Consolidated Financial Statements

Maurel & Prom Group

31 December 2017

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The consolidated financial statements as at 31 December 2017 have been approved by the Board of Directors on 8 March 2018. Audit procedures have been conducted on the consolidated financial statements. The certification report will be issued at the end of April 2018, once the annual report has been finalised.

Group consolidated financial statements as at 31 December 2017

Consolidated Statement of financial position

ASSETS (in € thousands)	Notes	31/12/2017	31/12/2016 (*)
Intangible assets (net)	3,3	135,720	179,607
Property, plant and equipment (net)	3,3	1 226,457	1,455,236
Non-current financial assets (net)	4,2	6,572	76,879
Other non-current assets (net)	3,6	38,829	38,708
Investments in equity affiliates	2,2	125,564	89,837
Deferred tax assets	6,1	27,096	33,295
NON-CURRENT ASSETS		**1,560,239**	**1,873,563**
Inventories (net)	3,4	6,501	9,181
Trade receivables and related accounts (net)	3,5	49,288	30,657
Other current financial assets	4,1	67,019	112,046
Other current assets	3,6	35,988	31,296
Current tax receivables	6,1	445	1,264
Cash and cash equivalents	4,3	216,908	192,799
CURRENT ASSETS		**376,148**	**377,243**
Assets held for sale and discontinued operations			
TOTAL ASSETS		**1,936,387**	**2,250,806**

EQUITY AND LIABILITIES (in € thousands)	Notes	31/12/2017	31/12/2016 (*)
Share capital		150,412	150,412
Additional paid-in capital		27,664	79,577
Consolidated reserves		713,830	844,238
Treasury shares		(53,521)	(68,140)
Net income, Group share		6,620	(50,983)
EQUITY, GROUP SHARE		**845,004**	**955,105**
Non-controlling interests		(261)	(662)
TOTAL NET EQUITY		**844,743**	**954,443**
Non-current provisions	3,9	41,062	45,076
Shareholder loan	4,4	83,382	0
Non-current bonds	4,4	0	340,375
Other non-current borrowings and financial debt	4,4	494,965	290,437
Non-current derivative financial liabilities	4,4	0	5,776
Deferred tax liabilities	6,1	308,752	351,963
NON-CURRENT LIABILITIES		**928,160**	**1,033,626**
Shareholder loan	4,4	79	0
Current bond borrowings	4,4	290	7,274
Other current borrowings and financial debt	4,4	1,574	92,767
Trade payables and related accounts	3,7	47,347	50,079
Current tax liabilities	6,1	5,092	6,355
Other creditors and miscellaneous liabilities	3,8	95,915	91,648
Current provisions	3,9	13,185	14,616
CURRENT LIABILITIES		**163,483**	**262,738**
Liabilities held for sale and discontinued operations			
TOTAL EQUITY AND LIABILITIES		**1,936,387**	**2,250,807**

* Adjusted for the change in accounting method.

Consolidated statement of profit & loss and other comprehensive income

Net income for the year ended December 31, 2017

in € thousands	Notes	31/12/2017	31/12/16 (*) adjusted
Sales	3,1	354,759	317,227
Other income from operations		76	590
Purchases and operating expenses		(90,566)	(91,672)
Taxes		(49,705)	(40,415)
Personnel expenses		(46,369)	(44,989)
EBITDA		**168,194**	**140,741**
Depreciation and amortisation, provisions related to production activities net of reversals		(98,276)	(117,857)
Depreciation and amortisation, provisions related to drilling activities net of reversals		754	(4,019)
Current Operating Income		**70,672**	**18,865**
Provisions and impairment of drilling assets		(6,124)	0
Expenses and impairment of exploration assets net of reversals		4,601	(7,577)
Other non-current income and expenses		(10,617)	6,487
Income from asset disposals		(57)	(373)
Operating Income	3,2	**58,475**	**17,402**
Cost of gross debt		*(48,476)*	*(35,682)*
Income from cash		*1,249*	*1,289*
Net gains on fair value of financial instruments		*5,776*	*2,315*
Net cost of debt		(41,451)	(32,078)
Net foreign exchange adjustment		(31,006)	3,985
Other financial income and expenses		(1,097)	(2,144)
Financial Income	4,1	**(73,553)**	**(30,238)**
Income before tax		(15,079)	(12,835)
Income tax	6,1	(27,798)	(10,428)
Net Income From Consolidated Companies		**(42,877)**	**(23,263)**
Income from equity associates	2,4	49,837	(27,635)
Consolidated net income		**6,960**	**(50,897)**
o/w : - Net income, Group share		6,620	(50,983)
- Non-controlling interests		341	85

* Adjusted for the change in accounting method.

Other comprehensive income for the year ended December 31, 2017

in € thousands	Notes	31/12/2017	31/12/16 (*) adjusted
Net income for the period		**6,960**	**(50,897)**
Foreign exchange adjustment for the financial statements of foreign entities		(119,588)	20,153
Profit (loss) on hedging of net investments in foreign entities		0	(81)
Total comprehensive income for the period		**(112,627)**	**(30,826)**
- Group share		(113,028)	(30,891)
- Non-controlling interests		401	66

* Adjusted for the change in accounting method.

Consolidated changes in shareholders' equity

in € thousands	Capital	Treasury shares	Additional paid-in capital and reserves	Fair value of net investment hedges	Currency translation adjustment	Income for the period	Equity, Group share	Non-controlling interests	Total equity
31 December 2015 published	**150,412**	**(68,475)**	**909,865**	**(7,355)**	**215,498**	**(97,760)**	**1,102,185**	**(728)**	**1,101,458**
Change in accounting method			(118,636)			0	**(118,636)**		**(118,636)**
1 January 2016 adjusted	**150,412**	**(68,475)**	**791,229**	**(7,355)**	**215,498**	**(97,760)**	**983 549**	**(728)**	**982,822**
Net income published						*(50,193)*	***(50,193)***	*85*	***(50,108)***
Change in accounting method						*(789)*	***(789)***		***(789)***
Net income adjusted			0			(50,983)	**(50,983)**	85	**(50,897)**
Other comprehensive income			0	(81)	20,173		**20,091**	(20)	**20,072**
Total comprehensive income	**0**	**0**	**0**	**(81)**	**20,173**	**(50,983)**	**(30,891)**	**66**	**(30,826)**
Appropriation of income - dividends			(97,760)			97,760	**0**		**0**
Increase/Decrease in equity instruments			(914)				**(914)**		**(914)**
Changes in treasury shares		335	715				**1,050**		**1,050**
Total transactions with shareholders	**0**	**335**	**(95,649)**	**0**	**0**	**97,760**	**2,446**	0	**2,446**
31 December 2016 adjusted	**150,412**	**(68,140)**	**695,581**	**(7,436)**	**235,671**	**(50,983)**	**955,105**	**(662)**	**954,443**
31 December 2016 published	**150,412**	**(68,140)**	**814,216**	**(7,436)**	**235,671**	**(50,193)**	**1,074,530**	**(662)**	**1,073,868**
Method change			(118,636)			(789)	**(119,425)**		**(119,425)**
1 January 2017 adjusted	**150,412**	**(68,140)**	**695,581**	**(7,436)**	**235,671**	**(50,983)**	**955,105**	**(662)**	**954,443**
Net income			0			6,620	**6,620**	341	**6,960**
Other comprehensive income			(9,553)		(109,758)		**(119,312)**	60	**(119,251)**
Total comprehensive income	**0**	**0**	**(9,553)**	**0**	**(109,758)**	**6,620**	**(112,692)**	**401**	**(112,291)**
Appropriation of income - dividends			(50,983)			50,983	**0**		**0**
Bonus shares			2,887				**2,887**		**2,887**
Changes in treasury shares		14,619	(14,914)				**(295)**		**(295)**
Total transactions with shareholders	**0**	**14,619**	**(63,010)**	**0**	**0**	**50,983**	**2,592**		**2,592**
31 December 2017	**150,412**	**(53,521)**	**623,017**	**(7,436)**	**125,912**	**6,620**	**845,004**	**(261)**	**844,743**

* Adjusted for the change in accounting method.

Consolidated statement of cash flows

in € thousands	Notes	31/12/2017	31/12/2016 (*) adjusted
Net income		6,960	(50,897)
Income tax	6,1	27,798	10,428
CONSOLIDATED INCOME FROM CONTINUING OPERATIONS		**34,759**	**(40,470)**
Net increase (reversals) of amortisation, depreciation and provisions	3,3	105,160	119,553
Exploration and decommissioning expenses	3,3	7,405	7,577
Income from equity associates	2,2	(49,837)	27,635
Other calculated income and expenses		2,819	2,311
Gains (losses) on asset disposals		57	343
Dilution gains and losses		0	0
Unrealised gains (losses) due to changes in fair value	4,4	(5,776)	(2,315)
Other financial items		76,225	40,168
CASH FLOW BEFORE TAX		**170,810**	**154,113**
Income tax paid	6,1	(25,921)	(23,337)
Change in working capital requirements for operations		18,926	(45,145)
Inventories	*3,4*	*1,506*	*(1,057)*
Trade receivables	*3,5*	*(23,719)*	*(4,885)*
Trade payables	*3,7*	*2,968*	*(16,352)*
Other credits and liabilities	*3,6 & 3,8*	*38,171*	*(22,851)*
NET CASH FLOW FROM OPERATING ACTIVITIES		**163,816**	**86,319**
Proceeds from disposals of property, plant & equipment and intangible assets		(0)	30
Disbursements for acquisition of property, plant & equipment and intangible assets	3,3	(33,450)	(43,600)
Dividends received from SEPLAT	2,4	0	4,340
Change in deposits	4,2	63,516	(74,651)
Interest received on deposits	4,1	1,249	
Other cash flows from investing activities			0
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**31,315**	**(113,881)**
Treasury share acquisitions		0	335
Proceeds from new loans	4,4	586,594	0
Repayments	4,4	(711,761)	(32,047)
Interest paid	4,4	(24,327)	(20,361)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(149,494)**	**(52,074)**
Impact of exchange rate fluctuations		(22,034)	(1,540)
CHANGE IN CASH POSITION (**)		**23,602**	**(81,176)**
CASH (**) AT BEGINNING OF PERIOD		**192,653**	**273,829**
CASH (**) AT END OF PERIOD		**216,255**	**192,653**

* Adjusted for the change in accounting method.
(**) Bank overdrafts are included in cash

Notes to the consolidated financial statements

Note 1 : General information

Etablissements 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 Group” and each one of the aforementioned subsidiaries as the “entities of the Group”) and the Group’s share in its joint ventures. The Group, which is listed for trading on Euronext Paris, acts primarily as an operator specialising in the exploration and production of hydrocarbons (oil and gas).
The consolidated financial statements were approved by the Board of Directors on 8 March 2018. The consolidated financial statements are presented in euros, which is the Group's reporting currency.
Amounts are rounded off to the nearest thousand euros, except where otherwise indicated.

Note 1.1: Significant events

Since the takeover bid, which closed on 9 February 2017, PT Pertamina Internasional Eksplorasi dan Produksi (“PIEP”), the wholly owned subsidiary of Indonesian state company Pertamina, has owned 72.65% of Maurel & Prom’s capital and the control of the Group.

Late 2017, the Group successfully arranged the refinancing of its entire debt on favourable terms, thanks to the support of its new shareholder PIEP, and proceeded with the restructuring of its repayments terms.

The refinancing is based on the following elements:
• Bank Loan: a US$600 million term loan was signed with a group of nine international banks;
• Shareholder Loan: a shareholder loan was set up with PIEP for the initial amount of US$100 million, with a second tranche of US$100 million to be drawn at Maurel & Prom’s discretion;
• The repayment of approximately US$760 million of existing debt:
- closing of the Revolving Credit Facility (RCF) currently being serviced, for the amount of US$325 million, also permitting the unlocking of US$75 million of liquid assets previously locked-in as collateral;
- Repayment of a shareholder loan made available by PIEP under the terms and conditions drawn up at the takeover bid, in the amount of €189 million (approximately US$224 million);
- Redemption of the ORNANE 2019 and ORNANE 2021 bonds held by PIEP totalling €180 million (approximately US$212 million), followed by their cancellation.

