

**MAUREL
& PROM
ANNUAL
REPORT
2017**

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Etablissements Maurel & Prom

Public Limited Company with a Board of Directors with capital of €150,412,041.01

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This 2017 Annual Report includes the annual financial report as referred to in Article 222-3 of the AMF General Regulations



This Annual Report was filed with the Autorité des marchés financiers on 27 April 2018 pursuant to the provisions of Article 212-13 of its General Regulations. It may be used in support of a financial transaction if it includes the relevant transaction notice from the Autorité des marchés financiers. It was prepared by the issuer and is the responsibility of its signatories.

Incorporation by reference: pursuant to Article 28 of Regulation (EC) No. 809/2004 of 29 April 2004, the reader is referred to prior Annual Reports with regard to certain information:

1 – for the 2016 fiscal year: the management report, consolidated and annual financial statements, including the reports of the Statutory Auditors on those statements, appear in the Annual Report filed on 26 April 2017 with the Autorité des marchés financiers under number D.16-0437;

2 – for the 2015 fiscal year: the management report, consolidated and annual financial statements, including the reports of the Statutory Auditors on those statements, appear in the Annual Report filed on 22 April 2016 with the Autorité des marchés financiers under number D.16-0390.

These documents are available on the websites of the Company www.maureletprom.fr and the Autorité des marchés financiers www.amf-france.org



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1 INTRODUCTION TO THE MAUREL & PROM GROUP

1.1 PROFILE

Maurel & Prom is an oil company specialising in the exploration and production of hydrocarbons. It is listed on Euronext Paris and has its registered office in Paris. The Group generates most of its business in Africa through the exploitation of onshore production assets (in Gabon and Tanzania) and a significant stake in SEPLAT, one of Nigeria's leading operators. Maurel & Prom's proven and probable gross reserves amounted to 216 MMboe at the end of 2017 (79% in Gabon and 21% in Tanzania), while its working interest share of production in 2017 was 23,903 boepd (84% oil, 16% gas).

Maurel & Prom has been backed since 16 February 2017 by PIEP, a subsidiary of oil and gas group Pertamina, and is intended to be the international development platform for Pertamina's upstream activities.

1.1.1 Group oil and gas reserves

The Group's reserves correspond to volumes of hydrocarbons recoverable from fields already in production or volumes revealed by discovery and delineation wells that can be operated commercially. These reserves were certified by DeGloyer and MacNaughton in Gabon and RPS Energy in Tanzania as at 31 December 2017. The reserves presented below in the first table show the Group's share of reserves before royalty payments. The second table shows the Group's share of reserves after royalty payments (it being specified that in Tanzania, royalties are paid directly by TPDC).

⊕ Group reserves at 31 December 2017 – M&P share

P1+P2 reserves M&P share	Oil (MMbbl) Gabon	Gas (Bcf) ⁽¹⁾ Tanzania	MMboe
01/01/2017	178.2	272.3	223.6
<i>production</i>	-7.2	-8.8	
<i>revision</i>	0.2	1.9	
31/12/2017	171.3	265.4	215.5
<i>o/w gross P1 reserves</i>	134.9	146.5	159.3
<i>or</i>	79%	55%	74%

P1+P2 reserves net of royalties M&P share	Oil (MMbbl) Gabon	Gas (Bcf) ⁽¹⁾ Tanzania	MMboe
01/01/2017	157.7	272.3	203.1
<i>production</i>	-6.8	-8.8	
<i>revision</i>	0.2	1.9	
31/12/2017	151.1	265.4	195.3
<i>of which P1 reserves net of royalties</i>	119.1	146.5	143.5
<i>or</i>	79%	55%	73%

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

1.1.2 History



HISTORY

1831

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

1998

- + Refocus on hydrocarbon exploration and production activities
- + Entry into the Congo

2001

- + Discovery of the M'Boundi field in the Congo

2005

- + Entry into Gabon and Tanzania
- + Entry into Colombia and Venezuela through the purchase of Hocol

2006/2007

- + Discovery of Onal in Gabon and Ocelote in Colombia
- + Sale of the Congolese fields M'Boundi and Kouakouala to ENI
- + Entry into Peru

2008/2009

- + Sale of Hocol Colombia to Ecopetrol

2010

- + Entry into Nigeria through the establishment of SEPLAT with local partners

2011

- + Spin-off of activities of Maurel & Prom Nigeria (MPN), later renamed MPI
- + Sale of M&P Venezuela

2013

- + Sale of the Sabanero field in Colombia
- + Entry into Canada

2014

- + Signature of a new production sharing agreement (PSA) at Ezanga in Gabon
- + Signature of a gas sale agreement in Tanzania

2015

- + Merger by absorption of MPI by Maurel & Prom

2016

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

2017

- + Close of the takeover bid by the Pertamina Group, which now holds 72.65% of Maurel & Prom's capital, followed by the refinancing of Maurel & Prom's entire debt

1.2 BUSINESS OVERVIEW

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

1.2.1 Production activities

The Maurel & Prom Group conducts its hydrocarbon production activities through the exploitation of its assets in Gabon and Tanzania.

