



Consolidated financial  
statements  
Maurel & Prom Group

[www.maureletprom.fr](http://www.maureletprom.fr)

# CONTENTS

<u>CONTENTS</u> .....	2
<u>Group consolidated financial statements as at 31 December 2019</u> .....	3
<u>Statement of financial position</u> .....	3
<u>Consolidated statement of profit &amp; loss and other comprehensive income</u> .....	4
<u>Consolidated changes in shareholders' equity</u> .....	5
<u>Consolidated statement of cash flow</u> .....	6
<u>Notes to the consolidated financial statements</u> .....	7

## Group consolidated financial statements as at 31 December 2019

### Statement of financial position

<b>ASSETS (in \$ thousands)</b>	<b>Note</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Intangible assets (net)	3.3	223,228	199,920
Property, plant and equipment (net)	3.3	1,446,082	1,451,162
Non-current financial assets (net)	4.2	6,441	7,835
Other non-current assets (net)	3.7	43,554	44,675
Equity associates	2.4	295,268	253,629
Deferred tax assets	6.1	11,588	23,741
<b>NON-CURRENT ASSETS</b>		<b>2,026,161</b>	<b>1,980,962</b>
Inventories (net)	3.4	13,991	14,104
Trade receivables and related accounts (net)	3.6	144,104	95,188
Other current financial assets	4.2	59,250	53,511
Other current assets	3.7	48,118	39,114
Underlift position receivables	3.5	39,755	0
Current tax receivables	6.1	680	473
Current derivative financial assets	4.4	0	1,615
Cash and cash equivalents	4.3	231,043	279,871
<b>CURRENT ASSETS</b>		<b>536,942</b>	<b>483,875</b>
<b>TOTAL ASSETS</b>		<b>2,563,103</b>	<b>2,464,837</b>
<b>LIABILITIES (in thousands of dollars)</b>		<b>31/12/2019</b>	<b>31/12/2018</b>
Share capital		193,345	193,345
Additional paid-in capital		42,753	44,836
Consolidated reserves		891,989	853,124
Treasury shares		(40,772)	(41,453)
Net income, Group share		37,383	58,066
<b>EQUITY, GROUP SHARE</b>		<b>1,124,699</b>	<b>1,107,918</b>
Non-controlling interests		17,117	2,425
<b>TOTAL EQUITY</b>		<b>1,141,816</b>	<b>1,110,343</b>
Non-current provisions	3.10	85,597	38,019
Shareholder loans	4.4	94,118	100,000
Other non-current borrowings and financial debt	4.4	448,519	595,692
Deferred tax liabilities	6.1	398,330	390,247
<b>NON-CURRENT LIABILITIES</b>		<b>1,026,564</b>	<b>1,123,958</b>
Shareholder loans	4.4	5,882	0
Other current borrowings and financial debt	4.4	153,036	2,047
Trade payables and related accounts	3.8	75,656	59,852
Current tax liabilities	6.1	12,489	4,971
Overlift position liability	3.5	1,296	13,252
Other current liabilities	3.9	125,746	134,577
Current derivative financial liabilities	4.4	3,304	0
Current provisions	3.10	17,313	15,838
<b>CURRENT LIABILITIES</b>		<b>394,723</b>	<b>230,536</b>
<b>TOTAL LIABILITIES</b>		<b>2,563,103</b>	<b>2,464,837</b>

## Consolidated statement of profit & loss and other comprehensive income

### Net income for the period

(in thousands of dollars)	Note	31/12/2019	31/12/2018
Sales		503,628	440,179
Other income from operations		9,093	2,689
Change in overlift/underlift position		33,677	(13,217)
Other operating expenses		(260,261)	(184,645)
<b>EBITDA</b>	3.1	<b>286,136</b>	<b>245,006</b>
Depreciation and amortisation & provisions related to production activities net of reversals		(160,737)	(104,970)
Depreciation and amortisation & provisions related to drilling activities net of reversals		(2,744)	(904)
<b>Current operating income</b>		<b>122,655</b>	<b>139,131</b>
Provisions and impairment of drilling assets			(9,146)
Expenses and impairment of exploration assets net of reversals		(48,349)	(1,158)
Other non-current income and expenses		132	(2,972)
Income from asset disposals		(4,574)	215
<b>Operating Income</b>	3.1	<b>69,863</b>	<b>126,071</b>
<i>Cost of gross debt</i>		(30,291)	(28,924)
<i>Income from cash</i>		4,560	5,156
<i>Income and expenses related to interest-rate derivative financial instruments</i>		(667)	(111)
Cost of net financial debt		(26,398)	(23,879)
Net foreign exchange adjustment		(3,663)	(2,527)
Other financial income and expenses		(1,055)	(233)
<b>Financial income</b>	4.1	<b>(31,116)</b>	<b>(26,639)</b>
Income tax	6.1	(62,357)	(68,352)
<b>Net income from consolidated companies</b>		<b>(23,609)</b>	<b>31,080</b>
Share of income/loss of associates	2.4	58,750	30,585
<b>Consolidated net income</b>		<b>35,141</b>	<b>61,665</b>
o/w: - Net income, Group share		37,383	58,066
- Non-controlling interests		(2,242)	3,599

### Other comprehensive income for the period

<b>Net income for the period</b>		<b>35,141</b>	<b>61,665</b>
Foreign exchange adjustment for the financial statements of foreign entities		(870)	1,139
Change in fair value of hedging Investments instruments		(4,939)	1,680
<b>Total comprehensive income for the period</b>		<b>29,332</b>	<b>64,484</b>
- Group share		30,814	60,707
- Non-controlling interests		(1,482)	3,776

## Changes in shareholders' equity

(in thousands of dollars)	Capital	Treasury shares	Additional paid-in capital	Other reserves	Currency translation adjustment	Income for the period	Equity, Group share	Non-controlling interests	Total equity
<b>1 January 2018</b>	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
<b>Total comprehensive income</b>				<b>1,576</b>	<b>1,066</b>	<b>58,066</b>	<b>60,707</b>	<b>3,776</b>	<b>64,484</b>
Appropriation of income - dividends				6,422		(6,422)	0		0
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)
<b>Total transactions with shareholders</b>	<b>4,791</b>	<b>13,877</b>	<b>12,827</b>	<b>7,715</b>		<b>(6,422)</b>	<b>32,787</b>	<b>0</b>	<b>32,787</b>
<b>31 December 2018</b>	<b>193,345</b>	<b>(41,453)</b>	<b>44,836</b>	<b>863,830</b>	<b>(10,706)</b>	<b>58,066</b>	<b>1,107,918</b>	<b>2,425</b>	<b>1,110,343</b>
<b>1 January 2019</b>	<b>193,345</b>	<b>(41,453)</b>	<b>44,836</b>	<b>863,830</b>	<b>(10,706)</b>	<b>58,066</b>	<b>1,107,918</b>	<b>2,425</b>	<b>1,110,343</b>
Net income						37,383	37,383	(2,242)	35,141
Income from discontinued operations							0		0
Fair value of hedging instruments				(4,939)			(4,939)		(4,939)
Other comprehensive income					(1,631)		(1,631)	761	(870)
<b>Total comprehensive income</b>				<b>(4,939)</b>	<b>(1,631)</b>	<b>37,383</b>	<b>30,814</b>	<b>(1,482)</b>	<b>29,332</b>
Appropriation of income - dividends				49,269		(58,066)	(8,797)		(8,797)
Change in Eland consolidation scope				(4,926)			(4,926)		(4,926)
Dilution Venezuela							0	16,174	16,174
Bonus shares				1,092			1,092		1,092
Changes in treasury shares		682	(2,083)				(1,401)		(1,401)
<b>Total transactions with shareholders</b>		<b>682</b>	<b>(2,083)</b>	<b>45,435</b>		<b>(58,066)</b>	<b>(14,033)</b>	<b>16,174</b>	<b>2,141</b>
<b>31 December 2019</b>	<b>193,345</b>	<b>(40,772)</b>	<b>42,753</b>	<b>904,326</b>	<b>(12,337)</b>	<b>37,383</b>	<b>1,124,699</b>	<b>17,117</b>	<b>1,141,816</b>

