	Number of exercisable voting rights	% of exercisable voting rights	% of theoretical voting rights
				out of 197,717,685	out of 201,238,766
PIEP	141,998,480	70.75%	141,998,480	71.81%	70.56%
Institutional investors	19,672,509	9.80%	19,782,939	10.01%	9.83%
Public and other	33,955,887	16.92%	34,299,401	17.35%	17.04%
Maurel & Prom (treasury shares)	3,521,081	1.75%	–	–	1.75%
Employees	1,565,565	0.78%	1,636,865	0.83%	0.81%
TOTAL	**200,713,522**	**100%**	**197,717,685**	**100%**	**100%**

Exercisable voting rights: the total number of shares which have exercisable voting rights attached, not including the voting rights attached to shares that are not eligible for voting rights (including treasury shares).
Theoretical voting rights = total number of voting rights attached to the total number of shares, including treasury shares without voting rights. In accordance with the regulation applicable to thresholds disclosure, the ownership thresholds relating to voting rights are calculated on the basis of theoretical voting rights (and not exercisable voting rights).

The breakdown of the Company's capital during the previous fiscal years is shown in the tables below.

The ownership thresholds relating to voting rights are calculated on the basis of theoretical voting rights (and not exercisable voting rights).

At 31 December 2017, the capital and voting rights of the Company were distributed as follows:

At 31/12/2017	Number of share	% of capital	Number of exercisable voting rights	% of exercisable voting rights	% of theoretical voting rights
				out of 191,656,189	out of 195,968,580
PIEP	141,911,939	72.65%	141,911,939	74%	72.4%
Institutional investors	9,092,800	4.66%	9,203,230	4.7%	4.6%
Public and other	38,460,460	19.68%	38,793,823	20.5%	20.1%
Maurel & Prom (treasury shares)	4,312,391	2.21%	–	–	2.1%
Employees	1,562,723	0.80%	1,747,197	0.8%	0.8%
TOTAL	**195,340,313**	**100%**	**191,656,189**	**100%**	**100%**

Theoretical voting rights = total number of voting rights attached to the total number of shares, including treasury shares without voting rights. In accordance with the regulation applicable to thresholds disclosure, the ownership thresholds relating to voting rights are calculated on the basis of theoretical voting rights (and not exercisable voting rights).

At 31 December 2016, the capital and voting rights of the Company were distributed as follows:

At 31/12/2016	Number of share	% of capital	Number of exercisable voting rights	% of exercisable voting rights	% of theoretical voting rights
				s/205,815,607	s/211,348,946
Institutional investors	102,476,826	52.46%	116,135,643	56.43%	54.95%
o/w Pacifico S.A.	47,916,026	24.53%	61,574,843[a]	29.92%	29.13%
o/w Macif	14,255,700	7.30%	14,255,700	6.93%	6.75%
o/w other institutional investors	40,305,100	20.63%	40,305,100	19.58%	19.07%
Maurel & Prom (treasury shares)	5,533,339	2.83%	-	-	-
Employees	1,329,912	0.68%	1,930,397	0.94%	0.91%
Public and otheR	86,000,236	44.03%	87,749,567	42.63%	41.52%
TOTAL	**195,340,313**	**100%**	**205,815,607**	**100%**	**97.38%**

Theoretical voting rights = total number of voting rights attached to the total number of shares, including treasury shares without voting rights. In accordance with the regulation applicable to thresholds disclosure, the ownership thresholds relating to voting rights are calculated on the basis of theoretical voting rights (and not exercisable voting rights).
(a) The variance between the number of shares held by Pacifico S.A. and the number of exercisable voting rights is due to the fact that Pacifico S.A. holds double voting rights.

6.3.1.2 Shareholders with more than 5% of capital

To the Company's knowledge, as at 31 December 2018 and at the date of this Annual Report, only PIEP holds more than 5% of the share capital and/or voting rights of the Company.

6.3.1.3 Legal disclosure thresholds

Between 1 January 2018 and the date of this Annual Report, the Company was not notified of any disclosures of crossing legal thresholds. No statements of declaration of ownership disclosure thresholds were published by the French Financial Markets Authority.

6.3.1.4 Voting rights of the main shareholders exceeding their share of the capital

In accordance with Article 11, paragraph 7 of the Company's Bylaws, "Rights and obligations attached to shares", "a double voting right is granted to fully paid-up shares for which registration in the name of the same shareholder in the Company's registers can be proven for at least four uninterrupted years from the date on which they were fully paid up".

6.3.2 Dividend

In accordance with Article 243 bis of the French General Tax Code, no dividend was paid out for the previous three fiscal years.

The Board of Directors decided to put forward a proposal at the Combined Ordinary and Extraordinary General Shareholders' Meeting of 13 June 2019 to pay a total dividend of US$10,000,000 for the fiscal year ended 31 December 2018; based on the $/€ exchange rate, the dividend per share to be paid by the Company, subject to approval from the General Shareholders' Meeting, will amount to €0.04.

6.3.3 Control of the issuer exercised by one or more shareholders

6.3.3.1 Control of the issuer exercised by one or more shareholders

Since the first settlement of securities tendered as part of the takeover bid initiated by PIEP for Company securities on 1 February 2017, control of the Company has been held by PIEP. At 31 March 2019, PIEP held 70.75% of the Company's share capital, 70.56% of theoretical voting rights and 71.81% of exercisable voting rights.

It should be noted that as at the date of this Annual Report, the organisation and operating procedures of the Board of Directors and its special committees, the number of independent directors (forming more than one-third of the Board, which ensures there are no conflicts of interest and regularly conducts assessments, two-thirds of the Audit Committee, two-thirds of the Appointment and Remuneration Committee and the three-quarters of the Risk Observatory), the chairmanship of all the Board committees being ensured by independent directors, the separation of the offices of Chairman and Chief Executive Officer (with this office being held by a person outside PIEP), compliance with the Internal Rules and the AFEP-MEDEF Code contribute to the oversight of the Company's control by PIEP.

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6.3.3.2 Agreements known to the issuer, the implementation of which could result in a change in control

To the Company's knowledge, there are no agreements between its shareholders or clauses in any agreement providing for preferential terms for the sale or purchase of Maurel & Prom shares affecting 0.5% or more of the share capital or voting rights of the Company, the implementation of which could result in a change in control of the Company.

6.4 RELATED-PARTY TRANSACTIONS

The breakdown of related-party transactions as referred to by standards adopted in accordance with European Regulation No. (EC) 1606/2002 concluded by Group companies during fiscal years 2016, 2017 and 2018 are shown in Note 6.4 of the Notes to the consolidated financial statements (see section 5.1.4 of this Annual Report). These transactions mainly concern equity associates and non-consolidated companies.

6.5 REGULATED AGREEMENTS AND COMMITMENTS

6.5.1 Regulated agreements and commitments

Regulated agreements and commitments within the meaning of Articles L. 225-38 *et seq.* of the French Commercial Code are shown in the Statutory Auditors' special report in section 6.5.2 below.

The Board of Directors conducted the annual review of regulated agreements and commitments during its meeting of 25 April 2019.

6.5.2 Special report of the Statutory Auditors on regulated agreements and commitments

General Shareholders' Meeting called to approve the financial statements for the fiscal year ended 31 December 2018

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

In our capacity as Statutory Auditors of your Company, we hereby present our report on the regulated agreements and commitments.

It is our responsibility to inform you, on the basis of information provided to us, of the characteristics, essential terms and conditions, and reasons for the company's interest in the agreements and commitments of which we have been advised, or which we have discovered during our mission, without commenting on their usefulness or validity, or identifying the existence of other such agreements or commitments. It is your responsibility, under the provisions of Article R. 225-31 of the French Commercial Code, to assess the benefits of entering into these agreements and commitments when they are submitted for your approval.

In addition, we are required, where applicable, to inform you, in accordance with Article R. 225-31 of the French Commercial Code, about the continuation during the year of agreements and commitments previously approved by the shareholders' Meeting.