The US$ exchange rate for 1 euro (€/US$) as at 31 December 2017 was 1.20 versus 1.05 as at 31December 2016. The average exchange rate for the period was 1.13 versus 1.11 in 2016. This change in the €/US$ exchange rate is reflected in the Group’s accounts by a €31 million foreign exchange loss recorded under financial result, and by a €106 million decrease in foreign currency exchange reserves.
The Group's refinancing in US dollars in December 2017 led to a change in the functional currency of its financial holdings – particularly Etablissements Maurel & Prom – and going forward will result in a very substantial reduction in the Group's exposure to €/US$ exchange risk.
The rise in the price of Brent and subsequently of sale prices (the average sale price was US$53/bbl in 2017 versus US$42.7/bbl in 2016, increasing by 24%) enabled the Group to present a 12% increase in sales and a 14% increase in EBITDA despite a drop in oil production in Gabon over the period. Current operating income more than tripled over the period, mainly due to a lower depletion charge in Gabon.
Non-recurring expenses mainly include asset impairment (€6 million for rigs and €6 million impairment of the residual value of the M'Kuranga project in Tanzania), and expenses of €9.5 million supported by the Group with the arrival of the new majority shareholder. These were compensated by CAD 16,2M of compensation income received from the Government of Québec, following the withdrawal of rights to prospect for hydrocarbons or underground reserves on Anticosti Island.

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 2017 have been prepared in accordance with IAS/IFRS international accounting standards applicable as at 31 December 2017, as approved by the European Union and available at: http://ec.europa.eu/finance/accounting/ias/index_fr.htm.

International accounting standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and their interpretations (Standing Interpretations Committee and International Financial Reporting Standards Interpretations Committee).

The application of IFRS as published by the IASB would have no material impact on the financial statements presented herein. New legislation or amendments adopted by the European Union and mandatory from 1 January 2017 do not have a material impact on the Group's financial statements as at31 December 2017.

The Group has opted against the early application of any new standards, amendments or interpretations that have been published by the IASB but were not mandatory from 1 January 2017, including:

- IFRS 9 "Financial instruments": mandatory application for the Group from 1 January 2018. The transition to this norm is anticipated to have limited impacts on the Group Financial Statements.
- IFRS 15 "Revenue from Contracts with Customers": mandatory application for the Group from 1 January 2018;

  The impact of the transition to IFRS 15 on the financial statements of the Group is essentially a reporting adjustment between sales and over and under lift positions.

  Given that production is mainly located in Gabon and the existence of a single supply route (Cap Lopez) for the Group's production, the Group's financial statements can differ significantly depending on whether the extracted oil is lifted onto a tanker (which correspond to the sale of the oil) just before or just after the closing. Also, to avoid the volatility in results due to over and under lift positions, the sale is currently recognised on the basis of the Group's entitlements on the production delivered to the oil tanker ("entitlement method") and not on the actual lifting. Sales for the period are therefore adjusted to reflect whether the Group is in an over-lift position (in which case the Group posts a debt to its partners), or under-lift position (in which case the Group posts a receivable).

  The entry into force of IFRS 15 from 1 January 2018 will no longer allow sales to be adjusted based on over- and under-lift positions at period end and will therefore require sales to be recognised based on the oil sold. The Group will, however, continue to use the "entitlement" method in the consolidated financial statements to reflect the timing discrepancy between sales and the theoretical entitlement in the cost of sales, by recognising an inventory position valued at the market price. This change of method will not impact EBITDA, which will still be calculated on "entitlement", and over or under lifting position will be recorded in a specific account for this purpose.
- IFRS 16 "Leases": mandatory application for the Group from 1 January 2019;

  On this subject, analyses have been carried out in order to apply the retrospective transition method on the 2018 fiscal year.

The consolidated financial statements are prepared according to historical cost convention, except for certain categories of assets and liabilities valued at fair value (derivative instruments), in accordance with IFRS.

IFRS have been applied by the Group consistently for all the periods presented.

Use of judgment and accounting estimates

The preparation of consolidated financial statements under IFRS requires the Group to make accounting choices, produce a number of estimates and use certain assumptions that may affect the reported amounts of assets and liabilities, the notes concerning potential assets and liabilities as at the reporting date, and the income and expenses for the period. Changes in facts and circumstances may lead the Group to review such estimates.

The results obtained may differ materially from such estimates when different circumstances or assumptions are applied.

In addition, when a specific transaction is not treated by any standard or interpretation, the Group's Management uses its own discretion to define and apply the accounting methods that will provide relevant, reliable information. The financial statements give a true and fair view of the Group's financial position, performance and cash flows. They reflect the substance of transactions, are prepared with prudence, and are complete in all material respects.

Management estimates used in preparing financial statements relate primarily to:

- recognition of oil carry transactions and impairment tests on oil assets;

- provisions for site remediation;
- valuation of equity associates and underlying assets;
- accounting treatment of derivative instruments subscribed by the Group;
- estimation of proven and probable hydrocarbon reserves;
- recognition of deferred tax assets.

Note 1.3: Change of accounting method

Exploration and evaluation of mineral resources are covered by IFRS 6. This rather general standard is based on applicable US standards (ASC932).
IFRS 6.9 requires that "an entity shall determine an accounting policy specifying which expenditures are recognised as exploration and evaluation assets… "and shall "considers the degree to which the expenditure can be associated with finding specific mineral resources".. Expenditures that might be included in the initial measurement of exploration and evaluation assets can be understood very broadly. IFRS 6 provides a non-exhaustive list including acquisitions of rights to explore, geological and geophysical studies, drilling, civil engineering work, technical feasibility and commercial viability studies.
In practice, two methods for recognising exploration expenses, both compliant with IFRS 6, are applied by industry players:
- the "successful efforts" method is generally applied by large companies;
- the "full cost" method is more frequently applied by smaller companies.

As indicated in Note 3.3 of the Notes to the 2016 consolidated financial statements, Maurel & Prom had previously been recognising its exploration costs using the "full cost" method.
However, Pertamina Group uses the "successful efforts" method.
Taking into consideration that the takeover by PIEP is an opportunity to harmonise reporting, the Group has decided to recognise its exploration costs using the "successful efforts" method for 2017 closing.

These exploration expenditures had until then been recorded in the consolidated financial statements under intangible assets regardless of their type or nature and amortised commensurate with depletion once production starts where oil was discovered, or recorded as an expense if the project was unsuccessful and the decision was made to abandon exploration.
With the "successful efforts" method, most of these expenditures will be immediately recorded in expenses, with the exception of exploratory drilling and of other expenditures incurred to discover or clarify the presence of a hydrocarbon prospect.

As it is a voluntary change of accounting method consistent with IAS 8.14, and as this method is admissible and generally practised in the oil sector, this change has been applied retrospectively. The new method will enable clearer comparability between the Group's financial data and that of the major companies in the sector.

The resulting negative impact amounts to -€119 million on shareholders' equity at start of period (net of depletions already made), i.e., -€148 million on exploration assets net of €29 million deferred tax impact.
Residual exploration assets after the change of method correspond to the acquisition cost of reserves, amortised commensurate with depletion and subject to impairment tests.
Exploration activities in 2017 were insignificant, hence had little impact on the transition year.
The impacts on the 2016 adjusted financial statements are presented below.

Note 1.3.1 Adjusted consolidated balance sheet

ASSETS (€ thousands)	31/12/2016 (*) adjusted	change	31/12/2016 published
Intangible assets (net)	179,607	(138,225)	317,832
Property, plant and equipment (net)	1,455,236	(10,322)	1,465,558
Non-current financial assets (net)	76,879		76,879
Other non-current assets (net)	38,708		38,708
Investments in equity associates	89,837		89,837
Deferred tax assets	33,295	2,920	30,375
NON-CURRENT ASSETS	**1,873,563**	**(145,627)**	**2,019,190**
Inventories (net)	9,181		9,181
Trade receivables and related accounts (net)	30,657		30,657
Other current financial assets	112,046		112,046
Other current assets	31,296		31,296
Current tax receivables	1,264		1,264
Cash and cash equivalents	192,799		192,799
CURRENT ASSETS	**377,243**	**0**	**377,243**
TOTAL ASSETS	**2,250,806**	**(145,627)**	**2,396,433**

LIABILITIES (€ thousands)	31/12/2016 (*) adjusted	change	31/12/2016
Share capital	150,412		150,412
Additional paid-in capital	79,577		79,577
Consolidated reserves	844,238	(118,636)	962,874
Treasury shares	(68,140)		(68,140)
Net income, Group share	(50,983)	(789)	(50,193)
EQUITY, GROUP SHARE	**955,105**	**(119,425)**	**1,074,530**
Non-controlling interests	(662)		(662)
TOTAL NET EQUITY	**954,443**	**(119,425)**	**1,073,868**
Non-current provisions	45,076		45,076
Shareholder loans	0		0
Non-current bonds	340,375		340,375
Other non-current borrowings and financial debt	290,437		290,437
Non-current derivative financial liabilities	5,776		5,776
Deferred tax liabilities	351,963	(26,201)	378,164
NON-CURRENT LIABILITIES	**1,033,626**	**(26,201)**	**1,059,827**
Shareholder loans	0		0
Current bond borrowings	7,274		7,274
Other current borrowings and financial debt	92,767		92,767
Trade payables and related accounts	50,079		50,079
Current tax liabilities	6,355		6,355
Other creditors and miscellaneous liabilities	91,648		91,648
Current provisions	14,616		14,616
CURRENT LIABILITIES	**262,738**	**0**	**262,738**
TOTAL EQUITY AND LIABILITIES	**2,250,807**	**(145,627)**	**2,396,433**

* Adjusted for the change in accounting method.

Note 1.3.2 Adjusted consolidated comprehensive income statement

In € thousands	31/12/2016 (*) adjusted	change	31/12/2016 published

Sales	317,227		317,227
Other income from operations	590		590
Purchases and operating expenses	(91,672)		(91,672)
Taxes	(40,415)		(40,415)
Personnel expenses	(44,989)		(44,989)
EBITDA	**140,741**	**0**	**140,741**
Depreciation and amortisation, provisions related to production activities net of reversals	(117,857)	4,281	(122,137)
Depreciation and amortisation, provisions related to drilling activities net of reversals	(4,019)		(4,019)
Current Operating Income	**18,865**	**4,281**	**14,585**
Impairment of drilling assets	0		0
Expenses and impairment of exploration assets	(7,577)	(3,593)	(3,984)
Other non-current income and expenses	6,487		6,487
Income from asset disposals	(373)		(373)
Badwill	0		-0
Operating income	**17,402**	**688**	**16,714**
Cost of gross debt	*(35,682)*		*(35,682)*
Income from cash	*1,289*		*1,289*
Net gains on fair value of financial instruments	*2,315*		*2,315*
Net cost of debt	(32,078)		(32,078)
Net foreign exchange adjustment	3,985		3,985
Other financial income and expenses	(2,144)		(2,144)
Financial income	**(30,238)**	**0**	**(30,238)**
Income before tax	(12,835)	688	(13,523)
Income tax	(10,428)	(1,477)	(8,950)
Net income from consolidated companies	**(23,263)**	**(789)**	**(22,473)**
From equity associates	(27,635)		(27,635)
Net consolidated income	**(50,897)**	**(789)**	**(50,108)**
Of which: - Net income, Group share	(50,983)	(789)	(50,193)
- Non-controlling interests	85		85
Net income for the period	**(50,897)**	**(789)**	**(50,108)**
Foreign exchange adjustment for the financial statements of foreign entities	20,153		20,153
Profit (loss) on hedging of net investments in foreign entities	(81)		(81)
Total comprehensive income for the period	**(30,826)**	**(789)**	**(30,036)**
- Group share	(30,891)	(789)	(30,102)
- Non-controlling interests	66		66

Earnings per share (€)	**31/12/2016 (*) adjusted**	**change**	**31/12/2016 published**
Basic	-0.27		-0.26
Diluted	-0.27		-0.26

* Adjusted for the change in accounting method.