## Consolidated statement of cash flow

(in thousands of dollars)	Note	31/12/2019	31/12/2018
Net income		35,141	61,665
Tax expense for continuing operations		62,357	68,352
<b>Consolidated income from continuing operations</b>		<b>97,497</b>	<b>130,017</b>
Net increase (reversals) of amortisation, depreciation and provisions	3.3 & 3.4 & 3.6 & 3.10	176,275	111,575
Exploration expenses	3.3	48,349	1,158
Share of income from equity associates	2.4	(58,750)	(30,585)
Other income and expenses calculated on bonus shares		1,092	1,472
Gains (losses) on asset disposals		4,574	(215)
Dilution gains and losses			(2,215)
Other financial items		29,148	24,378
<b>CASH FLOW BEFORE TAX</b>		<b>298,185</b>	<b>235,584</b>
Income tax paid		(34,815)	(40,719)
Change in working capital requirements for operations		(101,547)	(2,563)
<i>Inventories</i>		730	(1,058)
<i>Trade receivables</i>	3.6	(51,105)	(37,447)
<i>Trade payables</i>	3.8	16,086	3,448
<i>Overlift/underlift position</i>	3.5	(51,712)	
<i>Other receivables</i>	3.7 & 4.2	(7,214)	15,180
<i>Other payables</i>	3.9	(8,333)	17,314
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>161,824</b>	<b>192,301</b>
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	(182,530)	(143,575)
Acquisitions of property, plant & equipment paid in equity instruments			32,243
Dividends received from equity associates	2.4	12,012	12,059
Change in deposits		(1,386)	(100)
Acquisition of equity associates			(50,928)
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>(171,904)</b>	<b>(150,085)</b>
Treasury share acquisitions/sales		(3,936)	
Dividends paid out		(8,797)	
Loan repayments	4.4	(308)	(714)
Additional paid-in capital on hedging instruments			(464)
Interest paid on financing	4.4	(28,301)	(25,648)
Interest received on investment	4.1	4,560	5,156
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(36,782)</b>	<b>(21,669)</b>
Impact of exchange rate fluctuations		(1,981)	(144)
<b>CHANGE IN CASH POSITION **</b>		<b>(48,843)</b>	<b>20,403</b>
<b>CASH ** AT BEGINNING OF PERIOD</b>		<b>279,757</b>	<b>259,354</b>
<b>CASH ** AT END OF PERIOD</b>		<b>230,914</b>	<b>279,757</b>

## 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 31 March 2020.

The financial statements are presented in US dollars.

Amounts are rounded off to the nearest thousand dollars, except where otherwise indicated.

#### Note 1.1: Significant events

In June 2019 the Group entered into an agreement with Gabon Oil Company (GOC), the Group’s partner for the Ezanga permit, to end the carry mechanism from which GOC benefited. Under the terms of the agreement, GOC gained priority access to 812,000 barrels (corresponding to the rights carried after 31 December 2017) in return for payment to M&P of \$52.5 million in 2019. Additionally, the sum of \$43 million corresponding to historical carry receivables (prior to 31 December 2017) was paid by GOC into an escrow account which will be released after an audit currently ongoing.

In Gabon, civil engineering works and preparations for exploration drilling on the Kari and Nyanga-Mayombé permits began at the end of May 2019. Drilling operations at the Kama-1 well on the Kari permit continued until February 2020. The well encountered several sets of oil shows. However, the mediocre quality of the reservoirs crossed meant that commercial testing was not viable. In view of these results, expenses of \$31.5 million incurred as at 31 December 2019 were expensed over the year.

Following the publication of the official decree recognising the transfer of 20% of blocks 3/05 and 3/05A previously held by AJOCO to Maurel & Prom, the transaction closed at the end of July 2019. In accordance with the sales and purchase agreement, the transaction consideration of \$80 million (less a deposit of \$2 million paid when the transaction was announced) was adjusted by \$43 million to take into account working capital and cash flow received and disbursed by AJOCO on behalf of M&P since the agreement’s economic effective date, namely 1 January 2018. Consequently, the net consideration paid at end-July 2019 to AJOCO by Maurel & Prom was \$35 million.

M&P Trading, a French subsidiary wholly owned by the Group, now sells oil volumes produced by M&P Gabon and M&P Angola. The company may also lift barrels on behalf of third parties. Since the first lifting completed by M&P Trading in March 2019, the company has sold 4.8 million barrels.

On 24 July 2019, Sucre Energy took a 20% stake in Maurel & Prom Iberoamerica, which has a stake in the PRDL joint venture, owned jointly with PDVSA. As a result of the transaction, the Group holds a net economic interest in PRDL of 32%.

Due to international sanctions against state oil company PDVSA, operations conducted locally by the Group’s Venezuelan subsidiary, M&P Servicios Integrados U.W., are strictly limited to maintenance related to the safety of staff, assets, and environmental protection. Against this backdrop, and in spite of an asset that remains in production and has kept its development potential, its ability to contribute to net income for the fiscal year was nil.

In the spring of 2019, two wells were drilled on the Mios permit, resulting in a modest discovery. Production testing is expected to start.

Olivier de Langavant was appointed Chief Executive Officer of the Maurel & Prom Group effective 1 November 2019, replacing Michel Hochard.

## 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 year ended 31 December 2019 have been prepared in accordance with IAS/IFRS international accounting standards applicable at 31 December 2019, as approved by the European Union and available at: [https://ec.europa.eu/info/banking-and-finance-website-notice-users\\_en](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 2019 do not have a material impact on the Group's financial statements as at 31 December 2019, with the exception of the impacts mentioned below.

### **IFRS 16 "Leases":**

The Group adopted IFRS 16 as from 1 January 2019 using a simplified retrospective approach and has therefore not restated comparative data for the 2018 reference period, as allowed under the standard's specific transitional provisions.

The application of IFRS 16 led to the recognition of right-of-use assets and lease liabilities, previously classified as operating leases under IAS 17, with the exception of the Group's short-term leases, as the distinction between operating leases and finance leases has been abolished.

The impact of the adoption of this standard and the new accounting standard is presented in Note 6.5.2.

### **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. This application has no material impact on the Group's financial statements.

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.

### **Going Concern**

When preparing financial statements, the Group has assessed its ability to continue as going concern, and further disclosure has been given on that matter in note 6.9.

### **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.
- Affiliated 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.

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

Reporting entities in fiscal year 2019 were primarily the companies listed below.