In 2017 the Group's working interest share of production was equivalent to 23,903 boepd split between conventional oil in Gabon (84% of volume) and gas production in Tanzania (16%).

Hydrocarbon production in 2017

		Q1 2017	Q2 2017	Q3 2017	Q4 2017	12 months 2017	12 months 2016	Chg.17/16
Production operated by Maurel & Prom (100%)								
Oil	<i>bopd</i>	24,303	25,104	26,290	24,144	24,963	27,195	-8%
Gas	<i>MMcf/d</i>	43.3	30.7	60.0	62.2	49.1	43.1	14%
TOTAL	<i>boepd</i>	31,509	30,221	36,268	34,514	33,145	34,365	-4%
Working interest share of production Maurel & Prom								
Oil	<i>bopd</i>	19,442	20,083	21,032	19,315	19,970	21,756	-8%
Gas	<i>MMcf/d</i>	20.8	14.8	28.8	29.9	23.6	20.7	14%
TOTAL	<i>boepd</i>	22,905	22,542	25,828	24,299	23,903	25,202	-5%

Gabon

The average level of oil production in Gabon in 2017 was 24,963 bopd (total production), or 19,970 bopd for M&P's working interest share, down by 8% over the previous year.

This was partly due to the strike that affected production in the first quarter of 2017, but also to the natural depletion of fields on the Ezanga permit, made worse by the almost three-year suspension of the development programme due to the drop in oil prices.

To compensate for the depletion, Maurel & Prom Gabon will be resuming its drilling activities under a programme set to begin in the first half of 2018, which will involve the drilling of 11 development wells and three sidetracks.

In the fourth quarter of 2017, Maurel & Prom signed new contracts with Perenco Gabon and Total Gabon for the transport, processing, storage and loading of the crude oil produced by Maurel & Prom Gabon on the Ezanga permit. Following an agreement signed at the beginning of 2017 by Total Gabon and Perenco Gabon, Perenco Gabon now operates the 12-inch and 18-inch pipelines which transport the crude oil to the Cap Lopez oil terminal where it continues to be processed, stored and loaded by Total Gabon.

Tanzania

Gas production increased steadily since the second quarter of 2017, with a year-over-year increase of 14% compared with 2016. Gas output in 2017 was 49.1 MMcf/d (total production), or 23.6 MMcf/d for M&P's working interest share (48.06%).

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

1.2.2 Exploration activities

In Gabon, exploration activities consisted in finalising the interpretation of the seismic lines on the Kari and Nyanga-Mayombé permits located to the south of the country in preparation for the two wells planned for the end of 2018. The interpretations highlighted a number of prospects, the most important of which requires approach work and demanding logistics for drilling, given the nature of the terrain.

In Colombia, Maurel & Prom has 50% interests in the COR-15 and Muisca blocks through its subsidiary Maurel & Prom Colombia. Seismic lines on COR-15 permit are currently being reprocessed to finalise the establishment of two wells, the drilling of which is expected to start at the end of 2018, subject to obtaining government approvals. On the Muisca permit, the application for environmental approval will be submitted once the COR-15 exploration programme has been finalised.

Maurel & Prom continues to study the prospects for the PEL-44 and PEL-45 offshore permits in Namibia. As operator, Maurel & Prom is reviewing the seismic surveys produced to date; an additional acquisition is planned for 2018 to refine the results on the northern portion of the PEL-44 block.

At the end of July 2017, the Government of Quebec informed Saint-Aubin Energie, a wholly-owned subsidiary of Maurel & Prom, of its intention to exclude the territory of Anticosti Island, for which exploration permits had been granted, from all future hydrocarbon or underground reservoir exploration. Consequently, the end to operations and the exploration programme were negotiated in exchange for financial compensation of CAD16.2 million for Saint-Aubin Energie, which had a 21.7% stake in the project on Anticosti Island.

Maurel & Prom continues to operate in Canada through the Sawn Lake project in Alberta. The pilot test conducted between September 2014 and March 2016 produced excellent results and confirmed the validity of the chosen extraction method (steam assisted gravity drainage). Operations have since been suspended. However, an application for administrative approval was filed in 2016 with the Alberta Provincial Government to increase production to 3,200 bopd through the drilling of four new horizontal well pairs. The application was accepted on 5 December 2017. The project is nevertheless still dormant, and Maurel & Prom is working closely with the operator Andora to define possible options for the project based on the partners' respective market conditions and financing capacities.

In 2017 the operator PetroVietnam and the rest of the partners abandoned the permit on the M2 exploration block in Myanmar in which Maurel & Prom held a 40% stake. This marks the end of the Group's activities in Myanmar.

In France, 2017 saw the signing of the approval to extend the Mios permit and the filing of the application for the Caudos-Nord hydrocarbon exploration concession. The public enquiry into the drilling of two hydrocarbon exploration wells received a favourable opinion. Receipt of the corresponding prefectorial approval is pending.

1.2.3 Drilling activities

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

Caroil's activity remained relatively weak in 2017, being limited to exploration drilling in Tanzania in the first quarter and two rig management contracts on behalf of third parties which continued in the Congo during the fiscal year.

