GROUP CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

Statement of financial position

Assets

(in US$ thousands)	Notes	31/12/2020	31/12/2019
Intangible assets (net)	3.3	116,972	223,228
Property, plant and equipment (net)	3.3	842,819	1,446,082
Non-current financial assets (net)	4.2	8,825	6,441
Other non-current assets (net)	3.7	84,022	43,554
Equity associates	2.4	268,422	295,268
Deferred tax assets	6.1	6,065	11,588
NON-CURRENT ASSETS		**1,327,126**	**2,026,161**
Inventories (net)	3.4	16,476	13,991
Trade receivables and related accounts (net)	3.6	41,656	144,104
Other current financial assets	4.2	54,339	59,250
Other current assets	3.7	43,768	48,118
Underlift position receivables	3.5	18,576	39,755
Current tax receivables	6.1	614	680
Current derivative financial assets	5.4	—	—
Cash and cash equivalents	4.3	168,213	231,043
CURRENT ASSETS		**343,642**	**536,942**
Assets held for sale and discontinued operations		—	—
TOTAL ASSETS		**1,670,768**	**2,563,103**

Liabilities

(in US$ thousands)	Notes	31/12/2020	31/12/2019
Share capital		193,831	193,345
Additional paid-in capital		42,112	42,753
Consolidated reserves		933,258	891,989
Treasury shares		(40,564)	(40,772)
Net income, Group share		(588,977)	37,383
EQUITY, GROUP SHARE		**539,660**	**1,124,699**
Non-controlling interests		13,056	17,117
TOTAL EQUITY		**552,716**	**1,141,816**
Non-current provisions	3.10	87,828	85,597
Shareholder loans	4.4	85,500	94,118
Other non-current borrowings and financial debt	4.4	447,690	448,519
Deferred tax liabilities	6.1	195,076	398,330
NON-CURRENT LIABILITIES		**816,094**	**1,026,564**
Shareholder loans	4.4	12,500	5,882
Other current borrowings and financial debt	4.4	76,784	153,036
Trade payables and related accounts	3.8	43,819	75,656
Current tax liabilities	6.1	9,580	12,489
Overlift position liability	3.5	1,035	1,296
Other current liabilities	3.9	127,339	125,746
Current derivate financial liabilities	4.4	3,161	3,304
Current provisions	3.10	27,740	17,313
CURRENT LIABILITIES		**301,958**	**394,723**
Assets held for sale and discontinued operations		—	—
TOTAL LIABILITIES		**1,670,768**	**2,563,103**

Consolidated statement of profit & loss and other comprehensive income

Net income for the period

(in US$ thousands)	Notes	31/12/2020	31/12/2019
Sales		329,749	503,628
Other income from operations		6,448	9,093
Change in overlift/underlift position		(26,534)	33,677
Other operating expenses		(214,648)	(260,261)
EBITDA	**3.1**	**95,016**	**286,136**
Depreciation and amortisation & provisions related to production activities net of reversals		(109,358)	(160,737)
Depreciation and amortisation & provisions related to drilling activities net of reversals		(5,119)	(2,744)
Current operating income		**(19,461)**	**122,655**
Provisions and impairment of drilling assets		(477,361)	—
Expenses and impairment of exploration assets net of reversals		(30,652)	(48,349)
Other non-current income and expenses		(2,984)	132
Income from asset disposals		(3,046)	(4,574)
Operating Income	**3.1**	**(533,505)**	**69,863**
- Cost of gross debt		*(15,808)*	*(30,291)*
- Income from cash		*1,808*	*4,560*
- Income and expenses related to interest-rate derivative financial instruments		*(2,385)*	*(667)*
Cost of net financial debt		(16,384)	(26,398)
Net foreign exchange adjustment		5,928	(3,663)
Other financial income and expenses		(850)	(1,055)
Financial income	**4.1**	**(11,306)**	**(31,116)**
Income tax	6.1	(29,490)	(62,357)
Net income from consolidated companies		**(574,300)**	**(23,609)**
Share of income/loss of associates	2.4	(17,570)	58,750
Consolidated net income		**(591,870)**	**35,141**
o/w:- Net income, Group share		*(588,977)*	*37,383*
- Non-controlling interests		*(2,894)*	*(2,242)*

Other comprehensive income for the period

(in US$ thousands)	31/12/2020	31/12/2019
Net income for the period	**(591,870)**	**35,141**
Foreign exchange adjustment for the financial statements of foreign entities	1,127	(870)
Change in fair value of hedging Investments instruments	146	(4,939)
Total comprehensive income for the period	**(590,597)**	**29,332**
- Group share	*(586,536)*	*30,814*
- Non-controlling interests	*(4,061)*	*(1,482)*

Changes in shareholders' equity

(in US$ thousands)	Capital	Treasury shares	Additional paid-in capital	Other reserves	Currency translation adjustment	Income for the period	Equity, Group share	Non-controlling interests	Total equity
31 DECEMBER 2019	**193,345**	**(41,453)**	**44,836**	**863,830**	**(10,706)**	**58,066**	**1,107,918**	**2,425**	**1,110,343**
Net income						37,383	37,383	(2,242)	35,141
Fair value of hedging instruments				(4,939)			(4,939)		(4,939)
Other comprehensive income					(1,631)		(1,631)	761	(870)
TOTAL COMPREHENSIVE INCOME	**—**	**—**	**—**	**(4,939)**	**(1,631)**	**37,383**	**30,814**	**(1,482)**	**29,332**
Appropriation of income - dividends				49,269		(58,066)	(8,797)		(8,797)
Change in Eland consolidation scope				(4,926)			(4,926)	—	(4,926)
Bonus shares				1,092			1,092		1,092
Changes in treasury shares		682	(2,083)				(1,401)		(1,401)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**—**	**682**	**(2,083)**	**45,435**	**—**	**(58,066)**	**(14,033)**	**16,174**	**2,141**
31 DECEMBER 2019	**193,345**	**(40,772)**	**42,753**	**904,326**	**(12,337)**	**37,383**	**1,124,699**	**17,117**	**1,141,816**
1 JANUARY 2020	**193,345**	**(40,772)**	**42,753**	**904,326**	**(12,337)**	**37,383**	**1,124,699**	**17,117**	**1,141,816**
Net income						(588,977)	(588,977)	(2,894)	(591,870)
Fair value of hedging instruments				146			146		146
Other comprehensive income				1,716	578		2,295	(1,168)	1,127
TOTAL COMPREHENSIVE INCOME	**—**	**—**	**—**	**1,862**	**578**	**(588,977)**	**(586,536)**	**(4,061)**	**(590,597)**
Appropriation of income - dividends				37,383		(37,383)	—		—
Bonus shares	486			1,445			1,931		1,931
Changes in treasury shares		207	(641)				(434)		(434)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**486**	**207**	**(641)**	**38,828**	**—**	**(37,383)**	**1,497**	**—**	**1,497**
31 DECEMBER 2020	**193,831**	**(40,564)**	**42,112**	**945,016**	**(11,759)**	**(588,977)**	**539,660**	**13,056**	**552,716**