#### The consolidated companies are as follows:

Company	Registered office	Consolidation method *	% control	
			31/12/2019	31/12/2018
Établissements Maurel & Prom S.A.	Paris	Parent	Consolidating company	
Maurel & Prom Assistance Technique International S.A.	Geneva, Switzerland	FC	100.00%	100.00%
Caroil S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Drilling Services	Amsterdam, Netherlands	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%
Maurel & Prom Gabon S.A.	Port-Gentil, Gabon	FC	100.00%	100.00%
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		Deconsolidated	100.00%
Maurel & Prom Peru SAC	Lima, Peru		Deconsolidated	100.00%
Maurel & Prom West Africa S.A.	Brussels, Belgium	FC	100.00%	100.00%
Maurel & Prom Italia Srl	Ragusa, Sicily	FC	100.00%	100.00%
Cyprus Mnazi Bay Limited	Nicosia, Cyprus	FC	60.08%	60.08%
Maurel & Prom Colombia BV	Rotterdam, Netherlands	EM	50.001%	50.001%
Seplat	Lagos, Nigeria	EM	20.46%	20.46%
Deep Well Oil & Gas, Inc.	Edmonton, Alberta, Canada	EM	19.57%	19.57%
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 Angola S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Exploration Production France S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Iberoamerica S.L.	Madrid, Spain	FC	100.00%	100.00%
M&P Servicios Integrados UW S.A.	Caracas, Venezuela	FC	100.00%	100.00%
Petroregional Del Lago (PRDL)	Caracas, Venezuela	EM	40.00%	40.00%
Caroil Assistance Technique International S.A.	Geneva, Switzerland	FC	100.00%	100.00%
Maurel & Prom Trading S.A.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Services S.A.S.	Paris, France	FC	100.00%	N/A

## Note 2.4: Equity associates

Companies accounted for by the equity method contributed \$59 million to the Group's results.

(in thousands of dollars)	Maurel & Prom Colombia BV	Seplat	Deep Well Oil	Petroregional Del Lago	Total
<b>Equity associates as at 31/12/2018</b>	<b>(519)</b>	<b>171,996</b>	<b>44</b>	<b>82,108</b>	<b>253,629</b>
Income	(1,166)	59,916			58,750
Change in OCI		(174)			(174)
Additions to the consolidation scope		(4,926)			(4,926)
Dividends		(12,012)			(12,012)
<b>Equity associates as at 31/12/2019</b>	<b>(1,684)</b>	<b>214,801</b>	<b>44</b>	<b>82,108</b>	<b>295,268</b>

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 2019, after translation into US dollars, adjustments to fair value and for accounting method consistency where applicable.

(in thousands of dollars)	Seplat
Location	Nigeria
	Associate
Activity	Production
% Interest	20.46%

Total non-current assets	2,335,979
Other current assets	600,412
Cash and cash equivalents	333,028
<b>Total assets</b>	<b>3,269,419</b>
Total non-current liabilities	850,539
Total current liabilities	615,394
<b>Total liabilities (excl. equity)</b>	<b>1,465,933</b>

Reconciliation with balance sheet values	
<b>Total shareholders' equity or net assets</b>	<b>1,803,486</b>
Share held	369,006
IFRS 3 fair value adjustment (1)	(162,954)
Value of diluted shares (2)	8,749
<b>Balance sheet value at 31/12/2019</b>	<b>214,801</b>

Sales	697,777
Operating income	306,416
Foreign exchange gains and losses	0
Loss on derivatives on hydrocarbons	5,559
Financial income	(20,068)
Income from JV and deconsolidation	14,226
Corporate income tax	(29,125)
<b>Net income from equity associates</b>	<b>277,008</b>
Share held	56,678
Restatements for standardisation (3)	3,238
<b>P&amp;L value at 31/12/2019</b>	<b>59,916</b>

(1) Fair value adjustment for Seplat under IFRS 3 (consolidated at the stock market value) recorded in 2015 in connection with the merger with MPI.

(2) 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 \$6.5 million. At the same time, the diluted shares were valued at the market price of \$8.7 million. On a net basis, the dilution gain on the equity share, recorded in "Other income from operations", was \$2 million.

(3) For Seplat, this is recognition through profit or loss of share-based payments.

The 2018 comparative information is provided below:

(in thousands of dollars)	Seplat
Location	Nigeria
	Associate
Activity	Production
% Interest	20.46%
Total non-current assets	1,663,131
Other current assets	273,376
Cash and cash equivalents	584,723
<b>Total assets</b>	<b>2,521,230</b>
Total non-current liabilities	601,976
Total current liabilities	324,973
<b>Total liabilities (excl. equity)</b>	<b>926,949</b>
<b>Reconciliation with balance sheet values</b>	
<b>Total shareholders' equity or net assets</b>	<b>1,594,281</b>
Share held	326,201
IFRS 3 fair value adjustment (1)	(162,954)
Value of diluted shares (2)	8,749
<b>Balance sheet value at 31/12/2018</b>	<b>171,996</b>
<i>Sales</i>	746,140
Operating income	325,097
Foreign exchange gains and losses	1,433
Loss on derivatives on hydrocarbons	(1,936)
Interest expense	(61,230)
Corporate income tax	(116,814)
<b>Net income from equity associates</b>	<b>146,550</b>
Share held	29,985
Restatements for standardisation (3)	2,039
<b>P&amp;L value at 31/12/2018</b>	<b>32,024</b>

(1) Fair value adjustment for Seplat under IFRS 3 (consolidated at the stock market value) recorded in 2015 in connection with the merger with MPI.

(2) 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 \$6.5 million. At the same time, the diluted shares were valued at the market price of \$8.7 million. On a net basis, the dilution gain on the equity share, recorded in "Other income from operations", was \$2 million.

(3) For Seplat, this is recognition through profit or loss of share-based payments.

## 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, and trading. Operating Income and assets are broken down for each segment based on the entities' contributing accounts, which include consolidation adjustments.

(in thousands of dollars)	Production	Exploration	Drilling	Other	31/12/2019
Sales	484,903		11,584	7,141	503,628
Operating Income and expenses	(161,933)	(3,761)	(27,526)	(24,271)	(217,491)
<b>EBITDA</b>	<b>322,970</b>	<b>(3,761)</b>	<b>(15,942)</b>	<b>(17,130)</b>	<b>286,136</b>
Depreciation and amortisation, impairment loss & provisions for assets in production and drilling assets	(158,826)	(1,830)	(2,744)	(81)	(163,482)
<b>Current operating income</b>	<b>164,143</b>	<b>(5,591)</b>	<b>(18,687)</b>	<b>(17,211)</b>	<b>122,655</b>
Expenses and impairment of exploration assets net of reversals	(9,036)	(39,314)			(48,349)
Other non-recurring expenses	15	(45)	162		132
Gain (loss) on asset disposals	(4,574)				(4,574)
<b>Operating income</b>	<b>150,548</b>	<b>(44,949)</b>	<b>(18,525)</b>	<b>(17,211)</b>	<b>69,863</b>
Share of income of equity associates	59,916	(1,166)	0	0	58,750
				0	
<b>Intangible investments</b>	<b>42,877</b>	<b>34,586</b>	<b>0</b>	<b>117</b>	<b>77,580</b>
Intangible assets (net)	214,922	8,146	16	144	223,228
<b>Investments in property, plant and equipment</b>	<b>83,356</b>	<b>8,519</b>	<b>6,811</b>	<b>6,264</b>	<b>104,950</b>
Property, plant and equipment (net)	1,404,132	11,421	25,152	5,376	1,446,082

The 2018 comparative information is provided below:

(in thousands of dollars)	Production	Exploration	Drilling	Other	31/12/2018
Sales	428,209		11,970		440,179
Operating Income and expenses	(156,688)	(2,862)	(26,959)	(8,663)	(195,173)
<b>EBITDA</b>	<b>271,521</b>	<b>(2,862)</b>	<b>(14,989)</b>	<b>(8,663)</b>	<b>245,006</b>
Depreciation and amortisation, impairment loss & provisions for assets in production and drilling assets	(104,501)	79	(904)	(548)	(105,874)
<b>Current operating income</b>	<b>167,020</b>	<b>(2,783)</b>	<b>(15,893)</b>	<b>(9,212)</b>	<b>139,131</b>
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
<b>Operating income</b>	<b>166,327</b>	<b>(2,784)</b>	<b>(26,259)</b>	<b>(11,214)</b>	<b>126,071</b>
<b>Share of income of equity associates</b>	<b>32,024</b>	<b>(1,439)</b>	<b>0</b>	<b>0</b>	<b>30,585</b>
<b>Intangible investments</b>	<b>44,139</b>	<b>6,214</b>	<b>(2)</b>	<b>206</b>	<b>50,557</b>
<b>Intangible assets (net)</b>	<b>192,804</b>	<b>6,919</b>	<b>28</b>	<b>169</b>	<b>199,919</b>
<b>Investments in property, plant and equipment</b>	<b>72,665</b>	<b>1,053</b>	<b>19,005</b>	<b>294</b>	<b>93,017</b>
<b>Property, plant and equipment (net)</b>	<b>1,425,779</b>	<b>2,968</b>	<b>21,793</b>	<b>623</b>	<b>1,451,162</b>

## Note 3.2: Operating income

### Note 3.2.1 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 the year-end market price, to current assets (underlift position receivable) or current liabilities (overlift position liability). Market price is determined according to the PCO Rabi Light index for Gabon and the Palanca Blend index for Angola, which act as benchmarks when these lifting positions are being physically settled.

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.

		12 months 2019	12 months 2018	Change 19/18
<b>M&amp;P working interest production</b>				
Gabon (oil)	bopd	<b>19,828</b>	16,273	22%
Angola (oil)	bopd	<b>1,879<sup>1</sup></b>	–	/
Tanzania (gas)	MMcfpd	<b>33.8</b>	40.0	-15%
<b>Total</b>	<b>boepd</b>	<b>27,340</b>	<b>22,934</b>	<b>19%</b>

<b>Average sale price</b>				
Oil	\$/bbl	<b>67.2</b>	68.8	-2%
Gas	\$/BTU	<b>3.26</b>	3.17	3%

<b>Sales</b>				
Gabon	\$m	<b>454</b>	376	21%
Angola	\$m	<b>31</b>	0	/
Tanzania	\$m	<b>34</b>	39	-13%
<b>Valued production</b>	<b>\$m</b>	<b>519</b>	<b>415</b>	<b>25%</b>
Drilling activities	\$m	<b>12</b>	12	-3%
Trading of third-party oil <sup>2</sup>	\$m	<b>7</b>	0	/
Restatement for lifting imbalances	\$m	<b>-34</b>	13	
<b>Consolidated sales</b>		<b>504</b>	<b>440</b>	<b>14%</b>

<sup>1</sup> Production in Angola was 4,484 bopd for M&P working interest (20%) for the period during which the asset was held (since 1 August 2019), corresponding to 4,587 bopd in Q3 (two months only) and 4,415 bopd in Q4.

<sup>2</sup> M&P Trading buys and trades the Group's production in Angola and Gabon. Third-party production can also be traded by M&P Trading. In such instances, it is presented in the Group's consolidated sales.

The Group's valued production (income from production activities, restated for lifting imbalances) was \$519 million for fiscal 2019, up 25% from 2018. This increase reflects the sharp rise in production in Gabon following the resolution of export problems that had limited production in 2018. Sales in Tanzania fell slightly due to a dip in gas demand in the first half of 2019.

The average sale price of oil in fiscal 2019 fell 2% to \$67.2/bbl versus \$68.8/bbl in 2018.



Maurel & Prom now trades oil volumes produced by M&P Gabon and M&P Angola through its subsidiary M&P Trading. Since the first lifting at the Cap Lopez terminal in Gabon on 31 March 2019, M&P Trading has traded 4.1 million barrels. In Q4 2019, M&P Trading also sold oil on behalf of third parties in the amount of \$7 million (gross amount before oil acquisition cost).

After taking into account drilling activities and lifting imbalances, the Group's consolidated sales for fiscal 2019 stood at \$504 million, up 14% from 2018.

### **Note 3.2.2 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 EBIT correspond to income and expenses considered 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.

Others operating expenses are:

<b>(in thousands of dollars)</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Purchases and external services	(96,191)	(73,674)
Taxes, contributions & royalties	(79,834)	(44,239)
Personnel expenses	(84,235)	(66,732)
<b>Others operating expenses</b>	<b>(260,261)</b>	<b>(184,645)</b>

Current operating income amounted to \$123 million, down from the previous year largely due to the increase in the depletion charge, which depends on the volumes produced in Gabon (\$158 million in 2019 versus \$105 million in 2018).

Non-current income includes:

a net expense of \$4.5 million related to the drilling incident in Gabon on 17 March 2019;

\$48 million in exploration and appraisal expenses on the Kari, Ezanga and Mios permits, and a campaign to acquire seismic data in Sicily.

### Note 3.3: Fixed assets

Maurel & Prom conducts part of its Exploration and Production activities under Production Sharing Agreements (PSAs). This type of agreement, 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 Agreements, 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.

The Group refers to ASC 932 “Extractive activities”, usually applied in the oil sector for the purpose of defining the accounting treatment of situations or transactions not specifically covered by IAS. In application of this principle, when it appears that an exploration well under way at the reporting date has not yet revealed proven reserves and that this is known only between the reporting date and the date on which the financial statements are approved, expenses incurred on that well up to the reporting date are recognised as exploration expenses over the period in question.

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.

For 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 Agreements.

A permit or set of permits for the same geographic region is generally referred to as 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. 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

Intangible investments for the fiscal year relate for the most part to reserves acquired in Angola for \$37.5 million and drilling exploration expenses on the Kari permit for \$28.5 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 identified on intangible assets.

Exploration expenses in Italy 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.

	31/12/2018	Currency translation adjustment	Investments	Transfer	Operating expenses	Amortisation	31/12/2019
<b>(in thousands of dollars)</b>							
Assets attached to permits in production	192,804		42,877	(1,041)		(19,718)	214,922
Assets attached to permits in exploration	6,919	(22)	34,586	1,678	(34,806)	(209)	8,146
Drilling	28					(11)	16
Other	170		117			(142)	144
<b>Intangible assets (net)</b>	<b>199,920</b>	<b>(22)</b>	<b>77,580</b>	<b>637</b>	<b>(34,806)</b>	<b>(20,081)</b>	<b>223,228</b>

Exploration and appraisal expenses relate mainly to the Kari permits (\$31.5 million incurred at the reporting date).

The changes in intangible assets for the previous fiscal year are stated below in US dollars:

	31/12/2017 adjusted *	Currency translation adjustment	Investments	Transfer	Operating expenses	Amortisation	31/12/2018
<b>(in thousands of dollars)</b>							
Assets attached to permits in production	160,897		44,139	(344)		(11,889)	192,803
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
<b>Intangible assets (net)</b>	<b>162,636</b>	<b>77</b>	<b>50,557</b>	<b>660</b>	<b>(1,801)</b>	<b>(12,210)</b>	<b>199,920</b>

\* Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018

**Note 3.3.2 Property, plant and equipment**

	31/12/2018	Currency translation adjustment	Investments	Transfer	Asset disposals	Amortisation	31/12/2019
<b>(in thousands of dollars)</b>							
Assets attached to permits in production	1,425,779		83,356	41,998	(18,094)	(128,906)	1,404,132
Assets attached to permits in exploration	2,966	8	8,519	3,269	(4,036)	696	11,421
Drilling	21,793		6,811			(3,452)	25,152
Other	625	2	6,264			(1,514)	5,376
<b>Property, plant and equipment (net)</b>	<b>1,451,162</b>	<b>10</b>	<b>104,950</b>	<b>45,267</b>	<b>(22,130)</b>	<b>(133,177)</b>	<b>1,446,082</b>

Investments in property, plant and equipment over the period primarily concern production investments on the Ezanga and Mios permits.

