MAUREL & PROM

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# Consolidated income at 30 June 2015

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- **Negative impact of low oil price environment and restructuring charges**
    - low price environment
        - EBITDA: €68m
        - results at break-even, excluding non-recurring items
        - €43.7 million net loss when these items are included
    - restructuration of the portfolio
        - relinquishment of Mozambique asset: -€22m
        - drilling rig activity on hold: -€20m
        - provision for P&A of Peruvian well: -€6m

- **Positive financial outlook from the second half of 2015**
    - geographically diversified cash-flow (Tanzania)
    - cash-flow generation expected from the second half of 2015
    - no major loan repayments falling due before end of 2018

- **Ongoing cost saving initiatives and adjustments to the business plan in response to the expected prolonged period of low prices:**
    - cost of debt reduced and debt maturity extended
    - operating costs reduced
    - selective programme of investment for production and appraisal
    - exploration programme reduced to minimum contractual requirements

- **Proposed merger with MPI: creation of a leader among junior oil companies**
    - cost and tax savings
    - boost to equity and cash
    - streamlined organisational structure

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**Key financial aggregates as at 30 June 2015:**

| *€m* | H1 2015 | H1 2014 |
|---|---|---|
| **Sales** | **157.8** | **295.5** |
| EBITDA | 68.2 | 239.5 |
| **EBIT** | **-32.8** | **156.2** |
| Financial income | 7.4 | -28.1 |
| Tax | -17.2 | -62.1 |
| Net income from equity affiliates | -1.1 | -6.8 |
| **Consolidated net income** | **-43.7** | **59.3** |
| **Cash-flow from business activities** | **-21.2** | **198.4** |
| **Cash and cash equivalents at end of period** | **101.6** | **174.0** |

## Income for the first half reflects the current environment

Income for the first half-year reflects the challenging economic environment in which the Group is operating and incorporates the initial impacts of the policy introduced to make drastic reductions in expenditure and investment.

Group sales were down in the first half of 2015 compared with the first half of 2014, primarily because of the drop in the oil price, but also because of curbs on production to allow for various technical operations to address transport problems.

As a result of this reduced level of output, production costs (mainly fixed) and transportation costs (variable) in Gabon were US$ 14.5/barrel. EBITDA was €68 million or 43% of sales for the first half of 2015, versus 71% of sales for the first half of 2014.

Following results of exploration in Mozambique, the Group wrote off the first-half expenditure of €22 million associated with this license. It should be noted that third-party-operated exploration in 2014 and 2015 recorded budget overruns generated by these operators. This context of a lack of positive results and budget overruns by these operators has led the Group to decide to discontinue its exploration activity in Peru and Mozambique.

The economic environment also weighed heavily on drilling activity. Caroil's failure in the first half of the year to renew long-term drilling agreements with some of its historical clients because of a freeze on investments by these clients led the Group to revise the value of the subsidiary's assets downwards. An impairment of €20 million was recorded as at 30 June 2015, reducing the balance sheet value of drilling activity to €35.5 million.

As a result of the fall in oil prices, curbs on production and the impairments recorded in the first half of 2015, Group EBIT was -€33 million, compared with a figure of €156 million for the first half of 2014.

Since the start of fiscal year 2014, the Group has been restructuring its debt, to reduce cost and extend maturity. As a result, interest on bank debt and bonds issued by the Group has been substantially reduced. The result was an improvement in financial income for the first half of 2015, standing at €7 million compared with a figure of -€28 million for the first half of 2014. It should also be noted that the positive trend in the EUR/USD exchange rate helped the Group to record net exchange gains of €16 million.

Group consolidated net income after tax for the first half of 2015 was -€44 million.

## The Group is adjusting to an expected prolonged period of low prices

To prepare the Group for a period of low prices and position it as an industry leader among the European E&Ps, we have embarked on a stringent policy of budgetary discipline beginning in the second half of 2014. The key initiatives are as follows:

- restructuring of debt via the introduction of a new line of bank credit in December 2014 and an ORNANE issuance in May 2015:
  - decreased cost of debt:
    - RCF of US$400 million: LIBOR + 3.40% to end 2018 then 3.65% versus LIBOR + 4% for the former RCF of US$350 million (used in full);
    - ORNANE 2021: 2.75% versus 7.125% for the reimbursed OCEANE 2015;
  - extended debt maturity:
    - 31 December 2020 for the existing RCF with a two-year period with no repayment of the nominal amount, versus 31 December 2017 for the former RCF;
    - July 2021 for the ORNANE 2021 bonds;

- reduced investment in production:
  - in Gabon:
    - introduction of a selective programme to grow production and reserves under current economic conditions;
    - postponement of operations to install equipment;
    - review of current and future purchase orders;
  - in Tanzania:
    - cost control for the MB4 well;

- curtailment of the exploration programme as a result of the Group's flexibility in meeting its obligations:
  - no exploration well drilling in the second half of this year;
  - postponement of expenditure on surveys and seismic acquisition;
  - continuation of the ongoing production test in Alberta, Canada, with no additional drilling;

- reduced operating costs:
  - reductions negotiated on all supplier contracts;
  - improved cost tracking within subsidiaries.