Maurel & Prom also directly owns a drilling rig in Colombia. The drilling rig was leased to a local company as from June 2016. Leasing was billed out in 2017 for a total of US\$2.5 million. The lease was extended in 2018 for a minimum term of eight months.

1.2.4 Registered office

In addition to its main functions (general and strategic management, management of technical, financial, legal and human resources support functions), the registered office managed the entire takeover process initiated by PIEP at the end of 2016 for Maurel & Prom shares, a transaction that closed at the beginning of 2017.

At the end of the first phase of the takeover bid, which was open from 15 December 2016 to 19 January 2017, PIEP held a total of 125,924,574 Maurel & Prom shares and voting rights, representing 64.46% of the capital. Since the minimum condition required in application of Article 231-9 I of the General Regulations of the AMF, i.e. holding a number of shares representing a portion that exceeds 50% of the capital or voting rights of the Company at the completion of the takeover bid was met, the takeover bid was reopened from 27 January 2017 to 9 February 2017.

In total, at the end of the reopening of the takeover bid, PIEP held 141,911,939 Maurel & Prom shares representing the same number of voting rights, i.e. 72.65% of Maurel & Prom's capital and at least 71.39% of its voting rights, 7,635,839 2019 ORNANE bonds (ISIN code: FR0011973577) and 4,359,150 2021 ORNANE bonds (ISIN code: FR0012738144).

On 10 April 2017 the Board of Directors noted the resignation of Jean-François Hénin from his positions as director and Chairman of the Board of Directors and recognised his commitment and the work he had accomplished for the Maurel & Prom Group. At the same time, the Board of Directors noted of the resignation of Gérard Andreck, independent director and Chairman of the Appointments and Compensation Committee, François Raudot Genet de Chatenay, independent director and member of the Appointments and Compensation Committee, and Eloi Duverger, independent director.

The Board of Directors, now chaired by Aussie B. Gautama, has seven members (see chapter 3 – Governance).

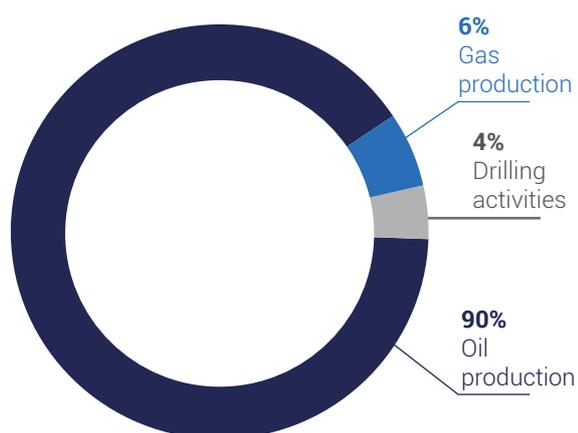
1.3 FINANCIAL INFORMATION

The financial information presented above is taken from the consolidated financial statements as at 31 December 2017.

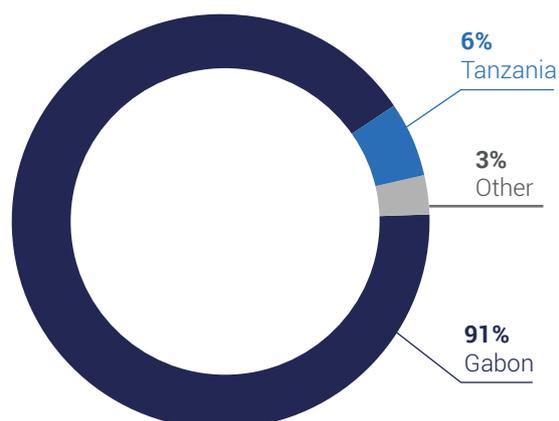
+ Consolidated key figures

in €M	2017	2016
Sales	355	317
EBITDA	168	141
<i>as % of sales</i>	47%	44%
Operating income	58	17
Financial income	-74	-30
Income from equity associates	50	-28
Consolidated net income	7	-50
Cash flow generated by operations	+164	+86
Investments	33	44
Cash at period-end (including collateral deposit)	216	263

Sales by type of activity



Sales by geographic region



Key balance sheet items

in €M	2017	2016
Intangible assets	136	180
Property, plant and equipment	1,226	1,455
Cash at period-end	216	193
Equity, Group share	845	955
Bonds	-	347
Bank borrowings	496	383
Shareholder loan	83	-

1.3.1 Analysis of consolidated income

The economic environment for the oil industry improved significantly in 2017, which had a positive impact on the Group's financial statements at 31 December 2017. The average sale price of oil in fiscal year 2017 stood at US\$53.0/bbl versus US\$42.7/bbl in 2016.

This price increase took sales to €355 million, up by 12%, despite an 8% drop in oil production in Gabon during the period, mainly due to the halt in development drilling dating back to 2015. Maurel & Prom's working interest share of total production (Gabon and Tanzania) stood at 23,903 bopd in 2017, versus 25,202 bopd in 2016.