Note 1.3.3 Adjusted consolidated cash flow statement

In € thousands	**31/12/2016 (*) adjusted**	**change**	**31/12/2016 published**

Net income	(50,897)	(789)	(50,108)
Income tax	10,428	1,477	8,950
Consolidated income from continuing operations	**(40,470)**	**688**	**(41,158)**
Net increase (reversals) of amortisation, depreciation and provisions	119,553	(4,281)	123,833
Exploration and decommissioning expenses	7,577	3,593	3,984
Income from equity associates	27,635		27,635
Other calculated income and expenses	2,311		2,311
Gains (losses) on asset disposals	343		343
Dilution gains and losses	0		0
Unrealised gains (losses) due to changes in fair value	(2,315)		(2,315)
Other financial items	40,168		40,168
CASH FLOW BEFORE TAX	**154,113**	**(688)**	**154,801**
Income tax paid	(23,337)		(23,337)
Change in working capital requirements for operations	(45,145)		(45,145)
Inventories	*(1,057)*		*(1,057)*
Trade receivables	*(4,885)*		*(4,885)*
Trade payables	*(16,352)*		*(16,352)*
Other credits and liabilities	*(22,851)*		*(22,851)*
NET CASH FLOW FROM OPERATING ACTIVITIES	**86,319**	**0**	**86,319**
Proceeds from disposals of property, plant & equipment and intangible assets	30		30
Disbursements for acquisition of property, plant & equipment and intangible assets	(43,600)		(43,600)
Dividends received from Seplat	4,340		4,340
Change in deposits	(74,651)		(74,651)
Other cash flows from investing activities	0		0
NET CASH FLOW FROM INVESTMENT ACTIVITIES	**(113,881)**	**0**	**(113,881)**
Treasury share acquisitions	335		335
Proceeds from new loans	0		0
Repayments	(32,047)		(32,047)
Interest paid	(20,361)		(20,361)
NET CASH FLOW FROM FINANCING ACTIVITIES	**(52,074)**	**0**	**(52,074)**
Impact of exchange rate fluctuations	(1,540)		(1,540)
CHANGE IN CASH POSITION (**)	**(81,176)**	**0**	**(81,176)**
CASH (**) AT BEGINNING OF PERIOD	**273,829**		**273,829**
CASH (**) AT END OF PERIOD	**192,653**		**192,653**

* Adjusted for the change in accounting method.

Note 2 : Basis for consolidation

Note 2.1: Consolidation methods

Consolidation

The entities controlled by Etablissements Maurel & Prom SA are fully consolidated.

The Group controls an entity when it is exposed, or helds rights to variable returns from its involvement with the with the investee and has the ability to affect those returns through its power over the investee. 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 a joint control. The Group accounts for joint operations by recognizing its share of assets, liabilities, income and expenses.
- Affiliated entities are entities for which the Group has significant influence over financial and operating policies 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 investment in equity associate to the extent of the Group's stake in the assosciate. 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 date of acquisition.
Such goodwill is not amortised but is subjected to systematic impairment tests at the end of each accounting period and in the case of an impairment indicator; any impairment charge recognised on goodwill are 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 euros, which is the Company's reporting currency.

The functional currency of operating subsidiaries is the US dollar.

The Group has refinanced in US dollars its historic debt (mixed € and US$) in December 2017 and has, as a result of this change, updated its analysis of the functional currency of its financial holdings. As a result of this analysis, the US dollar was adopted as the functional currency instead of the euro as from the refinancing date. This change of the functional currency of its financial holdings is reflected in the financial statements as at 31 December 2017, with no significant impact, given the proximity of the closing date and change date.

The financial statements of foreign subsidiaries for which the functional currency is not the euro are converted into euros using the closing price method. Assets and liabilities, including goodwill on foreign subsidiaries, are translated at the exchange rate in effect on the closing date of the period. 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 the shareholders’ equity ; 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 to other comprehensive income.

Expenses and income in foreign currencies are recognised at their equivalent in the functional currency of the concerned entity 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 are presented as a currency 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 hedging and accumulated in the translation reserve. Any adjustment relating to the ineffective portion of the hedging is recognised in net result. When the net investment hedged is sold, the amount of the adjustments recognised as translation reserve related to it is reclassified in the income statement as disposal result.

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

There were no notable changes in the consolidation scope in 2017.
Note that the functional currency of financial holdings (Etablissements Maurel & Prom SA and Maurel & Prom West Africa SA) has changed from the euro to the US dollar. The US dollar is now the functional currency of the Group's main companies.

Consolidated companies are as follows:

Company	Registered office	Consolidation method (*)	% control	
			31/12/2017	31/12/2016
Etablissements Maurel & Prom S.A.	Paris	Parent	Consolidating company	
Oil and gas activities				
Caroil S.A.S	Paris, France	FC	100.00%	100.00%
Maurel & Prom Drilling Services	Amsterdam, Netherlands	FC	100.00%	100.00%
Maurel & Prom Exploration et Production BRM S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Exploration Production Tanzania Ltd	Dar es Salaam, Tanzania	FC	100.00%	100.00%
Maurel & Prom Gabon S.A.	Port-Gentil, Gabon	FC	100.00%	100.00%
Maurel & Prom Mnazi Bay Holdings S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Namibia S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Peru Holdings S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Peru S.A.C.	Lima, Peru	FC	100.00%	100.00%
Maurel & Prom West Africa S.A.	Brussels, Belgium	FC	100.00%	100.00%
Panther Eureka 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	21.37%	21.37%
Deep Well Oil & Gas, Inc.	Edmonton, Alberta, Canada	EM	19.67%	19.67%
Maurel & Prom East Asia S.A.S.	Paris, France	FC	100.00%	100.00%
MP Energy West Canada Corp.	Calgary, Canada	FC	100.00%	100.00%
MP West Canada S.A.S.	Paris, France	FC	100.00%	100.00%
Saint-Aubin Energie Québec Inc.	Montreal, Canada	FC	100.00%	100.00%
Saint-Aubin Exploration & Production Québec Inc.	Montreal, Canada	FC	100.00%	100.00%
Other activities				
Maurel & Prom Assistance Technique S.A.S.	Paris, France	FC	100.00%	100.00%
Maurel & Prom Assistance Technique International S.A.	Geneva, Switzerland	FC	99.99%	99.99%

(*) FC: Full consolidation / EM: Equity method

Note 2.4: Investments in equity associates

In € thousands	Maurel & Prom Colombia BV	SEPLAT	Deep Well Oil	Total
INVESTMENTS IN EQUITY ASSOCIATES AT 31/12/2016	**1,974**	**87,580**	**283**	**89,837**
Income	(1,085)	51,260	(338)	49,837
Foreign currency translation reserves	(176)	(13,920)	(14)	(14,110)
INVESTMENTS IN EQUITY ASSOCIATES AT 31/12/2017	**714**	**124,921**	**(70)**	**125,564**

The data below are presented as reported in the financial statements of the joint ventures and associates (those wholly owned and not proportionately owned) as at 31 December 2017, after translation into euros, adjustments to fair value and for accounting method consistency where applicable.

In € thousands	Maurel & Prom Colombia BV	SEPLAT	Deep Well Oil	Total
Location	Colombia	Nigeria	Canada	
	Joint venture	Associate	Associate	
Activity	Exploration	Production	Exploration	
% INTEREST	50,001%	21,37%	19,67%	
Total non-current assets	77	1,471,516	(0)	
Other current assets	6,724	344,058	0	
Cash and cash equivalents	693	364,556	0	
Total Assets	**7,494**	**2,180,130**	**0**	
Total non-current liabilities	484	359,716	356	
Total current liabilities	5,584	571,522	(0)	
Total Liabilities (excl equity)	**6,067**	**931,237**	**356**	
Reconciliation with balance sheet values				
Total shareholders' equity or net assets	**1,427**	**1,248,893**	**(356)**	
Historical conversion adjustment	0	91,505	0	
Net assets	**1,427**	**1 340,398**	**(356)**	
Share Held	714	286,424	(70)	
IFRS 3 fair value (1)		(161,504)	0	
Balance sheet value at 31/12/2017	**714**	**124,921**	**(70)**	**125,564**
Sales		400,406		
Operating income	(1,898)	115,337	(1,718)	
Exchange loss		604		
Loss on derivatives on hydrocarbons Loss on derivatives on hydrocarbons		(16,398)		
Financial income	(58)	(60,584)		
Corporate income tax	(214)	195,903		
Net income from equity associates	**(2,170)**	**234,862**	**(1,718)**	
Share held	(1,085)	50,187	(338)	
Restatements for standardisation (2)		1,074		
P&L value at 31/12/2017	**(1,085)**	**51,260**	**(338)**	**49,837**

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

(2) for SEPLAT this is mainly recognition through profit or loss, of share-based payments and of the deconsolidation of a subsidiary.

Despite a first semester negatively impacted by the restrictions of evacuation capacity, notably at Forcados export terminal (which was shut down from mid-February 2016 to June 2017), Seplat's consolidated net income amounted to US$263 million, corresponding to US$51 million for Maurel & Prom's share.

This income includes the following elements:

- A US$18 million financial expense related to the costs of the Brent's price hedging instruments used by the company over the year;
- Non-recurring deferred tax income of US$221 million following the activation of capital allowances and losses carried forward recognised on the basis of a more favourable 5-year business plan compared to the previous year one.

As at 31 December 2017, the market price of the SEPLAT shares was 108.75 pence, which represents a total market value for Maurel & Prom's share of €148 million.

The 2016 comparative information is provided below:

In € thousands	Maurel & Prom Colombia BV	SEPLAT	Deep Well Oil	Total
Location	Colombia	Nigeria	Canada	
	Joint venture	Associate	Associate	
Activity	Exploration	Production	Exploration	
% INTEREST	50.001%	21.37%	19.67%	
Total non-current assets	21,161	1,438,263	547	
Other current assets	7,962	477,731	322	
Cash and cash equivalents	3,920	151,429	1,234	
Total assets	**33,043**	**2,067,422**	**2,104**	
Total non-current liabilities	2,089	646,850	405	
Total current liabilities	26,379	254,922	263	
Total Liabilities (excl. Equity)	**28,467**	**901,772**	**667**	
Reconciliation with balance sheet values				
Total shareholders' equity or net assets	**4,576**	**1,165,650**	**1,436**	
Historical conversion adjustment	(627)	(24,020)	0	
Net assets	**3,948**	**1,141,630**	**1,436**	
Share held	1,974	243,950	283	
IFRS 3 fair value (1)		(156,371)	0	
Balance sheet value at 31/12/2016	**1,974**	**87,579**	**283**	**89,836**
Sales	25	229,726	0	
Operating income	5,420	(37,375)	(439)	
Exchange loss		(91,681)		
Loss on derivatives on hydrocarbons		(13,617)		
Financial income	543	(13,449)	-0	
Corporate income tax	(172)	6,029	0	
Net income from equity associates	**5,791**	**(150,093)**	**(439)**	
Share held	2,896	(32,073)	(86)	
Restatements for standardisation (2)		1,629		
P&L value at 31/12/2016	**2,896**	**(30,444)**	**(86)**	**(27,635)**

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

(2) for SEPLAT this is mainly recognition through profit or loss, of share-based payments and of the deconsolidation of a subsidiary.

Note 3 : Operations

Note 3.1: Segment reporting

In accordance with IFRS 8, the segment information reported must be based on the very same principles to those used in the internal reporting. It must reproduce the internal segment information defined and used by management to measure and drive the Group's performance.

Maurel & Prom's activities are split into three segments: exploration, production and drilling. Information by region is only relevant at the asset level and is presented in the notes on fixed assets. The other activities mainly concern the holding companies' support and financial services. Operating income and assets are broken down for each segment based on the entities' contributing accounts, which include consolidation adjustments.