We planned and performed our audit in compliance with the professional guidelines issued by the French national auditing body (Compagnie nationale des commissaires aux comptes). Those guidelines require that we verify that the data and disclosures provided to us are consistent with the documents on which they were based.

Agreements and commitments submitted for the approval of the General Shareholders' Meeting

We hereby inform you that we have not received notice of any agreement or commitment that has been authorised and entered into during the past fiscal year that requires submission for the approval of the General Meeting pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by the General Shareholders' Meeting

Agreements and commitments approved in previous fiscal years whose implementation continued during the past fiscal year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, already approved by the General Shareholders' Meeting in previous fiscal years, continued to be implemented during the past fiscal year.

Conclusion of a shareholder loan with PIEP

Nature and purpose

At its meeting of 23 November 2017, your Board of Directors authorised a shareholder loan between your Company and PT Pertamina Internasional Eksplorasi dan Produksi (PIEP).

Persons concerned

The company PIEP, a shareholder with more than 10% of your company's share capital, and Aussie Gautama, Denie Tampubolon, Huddie Dewanto, Aris Mulya Azof and Maria R. Nellia, directors of your company in 2018 and officers of PIEP or its majority shareholder, PT Pertamina.

Terms and reasons justifying the interest of this agreement

On 11 December 2017 your Company concluded a shareholder loan for the initial amount of US$100 million (with a second tranche of US$100 million), which may be drawn down at your Company's discretion. This loan is repayable in 17 quarterly instalments starting in December 2020 and bears interest at the annual rate of LIBOR +1.6%.

As at 31 December 2018, the amount drawn by your Company was US$100 million.

This agreement is part of your Company's debt refinancing transaction of December 2017 and is being used to repay all of its old credit facilities.

Conclusion of a subordination agreement with PIEP

Nature and purpose

At its meeting of 23 November 2017, your Board of Directors authorised an agreement to subordinate the debts of your Company, in particular those resulting from the shareholder loan granted by PT Pertamina Internasional Eksplorasi dan Produksi (PIEP).

Persons concerned

The company PIEP, a shareholder with more than 10% of your company's share capital, and Aussie Gautama, Denie Tampubolon, Huddie Dewanto, Aris Mulya Azof and Maria R. Nellia, directors of your company in 2018 and officers of PIEP or its majority shareholder, PT Pertamina.

Terms and reasons justifying the interest of this agreement

In view of the commitments made by your Company under the US$600 million credit agreement entered into with a banking pool on 10 December 2017, the conclusion of the shareholder loan entered into with PIEP, as described above, required conclusion of a commitment to subordinate this loan to the US$600 million credit agreement. This subordination agreement was signed on 11 December 2017.

The conclusion of this subordination agreement is a consequence of the PIEP shareholder loan.

Conclusion of an agreement with PIEP to redeem the ORNANE 2019 and 2021 bonds and the rider to it

Nature and purpose

At its meeting of 23 November 2017, your Board of Directors authorised the conclusion of a repurchase agreement for all of the ORNANE 2019 and ORNANE 2021 bonds held by PT Pertamina Internasional Eksplorasi dan Produksi (PIEP).

Persons concerned

The company PIEP, a shareholder with more than 10% of your company's share capital, and Aussie Gautama, Denie Tampubolon, Huddie Dewanto, Aris Mulya Azof and Maria R. Nellia, directors of your company in 2018 and officers of PIEP or its majority shareholder, PT Pertamina.

Terms and reasons justifying the interest of this agreement

A repurchase agreement for the ORNANE 2019 and ORNANE 2021 bonds held by PIEP was concluded on 10 December 2017. This agreement specifies the terms and conditions for the repurchase of the bonds, including their repurchase at par value and the payment of accrued interest accrued between the payment date of the last coupon and the repurchase date. In addition, a rider to the agreement to repurchase the ORNANE 2019 and ORNANE 2021 bonds held by PIEP was agreed on 19 December 2017 to specify the technical arrangements for redeeming the ORNANE bonds.

This agreement and the rider are part of your Company's debt refinancing transaction of December 2017 and are strengthening your Company's financial structure.

Rider relating to the suspension of Michel Hochard's Employment Contract as Chief Financial Officer

Nature and purpose

At its meeting of 26 May 2014, your Board of Directors voted to appoint Michel Hochard as the Chief Executive Officer of your Company.

Persons concerned

Michel Hochard, Chief Executive Officer of your Company as from 26 May 2014.

Terms and condition

Insofar as Michel Hochard, prior to his appointment as the Chief Executive Officer of your Company, was the Company's Chief Financial Officer, the Board of Directors, on the recommendation of the Appointment and Remuneration Committee, duly noted the automatic suspension of Michel Hochard's Employment Contract dated 27 November 2007 (and its rider dated 10 October 2011) (the "Employment Contract"), it being specified that the Employment Contract would automatically go back into effect upon the termination, for any cause whatsoever, of Michel Hochard's appointment as Chief Executive Officer.

Accordingly, your Board of Directors authorised this suspension of the Employment Contract to be formalized in a rider, dated 26 May 2014, which sets out the terms and conditions governing the suspension and resumption of the said contract.

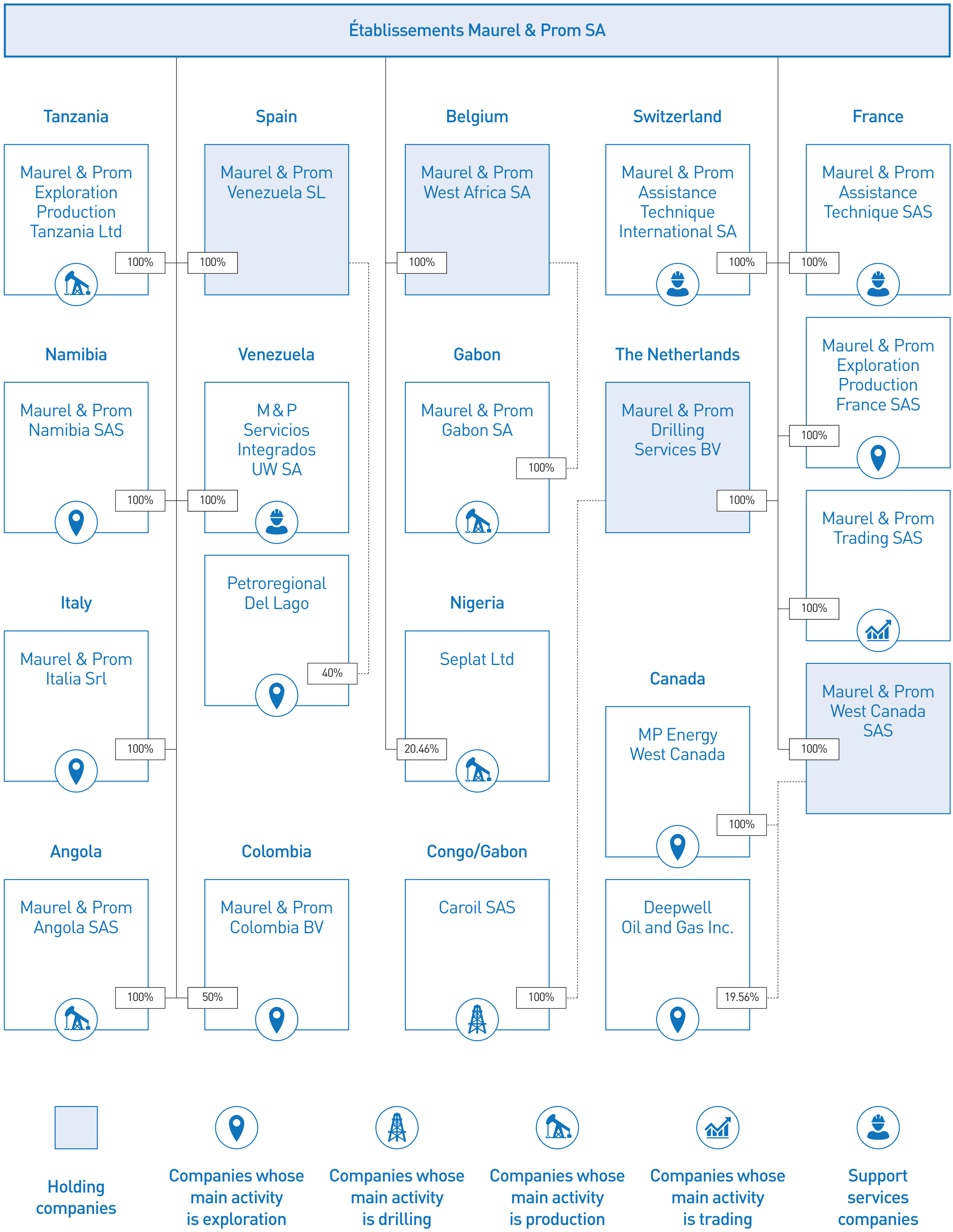
The Statutory Auditors

Paris-La Défense, 29 April 2019 KPMG audit Department of KPMG S.A.	Paris, 29 April 2019 International Audit Company
Éric Jacquet Partner	**François Caillet** Partner