EBITDA was up by 19% to €168 million, while EBIT increased significantly during the period to €58 million.

Non-recurring expenses of €12 million (net) consisted mainly of asset impairment (drilling rigs, M'Kuranga project in Tanzania) and costs associated with Pertamina's takeover bid. Meanwhile, the Company received compensation of CAD16.2 million from the Government of Quebec following the exclusion of the territory of Anticosti Island from any hydrocarbon or underground reservoir exploration.

Financial income/loss of -€74 million comprised:

- the cost of net debt amounting to €41 million, including €21 million in non-recurring expenses associated with the reclassification as income of a portion of the expenses related to the issue of the loans repaid at the end of 2017;
- a foreign exchange loss of €31 million related to the unfavourable movement in the EUR/USD exchange rate during the period. Note that the refinancing in US dollars will reduce the group's exposure to foreign exchange risk going forward.

Income of equity associates was €50 million. The Group also benefited from an improvement in SEPLAT's results following the recognition of deferred taxes of €221 million, signalling favourable prospects. SEPLAT's investments in equity associates amounted to €125 million, while the market value of M&P's share stood at €148 million at 31 December 2017.

After taking into account all of the above factors, net income stood at a positive €7 million.

The Group's cash flow generated by operations for 2017 amounted to €164 million, almost double what it was in 2016. This was the result of the increase in EBITDA and improvement in the WCR, due in particular to the over-lift position in Gabon.

At 31 December 2017, the Group had €216 million in cash.

Net debt stood at €364 million, down by almost 32% compared to 31 December 2016.

1.3.2 Financing

At end-2017, the Group had successfully refinanced all of its debt on favourable terms, thanks to the support of its new shareholder, the Pertamina Group, and began rescheduling its repayments.

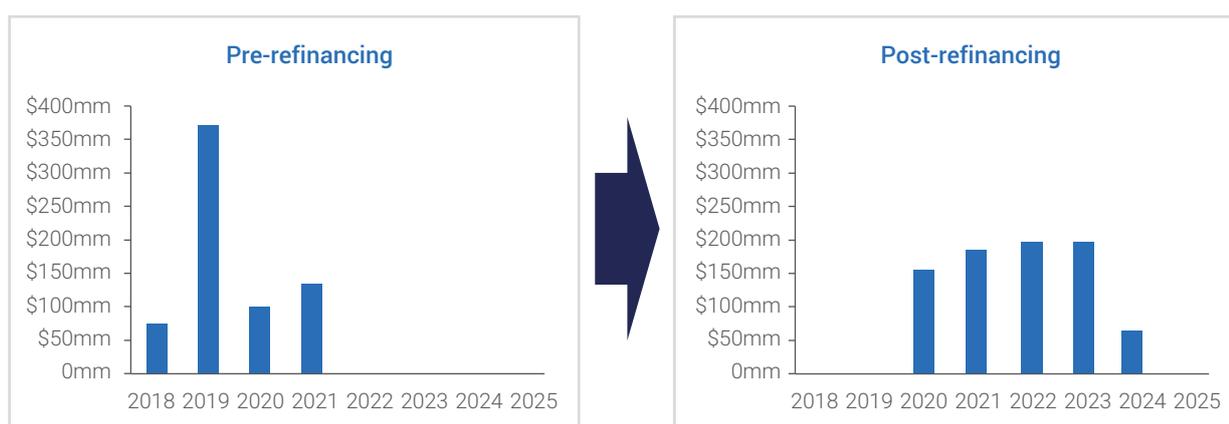
The refinancing transaction is structured as follows:

- **Bank Loan:** a US\$600 million term loan signed with a group of nine international banks;
- **Shareholder Loan:** a shareholder loan set up with PIEP in an initial amount of US\$100 million, with a second tranche of US\$100 million that can be drawn down at Maurel & Prom's discretion;
- **Repayment of US\$762 million in existing debt:**
 - the Revolving Credit Facility (RCF) currently in repayment and amounting to US\$325 million has been closed, also resulting in the release of US\$75 million in cash previously held as collateral;
 - repayment of the shareholder loan made available by PIEP, under the terms laid out at the time of the takeover bid, in the amount of €189 million (US\$224 million);
 - redemption of the ORNANE 2019 and 2021 bonds held by PIEP totalling €180 million (US\$213 million), followed by their cancellation.

This refinancing is a significant step forward for Maurel & Prom:

- **optimised repayment profile,** with a two-year grace period in 2018-2019, followed by steady annual repayments of US\$150 million for the Bank Loan over the period 2020-2023;
- **low interest rate** (Libor + 1.5% for the Bank Loan, Libor + 1.6% for the Shareholder Loan) thanks to the support pledged by majority shareholder Pertamina;
- **alignment of the debt currency with the cash flow currency;** this, together with the change in the functional currency of the Group's financing holdings, in particular Etablissements Maurel & Prom, to the US dollar, will significantly reduce the Group's exposure to the EUR/USD exchange risk going forward.