The “Transfer” column corresponds to the amount of the site remediation asset updated according to the latest available reports by independent appraisers, recorded against the provision for site remediation as explained in Note 3.10 “Provisions”.

Pursuant to IAS 36, impairment tests were performed in order to determine the recoverable value of the assets.

Fair value of drilling assets was estimated based on the latest available reports by appraisers.

With regard to production activities in Gabon, the value in use was determined on the basis of reserves certified by independent appraisers and future cash flows.

Calculation assumptions are primarily based on:

- (i) a Brent price of \$60/bbl for oil sales inflated to 2% at the same rate as opex for Gabon;
- (ii) a production profile determined according to reports on reserves by independent appraisers;
- (iii) a discount rate individualised by country.

A reasonable change in one of the relevant indicators of these impairment tests would lead to the impairment of the Ezanga permit production assets in the proportions indicated below:

<b>Sensitivity of the Ezanga permit impairment test to assumptions (in millions of dollars)</b>	<b>\$50/bbl</b>	<b>\$60/bbl</b>	<b>\$70/bbl</b>
<b>Brent/bbl</b>			
<b>Production</b>			
Production at -5%	(328)	(63)	195
Production per report	(277)	-	272
Production at +5%	(227)	63	348

<b>Sensitivity of the Ezanga permit impairment test to assumptions (in millions of dollars)</b>	<b>\$50/bbl</b>	<b>\$60/bbl</b>	<b>\$70/bbl</b>
<b>Brent/bbl</b>			
<b>WACC</b>			
WACC at 10.98%	(331)	(68)	189
WACC at 9.98%	(277)	-	272
WACC at 8.98%	(216)	77	365

The changes in property, plant and equipment for the previous fiscal year are presented in US dollars:

<b>(in thousands of dollars)</b>	<b>31/12/2017 adjusted *</b>	<b>Currency translation adjustment</b>	<b>Investments</b>	<b>Transfer</b>	<b>Impairment</b>	<b>Amortisation</b>	<b>31/12/2018</b>
Assets attached to permits in production	1,450,300		72,665	344		(97,529)	1,425,779
Assets attached to permits in exploration	1,948	(32)	1,053				2,968
Drilling	18,153	2	19,005		(9,146)	(6,222)	21,793
Other	490		294			(161)	623
<b>Property, plant and equipment (net)</b>	<b>1,470,890</b>	<b>(30)</b>	<b>93,017</b>	<b>344</b>	<b>(9,146)</b>	<b>(103,913)</b>	<b>1,451,162</b>

\* Reported in EUR in the 2017 published financial statements and translated for reporting in USD for fiscal year 2018

### Note 3.4: Inventories

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.

(in thousands of dollars)	31/12/2018	Currency translation adjustment	Change	Transfer	Impairment/Reversals	31/12/2019
Ezanga (Gabon)	9,896		(445)			9,451
BRM (Tanzania)	4,208	(78)	(285)		695	4,540
<b>Inventories (net)</b>	<b>14,104</b>	<b>(78)</b>	<b>(730)</b>	<b>0</b>	<b>695</b>	<b>13,991</b>

### Note 3.5: Overlift/underlift position

The Group recognises time variances between liftings and the theoretical entitlement in the cost of sales by posting over- or underlift positions, valued at the year-end market price, to current assets (underlift position receivable) or current liabilities (overlift position liability).

(in thousands of dollars)	31/12/2018	Currency translation adjustment	Change	Transfer	Impairment/Reversals	31/12/2019
Underlift position receivable			39,755			39,755
Overlift position liability	(13,252)		11,956			(1,296)
<b>Net overlift/underlift position</b>	<b>(13,252)</b>	<b>0</b>	<b>51,712</b>	<b>0</b>	<b>0</b>	<b>38,460</b>

### Note 3.6: 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 thousands of dollars)	31/12/2018	Currency translation adjustment	Change	Transfer	Impairment/Reversals	31/12/2019
Ezanga (Gabon)	47,981		(30,213)			17,768
Trading			106,764			106,764
Mnazi Bay (Tanzania)	42,695		(26,129)			16,566
Drilling	4,498		(1,590)		55	2,964
Other	14		2,273		(2,244)	43
<b>Trade receivables and related accounts (net)</b>	<b>95,188</b>	<b>(0)</b>	<b>51,105</b>	<b>0</b>	<b>(2,189)</b>	<b>144,104</b>

Trade receivables on Ezanga for hydrocarbon sales essentially reflect the receivables from Sogara, which purchases a percentage of the production from the Ezanga permit fields.

Trade receivables on Trading relating to hydrocarbon sales to Glencore mainly correspond to liftings in December in Gabon and Angola. The receivable was paid in full in January 2020.

Trade receivables on Mnazi Bay for natural gas sales are mostly from the national company TPDC and Tanesco. The recoverability of all of these receivables is not called into question. There is no significant impaired receivable.



### Note 3.7: 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 thousands of dollars)	31/12/2018	Currency translation adjustment	Change	Transfer	Impairment/Reversals	31/12/2019
Supplier advances	2,695		(80)			2,615
Prepaid and deferred expenses	1,836	1	72		(120)	1,789
Tax and social security receivables	79,259	(31)	23,684		(15,642)	87,269
<b>Other assets (net)</b>	<b>83,789</b>	<b>(31)</b>	<b>23,676</b>	<b>0</b>	<b>(15,763)</b>	<b>91,672</b>
Gross	89,723	(31)	17,556			107,345
Impairment	(5,934)		6,120		(15,763)	(15,673)
Non-current	44,675		(1,121)			43,554
Current	39,114	(31)	24,797		(15,763)	48,118

“Tax and social security receivables” primarily comprise VAT receivables from the Gabonese state, denominated in XAF, the portion subject to a protocol being classified as non-current.

### Note 3.8: Trade payables

(in thousands of dollars)	31/12/2018	Currency translation adjustment	Change	Transfer	Impairment/Reversals	31/12/2019
Ezanga (Gabon)	45,711		5,584			51,295
Mnazi Bay (Tanzania)	971		(257)	(227)		488
Drilling	6,199		758	(4)		6,953
Other	6,970	(51)	10,001			16,921
<b>Trade payables and related accounts</b>	<b>59,852</b>	<b>(51)</b>	<b>16,086</b>	<b>(231)</b>	<b>0</b>	<b>75,656</b>

### Note 3.9: Other current liabilities

These other current liabilities are included in financial liabilities recognised initially at fair value and then at amortised cost.

(in thousands of dollars)	31/12/2018	Currency translation adjustment	Change	Transfer & scope	Impairment/Reversals	31/12/2019
Social security liabilities	12,648	(19)	5,007			17,636
Tax liabilities	46,544		(17,444)			29,100
TPDC advances	26,574		606			27,180
Angola operator liability			11,688			11,688
PRDL investment liabilities	27,000	(478)	(7,393)			19,129
Miscellaneous liabilities	21,811	(1)	(797)			21,014
<b>Other current liabilities</b>	<b>134,577</b>	<b>(498)</b>	<b>(8,333)</b>	<b>0</b>	<b>0</b>	<b>125,746</b>

The TPDC advance corresponds to a deposit received as a sales guarantee. It will be reimbursed once TPDC has set up another type of financial guarantee.

Investment liabilities correspond to the balance due to Shell for the PRDL acquisition, payable in the first half of 2020.

The Angola operator liability corresponds to calls for funds to be issued by Sonangol.