7 ADDITIONAL INFORMATION

7.1 ORGANISATION CHART

7.1.1 Organisation chart of the main Group entities



7.1.2 List of all incorporated Group entities in 2018

Pursuant to the OECD recommendation under Action 13 of its Base Erosion and Profit Shifting (BEPS) Project and to the Accounting Directive 2013/34/EU of the European Parliament and Council of 26 June 2013 relating to the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (the "Accounting Directive"),the Group has included country-by-country reporting in its legal organisation chart with an overview of the breakdown of income, taxes and activities by tax jurisdiction.

Tax jurisdiction	Resident incorporated entity	Registered office	Consolidated entities	Mining rights owned or managed	Hydrocarbon sales	Liquid and gas hydrocarbon exploration	Technical drilling services	Administrative and management services	Group internal financing	Shares or other equity instruments held	Trading	Dormant activities	Other
Belgium	Maurel & Prom West Africa S.A. (registered office)	Brussels, Belgium	✓							✓			
Brazil	MP Oleo & Gas do Brazil	Paris, France										✓	D
Canada	Saint-Aubin Énergie Québec Inc (Gaspésie)	Montreal, Canada	✓	✓		✓							
Canada	Saint-Aubin Exploration & Production Québec Inc (Anticosti)	Montreal, Canada	✓	✓		✓							
Canada	MP Energy West Canada Corp. (Sawn Lake)	Calgary, Canada	✓	✓		✓							
Canada	Deep Well Oil & Gas, Inc	Edmonton, Alberta, Canada	✓	✓		✓							
Colombia	Maurel & Prom Colombia BV	Rotterdam, Netherlands	✓	✓		✓							
Colombia	Établissements Maurel & Prom S.A. (Bogota-based South American company)	Paris, France	✓				✓						
Colombia	Caroil S.A.S (Colombia-based)	Paris, France	✓				✓					✓	
Congo	Caroil S.A.S (Congo-based)	Paris, France	✓				✓						
Spain	Maurel & Prom Venezuela S.L.	Madrid, Spain	✓							✓			
France	Établissements Maurel & Prom S.A. (registered office)	Paris, France	✓	✓				✓	✓	✓			
France	Maurel & Prom Assistance Technique S.A.S.	Paris, France	✓					✓					
France	Maurel & Prom West Africa S.A. (France-based)	Brussels, Belgium	✓							✓			
France	Maurel & Prom Exploration et Production BRM S.A.S.	Paris, France	✓	✓		✓							
France	Maurel & Prom Peru Holdings S.A. (registered office)	Paris, France								✓			E
France	Maurel & Prom Mnazi Bay Holdings S.A.S.	Paris, France	✓							✓			
France	Caroil S.A.S. (registered office)	Paris, France	✓							✓			

Tax jurisdiction	Resident incorporated entity	Registered office	Consolidated entities	Mining rights owned or managed	Hydrocarbon sales	Liquid and gas hydrocarbon exploration	Technical drilling services	Administrative and management services	Group internal financing	Shares or other equity instruments held	Trading	Dormant activities	Other
France	MP West Canada S.A.S.	Paris, France	✓							✓			
France	M&P Exploration Production France S.A.S	Paris, France	✓			✓							
France	Maurel & Prom Volney 5 S.A.	Paris, France										✓	
France	Maurel & Prom Angola S.A.S.	Paris, France	✓										
France	Integra Oil S.A.S	Paris, France		✓						✓			B
France	Maurel & Prom Trading	Paris, France	✓								✓		
Gabon	Maurel & Prom Gabon S.A.	Port-Gentil, Gabon	✓	✓	✓	✓							
Gabon	Caroil S.A.S (Gabon-based)	Port-Gentil, Gabon	✓				✓						
Gabon	Caroil Gabon S.A	Port-Gentil, Gabon											✓
Gabon	Maurel & Prom Exploration Production Gabon S.A.	Port-Gentil, Gabon		✓								✓	
Gabon	Maurel & Prom Développement Gabon S.A.	Port-Gentil, Gabon		✓								✓	D
Luxembourg	Ison Holding S.a r.l.	Luxembourg, Luxembourg		✓						✓			A
Myanmar	Maurel & Prom East Asia S.A.S.	Paris, France	✓	✓		✓							
Namibia	Maurel & Prom Namibia S.A.S.	Paris, France	✓	✓		✓							
Nigeria	Seplat	Lagos, Nigeria	✓	✓	✓	✓							
Nigeria	Cardinal	Nigeria					✓						
Uganda	Caroil S.A.S. (Uganda-based)	Paris, France	✓				✓						
Netherlands	Maurel & Prom Drilling Services	Amsterdam, Netherlands	✓						✓	✓			
Peru	Maurel & Prom Peru S.A.C.	Lima, Peru		✓		✓							D/E
Sicily	Maurel & Prom Italia S.r.l	Ragusa, Sicily	✓	✓		✓							
Switzerland	Maurel & Prom Assistance Technique International S.A.	Geneva, Switzerland	✓					C					
Switzerland	Caroil Assistance Technique International S.A.	Geneva, Switzerland	✓					C					
Tanzania	M&P Tanzania Ltd	Dar Es Salaam, Tanzania										✓	D
Tanzania	M&P Exploration Production Tanzania Ltd	Dar Es Salaam, Tanzania	✓	✓	✓	✓							
Tanzania	Cyprus Mnazi Bay Limited	Nicosia, Cyprus	✓	✓	✓	✓							

Tax jurisdiction	Resident incorporated entity	Registered office	Consolidated entities	Mining rights owned or managed	Hydrocarbon sales	Liquid and gas hydrocarbon exploration	Technical drilling services	Administrative and management services	Group internal financing	Shares or other equity instruments held	Trading	Dormant activities	Other
Tanzania	Maurel & Prom Exploration et Production BRM S.A.S. (Tanzania-based)	Paris, France	✓	✓		✓							
Tanzania	Caroil S.A.S (Tanzania-based)	Paris, France	✓				✓						
Venezuela	Petroregional Del Lago (PRDL)	Caracas, Venezuela	✓		✓								
Venezuela	M&P Servicios Integrados UW S.A.	Caracas, Venezuela	✓					✓					

This list also fulfils the reporting obligations required under the EU Single Accounting Directive 2013/34/EU.

A: Since 2012, the Company has held an 18.64% stake in ISON Holding Sarl, a company incorporated under Luxembourg law. This company manages interests in gold-mining activities in Mali and owns New Gold Mali (NGM) and Tichit.

B: In 2015, the Company received US$9 million plus a 10% stake in that holding company, which owns assets in Venezuela, along with pre-emptive rights on 50% of the dividends as payment for its receivable against the Intégra Oil group.

C: Maurel & Prom Assistance Technique International and Caroil Assistance Technique International are entirely devoted to managing the majority of the personnel dedicated to the Group's international activities.

D: These dormant entities were still in the process of liquidation at 31 December 2018.

E: These entities left the Group in 2018.