Following the refinancing, the debt's repayment profile is now as follows:



1.3.3 Company financial statements

Since the takeover bid, which closed on 9 February 2017, PT Pertamina Internasional Eksplorasi dan Produksi ("PIEP"), the wholly-owned subsidiary of Indonesian company Pertamina, holds 72.65% of Maurel & Prom's capital. The Pertamina Group has four directors on the Board of Directors, including Board Chairman Aussie B. Gautama, and therefore controls the Maurel & Prom Group.

Company sales amounted to €18 million in 2017, corresponding exclusively to services and studies provided to the Company's subsidiaries, especially in Gabon and Tanzania.

Operating income – which is structurally negative as the Company bears the cost of the Group's central functions and costs relating to the coordination of a listed structure – was negative for €30 million.

Financial income came in at €49 million, mainly reflecting dividends received from Gabon of €86 million, substantially exceeding the cost of debt (€20 million), and the increase in provisions for current account receivables from some subsidiaries, particularly in drilling activities.

Including the above elements and tax income of €3.7 million, net income for the 2017 fiscal year was €22.9 million, compared with a loss of €37.5 million for the previous year.

At the end of 2017, the Group successfully completed the refinancing and rescheduling of all of its debt (RCF and ORNANE bonds) under favourable conditions, due to the support of its new shareholder, PIEP. The Group's debt, all of which had previously been carried by the Company, is now held within the subsidiary Maurel & Prom West Africa, a temporary holding company for shares of Maurel & Prom Gabon. In December 2017, Maurel & Prom West Africa took out a term loan for US\$600 million, repayable over six years from December 2019. The funds were initially transferred to Maurel & Prom Gabon, enabling it to repay its current account debt to the Company. The Company then made repayments for ORNANE bonds and the RCF.

Alongside these transactions, Maurel & Prom also received a new shareholder loan from PIEP for a maximum amount of US\$200 million, US\$100 million of which had been drawn down at the reporting date.

The transfer of most of the Group's debt to Maurel & Prom West Africa resulted in a significant reduction in the Company's balance sheet. The balance sheet total at 31 December 2017 was €466 million, compared with €1,052 million at 31 December 2016.

Shareholders' equity was stable at €208 million at 31 December 2017, compared with €200 million at 31 December 2016.

1.4 STRATEGY AND OUTLOOK

The increased financial flexibility offered by the refinancing completed at the end of 2017 means that the Maurel & Prom Group can now comfortably pursue its plans for growth and development.

The year 2018 is seeing a resumption of drilling programmes in Gabon for both development and exploration purposes. The drilling programme on the Ezanga permit provides for 11 new development wells and three sidetracks to support production. These are planned for the first half of 2018, with the drilling of the first exploration wells on the Kari and Nyanga-Mayomnbé permits expected to begin in the last quarter of 2018.

The Group is also pursuing an active acquisition policy in line with the wishes expressed by its majority shareholder, PIEP, which wants to make the Group the new international development platform for its upstream oil operations.

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2 RISKS AND CONTROL

2.1 RISK FACTORS

Hydrocarbon exploration and production require high levels of investment that are associated with a high risk of loss of the capital invested, due mainly to risks associated with the geographic, economic, legal, political, environmental or societal factors described hereafter. In addition to risks specific to the oil industry, there are also risk factors relating to the Group's own industrial and commercial activity.

In 2015 the Group produced a map of its risks. It began updating this map at the end of 2016 and completed the task on 31 March 2017. Representatives of the main foreign subsidiaries, central services (Executive Management, Administration Department, Finance Department, Operations Department) and members of the Audit Committee and Risk Observatory contributed to this work.

The aforementioned risk map has led to (i) the establishment of a list of risks that may affect financial resources, operational effectiveness, reputation or regulatory, legal, fiscal, industrial or corporate compliance, (ii) the positioning of risks in relation to one another in terms of impact and when they might materialise, and (iii) the identification of mitigation measures. It is also designed to formalise the non-financial risk analysis and rank issues linked to the environment, corporate responsibility and governance against other risks.

Consequently, investors and shareholders are encouraged to review all the information contained in this Annual Report, including the risks described below, before deciding to invest. If they arise, these are the risks that, at the date of filing this Annual Report, could have a significant adverse impact on the Group, its activity, its financial position and/or its earnings, and that are significant when making investment decisions. Other risks of which the Group is not currently aware or that the Group does not consider significant at the date of this Annual Report could also impact its activities.

2.1.1 Risks linked to the group's oil and gas exploration and production activities

2.1.1.1 Risks linked to the regulatory procedure for obtaining and renewing certain permits

The Group's oil and gas exploration and exploitation activities are subject to the various regulations that apply in this sector (Oil Code, ministerial decrees, laws relating to hydrocarbon exploitation) in each of the countries in which the Group undertakes this activity, particularly as regards the granting of mining rights or the obligations concerning minimum work programmes.

Oil and gas activities, particularly production sharing procedures, operational decisions, recognising and limiting oil costs, certain tax issues in connection with operations and rules of cooperation between the Group and its partners who hold oil or gas exploration or operating permits and secondly the host country, are generally defined in a production sharing agreement ("PSA") between these parties and the host government.