In € thousands	*Gabon*	*Tanzania*	Production	Exploration	Forage	Other	31/12/2017
Sales	*319,924*	*20,478*	340,402	85	14,271		354,759
Taxes	*(46,335)*	*(214)*	(46,549)	63	(1,572)	(1,647)	(49,705)
Other operating expenses	*(93,837)*	*(5,381)*	(99,218)	(4,883)	(18,710)	(14,049)	(136,860)
EBITDA	***179,752***	***14,883***	**194,635**	**(4,735)**	**(6,011)**	**(15,696)**	**168,194**
Depreciation and amortisation, impairment loss & provisions for assets in production net of reversals	*(95,300)*	*(5,798)*	(101,099)		754	2,823	(97,522)
Provisions and depreciation of drilling assets					(6,124)		(6,124)
Expenses and impairment of exploration assets				4,601			4,601
Other non-recurring expenses						(10,617)	(10,617)
Gain (loss) on asset disposals	*(57)*					1	(57)
Operating Income	**84,395**	**9,085**	**93,479**	**(134)**	**(11,381)**	**(23,490)**	**58,475**
Share of income of equity associates			**51,260**	**(1,423)**			**49,837**
Net cash flow generated from operating activities	***156,829***	***1,329***	**158,158**	**10,740**	**(6,657)**	**1,574**	**163,816**
Intangible investments	*122*	*0*	122	2,105	30	0	2,257
Intangible assets (net)	***117,242***	***16,917***	**134,160**	**1,542**	**19**		**135,720**
Investments in property, plant and equipment	*29,311*	*1,572*	30,883		199	111	31,193
Property, plant and equipment (net)	***1,165,416***	***43,873***	**1,209,289**	**1,624**	**15,137**	**408**	**1,226,457**

The 2016 comparative information is provided below:

In thousands of €	*Gabon*	*Tanzania*	Production	Exploration	Drilling	Other	31/12/2016 (*) adjusted
Sales	*286,729*	*18,156*	304,884	0	12,343		317,227
Taxes	*(38,904)*	*(93)*	(38,997)	(158)	(568)	(693)	(40,415)
Other operating expenses	*(98,333)*	*(5,552)*	(103,885)	1,643	(20,665)	(13,163)	(136,071)
EBITDA	***149,492***	***12,510***	**162,002**	**1,485**	**(8,890)**	**(13,856)**	**140,741**
Depreciation and amortisation, impairment loss & provisions for assets in production	*(103,013)*	*(4,957)*	(107,969)		(4,019)	(9,887)	(121,876)
Expenses and impairment of exploration assets				(7,577)			(7,577)
Other non-recurring expenses						6,487	6,487
Gain (loss) on asset disposals						(373)	(373)
Operating income	**46,479**	**7,554**	**54,033**	**(6,092)**	**(12,909)**	**(17,629)**	**17,402**
Share of income of equity associates			**(30,444)**	**2,809**			**(27,635)**
Net cash flow generated from operating activities	***96,853***	***12,112***	**108,965**	**(2,424)**	**(6,480)**	**(13,743)**	**86,319**
Intangible investments	*130*	*42*	172	7,114	39	0	7,326
Intangible assets (net)	***140,666***	***32,289***	**172,955**	**6,605**	**47**		**179,607**
Investments in property, plant and equipment	*31,937*	*2,142*	34,080		160	353	34,593
Property, plant and equipment (net)	***1,389,241***	***41,403***	**1,430,645**	**1,848**	**22,308**	**436**	**1,455,236**

* Adjusted for the change in accounting method.

Note 3.2: Operating income

Sales

Oil sales, which correspond to the turnover generated by the production of the fields operated by the Company under Production Sharing Agreements, include the deliveries of crude oil for production royalties and the taxes (state/host country share of profit oil) when they are effectively paid.

Oil sales are recognised when oil is delivered to the oil terminals. These sales are adjusted to reflect whether the Group is in an over-lift position (in which case the Group posts a debt to its partners), or under-lift position (in which case the Group posts a receivable).

Given that production is mainly located in Gabon and that the country only possesses one supply route (Cap Lopez), the Group's financial statements can differ significantly depending on whether oil is loaded onto a tanker right before or after the end of a period.

The Group therefore uses the "entitlement method" (method of lifting rights), which consists in measuring oil over-or under-lift positions at realizable value at the end of the period. This method is accepted as common practice in the oil industry.

This method is to change with the transition to IFRS 15 in 2018.

Gas sales are recognised at the point of connection to customers' facilities.

Drilling services sales are recognised using the percentage of completion principle based on the drilling , the progress being measured in terms of depth reached and time spent on the task.

Operating income

The Group uses a number of indicators to assess the performance of its activities:

Earnings before interests, taxes, depreciation and amortization (EBITDA) represents revenues net of the following items:

- purchases of consumables and services (grouped in production purchases and expenses);
- taxes (including mining royalties and other taxes associated with the activity);
- personnel expenses; and
- other income from the activity.

Current operating income corresponds to EBITDA after amortisation and depreciation of tangible and intangible assets, including depletion.

Items between Current operating income and Operating Income correspond to income and expenses considered as unusual, non-recurring and material, including:

- material capital gains and losses resulting from asset sales;
- impairment of operating assets;
- depreciations related to discontinued exploration assets;
- expenditures incurred in the exploration phase (up to the identification of a prospect), given their unpredictable volatility , as it depends on the results of the exploration activities;
- costs relating to business combinations and restructuring.

The Brent's price rise and the subsequent increase of sale prices(the average sale price was US$53/bbl in 2017 versus US$42.7/bbl in 2016, which represent a 24% increase) enables the Group to present a 12% increase in sales and a 14% increase in EBITDA despite a drop in oil production in Gabon over the period.
Current operating income has more than tripled over the period, mainly due to a lower depletion charge in Gabon.

Non-recurring expenses include:
- €5.6 million of drilling assets impairment, resulting from the review of the recoverable value of two rigs;
- €6 million of exploration assets impairment resulting from the rejection by TPDC of the development project submitted for M'Kuranga in Tanzania;
- €1 million of exploration expenditures in Canada and Myanmar, corresponding to remaining work commitments expensed over the period, in line with the impairments decided at the end of 2015.
- €9,5 million of and non-recurring fees and incentive compensation expenses borne by the Group as part of the Pertamina takeover;
- €11 million of revenue linked to the compensation received from the Government of Québec, following the withdrawal of rights to prospect for hydrocarbons and underground reserves on Anticosti Island.
The cessation of work at the end of the exploration program had been negotiated in return for CAD$16.2 million compensation for Maurel & Prom Group which held a 21.7% interest in the Anticosti Island project.

Note 3.3: Fixed Assets

Maurel & Prom partly conducts its exploration and production activities under Production Sharing Agreements (PSAs). This type of contract, signed with the host country, sets rules for cooperation (eventually in association with other partners) and for production sharing with the government or the state-owned company that represents it, and defines the taxation terms.
Under these agreements and up to its own share in the operations, the Company agrees to finance the exploration and production operations, in exchange of a production share also known as "cost oil". The sale of this production share normally enables the Company to recover its investments alongside the operating costs incurred; the production balance (also known as profit oil) is then divided into variable proportions between the Company and the State, the State part hence includes the taxation part corresponding to the revenue of this activity taxes payments.
Under such Production Sharing Agreements, the Company recognises its share of assets, income and profit in the lights of its percentage held on the concerned permit.
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 depreciated on a straight-line basis over the estimated duration of the permit during the exploration phase. However, during the development phase they are depreciated in line with the depletion rate of the oil production facilities. In case of the withdrawal from the permit or if the exploration does not succeed, the remaining depreciation is recorded once and for all.
- Acquired mining rights: Acquisitions of mining rights are recorded as intangible assets and, if they have led to the discovery of oil reserves, they are depreciated according to the unit-of-production method based on proven and probable reserves. The depreciation rate equals the ratio between the field's hydrocarbon production of the year and the proven and probable hydrocarbon reserves at the beginning of the same 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 cost" 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 expenditures that do not result in a commercial discovery are recognised under expenses for the total amount incurred once it is decided to permanently abandon works in the concerned area or in the connected zone.
When the technical feasibility and commercial viability of the oil production project can be proven (analysis based on the outcome of appraisal wells or seismic study work, etc.) and following the issuance of an Exclusive Development and Production Authorisation (AEDE), these costs then become development costs, a portion of which is transferred to property, plant and equipment, depending on their nature.
Once an impairment indicator appears (permit expiration date, absence of further budgeted exploration expenses, etc.), an impairment test is carried out to ensure that the carrying value of the activated 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 assets include all exploration-related costs transferred to property, plant and equipment following discovery as well as those relating to field development (production drilling, surface installations, oil routing systems, etc.).

Depletion

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 amortisation rate equals the ratio of the field's hydrocarbon production during the year to the proven reserves at the beginning of the same 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 related field.

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 year to the proven developed reserves at the beginning of the same 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.

Costs of site remediation

Provisions for site remediation are recognised when the Group has an obligation to dismantle and remediate sites.

The discounted site remediation cost is capitalised and added to the value of the underlying asset and depreciated 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 opereation 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 (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 production: the transfer of costs booked as intangible 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; and
- 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 non-current intangible assets

Other intangible assets are recognised at acquisition cost and posted on the balance sheet at this value, after deducting cumulative amortisation and depreciation if any.

Depreciation is calculated on a straight-line basis and the depreciation period is based on the estimated useful life of different categories of intangible assets depreciated over a period ranging from one to three years.

Other property, plant and equipment

The gross amount 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 term 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 equipment: 3 to 20 years;
- Technical facilities: 3 to 10 years;
- Fixtures and fittings: 4 to 10 years;

- Transportation equipment: 3 to 8 years;
- Office and computer equipment: 2 to 5 years; and
- Office furniture: 3 to 10 years.

Finance lease contracts are agreements whose effect is to virtually transfer 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 assets at fair value, or at the discounted value of the rent 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 which are not finance leasing agreements as defined above are recognised as regular leasing contracts. Payments for operating leases 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 23.

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 carrying value is lower than their recoverable amount; with the recoverable amount defined as the higher between the fair value (less exit costs) and the value in use. The value in use is determined by discounting future cash flows expected from the use and disposal of the assets.
Concerning the oil assets in production, cash flows are determined based on the hydrocarbon reserves identified, the related production profile and the discounted sale prices after taking into account the applicable tax terms as defined in the Production Sharing Agreements.
The permit is generally used as the cash-generating unit (CGU). A CGU is a set of assets whose ongoing use generates cash flows that are largely independent of the cash flows generated by the other groups of assets. In certain cases, a permit may contain exploration and production assets.
With regard to the Group's other activities, impairment tests are performed on the basis of the Company's business plans, including a terminal value.
The discount rate used takes into account the risk associated with the activity and its geographical location.
If the recoverable amount is lower than the net carrying value, an impairment is recognised for the difference between these two amounts.
This impairment may be reversed according to the net carrying value that the asset would have held on the same date, had it not been impaired. However, impairment losses recorded on goodwill are irreversible.