Consolidated statement of cash flow

(in US$ thousands)	Notes	31/12/2020	31/12/2019
Net income		(591,870)	35,141
Tax expense for continuing operations		29,490	62,357
Consolidated income before tax		**(562,380)**	**97,497**
Net increase (reversals) of amortisation, depreciation and provisions	3.3 & 3.4 & 3.6 & 3.10	593,356	176,275
Exploration expenses	3.3	30,652	48,349
Share of income from equity associates	2.4	17,570	(58,750)
Other income and expenses calculated on bonus shares		1,204	1,092
Gains (losses) on asset disposals		3,046	4,574
Dilution gains and losses		—	—
Other financial items		7,638	29,148
CASH FLOW BEFORE TAX		**91,085**	**298,185**
Income tax paid		(35,337)	(34,815)
Change in working capital requirements for operations		52,930	(101,547)
- Inventories	*3.4*	(3,549)	730
- Trade receivables	*3.6*	98,646	(51,105)
- Trade payables	*3.8*	(32,001)	16,086
- Overlift/underlift position	*3.5*	20,918	(51,712)
- Other receivables	*3.7 & 4.2*	(25,473)	(7,214)
- Other payables	*3.9*	(5,612)	(8,333)
NET CASH FLOW FROM OPERATING ACTIVITIES		**108,678**	**161,824**
Proceeds from disposals of property, plant and equipment and intangible assets			—
Disbursements for acquisitions of property, plant and equipment and intangible assets	3.3	(93,158)	(182,530)
Acquisitions of property, plant & equipment paid in equity instruments		—	—
Dividends received from equity associates	2.4	12,040	12,012
Change in deposits		2,362	(1,386)
Acquisition of equity associates			—
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**(78,756)**	**(171,904)**
Treasury share acquisitions/sales		1,497	(3,936)
Dividends paid out		—	(8,797)
Loan repayments	4.4	(77,135)	(308)
Additional paid-in capital on hedging instruments		(3,752)	—
Interest paid on financing	4.4	(16,248)	(28,301)
Interest received on investment	4.1	1,808	4,560
NET CASH FLOW FROM FINANCING ACTIVITIES		**(93,829)**	**(36,782)**
Impact of exchange rate fluctuations		1,202	(1,981)
CHANGE IN CASH POSITION *		**(62,705)**	**(48,843)**
CASH * AT BEGINNING OF PERIOD		**230,914**	**279,757**
CASH * AT END OF PERIOD		**168,209**	**230,914**

* Banks overdrafts are included in cash.

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 for the year ended 31 December 2020 were approved by the Board of Direction on 9 March 2021.They will be subject to approval by the General Shareholder's Meeting of 18 May 2021.

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

The oil markets were severely impacted in first-half 2020 by the major economic downturn triggered by the COVID-19 outbreak and the decision by Saudi Arabia to boost production in March 2020, despite falling demand. This led to a collapse in oil prices, with Brent briefly dropping below $20/bbl in March. Prices began rising again in the second quarter and have been hovering slightly above $42/bbl since mid-June, most notably following OPEC's introduction of production quotas. The average annual price of crude in 2020 was $40 versus $67 the previous year, a drop of -40%.

The ongoing crisis is affecting every aspect of life and business and could have repercussions on the Group's entire value chain as well as on the availability of its resources.

In the face of these unprecedented events, the Group reacted quickly by taking appropriate measures to protect the health and safety of all Group employees while ensuring the continuity of current operations.

In March, executive management introduced a plan to reduce capital expenditure (60% reduction in development capex originally budgeted for 2020) and operating expenses (saving of at least $25 million over the full year). The aim was to protect the Group's cash while maintaining its ability to resume operations quickly, as soon as the situation permits.

These 2020 annual financial statements, which are a continuation of the half-year financial statements, include a substantial review of the Group's assets, risks and ability to meet its financial commitments. As a result of the impairment recorded for the period, described in Notes 1.1.3 and 3.3, depreciation and amortisation charges will be lower in future years, thereby improving the Group's financial performance, all other things being equal.

1.1.1 Resilience of operations

Thanks to the cash-flow-generating capacity of the Company's assets in an environment of low oil prices, along with its compliance with covenants and various measures taken, there was no question about the Group's ability to continue as a going concern as at 31 December 2020.

The fact that the Group's core assets are operated by the Group itself means it has considerable control and flexibility when it comes to development programmes and cost-reduction initiatives.

In Gabon, the effects of the decision made in March 2020 to suspend development drilling were immediate. The drilling rig was demobilised and stored on site, and subcontractors halted their services.

Operations in Tanzania represent a steady source of cash that is not exposed to oil prices.

The Group's cash position as at 31 December 2020 was stable at $168 million. and the Group will be able to honour its commitments over the next 12 months.

On 16 March 2020, the Group successfully rescheduled its two loans:

– the $600-million term loan with a syndicate of lenders (the “Term Loan”), and

– the $200-million loan ($100 million of it drawn and $100 million undrawn) from M&P’s controlling shareholder PT Pertamina International Eksplorasi Dan Produksi (“PIEP”) (the “Shareholder Loan”).

Under the terms of the signed amendments, the amount of the repayments to be made in 2020 and 2021 has been halved. The new repayment profile will improve liquidity by reducing the short-term portion of borrowings.

Lastly, M&P can also unlock additional liquidity on request, thanks to the undrawn $100-million tranche of the Shareholder Loan.

1.1.2 Expenses related to the public health crisis

In the face of the public health crisis, the Group stepped up staff safety measures.

A comprehensive set of health measures was quickly instituted at all facilities. Staff were asked to work from home whenever possible, while employees unable to work remotely were provided with support and social distancing measures.

The cost of these measures, which total $2.6 million, is included in the operating expenses presented in these financial statements, with no specific restatement.

1.1.3 Asset impairment

Given signs of losses related to the COVID-19 pandemic, the Group performed impairment tests at 30 June 2020 and recognised an impairment loss on production assets in Gabon, Angola and France amounting to $453 million net of deferred taxes.

As at 31 December 2020, there was no material revision of production asset impairment stemming from updated assumptions. Only additional impairment charges were recognised on production assets in Angola and France. These amounted to $10 million and corresponded for the most part to additional incremental investments over the period.

The main assumptions used as at 31 December 2020 are as follows:

– average Brent price of $45/bbl in 2021, $55/bbl in 2022, $54/bbl in 2023, then a long term price in constant currency terms of $60/bbl;

– production and development profiles adjusted according to certified reserves;

– a discount rate individualised by country, with no material change from the first half.