Furthermore, a joint operating agreement ("JOA") generally defines the relationship between parties other than the host government.

In addition to the PSAs, permits are granted by the host government that authorises the Group to carry out its hydrocarbon exploration and production activities. The permits are of limited duration and may be renewed. They also carry obligations regarding surface rehabilitation during the exploration period.

More generally, it is difficult to assess the impact on the conditions for using oil permits that could arise from a downturn in the political or economic situation, or tighter regulations or conditions for obtaining permits in one or more of the countries in which the Group currently holds oil exploration or operating permits.

With respect to Gabon, the country in which the Group carries out most of its production (90% of Group sales), the Gabonese Hydrocarbons Code review currently in progress could have an adverse impact on the terms and conditions applicable to any new contracts or permits taken out by the Company or awarded to it, as well as to its current contracts when they come up for renewal.

2.1.1.2 Risks linked to the appraisal of reserves

The Group's hydrocarbon as at 31 December 2017, as presented in section 1.1.1 of this Annual Report, have been assessed by external appraisers on the basis of economic conditions and by using geological and engineering data to estimate the quantities of hydrocarbons that can be produced. The appraisal process involves subjective judgements and subsequent reviews may be required as more information is obtained about the deposits. A variety of factors beyond the Group's control may lead to a downward revision of these estimates in the future. These estimates may therefore be revised downwards if it appears that the Group's subjective judgements based on available geoscience and engineering data were not sufficiently cautious or if the Group's assumptions regarding factors or variables beyond its control fail to be validated over time. Downward revisions of estimated reserves may lead to lower production volumes which would have a negative bearing on the results of the Group's operations as well as on its profits and financial position.

Any error or inaccuracy in the appraisal of resources and reserves and any downward revision that may result could have in the future a material adverse impact on the Group's activity, financial position and outlook.

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

2.1.1.3 Risks linked to exploration and the renewal of reserves

Exploration activity that relies on the discovery and lifting of hydrocarbons requires major preliminary operations to be undertaken. For example, geological and seismic analyses are conducted prior to exploration drilling. Operations of this type make it possible to decide on the location of exploration drilling, to transition to the production start-up phase if the commercial viability of the discovery has been demonstrated, or to decide whether to pursue exploration.

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

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

In order to limit the technical risks related to exploration, the Company's exploration programmes are validated upstream based on technical criteria and then submitted to the Company's Board of Directors for approval.

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

2.1.1.4 Risks linked to hydrocarbon production capacity

When the estimate of hydrocarbon reserves and the economic analysis justify the development of a discovery, the reserves may, during production, turn out to be lower than initially predicted and thus undermine the economics of the operation.

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

Making these investments and implementing these technologies, generally under difficult conditions, can result in uncertainties about the amount of investment necessary and the operating costs, and have a negative impact that lowers the expected results.

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

Specifically regarding hydrocarbon evacuation, in Gabon, the 12" and 18" export pipeline network transporting oil from the Ezanga permit to the Cap Lopez terminal where the Group evacuates its crude for lifting was sold at the start of 2017 by Total Gabon to Perenco Oil & Gas Gabon, who has become the operator. Taking account of the wishes affirmed by Perenco Oil & Gas Gabon to install an intermediate pumping station on the 18" pipe to ensure the security of crude export via the north in all seasons, the negotiation aimed at using the alternative export to the south (physically in place since 2016) was suspended.

In addition, in order to limit the risks of underestimating investments or production costs and avoid delays in completion:

- all development projects are validated in technical and financial terms before being submitted to the Company's Board of Directors for approval;
- dedicated teams are put in place for each major project;
- risks are continually assessed on the basis of technical and financial reports net of indicators measuring how effectively projects are progressing.

2.1.1.5 Political and security risks

A major part of the Group's activities and hydrocarbon reserves are in countries that may be considered to harbour risks of political or economic instability. In one or more of these countries, the Group could face risks in the future such as the expropriation or nationalisation of its assets, the breach or renegotiation of PSAs, exchange control restrictions, losses due to armed conflict or terrorist groups, or other problems arising from the country's political or economic instability.

Consequently, in order to ground their policy of energy independence, some countries in which the Group operates may in future be led to set up or strengthen measures aimed at promoting the emergence of their own home-grown companies in this sector (such as the formation in Gabon in December 2012 of a national oil company, the Gabon Oil Company, tasked with controlling the Gabonese government's interests in Gabonese oil and oil development companies). Such a policy could lead to heavier participation of the host government in this sector.

The emerging countries in which the Group operates are exposed to significantly higher political and economic risks and risks to personal and material safety than in more developed countries, in particular exposing the Group to the risks mentioned in the first paragraph above. It is also worth noting that the Group carries out the bulk of its hydrocarbon production in just one country which is in itself a risk factor. The occurrence of the risks mentioned in this risk factor could have a material adverse impact on the activity, net income and outlook for the Group.

In order to limit political risks, the Group diversifies its exploration and production programmes across multiple countries and within those countries the Group strives to maintain a discreet presence by emphasising its skills.