Note 3.3.1 Intangible assets

In € thousands	31/12/2016 published	Method change	31/12/2016 (*) adjusted	Currency translation adjustment	Investments	Transfer	Impairment and exploration expense	Amortisation	31/12/2017
Ezanga (Gabon)	205,367	(64,701)	140,666	(16,634)	122			(6,912)	117,242
Mnazi Bay (Tanzania)	42,023	(9,735)	32,289	(3,199)		(9,279)		(2,894)	16,917
Assets attached to producing permits	247,391	(74,436)	172,955	(19,833)	122	(9,279)	0	(9,806)	134,160
Kari (Gabon)	27,835	(27,835)	0	(0)	0				0
Nyanga Mayombe (Gabon)	22,175	(21,143)	1,032	(45)	530				1,518
Bigwa Rufiji Mafia -BRM (Tanzania)	14,550	(8,985)	5,565		191		(5,756)		0
Permits 44&45 (Namibia)	5,826	(5,826)	0		0				0
Sawn lake (Canada)					329		(329)		
Anticosti (Canada)					202		(202)		
Bloc M2 (Myanmar)					818		(818)		
Others	8		8	(0)	35	0	0	(19)	24
Assets attached to permits in exploration	70,394	(63,789)	6,605	(45)	2,105	(0)	(7,104)	(19)	1,542
Drilling	47	0	47	(2)	30	1		(58)	19
Intangible assets(net)	**317,832**	**(138,225)**	**179,607**	**(19,880)**	**2,257**	**(9,277)**	**(7,104)**	**(9,883)**	**135,720**

For Mnazi Bay, the transfers of intangible assets to property, plant and equipment were due to the reclassification of some expenses incurred during exploration phase on assets which are now in development.
The recoverable value of all the assets in the Group’s exploration portfolio were analysed in accordance with IFRS6 and IAS 36.
No impairment was recognized on the intangible assets of Ezanga, Kari, Nyanga and Mnazi Bay.
€6 million impairment of exploration assets was recognised resulting from the rejection by TPDC of the development project submitted for M'Kuranga in Tanzania.
All exploration expenditures in Canada and Myanmar corresponding to remaining work commitments were transferred to expenses for the period.
The changes in intangible assets for the previous year are stated below:

In € thousands	31/12/2015 published	Method change	31/12/2015 (*) adjusted	Currency translation adjustment	Investments	Transfer	Impairment and exploration expense	Amortisation	31/12/2016 (*) adjusted
Ezanga (Gabon)	220,022	(68,567)	151,455	220	130	(198)	0	(10,941)	140,666
Mnazi Bay (Tanzania)	33,317	(10,150)	23,168	1,455	42	10,776		(3,152)	32,289
Assets attached to producing permits	253,340	(78,716)	174,623	1,675	172	10,578	0	(14,093)	172,955
Kari (Gabon)	27,027	(27,434)	(407)	723	401		(401)	(316)	(0)
Nyanga Mayombe (Gabon)	18,986	(18,631)	355	677	2,513		(2,513)		1,032
Bigwa Rufiji Mafia -BRM (Tanzania)	14,550	(8,985)	5,565	0	664		(664)		5,565
License 44&45 (Namibia)	5,147	(5,147)	0	0	679		(679)		0
Fiume Tellaro (Italy)	7		7	0	0		0	(7)	0
Sawn lake (Canada)	0		0	0	575		(575)		0
Anticosti (Canada)	0		0	0	1,383		(1,383)		0
Bloc M2 (Myanmar)	0		0	0	866		(866)		0
Other	13		13	0	33	0	0	(39)	8
Assets attached to permits in exploration	65,730	(60,197)	5,533	1,400	7,114	0	(7,081)	(362)	6,605
Drilling	131		131	(0)	39	0		(124)	47
Intangible assets (net)	**319,201**	**(138,913)**	**180,288**	**3,075**	**7,326**	**10,578**	**(7,081)**	**(14,578)**	**179,607**

The breakdown of intangible assets net values between gross and amortization is as follows:

In € thousands	Goodwill	Oil search and exploration rights	Exploration expenses	Other	Total
Gross value at 31/12/2016	6,403	219,403	94,655	4,644	325,105
Amortization at 31/12/2016	(6,403)	(56,337)	(78,729)	(4,029)	(145,498)
Net book value at31/12/2016 (*)	**(0)**	**163,066**	**15,927**	**615**	**179,607**
Gross value at 31/12/2017	6,403	193,235	73,759	3,974	277,371
Amortization at 31/12/2017	(6,403)	(57,870)	(73,759)	(3,620)	(141,651)
Net book value at 31/12/2017	**0**	**135,366**	**(0)**	**355**	**135,720**

* Adjusted for the change in accounting method.

Note 3.3.2 Property, plant and equipment

In € thousands	31/12/2016 published	Method change	31/12/2016 (*) adjusted	Currency translation adjustment	Investments	Transfer	Impairment and exploration expense	Amortisation	31/12/2017
Ezanga (Gabon)	1,399,563	(10,322)	1,389,241	(164,748)	29,311			(88,388)	1,165,416
Mnazi Bay (Tanzania)	41,403		41,403	(5,477)	1,572	9,279		(2,905)	43,873
Assets attached to producing permits	1,440,967	(10,322)	1,430,645	(170,225)	30,883	9,279	0	(91,293)	1,209,289
Nyanga Mayombe (Gabon)	1,848		1,848	(224)					1,624
Assets attached to permits in exploration	1,848	0	1,848	(224)	0	0	(0)	0	1,624
Drilling	22,308		22,308	(2,419)	199	(1)	(4,304)	(646)	15,137
Other	436		436	(6)	111			(133)	408
Property, plant and equipment (net)	**1,465,558**	**(10,322)**	**1,455,236**	**(172,873)**	**31,193**	**9,278**	**(4,304)**	**(92,072)**	**1,226,457**

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

Pursuant to IAS 36, impairment tests were performed in order to determine the recoverable value of the assets.
The recoverable value of drilling assets was measured at €15 million, resulting in the recognition of a €5 million loss on intangible assets and €0.6 million on inventories.
Concerning the production activities in Gabon and Tanzania, the value in use was determined on the basis of the reserves, costs and future cash flows resulting from reports of independent appraisers.
The calculation assumptions are based on (i) a forward price for Brent of US$58/bbl in 2018, US$63/bbl in 2019, US$68/bbl in 2020 and US$74/bbl as from 2021 for oil sales or the contract gas price for gas sales, and (ii) a discount rate of 9.2%. A reasonable change in one of the pertinent indicators of these impairment tests, i.e. a decrease in the selling price of 5% (in the case of Ezanga), of -5% in the production, or of 100 basis points in the discount rate would not lead to impairment of the production assets.

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

In € thousands	31/12/2015 published	method change	31/12/2015 (*) adjusted	Currency translation adjustment	Investments	Transfer	Impairment and exploration expense	Amortisation	31/12/2016 (*) adjusted
Ezanga (Gabon)	1,425,933	(10,322)	1,415,611	35,642	31,937	(1,877)		(92,071)	1,389,241
Mnazi Bay (Tanzania)	53,751		53,751	1,273	2,142	(13,959)		(1,805)	41,403
Assets attached to producing permits	1,479,684	(10,322)	1,469,362	36,915	34,080	(15,836)	0	(93,876)	1,430,645
Nyanga Mayombe (Gabon)	1,873		1,873	47	0	(72)			1,848
Sawn Lake (Canada)			0		235		(235)		0
Assets attached to permits in exploration	1,873		1,873	47	235	(72)	(235)	0	1,848
Drilling	22,306		22,306	697	160	225		(1,080)	22,308
Other	560		560	0	118	(0)		(242)	436
Property, plant and equipment (net)	**1,504,423**	**(10,322)**	**1,494,101**	**37,659**	**34,593**	**(15,683)**	**(235)**	**(95,199)**	**1,455,236**

The breakdown of property, plant and equipment net values between gross and amortization is as follows:

In € thousands	Land and buildings	Technical facilities	Down payments and construction in progress	Other	Total
Gross value at 31/12/2016	8 798	2 072 196	891	79 590	2 161 475
Amortization at 31/12/2016	(2 100)	(696 033)	(492)	(7 614)	(706 239)
Net book value at 31/12/2016 (*)	**6 698**	**1 376 164**	**398**	**71 976**	**1 455 236**
Gross value at 31/12/2017	7 723	1 863 786	865	68 794	1 941 168
Amortization at 31/12/2017	(2 327)	(704 434)	(551)	(7 398)	(714 711)
Net book value at 31/12/2017	**5 395**	**1 159 352**	**314**	**61 396**	**1 226 457**

* Adjusted for the change in accounting method.

Note 3.4: Inventories

Inventories are valued according to the FIFO ("First In, First Out") 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 realizable value is lower than the cost of inventories.

In € thousands	31/12/2016	Currency translation adjustment	Change	Impairment / Reversals	31/12/2017
Inventories (net)	**9,181**	**(342)**	**(1,506)**	**(833)**	**6,501**

Inventories essentially consist of consumables.
The depreciation of drilling inventories results from the impairment test on drilling assets explained in the Note regarding assets.

Note 3.5: Trade receivables

Trade receivables are initially recognised at fair value and then at amortised cost.
At the end of the period, write-downs are created in the event of proven risk of non-recoverability.

In € thousands	31/12/2016	Currency translation adjustment	Change	Impairment / Reversals	31/12/2017
Ezanga (Gabon)	8,350	(1,237)	3,880		10,992
Mnazi Bay (Tanzania)	16,735	(3,076)	17,988		31,647
Drilling	5,479	(771)	1,850		6,558
Other	94		1		91
Trade receivables (net)	**30,657**	**(5,088)**	**23,719**	**0**	**49,288**

Trade receivables on Ezanga for hydrocarbon sales essentially reflect the receivables from Total Oil Trading SA and Sogara, both of which purchase production from the Ezanga permit fields. The change in the balance of receivables for the period is due to timing variances in lifiting.

The outstanding receivables on Mnazi Bay for natural gas sales are mostly from the national company TPDC and Tanesco.

Trade receivables on drilling mainly correspond to receivables related to leading oil companies.

The recoverability of all of these receivables is not called into question. There is no significant impaired receivable.

Note 3.6: Other assets

Other current assets include assets related to the regular operating cycle, some of which can be produced more than 12 months after the reporting date. These other current assets are initially recognised at fair value and then at amortised cost.
At the end of the period, write-downs are created in the event of proven risk of non-recoverability.

In € thousands	31/12/2016	Currency translation adjustment	Change	Impairment / Reversals	31/12/2017
Advances	3,183	(362)	101		2,922
Prepaid expenses	877	(55)	140		961
Tax and social security receivables	65,945	(3,107)	11,748	(3,653)	70,933
Other assets (net)	**70,004**	**(3,524)**	**11,990**	**(3,653)**	**74,817**
Gross	77,270	(3,524)	5,025		78,771
Impairment	(7,266)		6,965	(3,653)	(3,954)
Non-current	38,708	8	113		38,829
Current	31,296	(3,532)	11,877	(3,653)	35,988

"Tax and social security receivables" are mostly composed of VAT receivables, some of which are shown under non-current assets as they have been included in a non-current repayment schedule.

Note 3.7: Trade payables

In € thousands	31/12/2016	Currency translation adjustment	Change	Impairment / Reversals	31/12/2017
Ezanga (Gabon)	41,325	(5,003)	(11)		36,311
Mnazi Bay (Tanzania)	1,225	(116)	(547)		561
Drilling	2,405	(422)	2,792		4,775
Other	5,124	(159)	734		5,700
Trade payables	**50,079**	**(5,700)**	**2,968**	**0**	**47,347**

Note 3.8: Other debts

In € thousands	31/12/2016	Currency translation adjustment	Change	Impairment / Reversals	31/12/2017
Social security liabilities	8,748	(677)	1,649		9,720
Tax liabilities	22,655	(3,397)	12,238		31,496
Fixed asset suppliers	1,680	(33)	42		1,689
Advances	25,785	(3,122)	(0)		22,663
Miscellaneous liabilities	32,779	(3,596)	1,163		30,346
Other debts	**91,648**	**(10,825)**	**15,093**	**0**	**95,915**

Note 3.9: Provisions

In accordance with IAS 37 – "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has an obligation at 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) as well as those between the projected and actual return on funds invested are called actuarial gains and losses. They are recognised as other items of comprehensive income, without the possibility of being subsequently recycled through income. The cost of past services is recognised under income, whether they are acquired or not.*

In € thousands	31/12/2016	Currency translation adjustment	Increase / Reversal	Accretion	31/12/2017
Site remediation	39,007	(4,439)	(38)	1,288	35,818
Pension commitments	1,085	(11)	(181)		892
Other	19,600	(1,189)	(874)		17,536
Provisions	**59,692**	**(5,639)**	**(1,094)**	**1,288**	**54,247**
Non-current	45,076	(4,450)	(220)	1,288	41,062
Current	14,616	(1,189)	(874)		13,185

Site remediation provisions for production sites are established based on specialists' appraisal/ report and updated using US Bloomberg Corporate AA rates to remain aligned with the duration of the commitment. For example, a 4.7% rate projected over 40 years is used to calculate the provision for the Ezanga remediation.

The other provisions cover various risks including tax and employee-related risks in the Group's various host countries.