7.1.3 Overview of the breakdown of activities, income and taxes by tax jurisdiction

The information presented in this section includes estimated corporate information (as the company financial statements of the Company's subsidiaries had not all been approved on the closing date of the Group's consolidated financial statements, these cannot be considered final) for fiscal year 2018, for entities held directly or indirectly at more than 40%, converted into euros at an average rate for the fiscal year for the income statement information, and at the closing date for the balance sheet information. This information differs from the consolidated financial statements to the extent that it is taken from the financial statements prepared according to local accounting standards and aggregates non-eliminated intra-Group operations. This information has been prepared in accordance with the proposed amendment to the Accounting Directive presented by the European Commission in April 2016 regarding the communication of information relating to income tax by certain companies and branches.

Overview of the breakdown of activities, income and taxes by tax jurisdiction

Tax jurisdiction	In thousands Currency	External sales	Related-party sales	Total sales	Profit (loss)	Tax	Pre-tax profit (loss)	Income and production right tax liability paid (+) or repaid (-)	Income and production right tax liability payable	Share capital	Number of employees	Property, plant and equipment
Belgium	USD	-	-	-	84	-	84	-	-	94	-	-
Canada	CAD	-	-	-	(1,592)	-	(1,592)	-	-	12,135	-	14,900
Colombia	USD	1,429	-	1,429	(2,308)	(289)	(2,204)	104	95	61	5	78
Congo	USD	8,164	-	8,164	1,875	(477)	2,352	477	-	-	18	1,800
Spain	EUR	-	-	-	(672)	-	(672)	-	-	43	-	-
France	EUR	-	18,166	18,166	76,374	(659)	77,033	-	-	181,420	46	7,804
Gabon	USD	391,675	9,477	401,152	27,964	(31,767)	59,731	61,872	703	124	373	85,749
Myanmar	EUR	-	-	-	(7)	-	(7)	-	-	37	-	-
Namibia	USD	-	-	-	(2,308)	-	(2,308)	-	-	54	-	-
Netherlands	USD	-	-	-	(2,384)	-	(2,384)	-	-	20	-	-
Sicily	EUR	-	-	-	(378)	-	(378)	-	-	129	2	561
Switzerland	EUR	-	16,571	16,571	439	(85)	524	(42)	-	195	119	-
Tanzania	USD	38,911	-	38,911	26,467	(5,003)	31,470	6,078	4,890	38	84	55,343
Venezuela	EUR	-	-	-	(428)	220	(648)	-	-	-	5	-
TOTAL		**440,179**									**652**	

7.2 CONTRACTUAL FRAMEWORK APPLICABLE TO THE GROUP'S ACTIVITIES

Permits and agreements, the terms of which vary depending on the host country and pursuant to which the Group entities own oil and/or gas operating interests, are generally granted by or entered into with a government or national company (granted in the case of permits, licences and concessions; entered into in the case of agreements).

Today, production sharing contracts (PSCs) typically govern most of the permits held in M&P's portfolio, concessions being in the minority.

PSCs define the terms and conditions for sharing oil and/or gas production and lay the foundations for collaboration between the oil operator (composed of one or more companies) holding the permit (or licence) and the host country, which may be represented by a national hydrocarbon company. For instance, the host country (or its national company) may participate in operational decision-making (usually specified by a joint operating agreement), in the production sharing calculation or in cost accounting. The oil operator (or operators) undertakes to perform all oil operations, from exploration and exploitation to development. In exchange, the oil operator (or operators) receives a percentage of production (cost oil), the sale of which enables it to cover all costs incurred under the allocated permit (or licence). Lastly, the balance of production (profit oil) is shared between the oil operator (or operators) and the host country (or its national company), based on the production level achieved.

While the contractual framework of the PSC is relatively elaborate, the concession model itself simply grants full ownership of the assets, facilities and all production to the oil operator (or operators), which always assumes the risks in exchange for a royalty paid to the host country (or its national company), calculated on production, and taxes paid on the profits generated. Depending on local regulations, other taxes may be applied.

Throughout the life of a permit (or licence), partners and local authorities, assisted by international audit firms, regularly audit the costs incurred and declared by the oil operator to the joint ventures of the block concerned.

Hydrocarbon exploration and production are subject to authorisations from the local public authority that differentiate between several specific and limited time periods for each activity. In practice, the operator has a limited period in which to conduct seismic interpretations of an area (which may be extended if the operator considers it necessary and provides justification thereof) or to perform a certain number of required drilling operations. Failure to comply with these obligations could result in local authorities withdrawing the operator's permit (or licence).

Lastly, the Group pays taxes based on the income generated from its oil and gas production and sales activities. Depending on the host country, the Group's oil and gas production and sales may be subject to other forms of taxation.

7.3 MAJOR CONTRACTS

Apart from the agreements below and those signed in the course of its normal activities, the Company has not entered into any significant agreements in the last two fiscal years.

7.3.1 Financing

On 12 December 2017, the Company announced the strengthening of the Group's financial structure, thereby reaffirming the backing of PIEP in the Company's growth strategy. This strengthening is due in particular to the refinancing of all the Company's debt under favourable conditions and the reorganisation of the payment instalments over a seven (7) year period, including a two-year grace period. It gives the Company increased financial flexibility in view of potential developments in Africa and in Latin America. For more details, please refer to the 2017 Annual Report (chapter 5 of the financial statements; Notes 4.4, 5.2.1 and 6.5.3).

7.3.2 Acquisitions

In line with its growth and development strategy, in fiscal 2018 the Group acquired assets in Africa and Latin America and also bought back Rockover's earnouts related to its main Gabonese asset.

7.3.2.1 Angola

In October 2018, the Group signed a share sale and purchase agreement to acquire AJOCO's 20% interest in two producing and development blocks located in shallow waters off the shore of Angola. As the period for possible pre-emptions related to the acquisition ended in December 2018, the closing of this acquisition is now pending receipt of administrative authorisations from the Angolan Ministry of Petroleum and concession holder Sonangol EP. The total amount of the transaction is US$80 million, funded from Maurel & Prom's existing cash resources and an adjustment of the receivables due to AJOCO. The transaction also provides for an additional contingent consideration of up to $25 million subject to oil price performance and resources development.

The economic effective date of the transaction is contractually set at 1st January 2018.

7.3.2.2 Venezuela

In December 2018, the Group closed the acquisition of the 40% interest of Shell Exploration and Production Investments B.V. ("Shell") as "Shareholder B" in Petroregional del Lago Mixed Company ("Mixed Company"), which operates the Urdaneta West field in Lake Maracaibo, Venezuela. The total consideration for the acquisition of Shell's shares in the Mixed Company was €70 million, funded from Maurel & Prom's existing cash resources and composed as follows:

- €47 million which were paid at the closing of the acquisition; and
- €23 million payable in December 2019, on the anniversary date of the closing of the acquisition.

Maurel & Prom Venezuela obtained approval from Venezuela's Ministry of Petroleum for the transfer of the 40% interest in Petroregional del Lago, in accordance with applicable regulations for the transfer of shares in mixed companies between private investors. This transaction was completed on 20 December 2018.

7.3.2.3 Rockover

On 7 November 2018, the Group entered into an agreement ("Agreement") with Rockover Energy Limited ("Rockover") to buy Rockover's additional payments for a cash consideration and an issue of Maurel & Prom shares (the "Transaction"). M&P had entered Gabon on 14 February 2005 by acquiring Rockover Oil & Gas Limited from the Rockover Group and Mayfair Trustees Limited (acting as the representative of Masasa Trust). In addition to a cash payment at the closing of the transaction, M&P had undertaken to pay earnouts based on actual future production in the areas in which the upstream assets were located ("Deferred Payments").

Under the terms of the Agreement, M&P acquired Rockover's Deferred Payments for a consideration price of US$43 million broken down as follows:

- 25% to be paid in cash (US$10.75 million);
- 75% (US$32.25 million) to be satisfied through the issuance of new Maurel & Prom shares to be subscribed for by Rockover by way of set-off.

On 12 December 2018, the Extraordinary General Shareholders' Meeting of M&P approved the delegation of authority relating to the capital increase, without preferential subscription rights, reserved for Rockover, pursuant to Article L. 225-138 of the French Commercial Code (first resolution).