With regard to drilling activities, given the termination of provision agreements and no order book, recoverable amount was only maintained for the two drilling rigs that had recently been refurbished and could be offered up for sale to customers in the current oil context.

Consequently, in 2020 the Group recognised an impairment charge for property, plant and equipment and intangible assets of $476 million, net of deferred taxes, broken down as follows:

In Millions $		*31/12/2020*	
Assets	*Fixed assets*	*Deffered Tax*	*Net*
Ezanga	583	(192)	391
Angola	48		48
Autres	37		37

The sensitivity of the impairment test on the main permit operated by the Group (Ezanga) is presented below:

In Millions $		*Brent/bbl*	
Production	*-10$/bbl*	*Base*	*+10$/bbl*
Production -5%	(342)	(44)	238
Forecast Production	(312)	0	295
Production +5%	(382)	43	352
WACC	*-10$/bbl*	*Base*	*+10$/bbl*
Discount rate -1pt	(342)	(47)	230
Discount rate 11%	(312)	0	295
Discount rate +1pt	(277)	54	369

With regard to the gas asset in Tanzania, this was not considered a sensitive asset when preparing these financial statements since its sale price mechanism was not correlated to the price of hydrocarbons.

Turning to equity associates, Seplat, a company listed in London and Lagos and in which the Group holds a 20.46% stake, is exposed to the same exceptional circumstances and saw its share price fall by more than 50% in March 2020. Consequently, Seplat recognised a $114-million impairment of property, plant and equipment and intangible assets in its annual financial statements. Using a multi-criteria analysis based on market indicators, it was determined that a recoverable amount for M&P’s share was greater than the net book value of the investment accounted for using the equity method.

Regarding the Venezuelan asset, in December 2020 the Group obtained an extension from 2026 to 2040 of the operating permit allowing it to maintain the book value of equity associates (and justifying the reversal of the $10-million impairment charge recognised in the first half of the year).

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 2020 have been prepared in accordance with IAS/IFRS International Accounting Standards applicable at 31 December 2020, as approved by the European Union and published by the IASB, and available at: https://ec.europa.eu/info/banking-and-finance-website-notice-users-en.

The accounting principles and methods applied in the preparation of the consolidated financial statements as at 31 December 2020 are identical to those used for the consolidated financial statements as at 31 December 2019, with the exception of IFRS standards, amendments and interpretations as adopted by the European Union and the IASB, which are mandatory for financial years beginning on or after 1 January 2020 (and which had not been applied early by the Group), specially:

Amendments to IFRS 7, IAS 39 and IFRS 9 "Reform of benchmark interest rates"

Amendments to IFRS 16 "COVID-19-related rent concessions"

Amendments to IAS 1 and IAS 8 "Amendment to the definition of material"

Amendments IFRS 3 "Definition of a business"

The application of these amendments and other interpretations did not have a material impact on the financial statements as at 31 December 2020.

Going Concern

When preparing financial statements, the Group has assessed its ability to continue as going concern, and further disclosure on this matter is provided in Note 1.1.1.

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:

- impairment tests on oil assets;
- recognition of oil carry transactions;
- provisions for site remediation;
- valuation of equity associates and underlying assets;
- accounting treatment of derivative instruments subscribed by the Group;
- underlift/overlift positions;
- recognition of deferred tax assets;
- estimated proven and probable hydrocarbon reserves;

Note 2 BASIS FOR CONSOLIDATION

Note 2.1 Consolidation methods

Consolidation

The non-operating 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 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 2020 were primarily the companies listed below.

The consolidated companies are as follows:

Company	Registered office	Consolidation method[a]	% control 31/12/2020	% control 31/12/2019
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	Liquidée	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		100,00%	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	déconso	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	Liquidée	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	80,00%	80,00%
M&P Servicios Intregrados UW S.A.	Caracas, Venezuela	FC	80,00%	80,00%
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%	100,00%

(a) FC: Full consolidation/EM: Equity method.

Note 2.4 Equity associates

Companies accounted for by the equity method contributed -$18 million to the Group's results.

(in US$ thousands)	Maurel & Prom Colombia BV	Seplat	Deep Well Oil	Petroregional del Lago	Total
Equity associates as at 31/12/2019	**(1,684)**	**214,801**	**44**	**82,108**	**295,268**
Income	(1,167)	(16,402)	—	—	(17,570)
Change in OCI		(88)			(88)
Reclassification (d)	2,852				2,852
Dividends		(12,040)			(12,040)
EQUITY ASSOCIATES AS AT 31/12/2020	**—**	**186,271**	**44**	**82,108**	**268,422**

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 2020, after translation into US dollars, adjustments to fair value and for accounting method consistency where applicable.

(in US$ thousands)	Seplat
Location	**Nigeria**
	Associate
Activity	**Production**
% Interest	*20,46%*
Total non-current assets	2,851,803
Other current assets	339,052
Cash and cash equivalents	258,719
TOTAL ASSETS	**3,449,574**
Total non-current liabilities	1,304,267
Total current liabilities	481,261
TOTAL LIABILITIES (EXCL. EQUITY)	**1,785,528**
Reconciliation with balance sheet values	
TOTAL SHAREHOLDERS' EQUITY OR NET ASSETS	**1,664,046**
Share held	**340,475**
IFRS 3 fair value adjustment (a)	(162,954)
Value of diluted shares (b)	8,749
BALANCE SHEET VALUE AT 31/12/2020	**186,270**
Sales	566,220
Operating Income	104,335
Impairment	(114,402)
Financial income	(71,812)
Income from JV and deconsolidation	1,670
Corporate income tax	(5,113)
NET INCOME FROM EQUITY ASSOCIATES	**(85,322)**
Share held	**(17,457)**
Restatements for standardisation (c)	1,055
P&L VALUE AT 31/12/2020	**(16,402)**

(a) Fair value adjustment for Seplat under IFRS 3 (consolidated at the stock market value) recorded in 2015 in connection with the merger with MPI.
(b) Seplat issued 25 million bonus shares which resulted in a 0.9% dilution of M&P's equity stake less the IFRS 3 fair value adjustment from 2015. Equity was thus reduced by $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.
(c) For Seplat, this is recognition through profit or loss of share-based payments.
(d) Share of net negative assets is reclassified to other provisions.