Note 4 : Financing

Note 4.1: Financial income

In € thousands	31/12/2017	31/12/2016
Interest on overdrafts	(44)	14
Interest on ORNANE bonds	(27,340)	(13,499)
Interest on Shareholder loan	(3,799)	
Interest on other borrowings	(17,293)	(22,197)
Gross finance costs	**(48,476)**	**(35,682)**
Income from cash	1,249	1,289
Net income from derivative instruments	5,776	2,315
Net finance costs	**(41,451)**	**(32,078)**
Net foreign exchange adjustment	(31,006)	3,985
Other	(1,097)	(2,144)
Other net financial income and expenses	**(32,102)**	**1,841**
FINANCIAL INCOME	**(73,553)**	**(30,238)**

The gross cost of debt takes the effective interest rate of the loan (i.e. the actuarial rate which takes into account issuance fees), which explains the disconnection with the interest effectively paid over the period. Interest expense for the period on the ORNANE bonds includes a €20 million non-recurring expense generated by the recognition in P&L of a portion of ORNANE issuance costs after an early redemption. The cost of this early redemption is spread over the term of the borrowing.
The net gains and losses on derivative transactions mainly reflect the change in the fair value of the equity instrument on the ORNANE bonds between the closing date of the previous year and this period-end as at 31 December.
Net foreign exchange variances are mainly due to the revaluation of the Group's foreign currency positions at the closing rate, especially those whose functional currency is not in US$ contrary to the Group one..
Other financial income and expenses mainly include the accretion of the provision for site remediation.

Note 4.2: Other financial assets

Other current assets are initially recognised at fair value and then at amortised cost.
At the end of the period, write-downs are created in the event of proven risk of non-recoverability.

In € thousands	31/12/2016	Currency translation adjustment	Change	Impairment / Reversals	31/12/2017
Equity interests	0				(0)
Equity associates current accounts	1,707	(43)	1,060		2,724
Deposits	75,173	(8,322)	(63,003)		3,848
Miscellaneous receivables	112,046	(9,761)	(32,014)	(3,253)	67,019
Other financial assets (net)	**188,926**	**(18,125)**	**(93,957)**	**(3,253)**	**73,590**
Non-current	76,879	(8,364)	(61,944)	0	6,572
Current	112,046	(9,761)	(32,014)	(3,253)	67,019

The decrease in the "deposits" line is due to the repayment of the Revolving Credit Facility (RCF). In consequence US$75 million security deposit where released.
The decrease in "miscellaneous receivables", €9 million is compsed of proceeds from arbitration with Dominion Oil & Gas, and the recovery of carry receivables from partners under the terms of certain oil contract mechanisms. The pace of recovery of these carry receivables is based on the activity's regular operating cycle and may consequently exceed 12 months.

Note 4.3: Cash and cash equivalents

Bank deposits are composed of short-term investments of excess cash.

In € thousands	31/12/2017	31/12/2016
Liquid assets, banks and savings banks	166 ,072	77,845
Short-term bank deposits	790	114,954
Investment securities	50,046	0
Cash and cash equivalents	**216,908**	**192,799**
Bank loans (*)	(653)	(147)
Net cash and cash equivalents	**216,255**	**192,653**

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

Note 4.4: Borrowings

In € thousands	31/12/2016	Currency translation adjustment	OPA (*)	New borrowings repayment	New borrowings proceeds	Interest disbursements	Other	31/12/2017
Term Loan (600M$)	0	(8,246)			501,355			493,109
Shareholder loan		(597)	187,873	(188,582)	84,688			83,382
ORNANE 2019	239,841		(120,913)	(131,963)			13,035	
ORNANE 2021	100,534		(66,960)	(48,174)			14,599	
RCF (400M$)	288,288	(13,051)		(275,237)				
Other	37						(37)	
Lease financing debt	2,112	(296)					40	1,856
Non-current	630,812	(22,190)	(0)	(643,956)	586,043		27,638	578,347
ORNANE 2019							288	288
ORNANE 2021							3	3
RCF (400M$)	88,938	(7,315)		(67,806)		(13,817)		
Lease financing debt	285						59	343
Current bank loans	147	0			551	(44)	0	653
other	3						(3)	
Accrued interests	10,667					(10,465)	454	656
/ Intermediate shareholder loan						*(3,720)*	3,720	
/ shareholder loan(100M$)							79	*79*
/ ORNANE 2019	*4,111*					*(2,053)*	(2,058)	
/ ORNANE 2021	*3,162*					*(1,299)*	(1,864)	
/ Term loan (600M$)							577	*577*
/ RCF	*3,394*					*(3,394)*	0	
Currents	100,040	(7,315)	0	(67,806)	551	(24,327)	800	1,943
Borrowings	**730,852**	**(29,505)**	**(0)**	**(711,761)**	**586,594**	**(24,327)**	**28,437**	**580,290**

(*) Linked to the early repayment of ORNANE bonds funded by a PIEP shareholder loan of the same amount. This column does not include the impact of early repayment on profit and loss.

Note 4.4.1 Bonds

In compliance of IAS 32 and IAS 39, the ORNANE bonds are hybrid instruments with two components recognised separately:

- an option to convert to shares, recognised on the balance sheet as a debt derivative (interest rate derivative);
  This option was measured at fair value (at level 2 in the fair value hierarchy) using a binomial model that assumes observable market volatility, spreads and maturities. Changes in fair value are then recognised in the income statement.
- a debt instrument, initially recorded on the balance sheet for the fair value of the ORNANE bonds, after deducting the corresponding transaction costs and the option's fair value. The instrument is then recognised at an amortised cost.

In case the holders decide to exercise their rights to allot their shares, at the issuer's discretion, those bonds enable or,

- a cash payment for an amount below the nominal value if the reference price for the underlying share is lower than this nominal value;
- a cash payment corresponding to the number of shares to be delivered multiplied by the reference price for the underlying share;
- at the issuer's discretion, a cash payment (ranging from 0 to 100% of the conversion value of the ORNANE bonds), combined with a payment in new and/or existing shares for the fraction exceeding the amount paid in cash.

or,

- total payment in shares: the number of shares to be delivered is then equivalent to the number that would be delivered for a conventional ORNANE bond with identical features.

ORNANE 2019 – On 6 June 2014, the Group issued 14,658,169 ORNANE bonds reaching maturity on 1 July 2019, with a unit exercise price of €17.26 and a coupon of 1.625% payable every six months.

ORNANE 2021 – On 12 May 2015, the Group issued 10,435,571 ORNANE bonds reaching maturity on 1 July 2021, with a unit exercise price of €11.02 and a coupon of 2.75 % payable every six months.

Following the change of control of the Group, bearers of the 2019 and 2021 ORNANE had the option to request the early repayment in cash of all or some of their bonds between 6 February 2017 and 3 March 2017. The early repayment of 7,005,394 ORNANE 2019 bonds and 6,076,181 ORNANE 2021 bonds, which were cancelled, was made on 10 March 2017. This early repayment was financed through funds made available to Maurel & Prom by PIEP through shareholder loans under the terms of the ORNANEs (i.e., at the interest rate and maturity stated above excluding the conversion option).
After this transaction, there were 7,652,775 ORNANE 2019 bonds outstanding, 7,635,839 of them held by PIEP, and 4,359,390 ORNANE 2021 bonds outstanding, 4,359,150 of them held by PIEP.
In December 2017, as part of its refinancing strategy, the Group redeemed all the 2019 and 2021 ORNANE bonds held by PIEP for a total €180 million and then proceeded to cancel them.
At period end, only 16,936 of the 2019 ORNANE and 240 of the 2021 ORNANE bonds were left outstanding. The Group therefore decided to exercise its right to early repay the 2019 and the 2021 ORNANE bonds issues in accordance with the terms of their respective Offer Documents, effective on 12 February 2018.

The derivative instruments recognised in "non-current derivative financial instrument liabilities" on the balance sheet represent the fair value of the optional component of the ORNANE bonds. Changes in fair value are then recognised in the income statement.

In € thousands	31/12/2016	Change	Income	31/12/2017
Financial instruments	(5,776)	0	5,776	(0)

Note 4.4.2 Other borrowings

Other borrowings are initially recognised at 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 a loan's effective interest rate (i.e. the actuarial rate taking issuance costs into account).

By refinancing the entire debt on favourable terms, the Group has now rescheduled its repayments over seven years, including two grace periods. It was also s an opportunity to align the functional currency of financial holdings with that of operational entities and denominate them in US dollars,hence reducing future exposure to exchange rate fluctuations.

Shareholder loans

This early repayment of ORNANE bonds in March 2017 was financed through funds made available to Maurel & Prom by PIEP through a shareholder loan under the terms of the ORNANE, in the amount of €188 million.
In December 2017, as part of its refinancing strategy, the Group repaid this shareholder loan made available by PIEP on the terms and conditions drawn up at the time of the takeover, in the amount of €189 million (including accrued interest).

A shareholder loan was set up with PIEP in the initial amount of US$100 million, with a second tranche of US$100 million drawable at Maurel & Prom's discretion;
The terms of this facility are as follows:
Initial amount: $100 million
Additional amount: US$100 million drawable at discretion
Maturity: December 2024
First repayment: December 2020
Repayment: 17 quarterly instalments
Interest rate: LIBOR + 1.60 %.

Maurel & Prom Revolving Credit Facility

On 18 December 2014 the Group had signed a credit facility which features have not changed since then:
Initial amount: $400 million
Additional amount: $250 million until 31 December 2016
Maturity: 31 December 2020, i.e. 6 years
First repayment: 31 December 2017
Interest rate: LIBOR +3.40% until 31/12/2018, then +3.65%.

The first three repayments of US$18.7 million each, in accordance with the initial repayment schedule, were made on 1 January, 1 April 2017 and 1 October 2017.
In December 2017, as part of its refinancing strategy, the Group repaid this facility in the amount of US$325 million. This permitted the unlocking of US$75 million in liquid assets previously locked-in as collateral.

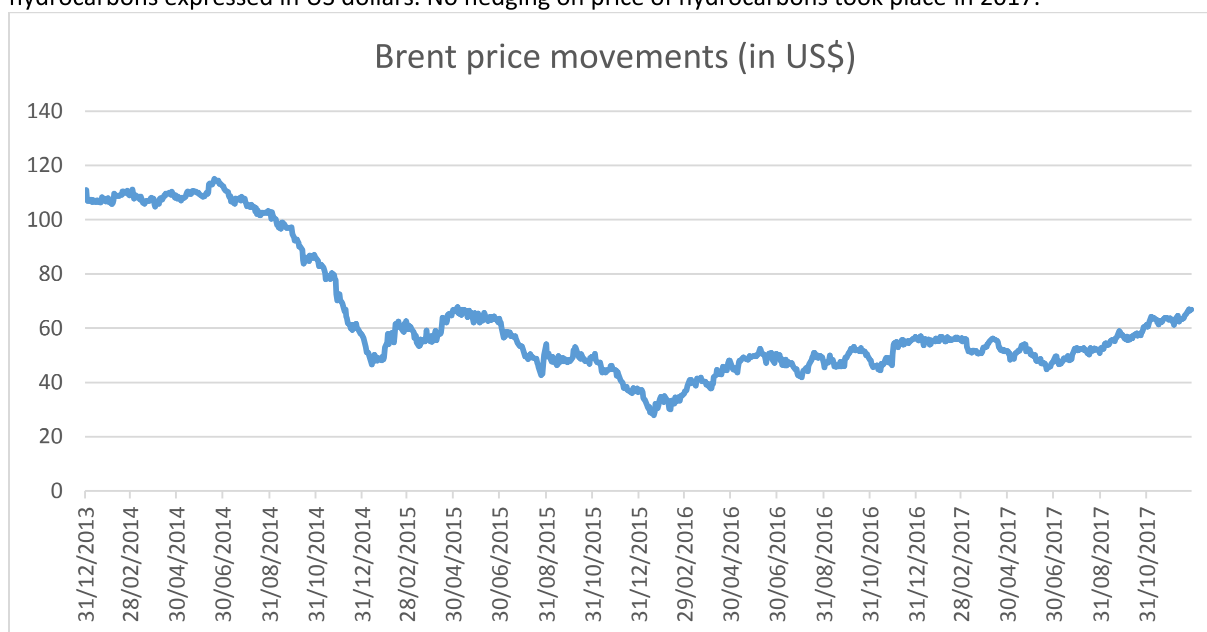
US$600 million term loan

The Group had signed a US$600 million term loan with a group of nine international banks on 21 December 2017.
The terms of this loan are as follows:
Initial amount: $600 million
Maturity: December 2023
First repayment: March 2020
Repayment: 16 quarterly instalments
Interest rate: LIBOR + 1.50 %.