At its meeting of 14 December 2018, the Board of Directors implemented this delegation of authority and decided to carry out the capital increase for a total nominal amount of €4,137,370.93 through the issuance of 5,373,209 new shares with a par value of €0.77 each and a unit subscription price of €5.182[1]. These shares were fully subscribed for by Rockover and paid up by offsetting the receivable held by Rockover against M&P as a result of the buyback by M&P of the Deferred Payments. The new shares, which were issued with current dividend rights, are equivalent to existing shares and have been admitted to trading on the Euronext Paris regulated market. At the conclusion of this transaction, M&P's share capital stood at €154,549,411.94 divided into 200,713,522 shares with a par value of €0.77 each.

After the completion of the capital increase, the Rockover Group held 2.68% of M&P's share capital.

As a result of this Transaction, the Group has stopped payments due to Rockover, allowing it to save an estimated annual amount of between US$6 million and US$10 million over the coming years and to increase its future net income.

In addition, the issuance of new shares increases the free float on the market and is expected to enhance liquidity in the stock.

(1) Amount rounded down to the nearest hundredth of a euro for the purposes of this summary.

7.3.3 Crude oil trading in Gabon

Through its new wholly owned subsidiary "Maurel & Prom Trading", the Group will now trade the crude oil produced by M&P Gabon. A first lifting of crude (Rabi light) was carried out at the Cap Lopez terminal by Maurel & Prom Trading at the end of March 2019.

In the long run, this entity will market all the crude volumes produced by the Group, allowing M&P to maximise value creation. This new method of trading by Maurel & Prom Trading has been approved by the Group's banking consortium.

7.3.4 Other large contracts

Under the Ezanga PSC, the Gabonese Republic has a right of entry once an Exclusive Development Authorisation is granted.

Under the agreement signed on 26 July 2012 to acquire Cyprus Mnazi Bay Limited from Wentworth, Wentworth will be paid up to US$5 million if gas production volumes exceed 10 million cubic feet per day over a period of 30 consecutive days. At 31 December 2018, US$4.4 million had already been paid to Wentworth.

7.4 RESTRICTION ON THE USE OF CAPITAL WITH A SIGNIFICANT IMPACT ON OPERATIONS

With the exception of the limits set out above, the Company has made no commitments having a significant impact on transactions that would restrict the use of capital.

7.5 PROPERTY, PLANT AND EQUIPMENT

With the exception of one building located in Gabon, no company in the Group owns any buildings.

The Company's registered office is under a commercial lease signed on 31 January 2013 for the offices at 51, rue d'Anjou, 75008 Paris. It expires on 31 January 2022 after a nine-year period.

The Group is co-owner, with its associated companies, of the equipment and facilities needed to produce hydrocarbons at the fields it operates for the duration of their exploitation, as well as certain pipelines used to deliver crude oil to the point of extraction.

7.6 RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

The Group does not conduct research and development and does not own any patents or significant licences.

7.7 THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF INTEREST

Any information relating to the Group's hydrocarbon reserves and resources provided in this Annual Report is based on the certification or appraisal of independent experts, whose names are given in section 1.1.1 of this Annual Report.

7.8 LEGAL PROCEEDINGS AND ARBITRATIONS

The main disputes in which the Company or its subsidiaries are involved are described below.

Beside these disputes, no other governmental, legal or arbitration proceeding exists, including any proceeding of which the Company is aware, whether pending or threatened, that could have or that has had a significant impact on the financial position or profitability of the Company and/or the Group over the course of the last twelve months.

7.8.1 Jointly interested parties Rolland & Graff litigations

By writ dated 7 March 2016, the jointly interested parties Graff & Rolland and Vintage Investment Club commenced proceedings against Pacifico, Maurel & Prom and MPI in the Paris Commercial Court seeking to establish that Pacifico "had allegedly filed a takeover bid on MPI and Maurel & Prom prior to the Combined General shareholders' meetings of each of these two companies", which was done in application of Article 234-1 of the General Regulations of the AMF, and therefore to "cancel MPI's and Maurel & Prom's Combined General shareholders' meetings held on 17 December 2015" that approved the merger between the Company and MPI, as well as Maurel & Prom's General shareholders Meetings of 18 June 2015, 13 October 2014 and 12 June 2014. Damages are also sought from MPI and Maurel & Prom in the amount of €1,000,000, as well as from Pacifico. Proceedings are still ongoing.

7.8.2 Golden Palm arbitration

On 17 March 2017, the Group received official notification that a request for arbitration proceedings had been initiated against it by Golden Palm and PIA (it being specified that PIA was a joint shareholder of MP Iraq and "partner" on this project), which claimed that the Group owed them the sum of approximately €33.3 million as payment for an oil project in Iraq that was never completed. The Group deems the claims issued by Golden Palm and PIA to have no legal basis and therefore will vigorously defend its legitimate interests. The situation at the date of this Annual Report is that Golden Palm and PIA (the claimants) have in the end decided to end the arbitration proceedings and thus have requested from the ICC (International Chamber of Commerce) that the case be withdrawn. However, on 13th March 2019, MEPI assigned the Group before the Paris Commercial Court claiming an amount of 70M€.

7.9 PAYMENTS MADE TO GOVERNMENTS OF COUNTRIES WHERE EXTRACTIVE ACTIVITIES ARE CARRIED OUT

7.9.1 Preparation basis

The publication of this information was made compulsory for the extractive industries by Transparency Directive 2004/109/EC of 15 December 2004, transposed into French law by Law 2014-1662 of 30 December 2014.

This information was established on the basis of specific consolidated reporting which listed, per project, payments made to each government authority in countries where extractive activities were carried out.

"Projects" mean operating activities governed by a set of agreements that are significantly linked to one another (i.e. permits governed by the same exploration and production sharing contract) and constitute the basis of payment obligations.

"Authorities of each government" mean any national, regional or local authority of a government or territory, or any administration, agency or controlled undertaking.

"Payments" mean disbursements and payments in kind made in respect of each of the following payment categories:

A – Royalties, contributions or taxes levied on income (excluding taxes or levies on consumption, such as value added tax, personal income tax or sales tax).

B – Signature, discovery or production premiums; licence rights, rental fees, entry rights or other licence and/or concession considerations.

C – Payments for infrastructure improvements.

D – Production rights and taxes levied on company benefits.

The other categories provided for in the directive are not included as they have no purpose here. In the case of Gabon, payments are related mainly to the Ezanga permit.

These different categories correspond to the level of information required by law. In cases where the payment amounts per project or category are not material, a grouping was made.

7.9.2 Breakdown of sums paid in 2018

Sums paid in fiscal year 2018 to governments of countries in which the Maurel & Prom Group operates are presented below:

2018 *(In US$ thousands)*	Taxes and contributions (A)	Premiums and rights (B)	Subsidies (C)	Production rights (D)	Total payments to governments
Gabon	34,173		2,681	61,872	98,727
Tanzania (Mnazy Bay)	12,482		45	6,078	18,606
Tanzania (BRM)	2				2
Colombia	104				104
Other					-
TOTAL	**46,761**	**-**	**2,727**	**67,950**	**117,438**

Taxes are paid in full by M&P as an operator on behalf of its partners. The amounts reported in this declaration are presented on the basis of operator data and not proportionally.

7.10 DOCUMENTS AVAILABLE TO THE PUBLIC

In compliance with the recommendations of the French Financial Markets Authority, the Company's Bylaws and Internal Regulations are available on the Company website, www.maureletprom.fr. In addition, as for the minutes of General shareholders' meetings, the Statutory Auditors' reports and other corporate documents related to Maurel & Prom, they may be consulted at the Company's registered office: 51, rue d'Anjou – 75008 Paris, France.

The nature of these documents and the conditions for delivering or making them available are established by the applicable laws and regulations.