The 2019 comparative information is provided below:

(in US$ thousands)	**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
TOTAL ASSETS	**3,269,419**
Total non-current liabilities	850,539
Total current liabilities	615,394
TOTAL LIABILITIES (EXCL. EQUITY)	**1,465,933**
Reconciliation with balance sheet values	
TOTAL SHAREHOLDERS' EQUITY OR NET ASSETS	**1,803,486**
Share held	**369,006**
IFRS 3 fair value adjustment (a)	(162,954)
Value of diluted shares (b)	8,749
BALANCE SHEET VALUE AT 31/12/2019	**214,801**
Sales	697,777
Operating Income	306,416
Foreign exchange gains and losses	—
Loss on derivatives on hydrocarbons	5,559
Interest expense	(20,068)
Income from JV and deconsolidation	14,226
Corporate income tax	(29,125)
NET INCOME FROM EQUITY ASSOCIATES	**277,008**
Share held	**56,678**
Restatements for standardisation [c]	3,238
P&L VALUE AT 31/12/2019	**59,916**

(a) Fair value adjustment for Seplat under IFRS 3 (consolidated at the stock market value) recorded in 2015 in connection with the merger with MPI.
(b) Seplat issued 25 million bonus shares which resulted in a 0.9% dilution of M&P's equity stake less the IFRS 3 fair value adjustment from 2015. Equity was thus reduced by $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.
(c) 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 US$ thousands)	**Production**	**Exploration**	**Drilling**	**Other**	**31/12/2020**	**Recurring**	**Exploration and other non-recurring items**
Sales	323,449	239	6,060	—	329,749	329,749	
Operating Income and expenses	(227,679)	(8,126)	(12,518)	13,590	(234,733)	(234,733)	
EBITDA	**95,770**	**(7,886)**	**(6,458)**	**13,590**	**95,016**	**95,016**	**—**
Depreciation and amortisation, impairment loss & provisions for assets in production and drilling assets	(104,895)	—	(5,119)	(4,463)	(114,477)	(114,477)	
CURRENT OPERATING INCOME	**(9,125)**	**(7,886)**	**(11,577)**	**9,127**	**(19,461)**	**(19,461)**	**—**
Provisions and impairment of production and drilling assets	(439,414)	(29,613)	(8,333)	—	(477,361)		(477,361)
Expenses and impairment of exploration assets net of reversals	—	(31,172)	—	520	(30,652)		(30,652)
Other non-recurring expenses	(518)	(340)	(841)	(1,285)	(2,984)		(2,984)
Gain (loss) on asset disposals	—	—	—	(3,046)	(3,046)		(3,046)
OPERATING INCOME	**(449,058)**	**(69,012)**	**(20,751)**	**5,316**	**(533,505)**	**(19,461)**	**(514,043)**
Impairment assets on equity associates	(23,407)	—			(23,407)		(23,407)
share of current income of equity associates	7,005	(1,167)			5,838	5,838	
SHARE OF INCOME OF EQUITY	**(16,402)**	**(1,167)**	**—**	**—**	**(17,570)**	**5,838**	**(23,407)**
Financial result	(53,014)	(8,690)	(210)	50,609	(11,306)	(11,306)	
Income tax	(29,326)	—	1,144	(1,308)	(29,490)	(29,490)	
NET INCOME	**(547,801)**	**(78,870)**	**(19,817)**	**54,617**	**(591,870)**	**(54,419)**	**(537,451)**
Intangible investments	**6,948**	**40,321**	**—**	**(4)**	**47,265**		
INTANGIBLE ASSETS (NET)	**112,142**	**4,741**	**13**	**76**	**116,972**		
Investments in property, plant and equipment	**38,972**	**4,152**	**863**	**1,905**	**45,893**		
PROPERTY, PLANT AND EQUIPMENT (NET)	**826,904**	**—**	**13,188**	**2,728**	**842,819**		

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 despite an asset that remains in production and has kept its potential, PRDL's results are not recognised as a share of income from equity associates.

The 2019 comparative information is provided below:

(in US$ thousands)	**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)
EBITDA	**322,970**	**(3,761)**	**(15,942)**	**(17,130)**	**286,136**
Depreciation and amortisation, impairment loss & provisions for assets in production and drilling assets	(158,826)	(1,830)	(2,744)	(81)	(163,482)
CURRENT OPERATING INCOME	**164,143**	**(5,591)**	**(18,687)**	**(17,211)**	**122,655**
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)
OPERATING INCOME	**150,548**	**(44,950)**	**(18,525)**	**(17,211)**	**69,863**
SHARE OF INCOME OF EQUITY ASSOCIATES	**59,916**	**(1,166)**	**—**	**—**	**58,750**
Intangible investments	**42,877**	**34,586**	**—**	**117**	**77,580**
INTANGIBLE ASSETS (NET)	**214,922**	**8,146**	**16**	**144**	**223,228**
Investments in property, plant and equipment	**83,356**	**8,519**	**6,811**	**6,264**	**104,950**
PROPERTY, PLANT AND EQUIPMENT (NET)	**1,404,132**	**11,421**	**25,152**	**5,376**	**1,446,082**

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 2020		12 months 2019	Change 20/19
M&P working interest production				
Gabon (oil) *(bopd)*	16,896		19,828	-15 %
Angola (oil) *(bopd)*	3,933	(a)	1,879	109 %
Tanzania (gas) *(mmcfd)*	31,5		33,8	-7 %
TOTAL *(BOEPD)*	**26,076**		**27,340**	**-5 %**
Average sale price				
Oil *($/bbl)*	40,1		67,2	-40 %
Gas *($/BTU)*	3,32		3,26	2 %
Sales				
Gabon *($m)*	242		454	-47 %
Angola *($m)*	40		31	30 %
Tanzania *($m)*	43		34	26 %
VALUED PRODUCTION *($M)*	**324**		**519**	**-37 %**
Drilling activities *($m)*	6		12	
Trading of third-party oil (b) *($m)*	—		7	
Restatement for lifting imbalances *($m)*	(1)		(34)	
CONSOLIDATED SALES *($M)*	**330**		**504**	**-35 %**

(a) 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 $324 million for fiscal 2020, down 38% from 2019. This decline was driven by the sharp drop in oil prices related to the COVID-19 pandemic and the application of the production reduction quotas established by OPEC, which Gabon joined in March 2020. Sales in Tanzania fell slightly due to a seasonal dip in gas demand in the first half of 2020.

The average sale price of oil in fiscal 2020 fell 40% to $40.1/bbl versus $67.2/bbl in 2019.

Maurel & Prom trades oil volumes produced by M&P Gabon and M&P Angola through its subsidiary M&P Trading. 6.6 million barrels were traded during the year.

After taking into account drilling activities and lifting imbalances, the Group's consolidated sales for fiscal 2020 stood at $330 million, down 35% from 2019.

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 ;
- taxes (including mining royalties and other taxes associated with operations);
- personnel expenses.

The last three items were grouped together by function in other 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 break down as follows:

(in thousands of dollars)	31/12/2020	31/12/2019
Purchases and external services	(104,753)	(96,191)
Taxes, contributions & royalties	(41,305)	(79,834)
Personnel expenses	(68,589)	(84,235)
Others operating expenses	**(214,647)**	**(260,261)**

Current operating income stood at -$19 million due to the collapse in oil prices, despite the voluntary plan under way to reduce operating expenses and the significant decrease of amortization expense of oil assets.