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 price of hydrocarbons took place in 2017.



The economic environment was marked by a sharp drop in the price of Brent as from mid-2014. This fell from US$113/bbl in 2014 to US$38/bbl at the end of December 2015 before eventually rising to US$57/ bbl at the end 2016, and US$67 as at December 2017. Over 2017 as a whole, the average price of Brent remained steady at US$54/bbl versus US$47/bbl in 2016.
A decrease of 10% in the price of oil from the average price in 2017 would have impacted sales and EBITDA by -€36million.

Note 5.2: Foreign exchange risk

Although the Group's reporting currency is the euro, its functional currency tends to be the US dollar since sales, most operating expenses and most investments are denominated in this currency. Consequently, the Group's accounts are highly sensitive to the €/US$ exchange rate.

Given that its activity is to a large extent international, the Company is 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;
- furthermore, there is a foreign exchange risk linked to the conversion into euros of the Group's entities accounts whose functional currency is the US dollar. The resulting exchange gain/loss is recorded in other items of comprehensive income.

The Group also holds liquid assets in US dollars intended to finance its projected investment expenses in that currency.

The impact on consolidated income and on shareholders' equity as at 31 December 2017 of a 10% rise or fall in the €/US$ exchange rate is shown below:

In € thousands	Impact on pre-tax income		Impact on exchange gain/loss (equity capital)	
	10% rise in €/US$ exchange rate	10% decline in €/US$ exchange rate	10% rise in €/US$ exchange rate	10% decline in €/US$ exchange rate
US$	(4,135)	4,135	(34,249)	34,249
Other currencies				
Total	**(4,135)**	**4,135**	**(34,249)**	**34,249**

The average annual €/US$ exchange rate remained unchanged at US$1.11 for €1 in 2016 versus US$1.13 for €1 in 2017. The €/US$ exchange rate at 31 December 2017 was 1.20 versus 1.05 at 31 December 2016.

Against this backdrop, the Group booked an exchange loss of €31 million in financial income and a decrease in translation adjustment reserves of €107 million.

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 2017.

The Group's consolidated foreign exchange position as at 31 December 2017 (i.e., positions on the currencies in which transactions were conducted) was US$41 million and can be analysed as follows:

In $ thousands (2017)	Assets and liabilities	Commitments in currencies	Net position before hedging	Hedging instruments	Net position after hedging
Trade payables	(46,568)		(46,568)		(46,568)
Other creditors and sundry liabilities	5,218		5,218		5,218
Exposure to US$	**(41,350)**	**0**	**(41,350)**	**0**	**(41,350)**

Note 5.3: Liquidity risk

Due to the nature of its industrial and commercial activity, the Group is exposed to a liquidity shortage risk or to a risk that its financing strategy proves to be inadequate. The oil prices remaining low over the long term might exacerbate this risk for it could affect the Group's ability to obtain refinancing
A report on the sources of financing available at 31 December 2017 appears in Note 4.4: Borrowings.

The Group's liquidity is detailed in the consolidated cash flow statements drawn up weekly and sent to executive management.
Seven-day, monthly, quarterly and year-end forecasts are also prepared at the same time.
The earnings are compared to forecasts using those statements, which, in addition to liquidity, make it possible to assess the exchange position.

As at 31 December 2017, the Group had cash and cash equivalents amounting to €216 million (including US$215 million).
To the Company's knowledge, there are no limitations or restrictions on the raising of cash from the Group's subsidiaries.

The table below shows the breakdown of financial liabilities by contractual maturity (in €k):

In € thousands	2 018	2 019	2 020	2 021	2 022	>5ans	Total contractual flow	Total balance sheet value
shareholder loan	2,625	2,618	7,530	21,851	21,236	40,625	96,485	83,461
ORNANE 2019	3						3	3
ORNANE 2021	288						288	288
Revolving Credit Facility							0	0
Term Loan (600M$)	15,792	15,748	139,347	135,376	131,450	127,523	565,236	493,686
Current bank loans	653						653	653
Lease financing debt	343	285	285	285	285	3,040	4,522	2,200
TOTAL	**19,704**	**18,651**	**147,161**	**157,513**	**152,970**	**171,188**	**667,186**	**580,290**

The Company has specifically reviewed its liquidity risk and its future maturities.
At 31 December 2017 the Company was in compliance with all ratios set out in the Term Loan, even though no tests is to be expected at that date. As at the present Annual Report date, the Group believes that it is in a position to meet its contractual maturities.

For information, as at 31 December 2016, the non-discounted contractual flows (principal and interest) on the outstanding financial liabilities, by maturity date, were the following:

In € thousands	2 017	2 018	2 019	2 020	2 021	>5ans	Total contractual flow	Total balance sheet value
ORNANE 2019	4,111	4,111	257,083	0	0		265,305	243,952
ORNANE 2021	3,162	3,162	3,162	3,171	118,132		130,791	103,697
Revolving Credit Facility	93,064	83,711	81,070	154,035			411,881	380,620
Other	3	37					40	40
Current bank loans	147						147	147
Lease financing debt	285	285	285	285	285	3,383	4,806	2,397
TOTAL	**100,773**	**91,306**	**341,600**	**157,491**	**118,417**	**3,383**	**812,971**	**730,852**

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 at 31 December 2017 amounted to €580 million. It mainly consisted of two floating-rate loans.
As at 31 December 2017, the interest rate risk can be assessed as follows:

In € thousands	31/12/2017	31/12/2016
ORNANE 2019	3	243,952
ORNANE 2021	288	103,697
Other		37
Fixe rate	290	347,686
Revolving Credit Facility	0	380,620
Term Loan (600M$)	493,686	
shareholder loan	83,461	
Lease financing debt	2,200	2,397
Current bank loans	653	150
Floating rate	580,000	383,167
Borrowings	**580,290**	**730,852**

A one-point rise in interest rates would result in an additional interest expense of €10 million per year on the income statement.

A significant portion of cash is held in floating rate deposits with a short term horizon. A one-point rise in interest rates would result in a €2 million increase in income.

Note 5.5: Counterparty risk

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

In € thousands	31/12/2017		31/12/2016	
	Balance sheet total	Maximum exposure	Balance sheet total	Maximum exposure
Non-current financial assets	6,572	6,572	76,879	76,879
Other non-current assets	38,829	38,829	38,708	38,708
Trade receivables and related accounts	49,288	49,288	30,657	30,657
Current financial assets	67,019	67,019	112,046	112,046
Other current assets	35,988	35,988	31,296	31,296
Cash and cash equivalents	216,908	216,908	192,799	192,799
Total	**414,603**	**414,603**	**482,386**	**482,386**

Maximum exposure corresponds to the balance sheet outstanding net of provisions. The Group believes that there is no significant counterparty risk, as its production is mainly sold to a leading oil group: Total Gabon. Guarantees are in place to cover outstanding amounts on gas sales in Tanzania. Other financial and non-financial current assets do not present any significant credit risk.

Note 5.6: Country risks

The Group has a significant share of its production and reserves located in countries outside the OECD area, some of which may be characterized 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, actions of terrorist groups, 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 significant negative 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 uncertain. 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. The intervention of governments in these countries, which may be strengthened, may concern different areas, such as:

- allocation or refusal to grant exploration and production mining rights ;
- imposition of specific drilling requirements;
- control of prices and / or production quotas as well as export quotas;
- higher taxes and royalties, including those related to retroactive claims, regulatory changes and tax adjustments
- renegotiation of contracts
- late payments;
- Currency restrictions or currency devaluation.

If a host State intervenes in one of these areas, the Group could be exposed to significant costs or have its production or asset value decline, which could have a significant negative impact on the Group's financial position.

Nonetheless, at the closing 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.

Note 5.7: Fair value

IFRS 13 establishes a 3-level hierarchy for measuring fair value:
Level 1: the quoted market prices in an active market at valuation date for identical assets or liabilities (to those being measured),;
Level 2: inputs other than the prices in Level 1 (quoted prices) that are observable either directly or indirectly on market based data. for the asset or liability;
Level 3: inputs not based on observable market data (for example, these data come from extrapolations). The latter level applies when no market or observable data exists and the Company is required to make its own assumptions when estimating the data that other market operators would have used to measure the fair value of the asset.

In € thousands	Level		31/12/2017 Balance sheet Total	31/12/2017 Fair value	31/12/2016 Balance sheet Total	31/12/2016 Fair value
Non-consolidated equity interests	Available-for-sale securities	a	(0)	(0)	0	0
Non-current loans and receivables	Loans and receivables	b	6,572	6,572	76,879	76,879
Trade receivables and related accounts	Loans and receivables	b	49,288	49,288	30,657	30,657
Other current financial assets	Loans and receivables	b	67,019	67,019	112,046	112,046
Cash and cash equivalents		c	216,908	216,908	192,799	192,799
Total Assets			**339,786**	**339,786**	**412,382**	**412,382**
Other borrowings and financial debt	Liabilities at amortized cost	d	496,539	496,539	383,203	383,203
Bonds	Liabilities at amortized cost	e	290	290	347,649	360,300
Derivative financial instruments	*Fair value*	e	0	0	5,776	5,776
Trade payables	*Fair value*	b	47,347	47,347	50,079	50,079
Other creditors and sundry liabilities	*Fair value*	b	95,915	95,915	91,648	91,648
Total Liabilities			**640,091**	**640,091**	**878,354**	**891,006**

The fair values are based on the following assumptions:

a. Non-consolidated equity interests classed as available-for-sale securities, like non-current loans and receivables (linked primarily to equity associates or non-consolidated equity interests), are valued at cost since it is not possible to determine a reliable fair value. Checks have been carried out to ensure that there are no impairments to be recorded;
b. The net carrying value of trade receivables, other current financial assets, trade payables and other creditors and liabilities is judged to correspond to a reasonable approximation of their fair value given their short-term nature;
c. The net carrying value of the Group's cash corresponds to its fair value given that it is considered to be liquid;
d. As all other borrowings and financial debts were arranged at variable interest rates, their balance sheet value reflects fair value;
e. The fair value of the ORNANE 2019 bonds was recalculated by applying the binomial valuation model (which was used to value the optional component) to the bond component. The valuation of the bonds was level 2 fair value. The revaluation at fair value of the derivative component of the ORNANE bonds was calculated at 31 December 2017.