### Note 3.10: 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 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 thousands of dollars)	31/12/2018	Currency translation adjustment	Increase	Reversal	Transfer	31/12/2019
Site remediation	37,466	(33)	1,239	(32)	46,130	84,770
Pension commitments	1,164		242			1,406
Other	15,227	(85)	4,893	(3,208)	(92)	16,734
<b>Provisions</b>	<b>53,857</b>	<b>(118)</b>	<b>6,374</b>	<b>(3,240)</b>	<b>46,038</b>	<b>102,910</b>
Non-current	38,019	(33)	1,481	(32)	46,162	85,597
Current	15,838	(85)	4,893	(3,208)	(124)	17,313

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.

The updating of assumptions made by independent appraisers for determining site remediation, together with changes in inflation and discount rates, led to the remeasurement of the \$46-million provision for site restoration against a dismantling asset on the Ezanga, Nyanga-Mayombé and Mios permits, as described in Note 3.3.2 "Property, plant and equipment".

For example, a 3.6% 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.

## Note 4 : Financing

### Note 4.1: Financial income

(in thousands of dollars)	31/12/2019	31/12/2018
Interest on overdrafts	(237)	(422)
IFRS 16 financial expense	(121)	
Interest on ORNANE bonds		(17)
Interest on shareholder loans	(4,163)	(3,793)
Interest on other borrowings	(25,771)	(24,692)
<b>Gross finance costs</b>	<b>(30,291)</b>	<b>(28,924)</b>
Income from cash	4,560	5,156
Net income from derivative instruments	(667)	(111)
<b>Net finance costs</b>	<b>(26,398)</b>	<b>(23,879)</b>
Net foreign exchange adjustment	(3,663)	(2,527)
Other	(1,055)	(233)
<b>Other net financial income and expenses</b>	<b>(4,718)</b>	<b>(2,760)</b>
<b>Financial income</b>	<b>(31,116)</b>	<b>(26,639)</b>

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 EUR/USD conversion at 31/12/2018 was 1.145 versus 1.123 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 (denominated in XAF).

Other financial income and expenses mainly comprise 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 thousands of dollars)	31/12/2018	Currency translation adjustment	Change	Transfer	Impairment/Reversals	31/12/2019
Equity associates current accounts	3,142		1,459			4,601
RES escrow funds	4,693	(9)	(2,845)			1,839
GOC escrow fund				43,339		43,339
Gabonese partners' carry receivables	42,238		2,500	(43,339)		1,399
Tanzanian partners' carry receivables	7,743		(6,009)			1,735
Sucre carry receivables			11,000			11,000
Miscellaneous receivables	3,529	4	(1,781)		24	1,777
<b>Other financial assets (net)</b>	<b>61,346</b>	<b>(5)</b>	<b>4,325</b>	<b>0</b>	<b>24</b>	<b>65,691</b>
Non-current	7,835		(1,386)			6,441
Current	53,511	4	5,711		24	59,250

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 current accounts and short-term investments of excess cash.

(in thousands of dollars)	31/12/2019	31/12/2018
Liquid assets, banks and savings banks	132,555	199,076
Short-term bank deposits	3,803	1,468
Marketable securities	94,685	79,327
<b>Cash and cash equivalents</b>	<b>231,043</b>	<b>279,871</b>
Bank loans *	(129)	(113)
<b>Net cash and cash equivalents</b>	<b>230,914</b>	<b>279,757</b>

\* Bank loans are reported under debt as shown below.

### Note 4.4: Borrowings and financial debt

(in thousands of dollars)	31/12/2018	Repayment	Transfer	Interest expense	Interest withdrawal	Other movements	31/12/2019
Term loan (\$600m)	593,465		(150,000)	2,207			445,673
Shareholder loan	100,000		(5,882)				94,118
Lease financing debt	2,226	(308)	(1,190)			2,118	2,847
<b>Non-current</b>	<b>695,692</b>	<b>(308)</b>	<b>(157,073)</b>	<b>2,478</b>		<b>2,118</b>	<b>542,637</b>
Term loan (\$600m)			150,000			66	150,066
Shareholder loans			5,882				5,882
Lease financing debt	46		1,190	121			1,357
Current bank loans	113			237	(237)	16	129
Accrued interest	1,888			27,455	(27,794)	(66)	1,484
/ Shareholder loan (\$100m)	0			4,163	(4,163)	0	0
/ Term loan (\$600m)	1,888			23,293	(23,631)	(66)	1,484
<b>Current</b>	<b>2,047</b>		<b>157,073</b>	<b>27,813</b>	<b>(28,031)</b>	<b>16</b>	<b>158,918</b>
<b>Borrowings</b>	<b>697,739</b>	<b>(308)</b>	<b>0</b>	<b>30,291</b>	<b>(28,301)</b>	<b>2,134</b>	<b>701,555</b>

#### Note 4.4.1 Borrowings

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).

#### \$600-million term loan

The Group took out a \$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:	\$600 million
Maturity:	December 2023
First repayment:	March 2020
Repayment:	16 quarterly instalments
Interest rate:	LIBOR +1.50%.

### Shareholder loan

In December 2017, as part of its refinancing, the Group set up a shareholder loan 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:	\$100 million
Additional amount:	\$100 million that can be drawn down at will
Maturity:	December 2024
First repayment:	December 2020
Repayment:	17 quarterly instalments
Interest rate:	LIBOR + 1.60%.

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 \$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 instruments".

<i>(in thousands of dollars)</i>	31/12/2018	Income	OCI	31/12/2019
Current derivative financial assets	1,615		(1,615)	
Current derivative financial liabilities			(3,304)	(3,304)
<b>Derivative financial instruments, net</b>	<b>1,615</b>	<b>0</b>	<b>(4,919)</b>	<b>(3,304)</b>

## 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 2019.

For the full year, the average price of Brent decreased by 2% to \$67.2/bbl versus \$68.8/bbl in 2018. A decrease of 10% in the price of oil from the average price in 2019 would have impacted sales and EBITDA by - \$36 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 2019 of a 10% rise or fall in the EUR/USD exchange rate is shown below:

(in thousands of dollars)	Impact on pre-tax income		Impact on exchange gain/loss (equity)	
	10% rise in EUR/USD exchange rate	10% decline in EUR/USD exchange rate	10% rise in EUR/USD exchange rate	10% decline in EUR/USD exchange rate
EUR equivalent	8,788	(8,788)	(25,889)	25,889
Other currencies				
<b>Total</b>	<b>8,788</b>	<b>(8,788)</b>	<b>(25,889)</b>	<b>25,889</b>

The average annual EUR/USD exchange rate was relatively stable at \$1.11 for €1 in 2019 versus \$1.13 for €1 in 2018. The EUR/USD exchange rate as at 31 December 2019 was 1.12 versus 1.15 at 31 December 2018.

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 2019.

The Group's net consolidated foreign exchange position as at 31 December 2019 (i.e. positions on the currencies in which transactions were conducted) was \$107 million and can be analysed as follows:

(in thousands of dollars)	Assets and liabilities	Commitments in foreign currency	Net position before hedging	Hedging instruments	Net position after hedging
Trade receivables and payables	91,731		91,731		91,731
Other creditors and sundry liabilities	(2,876)		(2,876)		(2,876)
<b>Equivalent EUR exposure</b>	<b>88,855</b>	<b>0</b>	<b>88,855</b>	<b>0</b>	<b>88,855</b>

### 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 2019 appears in Note 4.4 "Borrowings and financial debt".

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 2019, the Group had cash and cash equivalents amounting to \$231 million. To the Company's knowledge, there are no major limitations or restrictions on the raising of cash from the Group's subsidiaries, except for the countries referred to in Note 5.6 "Country risks".