Information about the Company is also available on the Company's website, www. maureletprom.fr, which allows shareholders, employees and the general public to access an overview of the Group and its key financial information, such as results, press releases on sales, results of operations, and other important events in the life of the Company or of the Group, annual reports (including the Company and the Group's historical financial information) filed with the French Financial Markets Authority, as well as their updates where applicable, interim reports, presentations to analysts, share prices, key figures, information on shareholders and corporate governance and all other significant events concerning the Company and the Group. A copy of these documents and information can also be obtained from the Company's registered office.

In compliance with Article 221-3 of the French Financial Markets Authority's General Regulations, the regulated information (defined in Article 221-1 of the AMF's General Regulations) is made available online on the Company's website. It remains there for at least five years, with the exception of Annual Reports and interim financial reports, which remain there for at least 10 years.

Lastly, the statements of declaration of ownership disclosure thresholds are published on the French Financial Markets Authority's website:
www.amf-france.org.

For information:
Press, shareholder and investor relations
Tel: +33 (0)1 53 83 16 45
Email: ir@maureletprom.fr

7.11 STATUTORY AUDITORS

	Date of first appointment	Term of current appointment	Expiry of appointment
Statutory Auditors			
International Audit Company 46, rue du Général Foy 75008 Paris, France	General Shareholders' Meeting of 12 June 2014	6 years from 12 June 2014	At the close of the General Shareholders' Meeting called to approve the annual financial statements as at 31 December 2019
KPMG S.A. Tour EQHO 2, avenue Gambetta 92066 Paris-La Défense Cedex, France	General Shareholders' Meeting of 12 June 2014	6 years from 12 June 2014	At the close of the General Shareholders' Meeting called to approve the annual financial statements as at 31 December 2019
Alternate Statutory Auditors			
Fabienne Hontarrede 459, avenue de Circourt 78170 La Celle-Saint-Cloud, France	General Shareholders' Meeting of 12 June 2014	6 years from 12 June 2014	At the close of the General Shareholders' Meeting called to approve the annual financial statements as at 31 December 2019
Salustro Reydel Tour EQHO 2 avenue Gambetta 92066 Paris-La Défense Cedex, France	General Shareholders' Meeting of 12 June 2014	6 years from 12 June 2014	At the close of the General Shareholders' Meeting called to approve the annual financial statements as at 31 December 2019

7.12 INCORPORATION BY REFERENCE

In accordance with Article 28 of European Commission Regulation 809/2004/EC of 29 April 2004, the following information is incorporated by reference in this Annual Report:

1 – For fiscal year ended 31 December 2017: the consolidated financial statements, the parent company financial statements, the Statutory Auditors' reports relating thereto, the review of the financial position and other matters relating to the Company's financial statements that were included in the 2017 Annual Report filed with the French Financial Markets Authority on 27 April 2018 under number D.18-0428;

2 – For fiscal year ended 31 December 2016: the consolidated financial statements, the parent company financial statements, the Statutory Auditors' reports relating thereto, the review of the financial position and other matters relating to the Company's financial statements that were included in the 2016 Annual Report filed with the French Financial Markets Authority on 26 April 2017 under number No. D.17-0437.

7.13 STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL REPORT AND ITS UPDATING

Michel Hochard, the Company's Chief Executive Officer, is responsible for the financial information and the Annual Report.

His contact details are as follows:

Michel Hochard
Chief Executive Officer Établissements Maurel & Prom
51 rue d'Anjou, 75008 Paris, France
Tel.: +33 (0)1 53 83 16 00, Fax: +33 (0)1 53 83 16 04

Michel Hochard, Chief Executive Officer of Établissements Maurel & Prom,

"I hereby certify, after having taken every reasonable measure to this effect, that the information contained in this Annual Report is, to my knowledge, accurate and does not contain any omission that could affect its scope.

I also hereby certify, to my knowledge, that the financial statements have been prepared in compliance with applicable standards in France and accurately represent the assets, financial position and earnings of the Company and all companies included in the consolidation, and that the management report included in this Annual Report presents a true and fair view of the progress of the business, earnings and financial position of the Company and of all companies included in the consolidation and that it describes the main risks and uncertainties they face.

I have obtained a completion of work letter from the Statutory Auditors in which they indicate that they have verified the financial data and the financial statements contained in this Annual Report and have read the Annual Report in its entirety."

7.14 GLOSSARY

US$
US dollar(s)

€
Euro(s)

AEDE
Exclusive Development and Production Authorisation

ANH
National Hydrocarbons Agency

Annual production
Production available for sale (after oil taxes)

Assessed reserves
Maurel & Prom's share of reserves, as assessed by an independent expert, after deducting royalties in kind, and before the taxes applicable to each type of contract (production sharing, concession)

bbl
Barrel

bbl (barrel)
Unit of volumetric measurement of crude oil, which is 159 litres (42 US gallons)

One tonne of oil contains approximately 7.5 barrels

Bcf
Billion cubic feet

Block Sale
Sale of 47,916,026 shares held by Pacifico S.A., representing 24.53% of Maurel & Prom's capital, to PT Pertamina (Persero) or to one of its subsidiaries.

boe
Barrels of oil equivalent

boepd
Barrels of oil equivalent per day

bopd
Barrels of oil per day

Brent
Class of North Sea oil

cf
Cubic feet

cfpd
Cubic feet per day

Drilling
Drilling consists of creating a passage through the surface of the earth in order to take samples from the subsoil or extract fluids. Originally, drilling was always performed vertically. Today, however, when drilling cannot be done vertically, it is done at an angle, whether directed or not towards specific objectives, as in downhill deviated drilling.

EPSC
Exploration and production sharing contract

EBITDA (Earnings before interest, taxes, depreciation and amortisation)
This Intermediate Management Balance corresponds to sales net of purchases of consumables and services, taxes and personnel expenses.

EBITDAX
EBITDAX is equal to earnings before interest, tax, amortisation and depreciation and before the impact of exchange gains and losses.

HSE
Health, Safety and Environment

Internal Regulations
Internal Regulations of the Company's Board of Directors and its special committees

M
Million(s)

Maurel & Prom production share/working interest
Operated production less the partners' share

Maurel & Prom production share net of royalties
Maurel & Prom share of production minus royalties

Mbbl
Thousands of barrels

Mboe
Thousand barrels of oil equivalent

Mcf
Thousand cubic feet

MMbbl
Million barrels

MMboe
Million barrels of oil equivalent

MMcf
Million cubic feet

MMcf/d
Million cubic feet per day

MN/m³
Meganewton per cubic metre

MPI
Public limited company with its registered office at 51, rue d'Anjou, 75008 Paris, and listed in the Paris Trade and Companies Register (RCS) under number 517 518 247, merged with Établissements Maurel & Prom S.A.

MW
Milliwatt

Net reserves
The proportion of total reserves from fields reverting to the Company (according to its interest share), taking into consideration the stipulations of the production sharing agreement for the cost oil and profit oil.

Oil pipeline
Pipeline for transporting fluids

OML
Oil Mining Licence

Operated production
The total production of a field, before production sharing

Operator
Company responsible for the operations on an oil field

ORNANE
Bonds redeemable in cash and/or in new shares and/or existing shares

PET
Positron emission tomography

PIEP
PT Pertamina Internasional Eksplorasi dan Produksi, an Indonesian company with registered office at Patra Jasa Office Tower 3A Fl., Jalan Gatot Subroto, Kav. 32-34, Jakarta South 12950, Indonesia

Production available for sale after oil taxes/entitlements
Maurel & Prom's net share of production after royalties and oil taxes. This is the production sold.

PSC Production Sharing Contract
Agreement signed by the government and the company operating under the permit; this agreement determines all the rights and obligations of the operator, in particular the percentage of cost oil (so that the operator can be reimbursed for exploration and development costs borne by the operating company) and the share of the profit oil (remuneration).

P1 reserves (proven)
Gas and oil reserves "reasonably certain" to be producible using current technology, at current prices, with current commercial terms and government consent. In the industry, these are also known as P1 reserves. Some industry specialists refer to them as P90 reserves, because they have at least a 90% chance of being produced.