Non-current income mostly includes:

- an impairment loss of $481 million (net of deferred tax effects) on production and exploration assets in Gabon, France and Angola, and of drilling rigs;
- $31 million in exploration expenses related to the finalisation of operations that began in 2019 on the Kari permit and a campaign to acquire seismic data in Sicily;
- $3 million in expenses related to termination payments.

Note 3.3 Immobilisations

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: 5 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 year mainly concern drilling exploration expenses on the Kari permit for $25 million and a seismic data acquisition campaign in Sicily for $12 million.

The recoverable amount of all assets in the Group's exploration portfolio were analysed in accordance with IFRS 6 and IAS 36.

In this regard, exploration expenses related to operations that began at the end of 2019 in Gabon on the Kari permit have been impaired due to the projects' lack of cost effectiveness.

The Group recognised an impairment charge for intangible assets of $99 million on the producing assets in Gabon and Angola, as per the assumptions described in Note 1.1.3.

(in US$ thousands)	31/12/2019	Currency translation adjustment	Investments	Transfer	Operating expenses	Amortisation	31/12/2020
Assets attached to permits in production	214,922	—	6,948	22	(99,223)	(10,527)	112,142
Assets attached to permits in exploration	8,146	—	40,321	—	(43,570)	(157)	4,740
Drilling	16	—	—		—	(3)	13
Other	144	1	(4)	30	—	(95)	76
INTANGIBLE ASSETS (NET)	**223,228**	**1**	**47,265**	**52**	**(142,793)**	**(10,782)**	**116,971**

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

(in US$ thousands)	31/12/2018	Currency translation adjustment	Investments	Transfer	Operating expenses	Amortisation	31/12/2019
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
INTANGIBLE ASSETS (NET)	**199,920**	**(22)**	**77,580**	**637**	**(34,806)**	**(20,081)**	**223,228**

Note 3.3.2 Property, plant and equipment

(in US$ thousands)	31/12/2019	Currency translation adjustment	Investments	Transfer	Asset disposals	Amortisation	31/12/2020
Assets attached to permits in production	1,404,132	—	38,972	5,980	(530,886)	(91,295)	1,404,132
Assets attached to permits in exploration	11,421	148	4,152	—	(15,722)	—	11,421
Drilling	25,152	—	863		(8,333)	(4,494)	13,188
Other	5,376	34	1,905	(30)	(3,211)	(1,348)	5,376
PROPERTY, PLANT AND EQUIPMENT (NET)	**1,446,081**	**182**	**45,892**	**5,950**	**(558,152)**	**(97,137)**	**842,816**

Investments in property, plant and equipment during the period were primarily development capex on the Ezanga permit.

Pursuant to IAS 36, impairment tests were performed in order to determine the recoverable value of the assets. The Group recognised an impairment charge for assets of $547 million (before deferred taxes) on the producing assets in Gabon, France and Angola, as per the assumptions described in Note 1.1.3.

The changes in property, plant and equipment for the previous year are stated below:

(in US$ thousands)	31/12/2018	Currency translation adjustment	Investments	Transfer	Impairment	Amortisation	31/12/2019
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
PROPERTY, PLANT AND EQUIPMENT (NET)	**1,451,162**	**10**	**104,950**	**45,267**	**(22,130)**	**(133,177)**	**1,446,082**

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 US$ thousands)	31/12/2019	Currency translation adjustment	Change	Transfer	Impairment/ Reversals	31/12/2020
Ezanga (Gabon)	6,371		(600)			5,771
Chimicals products Ezanga (Gabon)	3,080		(728)			
Oil stocks Trading		—	4,876		—	
BRM (Tanzania)	4,540	316			(1,381)	3,475
INVENTORIES (NET)	**13,991**	**316**	**3,548**	**—**	**(1,381)**	**16,474**

Trading oil inventories were valued at the year-end market price less the cost of sales.

Oil inventories on Ezanga correspond to oil quantities in the pipeline and are valued at production cost.

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 US$ thousands)	31/12/2019	Currency translation adjustment	Change	Transfer	Impairment/ Reversals	31/12/2020
Underlift position receivable	39,755		(21,179)			18,576
Overlift position liability	(1,296)		261			(1,035)
NET OVERLIFT/ UNDERLIFT POSITION	**38,460**	**—**	**(20,918)**	**—**	**—**	**17,541**

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 US$ thousands)	31/12/2019	Currency translation adjustment	Change	Transfer	Impairment/ Reversals	31/12/2020
Ezanga (Gabon)	17,768		(10,867)			6,901
Trading	106,764		(95,609)			11,154
Mnazi Bay (Tanzania)	16,566		7,347		(505)	23,407
Drilling	2,964		(2,786)			178
Other	43	2	3,269		(3,298)	16
TRADE RECEIVABLES AND RELATED ACCOUNTS (NET)	**144,104**	**2**	**(98,646)**	**—**	**(3,803)**	**41,656**

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 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 US$ thousands)	31/12/2019	Currency translation adjustment	Change	Transfer	Impairment/ Reversals	31/12/2019
Supplier advances	2,615		(1,113)			1,502
Partners' carry receivables		4	5,440	4,911		10,355
Prepaid and deferred expenses	1,789	7	3,782		(120)	5,457
Tax and social security receivables	87,269	4,494	17,477		1,234	110,475
OTHER ASSETS (NET)	**91,672**	**4,506**	**25,587**	**4,911**	**1,114**	**127,790**
Gross	107,345	4,506	25,488	4,911		142,250
Impairment	(15,673)		99	—	1,114	(14,460)
NON-CURRENT	**43,554**	**4,118**	**36,350**			**84,022**
CURRENT	**48,118**	**388**	**(10,763)**	**4,911**	**1,114**	**43,768**

Partner receivables have been reclassified between "Other financial assets" and "Other assets".

"Tax and social security receivables" primarily comprise VAT receivables from the Gabonese state, denominated in XAF. Since there was no refund of the VAT receivable for the full year, related to a payment schedule protocol, the entire receivable, which had been classified as current up to 2019, was reclassified as non-current.

Note 3.8 Trade payables

(in US$ thousands)	31/12/2019	Currency translation adjustment	Change	Transfer	Impairment/ Reversals	31/12/2020
Ezanga (Gabon)	51,295		(18,608)			32,688
Mnazi Bay (Tanzania)	488	—	108	—	—	596
Drilling	6,953	—	(4,667)	—	—	2,286
Other	16,921	163	(8,835)	—	—	8,249
TRADE PAYABLES AND RELATED ACCOUNTS	**75,656**	**163**	**(32,001)**	**—**	**—**	**43,819**

The reduction in trade payables was due to the sharp reduction in investments and operating expenses, particularly in Gabon.