The table below shows the breakdown of financial liabilities by contractual maturity:

(in thousands of dollars)	2020	2021	2022	2023	2024	> 5 years	Total contractual flow	Total balance sheet value
Shareholder loan	9,259	26,380	25,586	24,793	24,001		110,019	100,000
Term loan (\$600m)	170,157	164,842	159,516	154,345	0		648,859	597,222
Current bank loans	129						129	129
Lease financing debt	341	341	341	341	341	4,714	6,419	4,204
<b>TOTAL</b>	<b>179,886</b>	<b>191,563</b>	<b>185,443</b>	<b>179,478</b>	<b>24,342</b>	<b>4,714</b>	<b>765,426</b>	<b>701,555</b>

In 2019 the Company was in compliance with all ratios set out in the term loan. The Group has conducted an in-depth review of its liquidity risk and future maturity dates and considers in consequence that it is able to meet its contractual maturities.

For information, as at 31 December 2018, the non-discounted contractual flows (principal and interest) on the outstanding financial liabilities, by maturity date, were as follows:

(in thousands of dollars)	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 (\$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
<b>TOTAL</b>	<b>29,115</b>	<b>182,568</b>	<b>193,732</b>	<b>187,002</b>	<b>180,223</b>	<b>28,115</b>	<b>800,755</b>	<b>697,739</b>

#### 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 2019 amounted to \$703 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 4.4.1.

As at 31 December 2019, the interest rate risk can be assessed as follows:

(in thousands of dollars)	31/12/2019	31/12/2018
Term loan (\$600m)	597,222	595,353
Shareholder loan	100,000	100,000
Lease financing debt	4,204	2,272
Current bank loans and other	129	113
Floating rate	701,555	697,739
<b>Borrowings</b>	<b>701,555</b>	<b>697,739</b>

A 100-basis point rise in interest rates would result in an additional interest expense of \$3 million per year on the income statement.

A significant portion of cash is held in floating rate demand deposits.

#### 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 thousands of dollars)	31/12/2019		31/12/2018	
	Balance sheet total	Maximum exposure	Balance sheet total	Maximum exposure
Non-current financial assets	6,441	6,441	7,835	7,835
Other non-current assets	43,554	43,554	44,675	44,675
Trade receivables and related accounts	144,104	144,104	95,188	95,188
Current financial assets	59,250	59,250	53,511	53,511
Other current assets	48,118	48,118	39,114	39,114
Cash and cash equivalents	231,043	231,043	279,871	279,871
<b>Total</b>	<b>532,510</b>	<b>532,510</b>	<b>520,194</b>	<b>520,194</b>

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 leading trading companies. 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 risks

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.

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. Consequently, the Group is not raising cash from this asset.

### Note 5.7: Fair value

In accordance with IFRS 7, disclosures about financial instruments are detailed below.

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 2018.

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 thousands of dollars)	Categories	Level	31/12/2019		31/12/2018	
			Balance sheet total	Fair value	Balance sheet total	Fair value
Non-current financial assets	Amortised cost	Level 2	6,441	6,441	7,835	7,835
Trade receivables and related accounts	Amortised cost	Level 2	144,104	144,104	95,188	95,188
Other current financial assets	Amortised cost	Level 2	59,250	59,250	53,511	53,511
Derivative financial instruments	Fair value	Level 1	0	0	1,615	1,615
Cash and cash equivalents			231,043	231,043	279,871	279,871
<b>Total assets</b>			<b>440,838</b>	<b>440,838</b>	<b>438,019</b>	<b>438,019</b>
Borrowings and financial debt	Amortised cost	Level 2	701,555	701,555	697,739	697,739
Trade payables	Amortised cost	Level 2	75,656	75,656	59,852	59,852
Derivative financial instruments	Fair value	Level 1	3,304	3,304	0	0
Other creditors and sundry liabilities	Amortised cost	Level 2	125,746	125,746	134,577	134,577
<b>Total liabilities</b>			<b>906,262</b>	<b>906,262</b>	<b>890,553</b>	<b>890,553</b>

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 4.4.1 "Borrowings".

## Note 6 : Other information

### Note 6.1: Income tax

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 thousands of dollars)	Deferred tax	Current tax	Total
<b>Assets at 31/12/2018</b>	<b>23,741</b>	<b>473</b>	<b>24,214</b>
<b>Liabilities at 31/12/2018</b>	<b>(390,247)</b>	<b>(4,971)</b>	<b>(395,218)</b>
<b>Net value at 31/12/2018</b>	<b>(366,506)</b>	<b>(4,498)</b>	<b>(371,004)</b>
Tax expense	(20,230)	(42,126)	(62,357)
Payments		34,815	34,815
Currency translation adjustments	(6)	1	(5)
<b>Assets at 31/12/2019</b>	<b>11,588</b>	<b>680</b>	<b>12,268</b>
<b>Liabilities at 31/12/2019</b>	<b>(398,330)</b>	<b>(12,489)</b>	<b>(410,819)</b>
<b>Net value at 31/12/2019</b>	<b>(386,742)</b>	<b>(11,809)</b>	<b>(398,551)</b>

#### Note 6.1.2 *Breakdown of deferred taxes*

(in thousands of dollars)	31/12/2019	31/12/2018
Valuation difference of property, plant and equipment	11,588	23,741
<b>Deferred tax assets</b>	<b>11,588</b>	<b>23,741</b>
Valuation difference of property, plant and equipment	398,330	390,247
<b>Deferred tax liabilities</b>	<b>398,330</b>	<b>390,247</b>
<b>Net deferred tax</b>	<b>386,742</b>	<b>366,506</b>

**Note 6.1.3 Reconciliation between the tax expense and income before tax**

(in thousands of dollars)	31/12/2019	31/12/2018
Income before tax from continuing operations	97,497	130,017
- Net income from equity associates	58,750	30,585
<b>Income before tax excluding equity associates</b>	<b>38,747</b>	<b>99,432</b>
Distortion taxable base Gabon	(76,530)	(123,017)
Distortion taxable base Tanzania	2,421	(1,143)
<b>Taxable income (I)</b>	<b>(35,361)</b>	<b>(27,135)</b>
<b>(a) Theoretical tax income (I*33.33%)</b>	<b>11,786</b>	<b>9,044</b>
<b>(b) Tax recognised in income</b>	<b>(62,357)</b>	<b>(68,352)</b>
<b>Difference (b-a)</b>	<b>(74,143)</b>	<b>(77,396)</b>
- Baseline difference	(52,989)	(55,112)
- Non-activated deficits and other	(21,153)	(22,284)

**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.

	31/12/2019	31/12/2018
<b>Net income (Group share) for the period (in thousands of dollars)</b>	<b>37,383</b>	<b>58,066</b>
Share capital	200,713,522	200,713,522
Treasury shares	4,601,090	3,521,082
<b>Average number of shares outstanding</b>	<b>196,112,432</b>	<b>192,040,048</b>
<b>Number of diluted shares</b>	<b>196,455,520</b>	<b>192,101,692</b>
<b>Earnings per share (\$)</b>		
Basic	0.19	0.30
Diluted	0.19	0.30

**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).

As at 31 December 2019, there were 200,713,522 company shares, including 4,601,090 treasury shares (i.e. 2.29% of share capital for a gross value of €43 million at end-2019), and the share capital stood at €154,549,411.94.