2.1.1.6 Risks linked to competition

The Group faces competition from other oil companies to acquire rights on oil permits for the exploration and production of hydrocarbons. Due to its positioning and size, the main competitors of the Group are traditionally "junior" or "mid-size" oil companies. This competitive pressure could have an adverse impact on obtaining new projects and have a material adverse impact on the Group's activity and outlook.

In order to benefit from new opportunities in this competitive environment, and in keeping with oil industry practices (especially with regard to exploration activities), the Group often partners with other oil companies as part of the process for obtaining permits from the competent authorities. This also allows it to share the costs associated with such processes.

The Group is also susceptible to competition from oil companies that have greater financial resources and thus a competitive advantage in relation to any vendors of oil rights.

However, the Group's modest size in comparison with the sector's majors means that it is functionally more flexible and can make decisions faster. This functional flexibility and rapid decision-making may also lend the Group a competitive edge in other countries where it might envision becoming active in the future.

The backing of the Pertamina oil group potentially changes the Group's competitive positioning and could either mitigate or increase the risks related to competition outlined above. The period when the Group and the new shareholder are defining and implementing processes related to decisions, structure and operations is an additional risk factor in and of itself.

To offset this risk, the Group actively works to define and rapidly establish decision-making, organisational, and operational processes that are adapted to its new situation.

2.1.1.7 Industrial, environmental and societal risks

The Group faces industrial and environmental risks that are specific to the oil and gas industry. Among these risks are eruptions of crude oil or natural gas, cave-ins of well heads, spills or leaks of hydrocarbons leading to toxic risks, fires or explosions. In December 2017, the Gabonaise subsidiary recorded an accidental spillage of crude. The subsidiary mobilised the financial, human and technical resources required to clean the pollution. In mid-March 2018, 98% of contaminated land had been totally cleaned (see Chapter 4 – 4.2.2 on the pollution in Gabon).

All these events are capable of endangering human lives or property, damaging or destroying the hydrocarbon wells in production as well as the surrounding facilities, incurring business interruptions and causing environmental damage with certain direct consequences for the health and economic wellbeing of local communities.

The risk of social non-acceptability of new projects or industrial operations is one that is growing in importance. Non-acceptability can cause some projects to be delayed, relocated or discontinued, or induce the risk of blocking or interrupting production. It can also cause breaches in the safety of the Group's staff, contractors or subcontractors, or in the safety of people independent of the Company and its facilities. The Group's exploration and production activities are exposed to this risk directly when the Group is operator or indirectly through its partners, which could result, should the risk occur, in a material adverse effect on the Group's activity, results of operations growth and image. The Group's commitments in terms of sustainable development, which contribute to the reduction of this risk, are presented in section 4.3 of this Annual Report.

As the Group operates in countries where the natural resource extraction sector can account for a significant portion of gross national product (GNP), its operations may face tense labour relations, particularly during a decline in global raw material prices. Such tensions may lead to potentially violent demonstrations and labour demands by its own employees or those of its contractors and subcontractors.

In Gabon, the situation remains complex following the presidential election in August 2016, as the country deals with discontent and social unrest. Since September 2016, the ONEP (Organisation nationale des employés du pétrole, syndicat du secteur pétrolier, the oil sector union) has taken an active role in driving the demands of oil sector workers.

In October 2016, Maurel & Prom Gabon experienced its first strike at the production site, brought about by pressure from ONEP and ending only after an agreement was signed. In January 2017, Shell Gabon announced its intention to sell its assets in Gabon and place the proceeds in an investment fund. This led to a grievance by workers which was supported by ONEP. Under the terms of an agreement signed between Shell Gabon, the ONEP, the employees and the authorities, the employees obtained substantial damages. The ONEP turned to the employees of Maurel & Prom Gabon following the change in the Company's shareholder structure (which the ONEP wrongly likened to a sale, rather than a change of control). On 22 February 2017, the ONEP thus triggered a new strike at the Maurel & Prom Gabon site. As this strike was declared illegal, all operations resumed on 13 March 2017. Following this strike, a social dialogue reconstruction process was put in place at Maurel & Prom Gabon, primarily to re-establish momentum.

Prior to any development, the Group assesses the environmental and social impact of its activities and defines prevention and management programmes in conjunction with the competent authorities. When the Group partners with companies that assume the role of operator, or enters into a contract with a supplier or subcontractor, it is exposed to the risk that these operators may not have sufficient control over environmental and social risks.

The quality of operating partners' health, safety, security and environmental management is a key criterion in investment decisions. The Group takes all reasonable measures to assess and manage environmental and social risks. Risk monitoring and the identification of appropriate means for managing them properly are an integral part of technical and financial project tracking and are carried out to the most stringent professional standards. The non-financial aspects of the projects in which the Group invests are central to its relations with its operating partners. Alongside financial investment, the Group may provide access to its extensive expertise and human and technical resources.

The Group's handling of social and environmental issues in its relations with suppliers and subcontractors is described in section 4.3.3. (B) of this Annual Report. Nevertheless, the procedures implemented by the Group may fall short of protecting it against lack of control of these risks by a third party operator, supplier or contractor, given the Group's limited oversight.