P2 reserves (probable)
Gas and oil reserves "reasonably probable" of being produced using current technology, at current prices, with current commercial terms and government consent. In the industry, these are also known as P2 reserves. Some industry specialists refer to them as P50 reserves, because they have at least a 50% chance of being produced.

P3 reserves (possible)
Gas and oil reserves defined as "having a chance of being developed under favourable circumstances". In the industry, these are also known as P3 reserves. Some industry specialists refer to them as P10 reserves, because they have at least a 10% chance of being produced.

RCF
Revolving Credit Facility of US$650 million, based on an initial tranche of US$400 million and a US$250 million accordion feature until 31 December 2016, which may be drawn down on two occasions under certain conditions, agreed on 18 December 2014 by the Company with a consortium of four international banks (Natixis, BNP Paribas, Crédit Agricole Corporate & Investment Bank, and Standard Chartered Bank).

Royalties
Oil taxes paid in kind, corresponding to a percentage of a field's production

Reserves net of royalties
The total reserves of a field after deducting royalties

Takeover bid
Takeover bid initiated by PIEP, a wholly owned subsidiary of the Indonesian company PT Pertamina (Persero), on Maurel & Prom shares, which opened on 15 December 2016 until 9 February 2017 when it was completed.

tCO_2e
Tonne of carbon dioxide equivalent

2D/3D seismic survey
Geophysical surveying method consisting of sending sound waves into the subsoil and recording their propagation, thus making it possible to obtain information on the structure of the subsoil. They may be in 2 or 3 dimensions.

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7.15 CROSS-REFERENCE TABLES

7.15.1 Commission Regulation (EC) No. 809/2004 of 29 April 2004

Title		Corresponding sections of the Annual Report
1. Persons responsible		
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2. Statutory Auditors		
2.1	Name and address of the Statutory Auditors	7.11
2.2	Information on the resignation of the Statutory Auditors	N/A
3. Selected financial information		
3.1	Historical financial information	1.3; 7.12
3.2	Interim financial information	N/A
4. Risk factors		**2**
5. Information about the issuer		
5.1	History and development of the company	
5.1.1	Corporate and trade name of the issuer	6
5.1.2	Registration location and number of the issuer	6
5.1.3	Date of incorporation and term of the issuer	6
5.1.4	Registered office and legal form of the issuer, legislation governing its activities, its country of origin, address and telephone number of its registered office	6
5.1.5	Significant events in the development of the issuer's activities	1.1.2; 1.2; 1.4
5.2	Investments	
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5.2.2	Main investments in progress	5.1
5.2.3	Main investments that the issuer intends to make in the future	N/A
6. Business overview		
6.1	Main activities	1.2
6.1.1	Nature of the transactions carried out by the issuer and its main activities	1.2
6.1.2	New products	1.2
6.2	Main markets	1
6.3	Exceptional events	1.2.4
6.4	Dependence on patents, licenses, contracts and manufacturing processes	2.1.2
6.5	Competitive position	2.3.3
7. Organisation chart		
7.1	Brief description of the Group and the issuer's place in the Group	1.1; 7.1.1
7.2	Main subsidiaries	5.1 (Note 2.3); 7.1.2

Title			Corresponding sections of the Annual Report
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9. Review of the financial position and results			
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	9.2.1	Significant factors affecting the issuer's Operating Income	5.1
	9.2.2	Explanation of material changes in net sales or net income	1.3.1; 5.1
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10. Cash and capital			
	10.1	Information on short-term and long-term capital	5.1
	10.2	Source, amount and description of cash flows	5.1.4
	10.3	Borrowing conditions and financing structure	1.3.3 and 5.1.5 (Note 4)
	10.4	Restrictions on the use of capital having a material effect on transactions	7.4
	10.5	Anticipated sources of financing	5.1
11. Research and development, patents and permits			**7.6**
12. Information about trends			
	12.1	Main trends having affected production, sales and inventories, costs and sale prices since the end of the last fiscal year	1.2, 1.3 and 1.4
	12.2	Known trends, uncertainties, requests, commitments or events reasonably likely to have a material effect on the issuer's prospects	1.4
13. Forecasts and estimates of sales and investment budgets			**N/A**
14. Administrative, management and supervisory bodies and executive management			
	14.1	Information regarding members of the administrative and management bodies	3.2.1; 3.2.2.5 B)
	14.2	Conflicts of interest, commitments relative to appointments, restrictions on disposals of interests in the issuer's capital	3.2.2.5 A)
15. Remuneration and benefits			
	15.1	Remuneration allocated for the fiscal year just ended, of any kind, to each member of the administrative, management and supervisory bodies	3.2.3; 5.1 (Note 6.7); 5.3 (Note 5.4)
	15.2	Sums provisioned or recognised for pensions, retirement or other benefits	3.2.3; 5.1 (Note 3.9)

Title		Corresponding sections of the Annual Report
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16.2	Contracts with the issuer or its subsidiaries granting benefits under the terms of such contracts	3.2.2.4 D)
16.3	Information on the Company's audit and Remuneration committees	3.2.2.2
16.4	Compliance with the system of corporate governance in force in France	3.1
17. Employees		
17.1	Staff at the end of the last three fiscal years; breakdown by geographic region and by type of activity	4.1.1.1
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17.3	Agreement stipulating an employee shareholding in the capital of the issuer	4.1.4
18. Major shareholders		
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18.2	Voting rights of the main shareholders exceeding their share of capital	6.3.1.4
18.3	Control of the issuer exercised by one or more shareholders	6.3.3.1
18.4	Agreement known to the issuer, the implementation of which could result in a change in its control	6.3.3.2
19. Related-party transactions		**6.4**
20. Financial information concerning the issuer's assets, financial position and earnings		
20.1	Historical financial information	7.12
20.2	Pro forma financial information	N/A
20.3	Annual financial statements	5.1; 5.3
20.4	Audit of the annual historical financial information	5.2; 5.4
20.4.1	Declaration that the historical financial information has been audited	5.2; 5.4
20.4.2	Other information featured in the Annual Report, verified by the Statutory Auditors	5.2; 5.4; 6.5.2
20.4.3	Financial information appearing in the Annual Report and not taken from the issuer's certified financial statements	N/A
20.5	Date of the latest financial information	31 December 2018
20.6	Interim and other financial information	N/A
20.7	Dividend policy	6.3.2
20.8	Legal and arbitration proceedings	7.8
20.9	Material changes in the financial or trading position	5.1 (Note 6.9)

Title		Corresponding sections of the Annual Report
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21.1	Share capital	
21.1.1	Subscribed capital or authorised capital	6.1.1
21.1.2	Shares not representative of capital	N/A
21.1.3	Shares held by the issuer or its subsidiaries	6.1.2
21.1.4	Securities conferring future access to the issuer's share capital	6.1.3
21.1.5	Conditions governing any right of acquisition and/or any bond attached to capital subscribed but not paid up, or to any capital increase	3.6
21.1.6	Capital of any member of the Group that is under option or agreed conditionally or unconditionally to be put under option	N/A
21.1.7	History of the issuer's share capital over the last three fiscal years	6.1.4
21.2	Charter and Bylaws	
21.2.1	Corporate purpose of the issuer	6.2.1
21.2.2	Provisions of the Bylaws and Charter concerning members of the administrative, management and supervisory boards	3.2.1; 3.2.2
21.2.3	Rights, privileges and restrictions attached to each class of shares in issue	6.2.2
21.2.4	Necessary procedures for modifying shareholders' rights	6.2.3
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21.2.6	Provisions of the issuer's Articles of Association, Charter or Bylaws which could delay, defer or prevent a change in its control	3.5
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21.2.8	Conditions more stringent than the law for modifying the share capital	6.2.5
22. Large contracts		**7.3**
23. Third-party information and statement by experts and declarations of interest		
23.1	Declaration or report attributed to a person acting as an expert	7.7
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24. Documents available to the public		**7.10**
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7.15.2 Annual financial report