Note 6 : Other information

Note 6.1: Income taxes

The tax expense on the income statement includes the current tax expense or income and the deferred tax expense or income.
Deferred taxes are recorded based on the temporary differences between the carrying 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 timing differences, are not taken into account unless their recovery is likely. To ascertain the Group's ability to recover these assets, the following elements are particularly taken into consideration:

- the existence of sufficient temporary differences taxable by the same tax authority for the same taxable entity, which will create taxable amounts on which unutilized losses for tax purposes 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 is demonstrated, the other deferred tax assets relating to losses carried forward are not recognized in excess of deferred tax liabilities in the absence of sufficient probability of for lack of sufficient likeliness future taxable profits on which the carried forward losses could be offset. From a structural perspective, this is notably the case for Etablissements Maurel & Prom S.A. (parent company).
The corporate income tax expense payable mainly reflects the income tax recognized for the state's share of profit oil on the Ezanga permits in Gabon.
Deferred tax income primarily results from the depreciation of the timing 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, the tax charge and tax paid

In € thousands	Deferred tax	Current tax	Total
Assets at 31/12/2016 (*) adjusted	**33,295**	**1,264**	**34,560**
Liabilities at 31/12/2016 (*) adjusted	**(351,963)**	**(6,355)**	**(358,318)**
Net value at 31/12/2016 (*) adjusted	**(318,667)**	**(5,091)**	**(323,758)**
Tax expense	(1,666)	(26,132)	(27,798)
Payments		25,921	25,921
Currency translation adjustment	38,679	654	39,333
Assets at 31/12/2017	**27,096**	**445**	**27,541**
Liabilities at 31/12/2017	**(308,752)**	**(5,092)**	**(313,844)**
Net value at 31/12/2017	**(281,655)**	**(4,647)**	**(286,303)**

Note 6.1.2 Breakdown of deferred taxes

In € thousands	31/12/2017	31/12/2016 (*) adjusted
Remeasurement of property, plant and equipment	27,096	33,295
Deferred tax assets	**27,096**	**33,295**
Remeasurement of property, plant and equipment	308,752	351,963
Deferred tax liabilities	**308,752**	**351,963**
Net deferred tax	**281,655**	**318,667**

Note 6.1.3 Reconciliation between the tax expense and pre-tax income

In € thousands	31/12/2017	31/12/2016 (*) adjusted
Pre-tax income from continuing operations	34,759	(40,470)
- Net income from equity associates	49,837	(27,635)
Pre-tax income excluding equity associates	**(15,079)**	**(12,835)**
Distortion taxable base Gabon	(16,615)	(37,564)
Distortion taxable base Tanzania	(3,465)	(4,028)
Taxable income (I)	**(35,159)**	**(54,428)**
(a) Theoretical tax income(I*33,33%)	**11,719**	**18,141**
		0
(b) Tax recognised in income	**(27,798)**	**(10,428)**
Difference (b-a)	**(39,517)**	**(28,568)**
- Tax difference on recoverable costs and Gabon tax rate	636	14,291
- Tax difference on recoverable costs and Tanzania tax rate	(2,302)	(2,149)
- Profit oil tax / notional sales	(27,284)	(22,469)
- Non-activated deficits and other	(10,567)	(18,241)

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 calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential 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.

	31/12/2017	31/12/16 (*) adjusted
Net income for the period in € thousands	**6,620**	**(50,983)**
Share capital	195,340,313	195,340,313
Treasury shares	4,312,391	5,448,245
Average number of shares outstanding	**191,027,922**	**189,892,068**
Number of diluted shares	**192,162,922**	**189,971,575**
Earnings per share (€)		
Basic	0,03	-0,27
Diluted	0,03	-0,27

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 profit or loss for the year.

Free shares grants 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 free shares is determined on its stock exchange price on the allocation date (minus discounted future dividends).

Following the approval by the General Shareholders' Meeting of 18 June 2017, the Board of Directors is authorized to repurchase up to 10% of the Company's existing share capital at a maximum unit price of €8.
Within the context of this repurchase plan, no shares were bought in 2017 and 1,263,880 shares were created after the free share award.
These shares were immediately cancelled to keep the number of Company shares unchanged.
Over the same period, 2,251,381 shares were bought and 2,306,635 shares were sold under the liquidity contract.
At 31 December 2017, the Company held 4,312,391 treasury shares (2.21 % of share capital for a gross value of €53 million at end-2017), including 91,857 shares under the liquidity agreement.

At 31 December 2017, according to the table of capital transfers below, there were 195,340,313 shares of the Company, and the share capital was €150,412,041.01.

In euros	Number of shares	Treasury shares
At 31/12/2015	**195,340,313**	**5,576,271**
- Share buyback		-128,026
At 31/12/2016	**195,340,313**	**5,448,245**
- Share buyback		-1,135,854
At 31/12/2017	**195,340,313**	**4,312,391**

The allocations of grant shares awarded are as follows:

Date of allocation decision	Vesting date (*)	Number of shares
30/08/2013	30/08/2013	34,000
28/03/2014	28/03/2014	56,840
28/02/2016	28/02/2017	1,080,600
31/03/2017	31/03/2018	895,000
24/04/2017	24/04/2018	240,000

(*) The minimum lock-in period for the shares held by beneficiaries is set at two years from the vesting date.

Note 6.4: Related parties

In € thousands	Income	Charges	Amount receivable from related parts (net)	Amount payable to related parts
1) Equities affiliated				
Maurel & Prom Colombia BV			2,758	
Seplat			0	-0
2) Other parts linked				
PIEP		(7,146)		83,382

Note 6.4.1 Shareholder loans with PIEP

On 2 March 2017, Etablissements Maurel & Prom signed two shareholder loans with PT Pertamina Internasionall Eksplorasi dan Produksi (PIEP) to provide the amounts required to repay the 2019 and 2021 ORNANE bonds to holders of shares who requested early redemption as a result of the change in control of the Company following the takeover bid by PIEP. The annual interest rate on the two loans was 1.625% and 2.75%, respectively. No collateral was agreed for these loans.
The terms of these two loans were amended on 10 December 2017 to allow for early repayment. They were repaid early on 20 December 2017.

On 11 December 2017, Etablissement Maurel & Prom signed a new shareholder loan with PIEP for an initial US$100 million, with a second tranche of US$100 million tappable at the Company's discretion. The annual interest on this loan is LIBOR + 1.6%. It is subordinated to the term loan signed on 10 December 2017. No collateral was agreed for this loan.

Note 6.4.2 Agreement to redeem ORNANE bonds held by PIEP

On 10 December 2017, Etablissements Maurel & Prom and PIEP signed an agreement setting out the terms for the redemption of all 2019 and 2021 ORNANE bonds held by PIEP. All ORNANE bonds held by PIEP were redeemed on 21 December 2017.

Note 6.4.3 Agreement with Pacifico

Etablissements Maurel & Prom had also signed a subletting agreement for office premises with Pacifico. The rent received by the Company under the sublease agreement amounted to €41K for the fiscal year. This lease was terminated by an addendum dated 25 August 2016 with effect from 31 March 2017.

Note 6.5: Off-balance-sheet commitments - Contingent assets and liabilities

Note 6.5.1 Work commitments

Oil work-related commitments are valued based on the budgets approved with partners. They are revised on numerous occasions during the year depending on aspects such as the results of oil work carried out.
Unconditional commitments made to governments for 2018 as part of permit applications are limited to two mandatory wells in Gabon on the Kari and Nyanga and a seismic contingency in Tanzania. No information has been provided relating to equity associates.

Note 6.5.2 Lease commitments

The Group has an operating lease for its Paris offices. The nine-year-term lease was signed in 2013. Future minimum payments will be approximately €1 million/year.
The Group also has an operating lease for the industrial exploitation material for its in-production assets. The four-year term contracts were signed in 2014 with an expiration date at the end of 2018. Future minimum payments will be approximately €10 million/year.

Note 6.5.3 US$600 million term loan

Maurel & Prom West Africa S.A., sole and whole owner of Maurel & Prom Gabon, is the borrower of a new US$600 million term loan signed on 10 December 2017. This loan is guaranteed by the parent company Etablissements 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 it payment obligations under this loan.
No Group assets have been pledged as collateral; however, restrictions on the use of some Maurel & Prom Gabon and of Maurel & Prom West Africa bank accounts were specified in the event of default on this new loan (except in some cases).
Furthermore, under the terms of the new loan, Maurel & Prom West Africa has undertaken to ensure that some financial ratios are met at 30 June and 31 December of each year:

- the ratio of Group consolidated net debt to EBITDAX (earnings before interest, taxes, depreciation, amortisation and impairment net of the impact of exchange gains and losses and exploration costs), not to exceed 4.00:1.00, calculated over the 12 months preceding the reference date;
- the Group debt service cover ratio (DSCR) calculated over the six months preceding the reference date, to be higher than 3.50:1.00; and
- Group Tangible Net Worth to exceed US$500 million at each reference date.

Maurel & Prom West Africa, Etablissements Maurel & Prom and Maurel & Prom Gabon have also committed to maintaining a minimum consolidated amount of US$100 million cash in their bank accounts. In case of failure Etablissements Maurel & Prom would be forced to draw on the unused portion of the PIEP shareholder loan described above.

Etablissements Maurel & Prom has agreed, that the total dividend paid out per calendar year for a period of 36 months after drawdown will not exceed US$10 million while guaranteeing that minimum working capital requirements agreed by the parties will be respected.

Note 6.5.4 Subordination agreements with PIEP

On 17 April 2017, Etablissements Maurel & Prom signed an agreement to subordinate to the Revolving Credit Facility (RCF), the debt resulting from the shareholder loans granted by PIEP for the 2019 and 2021 ORNANE bond issues. As the two shareholder loans of 2 March 2017 were repaid early, this commitment is no longer relevant.

As part of the new term loan signed on 10 December 2017, Etablissements Maurel & Prom, Maurel & Prom West Africa and Maurel & Prom Gabon signed on 11 December 2017 a subordination agreement whereby certain dividends and debts of Etablissements Maurel & Prom, Maurel & Prom West Africa and Maurel & Prom Gabon are subordinated to the new term loan.

Note 6.5.5 Financial support agreement with PIEP

As part of the new term loan signed in December 2017, Maurel & Prom West Africa signed a Sponsor Support Agreement with PIEP and the credit agent whereby PIEP promises to make available to Maurel & Prom West Africa the necessary funds in the event of a payment default for the new loan.

Note 6.5.6 Rockover

Under the terms of the procurement contract signed in February 2005 between Etablissements Maurel & Prom, the Rockover Group, Betty & Dickson Trustees Limited (now Mayfair Trustees Limited) as trustee of Masasa Trust (with Rockover, the "Vendors"), Maurel & Prom has undertaken to pay to the Vendors:

- a 2% royalty once total cumulative production from all fields sold to Maurel & Prom (excluding Banio) exceeds 39 million barrels. This threshold was reached in the last days of December 2014. Since then, a royalty expense has been recognised commensurate with production. It is paid monthly;
- a US$1.30 royalty per produced barrel once the combined total production of all permit areas exceeds 80 MMbbl; and
- a 10% royalty on the production from the sole Banio field, once its total production exceeds 3.865 million barrels.

The contract also requires Maurel & Prom to pay royalties to Masasa Trust on operating permits resulting from the MT 2000-Nyanga Mayombe exploration permit
- a 2%royalty fee on total available production up to 30 MMbbl and
- a 1.5% royalty fee for all production above .

This commitment is recognised as an expense commensurate with production, on the understanding that production at the Banio field (the only operating permit resulting from the MT 2000-Nayanga Mayombe project to date) is currently suspended with no resumption date indicated.

Note 6.5.7 Other

Under the Ezanga PSA, the Gabonese state has a right of entry once an Exclusive Development Authorisation is granted.

Under the agreement signed on 26 July 2012 to acquire Cyprus Mnazi Bay Limited from Wentworth, Wentworth will be paid up to US$5 million in monthly instalments based on the level of production. The production threshold was exceeded over the last quarter of 2016 and the commitment is recognised as a monthly expense. US$1.5 million had been paid as at 31 December 2017. In the event that production exceeds 100 million cubic feet of gas per day over a consecutive 30-day period, the balance becomes due.

Note 6.6: Group workforce

At 31 December 2017, the Group had 532 employees.

Note 6.7: Executive compensation

Principal Officers includes Directors (management team composed of the Chairman, the Chief Executive Officer and the Chief Operating Officer) and members of the Board of Directors.

In € thousands	31/12/2017	31/12/2016
Short-term benefits	1,534	1,562
Share-based payment	923	881
Total	**2,457**	**2,443**

Note 6.8: Auditors' fees

Fees paid to statutory auditors (including members of their networks), are analysed below:

In € thousands	KPMG		IAC		KPMG		IAC	
	Amount	%	Amount	%	Amount	%	Amount	%
	2017.				2016.			
Audit								
* Statutory audit, certification, examination of individual and consolidated financial statements:								
- Issuer	617	83%	365	81%	570	77%	350	79%
- Fully consolidated subsidiaries	39	5%	70	16%	93	13%	70	16%
* Other measures and services directly related to the mission of the statutory auditor:								
- Issuer	73	10%	15	3%	30	4%		
- Fully consolidated subsidiaries	10	1%						
Other services rendered via the networks to fully consolidated subsidiaries								
TOTAL	**739**	**100%**	**450**	**100%**	**693**	**94%**	**420**	**95%**

Note 6.9: Events after the reporting period

To Maurel & Prom's knowledge, no events occurred after the reporting period is likely to impact the Company's financial position, assets, earnings or activities.