	Number of shares	Treasury shares	Liquidity agreement	Treasury stock
<b>At 31/12/2017</b>	<b>195,340,313</b>	<b>4,312,391</b>	<b>91,857</b>	<b>4,220,534</b>
- Share distribution		-895,000		-895,000
- Liquidity agreement movements		+103,690	+103,690	
- Capital increase	5,373,209			
<b>At 31/12/2018</b>	<b>200,713,522</b>	<b>3,521,081</b>	<b>195,547</b>	<b>3,325,534</b>
- Buybacks		+1,200,000		+1,200,000
- Share distribution		-133,250		-133,250
- Liquidity agreement movements		+13,259	+13,259	
<b>At 31/12/2019</b>	<b>200,713,522</b>	<b>4,601,090</b>	<b>208,806</b>	<b>4,392,284</b>

The bonus share allocations are as follows:

Date of allocation decision	Planned vesting date	Number of shares
24/04/2017	24/04/2020 **	180,000
03/08/2018	03/08/2020 *	157,700
03/08/2018	03/08/2021 *	157,700
01/08/2019	01/08/2020 *	385,150
01/08/2019	01/08/2021 *	385,150
01/08/2019	01/08/2022 *	385,150
<b>Total</b>		<b>1,650,850</b>

\* The minimum lock-in period for the shares held by beneficiaries is set at one year from the vesting date. The 2018 plans are subject to performance conditions.

\*\* There is no minimum lock-in period for this plan.

#### Note 6.4: Related parties

(in thousands of dollars)	Income	Expenses	Amount due from related parties (net)	Amount payable to related parties
<b>1) Equity associates</b>				
Maurel & Prom Colombia BV			4,601	
<b>2) Other related parties</b>				
PIEP		(4,163)		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. Contractual commitments made to states under permits are limited to three mandatory wells: two in Gabon and one in Namibia. No information has been provided relating to equity associates.

### Note 6.5.2 Lease commitments: IFRS 16 impact

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, only the leasing agreement for the Paris head office falls within the scope of IFRS 16.

The impact of the first-time application of IFRS 16 on the Group's debt amounted to \$3 million at 1 January 2019 and \$2 million at 31 December 2019. It should therefore be noted that the application of IFRS 16 had no material impact on the Group's results and that only relevant items are reported here.

No new contracts were subject to IFRS 16 in 2019.

The following tables summarise the impact of the transition to IFRS 16 on the financial statements as at 1 January 2019 and 31 December 2019. Campaign items not affected by the changes have not been included. As a result, the tables presented in the note correspond to the sums of the impacts of IFRS 16 and not to the balance sheet and P&L sub-totals.

<b>Fixed asset NCA at 01/01/2019</b>	<b>3,243</b>
<b>Debt at 01/01/2019</b>	<b>3,243</b>
<b>Impact on shareholders' equity at 01/01/2019</b>	<b>0</b>
Amortisation	(1,052)
Capital repayment	(1,004)
Interest expense	(121)
Cancellation of lease expense	1,125
<b>Fixed asset NCA at 31/12/2019</b>	<b>2,191</b>
<b>Debt at 31/12/2019</b>	<b>2,239</b>
<b>Impact on shareholders' equity at 31/12/2019</b>	<b>(48)</b>

Impact of P&L presentation	IAS 17	IFRS 16
31/12/2019	Previous standard	
Rents	(1,125)	
<b>EBIT</b>	<b>(1,125)</b>	<b>0</b>
Depreciation and amortisation		(1,052)
<b>EBITDA</b>	<b>(1,125)</b>	<b>(1,052)</b>
Net finance costs		(121)
<b>Net income before tax</b>	<b>(1,125)</b>	<b>(1,173)</b>

The fluctuation in the effective interest rate of +/- 0.5% has little impact on the Group's net income.

Impact of P&L presentation 31/12/2019	IAS 17 Previous standard	IFRS 16 Rate of 4.44%	IFRS 16 +50 basis pts	IFRS 16 -50 basis pts
Rents	(1,125)			
<b>EBIT</b>	<b>(1,125)</b>			
Depreciation and amortisation		(1,052)	(1,044)	(1,060)
<b>EBITDA</b>	<b>(1,125)</b>	<b>(1,052)</b>	<b>(1,044)</b>	<b>(1,060)</b>
Net finance costs		(121)	(134)	(109)
<b>Net income before tax</b>	<b>(1,125)</b>	<b>(1,173)</b>	<b>(1,178)</b>	<b>(1,168)</b>

### **Note 6.5.3 \$600-million term loan**

Maurel & Prom West Africa S.A., sole and whole owner of Maurel & Prom Gabon, took out a \$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 loan (except in certain cases).

Furthermore, under the terms of this 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 \$500 million at each reference date.

These ratios were met in fiscal 2019.

The Group is also committed to maintaining a minimum consolidated amount of \$100 million cash in their 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 \$10 million while guaranteeing that minimum working capital requirements agreed by the parties will be respected.

### **Note 6.5.4 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.

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 6.5.5 Contractual commitments in Gabon

Under the terms of the agreement to acquire the Gabonese asset and subsequent amendments thereto entered into with the Gabonese government, Rockover and Masasa Trust in February 2005, Maurel & Prom is obliged to pay:

- 1.4% of production valued at the official sale price, paid monthly;
- a royalty amounting to \$0.65 for every barrel produced from the date that total production in all licensed zones has exceeded 80 Mmbbl (during the month of September 2019);
- 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; and
- 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.

### Note 6.6: Group workforce

As at 31 December 2019, the Group had 763 employees.

### Note 6.7: Executive remuneration

Principal Officers include the management team composed of the Chairman, Chief Executive Officers and members of the Board of Directors.

Their remuneration is included in the expenses for the period, irrespective of the amounts paid.

(in thousands of dollars)	31/12/2019	31/12/2018
Short-term benefits	1,762	1,691
Share-based payment	285	331
<b>Total</b>	<b>2,047</b>	<b>2,022</b>

### Note 6.8: Auditors' fees

Fees paid to Statutory Auditors (including members of their networks) are analysed below:

(in thousands of dollars)	KPMG		IAC		KPMG		IAC	
	Amount	%	Amount	%	Amount	%	Amount	%
	2019				2018			
Audit								
* Statutory audit, certification, review of individual and consolidated financial statements:								
- Issuer	742	64%	439	79%	748	79%	431	78%
- Fully consolidated subsidiaries	35	3%	111	20%	37	4%	119	21%
* Other work and services directly related to the audit assignment:								
- Issuer	378	33%	8	2%	158	17%	5	1%
- Fully consolidated subsidiaries	6	1%				0%		0%
Other services provided by the networks to fully consolidated subsidiaries								
<b>TOTAL</b>	<b>1,161</b>	<b>100%</b>	<b>558</b>	<b>100%</b>	<b>943</b>	<b>100%</b>	<b>555</b>	<b>96%</b>



### **Note 6.9: Events after the reporting period**

The results from drilling operations at the Kama-1 well on the Kari permit were received in February 2020. Consequently, expenses incurred as at 31 December 2019 were expensed over the fiscal year at \$31.5 million and expenses incurred in January and February 2020 will be expensed over fiscal 2020.

The sharp drop in the price of Brent crude since the beginning of March in a context of a global pandemic leading to a major economic crisis does not constitute an event that should be adjusted in the 2019 financial statements within the meaning of IAS 10. While this event does not call into question the Group's ability to meet its maturities, it will nevertheless adversely affect its performance in 2020 and lead the Group to review the price assumptions used to assess the value-in-use of its tangible and financial assets at the next reporting date and to update impairment tests (as explained in Note 3.3.2 "Property, plant and equipment").

Lastly, on 16 March 2020 the Group successfully rescheduled its debt. Under the terms of the signed amendments, the amount of the repayments to be paid in 2020 and 2021 has been halved. The new repayment profile will improve liquidity by reducing the short-term portion of borrowings. The change in these maturities has not been included in the financial position as at 31 December 2019, nor presented in Note 4.4 "Borrowings and financial debt" or Note 5.3 "Liquidity risk".

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.