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 US$ thousands)	31/12/2019	Currency translation adjustment	Change	Transfer & scope	Impairment/ Reversals	31/12/2020
Social security liabilities	17,636	80	(1,402)			16,314
Tax liabilities	29 100	1	1,886			30,987
Partners' carry	11,688	—	17,279	5,980	—	34,948
TPDC advances	27,180					27,180
PRDL investment liabilities	19,129	1,127	(20,256)			
Miscellaneous liabilities	21,014	17	(3,121)			17,910
OTHER CURRENT LIABILITIES	**125,746**	**1,225**	**(5,612)**	**5,980**	**—**	**127,339**

Partner liabilities correspond to cash calls to be issued by the operator in Angola, Sonangol, and WCR financing advances in Gabon.

The TPDC advance corresponds to a deposit received in 2015 as a sales guarantee. It will be reimbursed once TPDC sets up another type of financial guarantee.

Investment liabilities at 31 December 2019 correspond to the balance due to Shell for the PRDL acquisition which was paid in full in the first half of 2020.

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 US$ thousands)	31/12/2019	Currency translation adjustment	Increase	Reversal	Transfer	31/12/2020
Site remediation	84,770	366	2,882	(820)		87,199
Pension commitments	1,406			(255)		1,150
Other	16,734	432	10,387	(3,185)	2,852	27,219
PROVISIONS	**102,910**	**798**	**13,269**	**(4,260)**	**2,852**	**115,568**
NON-CURRENT	**85,655**	**366**	**2,882**	**(1,075)**	**—**	**87,828**
CURRENT	**17,255**	**432**	**10,387**	**(3,185)**	**2,852**	**27,740**

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 other provisions cover various risks including tax (excluding corporation tax) and employee-related risks in the Group's various host countries.

Note 4 FINANCING

Note 4.1 Financial income

(in US$ thousands)	31/12/2020	31/12/2019
Interest on overdrafts	(76)	(237)
IFRS 16 financial expense	(298)	(121)
Interest on shareholder loans	(2,645)	(4,163)
Interest on other borrowings	(12,789)	(25,771)
GROSS FINANCE COSTS	**(15,808)**	**(30,291)**
Income from cash	1,808	4,560
Net income from derivative instruments	(2,385)	(667)
NET FINANCE COSTS	**(16,384)**	**(26,398)**
Net foreign exchange adjustment	5,928	(3,663)
Other	(850)	(1,055)
OTHER NET FINANCIAL INCOME AND EXPENSES	**5,078**	**(4,718)**
FINANCIAL INCOME	**(11,306)**	**(31,116)**

Gross borrowing costs are calculated based on 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 31/12/2019 was 1.123 versus 1.2271 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 US$ thousands)	31/12/2019	Currency translation adjustment	Change	Transfer	Impairment/ Reversals	31/12/2020
Equity associates current accounts	4,601	(2)	2,317	(18)		6,899
RES escrow funds	1,839	42	45			1,926
GOC escrow fund	43,339					43,339
Partners' carry receivables	3,134	—	—	(3,134)	—	—
Sucre Energy Ltd carry receivables	11,000					11,000
Miscellaneous receivables	1,777		(114)	(1,777)	114	
OTHER FINANCIAL ASSETS (NET)	**65,691**	**40**	**2,248**	**(4,929)**	**114**	**63,164**
NON-CURRENT	**6,441**	**40**	**2,362**	**(18)**	**—**	**8,825**
CURRENT	**59,250**	**—**	**(114)**	**(4,911)**	**114**	**54,339**

The $43-million Gabon Oil Company (GOC) liability related to GOC's entry on the Ezanga permit in 2019 and corresponding to the amount due to M&P for carrying costs prior to 2018 was finally validated at expertise proceedings before the ICC. This $43 million, which was not included in the $168-million cash position as at 31 December 2020, are subject of legal action in order to obtain their release soon.

Partner receivables corresponding to the Group's financing of the share of costs accruing to its partners under partnership agreements have been reclassified as "Other assets" (Note 5.3.7).

Note 4.3 Cash and cash equivalents

Bank deposits correspond to current accounts and short-term investments of excess cash.

(in US$ thousands)	31/12/2020	31/12/2019
Liquid assets, banks and savings banks	76,460	132,555
Short-term bank deposits	45,893	3,803
Marketable securities	45,860	94,685
CASH AND CASH EQUIVALENTS	**168,213**	**231,043**
Bank loans (a)	(4)	(129)
NET CASH AND CASH EQUIVALENTS	**168,209**	**230,914**

(a) Bank loans are reported under debt as shown below

Note 4.4 Borrowings and financial debt

(in US$ thousands)	31/12/2019	Repayment	Transfer	Interest expense	Interest withdrawal	Other movements	31/12/2020
Term loan ($600m)	445,673	(75,000)	75,000			495	446,168
Shareholder loan	94,118		(8,618)				85,500
Lease financing debt	2,847	(135)	(1,190)				1,522
NON-CURRENT	**542,637**	**(75,135)**	**65,192**	**—**	**—**	**495**	**533,190**
Term loan ($600m)	150,066		(75,000)				75,066
Shareholder loans	5,882	(2,000)	8,618				12,500
Lease financing debt	1,357		1,190	298		(1,371)	1,473
Current bank loans	129			87	(76)	(136)	4
Accrued interest	1,484	—		15,423	(16,171)	(495)	241
- Shareholder loan ($100m)	—			*2,645*	*(2,645)*	—	—
- Term loan ($600m)	*1,484*			*12,779*	*(13,527)*	*(495)*	*241*
CURRENT	**158,918**	**(2,000)**	**(65,192)**	**15,808**	**(16,248)**	**(2,002)**	**89,284**
BORROWINGS	**701,555**	**(77,135)**	**—**	**15,808**	**(16,248)**	**(1,507)**	**622,474**

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 amount of $200 million, initially drawn down in the amount of $100 million.

The terms of this new facility are as follows:

Initial amount $200 million of which drawn :	$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%

Under the terms of the amendments to the bank and shaloan agreements dated 16 March 2020, the Group was able to reschedule its debt, with repayment amounts halved in 2020 and 2021:

– the $600-million term loan with a syndicate of lenders (the "Term Loan"), and

– the $200-million loan ($100 million of it drawn and $100 million undrawn) from M&P's controlling shareholder PT Pertamina International Eksplorasi Dan Produksi ("PIEP") (the "Shareholder Loan").

In accordance with IFRS 9, as the amendments to the agreements did not result in significant changes to the terms of the loan, the Group recognised the costs relating to the implementation of these amendments in the overall cost by adjusting the effective interest rate.

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 $200 million, maturing between July 2021 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".

Under the amendments to IFRS 7 and IFRS 9 in connection with interest rate benchmark reform, the effects of the interest rate reform can be disregarded until the transition to the new indices comes into effect. Consequently, interest rate derivatives can continue to qualify for hedge accounting.