Investment in the first half of 2015 totalled €137 million, broken down as follows:

| in millions € | Gabon | Tanzania | Mozambique | Other | TOTAL |
|---|---|---|---|---|---|
| Development | 75.8 | 15.9 | | | 91.7 |
| Exploration | 14.6 | 5.0 | 22.3 | 2.2 | 44.1 |
| Drilling activities | 0.8 | | | 0.5 | 1.2 |
| **Investments** | **91.3** | **20.9** | **22.3** | **2.6** | **137.1** |

## The Group enjoys a stable financial position

At 30 June 2015, the Group had cash on hand of €102 million and held a strong position in a turbulent environment. Maurel & Prom has restated its costs and investments to adjust them to current oil price levels and provide its shareholders and the financial community with visibility of its assets and their potential in current climate:

- attractive, complementary assets located in geographic basins that are familiar to the Group:
  - a strong presence in onshore operations, where production costs are relatively low;
  - a stable tax situation as a result of production-sharing agreements;
  - potential for increased output in association with improved performance in Gabon and the implementation of the gas sales agreement in Tanzania;
  - recent discoveries in Gabon, close to the fields in production and the production centre;
  - a driver for medium-term growth in Canada in case of an increase in benchmark prices;

- a stable financial position:
  - projections based on a selling price of US$50 over the second half of 2015 and US$60 over 2016, with any improvement on these price levels providing an upside for the Group;
  - no major loan repayments falling due;

- increased visibility of investments:
  - end of an intensive programme of investment in Gabon;
  - as operator we retain control of the investment programme and the associated costs;
  - no minimum work commitments between now and the end of the year;
  - managed production ramp-up following positive results from the MB-4 well in Tanzania.

Group debt repayments falling due over the next three fiscal years:

| €m | 30-June-2015 | H2 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| RCF US$400 million | 357 | - | - | 67 | 67 |
| Loan from CS | 45 | - | - | - | 45 |
| OCEANE 2015 | 9 | 1 | - | - | - |
| ORNANE 2019 | 253 | - | - | - | - |
| ORNANE 2021 | 115 | - | - | - | - |
| TOTAL in € millions | 779 | 1 | - | 67 | 112 |

## Positive Outlook

As a result of continuing with its policy, the Group is expected to show positive earnings and operating cash-flow from the second half of 2015, based on the assumptions adopted.

The Group's projections assume a price of US$50 for Brent crude for the remainder of fiscal year 2015 and US$60 for fiscal year 2016. A negative variation of US$5 in our assumptions would result in a €12 million reduction in cash for the second half of 2015, and a reduction of around €28 million over fiscal year 2016.

Based on these benchmark prices and aside from any petroleum transport issues, the Group expects production capacity at the end of the year to exceed 30,000 boepd, corresponding to a share of 24,000 bopd for Maurel & Prom in Gabon (equating to gross operated production of 30,000 bopd) and the equivalent of 6,400 boepd in Tanzania for the share of gas production attributable to the Group.

Based on this assumption and as a result of the policy in place, production and transportation costs, which were US$14.5/barrel in the first half, are expected to fall significantly to around US$12/barrel in the second half of 2015. Similarly, investment in development is expected to be cut by two during the second six months of the year in comparison with the first half.

In Tanzania, the Group is expected to achieve production capacity of 80 Mcfd by the end of the year, or 13,333 boepd at full capacity (6,400 boepd for the Maurel & Prom share). Over the next few months, Maurel & Prom will examine how reservoirs and output are behaving and, considering in particular the encouraging results from the MB-4 well drilled in the first half of 2015, will work towards determining an optimal additional production capacity.

Lastly, the Group expects, based on these assumptions, that its cash-flow will be balanced in the second half of 2015, moving back into positive territory from the start of 2016 on the basis of the following initiatives and data:

- continuing budgetary discipline in respect of investment, production costs and operating expenses;
- increased production in Gabon: target of 24,000 bopd by the end of the year for Maurel & Prom's share, maintaining this level of production throughout fiscal year 2016;
- gas production in Tanzania on the Mnazi Bay license: output of 38.4 Mcfd for Maurel & Prom's share over a full year (80 Mcfd at full capacity);
- drastic reduction in investment from the second half of 2015:
  - investment for production/development in the second half of 2015 will be halved compared with the first six months;
  - end of intensive investment in Gabon from 2016 (reducing by a further 30% compared with the anticipated level of investment for 2015);
  - exploration expenditure to be restricted strictly to contractual obligations only (excluding Gabon) or to voluntary initiatives (Gabon), namely US$15 million through the second half of 2015 and around US$50 million in 2016.

**Maurel & Prom to merge with MPI to create a sound leader among junior oil companies able to play an active role in the oil sector consolidation**

Maurel & Prom has also announced plans to merge with the MPI group. This first consolidation in the sector will allow both groups to benefit from a reinforced financial capacity, optimized modus operandi and a consolidated asset portfolio (see press release on the company website: www.maureletprom.fr).

| French | | | English |
|---|---|---|---|
| pieds cubes | pc | cf | cubic feet |
| pieds cubes par jour | pc/j | cfpd | cubic feet per day |
| milliers de pieds cubes | kpc | Mcf | 1,000 cubic feet |
| millions de pieds cubes | Mpc | MMcf | 1,000 Mcf = million cubic feet |
| milliards de pieds cubes | Gpc | Bcf | billion cubic feet |
| baril | b | bbl | barrel |
| barils d'huile par jour | b/j | bopd | barrels of oil per day |
| milliers de barils | kb | Mbbl | 1,000 barrels |
| millions de barils | Mb | MMbbl | 1,000 Mbbl = million barrels |
| barils équivalent pétrole | bep | boe | barrels of oil equivalent |
| barils équivalent pétrole par jour | bep/j | boepd | barrels of oil equivalent per day |
| milliers de barils équivalent pétrole | kbep | Mboe | 1,000 barrels of oil equivalent |
| millions de barils équivalent pétrole | Mbep | MMboe | 1,000 Mbbl = million barrels of oil equivalent |

**The Maurel & Prom Group annual report, the consolidated financial statements and the notes to the financial statements are available on the Company's website at www.maureletprom.fr.**


For more information, please go to www.maureletprom.fr

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