Items required by the French Monetary and Financial Code and General Regulations of the French Financial Markets Authority (AMF).	Corresponding sections of the Annual Report
1. Parent company financial statements	**5.3**
2. Consolidated financial statements	**5.1**
3. Management report (French Monetary and Financial Code)	
3.1 Article L. 225-100-1 of the French Commercial Code:	
3.1.1 Analysis of changes in business	1.3
3.1.2 Analysis of results	1.3
3.1.3 Analysis of financial position	1.3
3.1.4 Key performance indicators of a financial and non-financial nature relating to the company's specific business, including information on environmental and personnel matters	1.3; 4; 5
3.1.5 Main risks and uncertainties	2
3.1.6 Financial risks related to the effects of climate change and measures taken by the company to reduce them by implementing a low-carbon strategy in all areas of its business	2.4.4
3.1.7 Internal control and risk management procedures	2.6
3.1.8 Hedging objectives and policy; the Company's exposure to price, credit, liquidity and cash flow risks	2.3; 5.1.5 (Note 5)
3.2 Article L. 225-211 of the French Commercial Code:	
3.2.1 Buyback and resale by the Company of its own shares	6.1.2
4. Declaration by the party responsible for the annual financial report	**7.13**
5. Statutory Auditors' report on the parent company financial statements	**5.4**
6. Statutory Auditors' report on the consolidated financial statements	**5.2**
7. Statutory Auditors' fees	**5.1.4 (Note 6.8)**
8. Board of Directors' report prepared in accordance with Article L. 225-37 of the French Commercial Code	**See section 7.15.4**
9. Statutory Auditors' report on the Corporate Governance report	**5.4**

7.15.3 Management report

Items required by the French Commercial Code, Monetary and Financial Code, General Tax Code and General Regulations of the French Financial Markets Authority (AMF)		Corresponding sections of the Annual Report
1. Position and business activities		
1.1	Position and business activities of the Company and Group during the fiscal year just ended	1.2
1.2	Results of the Company and Group's business activities	1.3
1.3	Analysis of changes in business, earnings and financial position	1.3
1.4	Key performance indicators of a financial and non-financial nature	1.3; 4; 5
1.5	Significant events occurring between the balance sheet date and the date on which the management report was prepared	5.1 (Note 6.9)
1.6	Foreseeable changes in the Company and Group	1.4
1.7	Research and development activities	7.6
1.8	Significant shareholdings or takeovers during the fiscal year in companies having their registered offices in France	N/A
2. Shareholder structure and capital		
2.1	Shareholder structure and changes during the fiscal year	6.3.1
2.2	Employee share ownership	6.3.1.1
2.3	Buyback and resale by the Company of its own shares	6.1.2
2.4	Name of controlled companies and percentage stake in the company held	5.1 (Note 2.3); 7.1.2
2.5	Transfer or disposal of shares to reduce cross-shareholdings	N/A
2.6	Amount of dividends and other distributed income paid during the previous three fiscal years	6.3.2
2.7	Adjustments in the event of issues of transferable securities conferring access to capital	N/A
2.8	Adjustments in the event of the existence of stock options	N/A
2.9	Information about stock option plans granted to corporate officers and employees	N/A
2.10	Prohibition on the exercise of stock options or obligation to hold shares resulting from the exercise of options by executive corporate officers	N/A
2.11	Information about the allocation of bonus shares to corporate officers and employees	3.2.3.1 B); 6.1.5
2.12	Obligations on the part of executive corporate officers to retain shares allocated free of charge	3.2.3.1 B
3. Risk factors and internal control		
3.1	Description of the main risks and uncertainties	2
3.2	Financial risks related to the effects of climate change and measures taken by the company to reduce them through the introduction of a low-carbon strategy	2.4.4; 4.2.2
3.3	Hedging objectives and policy; the Company's exposure to price, credit, liquidity and cash flow risks	2.3; 5.1.5 (Note 5)
3.4	Internal control and risk management procedures relating to the preparation and processing of financial and accounting information	2.6

Items required by the French Commercial Code, Monetary and Financial Code, General Tax Code and General Regulations of the French Financial Markets Authority (AMF)		Corresponding sections of the Annual Report
4.	**Corporate social and environmental information**	
4.1	Statement of non-financial performance	See section 7.15.5
4.2	Duty of care plan and report on its effective implementation	N/A
4.3	Information about facilities classified as Seveso high threshold	N/A
5.	**Other information**	
5.1	Information about supplier and customer payment terms	2.1.2
5.2	Changes in the presentation of the parent company financial statements and assessment methods	5.1
5.3	Reference to existing branches	N/A
5.4	Sumptuary expenditure	N/A
5.5	Reinstatement of excessive overhead costs	N/A
5.6	Injunctions or financial sanctions for anti-trust practices	N/A
5.7	Transactions carried out on Company shares by senior managers or persons with close links with those managers	3.2.2.4 C)
5.8	Inter-company loans	N/A
5.9	Payments made to the authorities of each state or territory in which extractive activities are carried out	7.9
6.	**Appendices to the management report**	
6.1	Board of Directors' report on corporate governance	See section 7.15.4
6.2	Table of results for the last five fiscal years	5.5
6.3	Opinion of the independent third-party body responsible for verifying the information provided in the statement of non-financial performance	4.4
6.4	Statutory Auditors' report on the parent company financial statements	N/A

7.15.4 Report on corporate governance

Items required by the French Commercial Code		Corresponding sections of the Annual Report
1.	**Remuneration**	
1.1	Description of the remuneration policy for executive corporate officers and draft resolutions pertaining thereto	3.2.3.1 C)
1.2	Total remuneration and benefits of any kind paid to each corporate officer by the Company, the companies that it controls and its holding company during the fiscal year	3.2.3.1 B)
1.3	Commitments of any kind entered into by the Company for the benefit of its corporate officers corresponding to remuneration components, compensatory payments or benefits due or that may become due as a result of taking up, terminating or changing their duties or subsequent to the exercise thereof	3.2.3.1
1.4	Suspension, if applicable, of directors' fees for failure to comply with gender parity rules	N/A
1.5	Reference to resolutions adopted during an ex-ante vote	3.2.3.1 A)
2.	**Governance**	
2.1	List of all terms of office and duties carried out in any company by each corporate officer during the fiscal year	3.2.1.1 A)
2.2	Agreements between a corporate officer or shareholder holding more than 10% of the voting rights and a Company subsidiary	3.3
2.3	Table summarising delegations of power currently in force granted by the General Shareholders' Meeting for capital increases	3.6
2.4	General management organisational procedures	3.2.1
2.5	Composition, preparation conditions and organisation of the work of the Board of Directors	3.2.1; 3.2.2
2.6	Diversity policy applied to members of the Board of Directors, gender balance on the operating committee and results in terms of gender balance in 10% of the most senior positions	3.2.1.1 A)
2.7	Restrictions on the powers of the Chief Executive Officer	3.2.2.3
2.8	Reference to a Corporate Governance Code, application of the "comply or explain" principle and location where the Code may be consulted	3.1
2.9	Specific procedures for shareholder participation in general meetings	3.4.2
3.	**Factors likely to have an impact in the event of a takeover bid or public exchange offer**	**3.5**

7.15.5 Statement of Non-financial Performance

Items required by the French Commercial Code		Corresponding sections of the Annual Report
1.	**Business model**	**1.1.3**
2.	**Main information categories**	
3.1	Social consequences of business activities	4.1
3.2	Environmental consequences of business activities	4.2; 4.3.3
3.3	Impact of business activities with regard to respect for human rights	4.1
3.4	Impact of business activities with regard to anti-corruption efforts and tax avoidance	4.3.1
3.	**Other regulatory issues**	
3.5	Consequences on climate change of the Group's business and the use of the goods and services it produces	4.2.5
3.6	Corporate commitments to promote sustainable development	4.1; 4.2
3.7	Circular economy	4.2
3.8	Combating food waste	N/A
3.9	Combating food insecurity	N/A
3.10	Respect for animal welfare and for responsible, fair and sustainable food	N/A
3.11	Collective bargaining agreements entered into by the company and their impact on the company's economic performance and employee working conditions	4.1.7.4
3.12	Action taken to combat discrimination and promote diversity and measures to support people with disabilities	4.1.1.3

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