(in US$ thousands)	**31/12/2019**	**Income**	**OCI**	**31/12/2020**
Current derivative financial assets	—		—	
Current derivative financial liabilities	(3,304)		143	(3,161)
DERIVATIVE FINANCIAL INSTRUMENTS, NET	**(3,304)**	**—**	**143**	**(3,161)**

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 2020.

For the full year, the average price of Brent fell by 40% to $40.1/bbl versus $67.2/bbl in 2019.

A decrease of 10% in the price of oil from the average price in 2020 would have impacted sales and EBITDA by -$28 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 2020 of a 10% rise or fall in the EUR/USD exchange rate is shown below:

(in US$ thousands)	**Impact on pre-tax income**		**Impact on exchange gain/loss (equity)**	
	10% rise in €/US$ exchange rate	**10% decline in €/US$ exchange rate**	**10% rise in €/US$ exchange rate**	**10% decline in €/US$ exchange rate**
EUR equivalent	7,543	(7,543)	(22,291)	22,291
Other currencies				
TOTAL	**7,543**	**(7,543)**	**(22,291)**	**22,291**

The average annual EUR/USD exchange rate was up sharply to $1.14 for €1 in 2020 versus $1.11 for €1 in 2019. The EUR/USD exchange rate as at 31 December 2020 was 1.23 versus 1.12 at 31 December 2019.

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 2020.

The Group's net consolidated foreign exchange position as at 31 December 2020 (i.e. positions on the currencies in which transactions were conducted) was $83 million and can be analysed as follows:

(in US$ thousands)	**Assets and liabilities**	**Commitments in foreign currency**	**Net position before hedging**	**Hedging instruments**	**Net position after hedging**
Trade receivables and payables	102,654		102,654		102,654
Other creditors and sundry liabilities	(19,352)		(19,352)		(19,352)
EQUIVALENT EUR EXPOSURE	**83,302**	**—**	**83,302**	**—**	**83,302**

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 2020 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.

Monthly, quarterly and year-end cash flow forecasts are prepared at the same time.

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 2020, the Group had cash and cash equivalents amounting to $168 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 risk".

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

(in US$ thousands)	2021	2022	2023	2024	2025	> 5 years	Total contractual flow	Total balance sheet value
Shareholder loan	12,500	12,500	28,000	45,000			98,000	98,000
Accrued interests	1,731	1,498	1,147	504			4,881	—
Term loan ($600m)	75,000	175,000	275,000		—		525,000	521,233
Accrued interests	13,964	9,815	4,864	—	—		28,643	241
Current bank loans	4						4	4
Lease financing debt	308	308	308	308	308	4,714	6,254	2,995
TOTAL	**103,508**	**199,122**	**309,319**	**45,812**	**308**	**4,714**	**662,782**	**622,474**

In 2020 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 2019, the non-discounted contractual flows (principal and interest) on the outstanding financial liabilities, by maturity date, were as follows:

(in US$ thousands)	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	—		648,859	597,222
Current bank loans	129						129	129
Lease financing debt	341	341	341	341	341	4,714	6,419	4,204
TOTAL	**179,886**	**191,563**	**185,443**	**179,478**	**24,342**	**4,714**	**765,426**	**701,555**

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 2020 amounted to $622 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 2020, the interest rate risk can be assessed as follows:

(in US$ thousands)	31/12/2020	31/12/2019
Term loan ($600m)	521,474	597,222
Shareholder loan	98,000	100,000
Lease financing debt	2,995	4,204
Current bank loans and other	4	129
FLOATING RATE	**622,474**	**701,555**
BORROWINGS	**622,474**	**701,555**

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.

Following the interest rate benchmark reform amendment (see Note 1.2 Preparation basis), the Group expects to see a transition away from the USD LIBOR towards SOFR starting in 2021. The Group plans to include fallback clauses in its existing contracts that extend beyond 2021.

It is worth noting that the amendment could be applied effective 1 January 2021 and will have no impact on amounts reported in 2020 or prior periods.

As at 31 December 2020, the Group's gross debt stood at $622 million, pegged to the USD LIBOR. The Group does not believe that switching to the SOFR reference rate in 2021 will result in any material change once the amendment is applied.

Note 5.5 Counterparty risk

The Group is exposed to a credit risk due to loans and receivables that it grants to third parties as part of its operating activities, short-term deposits that it holds at banks, and, if applicable, derivative instrument assets that it holds.

(in US$ thousands)	31/12/2020		31/12/2019	
	Balance sheet total	Maximum exposure	Balance sheet total	Maximum exposure
Non-current financial assets	8,825	8,825	6,441	6,441
Other non-current assets	84,022	84,022	43,554	43,554
Trade receivables and related accounts	41,656	41,656	144,104	144,104
Current financial assets	54,339	54,339	59,250	59,250
Other current assets	43,768	43,768	48,118	48,118
Cash and cash equivalents	168,213	168,213	231,043	231,043
TOTAL	**400,823**	**400,823**	**532,510**	**532,510**

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 affect a variety of areas, such as:

- the granting of, or refusal to grant, exploration and production mining rights;
- the 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 any of the above areas, the Group could be exposed to significant costs or see its production or the value of its assets decline, which could have a material 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 activities in Venezuela, the Group is taking the necessary steps to avoid falling within the scope of the US sanctions against Venezuela and, by extension, 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 US$ thousands)				31/12/2020		31/12/2019
	Categories	Level	Balance sheet total	Fair value	Balance sheet total	Fair value
Non-current financial assets	Amortised cost	Level 2	8,825	8,825	6,441	6,441
Trade receivables and related accounts	Amortised cost	Level 2	41,656	41,656	144,104	144,104
Other current financial assets	Amortised cost	Level 2	54,339	54,339	59,250	59,250
Derivative financial instruments	Fair value	Level 1	—	—	—	—
Cash and cash			168,213	168,213	231,043	231,043
TOTAL ASSETS			**273,033**	**273,033**	**440,838**	**440,838**
Borrowings and financial debt	Amortised cost	Level 2	622,474	622,474	701,555	701,555
Trade payables	Amortised cost	Level 2	43,819	43,819	75,656	75,656
Derivative financial instruments	Fair value	Level 1	3,161	3,161	3,304	3,304
Other creditors and sundry liabilities	Amortised cost	Level 2	127,339	127,339	125,746	125,746
TOTAL LIABILITIES			**796,792**	**796,792**	**909,566**	**909,566**

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 US$ thousands)	Deferred tax	Current tax	Total
ASSETS AT 31/12/2019	**11,588**	**680**	**12,268**
LIABILITIES AT 31/12/2019	**(398,330)**	**(12,489)**	**(410,819)**
NET VALUE AT 31/12/2019	**(386,742)**	**(11,809)**	**(398,551)**
Tax expense	7,043	(36,532)	(29,490)
Restatement of presentation Impairment & Tax risks provisions	190,689	4,038	194,727
Payments		35,337	35,337
Currency translation adjustments	—	—	—
ASSETS AT 31/12/2020	**6,065**	**614**	**6,679**
LIABILITIES AT 31/12/2020	**(195,076)**	**(9,580)**	**(204,656)**
NET VALUE AT 31/12/2020	**(189,011)**	**(8,967)**	**(197,977)**

Note 6.1.2 Detail of tax expense for the year

(in US$ thousands)	31/12/2020	31/12/2019
Tax expense payable for the fiscal year	(32,494)	(42,126)
Tax risks	(4,038)	
Deferred tax income or expense	7,043	(20,230)
TOTAL TAX EXPENSE	**(29,490)**	**(62,357)**

Note 6.1.3 Breakdown of deferred taxes

(in US$ thousands)	31/12/2020	31/12/2019
Valuation difference of property, plant and equipment	6,065	11,588
DEFERRED TAX ASSETS	**6,065**	**11,588**
Valuation difference of property, plant and equipment	195,076	398,330
DEFERRED TAX LIABILITIES	**195,076**	**398,330**
NET DEFERRED TAX	**189,011**	**386,742**

Note 6.1.4 Reconciliation between the tax expense and income before tax

(in US$ thousands)	31/12/2020	31/12/2019
Income before tax from continuing operatons	(568,274)	97,497
- Net income from equity associates	*(19,425)*	*58,750*
INCOME BEFORE TAX EXCLUDING EQUITY ASSOCIATES	**(548,849)**	**38,747**
Distortion taxable base	519,313	(74,109)
TAXABLE INCOME	**(29,536)**	**(35,361)**
(A) THEORETICAL TAX INCOME	**9,844**	**11,786**
(B) TAX RECOGNISED IN INCOME	**(25,452)**	**(62,357)**
DIFFERENCE (B-A)	**(35,296)**	**(74,143)**
- Baseline difference	*(1,329)*	*(52,989)*
- Period shift	*(10,671)*	—
- Non-activated deficits and other	*(23,295)*	*(21,153)*

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.

	31/12/2020	31/12/2019
NET INCOME (GROUP SHARE) FOR THE PERIOD *(IN US$ THOUSANDS)*	**(588,977)**	**37,383**
Share capital	201,261,570	200,713,522
Treasury shares	4,559,335	4,601,090
AVERAGE NUMBER OF SHARES OUTSTANDING	**196,702,235**	**196,112,432**
NUMBER OF DILUTED SHARES	**197,242,145**	**196,455,520**
EARNINGS PER SHARE *(US$)*		
Basic	-2,99	0,19
Diluted	-2,99	0,19

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 2020, there were 201,261,570 company shares, including 4,559,335 treasury shares (i.e. 2.27% of share capital for a gross value of €42 million at end-2020), and the share capital stood at €154,971,408.90.

	Number of shares	Treasury shares	Liquidity agreement	Treasury stock
At 31/12/2018	**200 713 522**	**3 521 081**	**195,547**	**3,325,534**
- Buybacks		+1,200,000		**1,200,000**
- Share distribution		-133,250		-133,250
- Liquidity agreement movements		+13,259	+13,259	
At 31/12/2019	**200,713,522**	**4 601 090**	**208,806**	**4,392,284**
- Share distribution		-92,766		-92,766
- Liquidity agreement movements		+51,011	+51,011	
- Capital increase	548,048	—		
AT 31/12/2020	**201,261,570**	**4,559,335**	**259,817**	**4,299,518**

The bonus share allocations are as follows:

Date of allocation decision	Planned vesting date (a)	Number of shares
03/08/2018	3/8/2021	157,700
01/08/2019	1/8/2021	385,150
01/08/2019	1/8/2022	385,150
06/08/2020	6/8/2021	578,916
06/08/2020	6/8/2022	578,916
06/08/2020	6/8/2023	578,916
Total		**2,664,748**

(a) The minimum lock-in period for the shares held by beneficiaries is set at one year from the vesting date. All of these plans are subject to performance conditions.

Note 6.4 Related parties

(in US$ thousands)	Income	Expenses	Amount due from related parties (net)	Amount payable to related parties
1) Equity associates				
Maurel & Prom Colombia BV	—	149	6,899	
2) Other related parties				
PIEP		(2,645)		98,000

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 permitted exemptions as described in the consolidated financial statements as at 31 December 2019. On this basis, only the leasing agreement for the Paris head office falls within the scope of IFRS 16. No new contracts were subject to IFRS 16 in 2020. The impact of the transition to IFRS 16 on the financial statements as at 31 December 2020 is very limited.

FIXED ASSET NCA AT 01/01/2020	**2,191**
DEBT AT 01/01/2020	**2,239**
IMPACT ON SHAREHOLDERS' EQUITY AT 01/01/2020	**(48)**
Amortisation	(1,075)
Capital repayment	(1,074)
Interest expense	(53)
Cancellation of lease expense	1,126
FIXED ASSET NCA AT 31/12/2020	**1,116**
DEBT AT 31/12/2020	**1,165**
IMPACT ON SHAREHOLDERS' EQUITY AT 31/12/2020	**(1)**

Impact of P&L presentation 31/12/2020	IAS 17 Previous standard	IFRS 16
Rents	(1,126)	
EBIT	**(1,126)**	**—**
Depreciation and amortisation		(1,075)
EBITDA	**(1,126)**	**(1,075)**
Net finance costs		(53)
NET INCOME BEFORE TAX	**(1,126)**	**(1,128)**

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 as 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, restated for the Group's oil and gas intangible assets, to exceed $500 million at each reference date.

These ratios were met in fiscal 2020.

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 24 months after drawdown will not exceed $15 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 2020, the Group had 519 employees.

Note 6.7 Executive remuneration

Principal officers include the management team composed of the Chairman, executive management and members of the Board of Directors.

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

(in US$ thousands)	31/12/2020	31/12/2019
Short-term benefits	1,325	1,762
Share-based payment		285
TOTAL	**1,325**	**2,047**

Note 6.8 Auditors' fees

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

(in US$ thousands)				2020				2019
	KPMG		IAC		KPMG		IAC	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit, certification, review of individual and consolidated financial statements:								
- Issuer	653	79 %	351	82 %	742	64 %	439	79 %
- Fully consolidated	97	12 %	75	17 %	35	3 %	111	20 %
Other work and services directly related to the audit assignment:								
- Issuer	79	10 %	3	1 %	378	33 %	8	2 %
- Fully consolidated	2	— %			6	1 %		
Other services provided by the networks to fully consolidated subsidiaries								
TOTAL	**831**	**100 %**	**429**	**100 %**	**1,161**	**100 %**	**558**	**100 %**

Note 6.9 Events after the reporting period

To the best of Maurel & Prom's knowledge, there are no post-balance sheet events likely to adversely affect the Company's financial position, assets and liabilities, results or activities.