In order to limit industrial and environmental risks, the Group has put in place a Health, Safety and Environment (HSE) policy described in Chapter 4.1.4. of this Annual Report.

The Group also hedges against certain risks through specific insurance policies (see section 2.2 of this Annual Report).

In its oil activities, the Group pays constant attention to preventing industrial and environmental risks and takes care to respect the regulatory constraints of the countries in which it operates and, more generally, any other regulatory constraints that apply to it.

It also monitors national and international legal and regulatory developments concerning industrial and environmental risks on an ongoing basis. Furthermore, the Group constantly seeks to improve its safety, security and risk prevention mechanisms on the production sites.

Details of the Group's environmental policy and the measures taken to limit the Company's environmental impact are presented in section 4.2. of this Annual Report.

The amount of provisions and guarantees for environmental risks at Group level appears in section 4.2.1.(D) of this Annual Report.

Systematic impact studies

In accordance with the applicable regulations in the countries in which the Group operates, systematic impact studies are conducted before the start of any specific work to examine and assess the safety risks and the impact on the environment. In order to identify, quantify and prevent the occurrence of such risks, the Group relies on its own expertise as well as on external experts approved by the governments of the countries involved.

Approval of surface facilities

The Group seeks to obtain the competent ministry's approval with regard to the safety of its surface facilities. This approval may also be required by the Group's insurers and/or by the local government (civil defence).

Authorisation to install pipelines

In compliance with the host country's regulations, the Group carries out the preliminary studies necessary to obtain the authorisations needed to install pipelines to route the hydrocarbons that have been produced.

Standards

The Group applies the American Petroleum Institute (API) specifications and recommendations in respect of its drilling activities. Its production facilities are designed according to the recommendations of American insurance companies (GE GAP Guidelines) and its systems and equipment comply with French or international standards, depending on the area in question (for example, API, ISO, ASME and NF). The Group is also governed by radio and satellite communication standards and requests the relevant authorisations required by the host country.

In projects where it operates, but without acting as operator, the Group ensures that operators apply the best standards in force, such as API, ISO, ASME, GE GAP Guidelines or Environmental Impact Assessment Act CAP E12.LFN 2004 if appropriate.

Safety procedures

The Group continuously maintains and improves its EHS-S management system that is based on IOGP recommendations. A manual of universal documents adapted to the specificities of each subsidiary is a useful and necessary tool for operations to run smoothly. The efforts in regard to environmental protection, health, as well as security and safety of operations are therefore supported, controlled, and taken to the highest levels. Finally, particular efforts are made in training and the transmission of knowledge for long term and robust risk prevention.

Cyber security

The Group's activities also rely on the security and reliability of its information systems. These can be subject to cyber attacks or technical difficulties affecting, among other things, operations, facilities and the safeguarding of intellectual property.

The Group is constantly making improvements in terms of the prevention of industrial and environmental risks. It strives to develop its oil activities while improving the management and operating rules concerning the safety of people, facilities and intellectual property

Preventive actions are designed therefore to strengthen the security and reliability of the information system of industrial assets, even though they do not eliminate integrity risk.

Site remediation

The Group has a standing policy to restore exploration sites (abandonment of dry wells) to their original state once operations are completed. Furthermore, due to the nature of its business, the Group will normally be required to bear the costs of restoring sites that have been affected by operations and oil routing equipment. The Group regularly evaluates and if necessary updates the provisions it has established to cover the future costs of dismantling and restoring the sites. A portion of this site remediation allocation is included in recoverable oil costs.

2.1.1.8 Risks linked to the possible dependence of the Group on customers, suppliers or subcontractors

As the Group does not have its own structure for marketing its hydrocarbon production, it has to enter into agreements with companies specialising in this field.

The Group does not believe this to lead to any counterparty risk, as its production is sold to leading oil groups such as TOTSA (Total group) in Gabon. In Tanzania, gas is sold to the country's national oil company Tanzania Petroleum Development Corporation.

However, the routing of production to Gabon is dependent on the proper functioning of crude transport facilities operated by Perenco Oil & Gas Gabon and the processing, storage and loading facilities operated by Total Gabon SA (see the risk factor "Risks linked to hydrocarbon production capacity" in section 2.1.1.4 of this Annual Report).

The table below shows the Group's share of the sales made with the Group's top customer and top five customers:

	2017	2016	2015
Top customer as a percentage of total sales	82 %	83 %	70 %
Top five customers as a percentage of total sales	99 %	99 %	98 %

The table below shows the Group's share of purchases and capital outlays to its top supplier, top five suppliers and top ten suppliers:

	2017	2016	2015
Top supplier as a percentage of total purchases and capital outlays	26 %	29 %	10 %
Top five suppliers as a percentage of total purchases and capital outlays	43 %	45 %	38 %
Top ten suppliers as a percentage of total purchases and capital outlays	56 %	58 %	50 %

For more information on the Group's counterparty risk, see Note 5.5 "Counterparty risk" in the Notes to the consolidated financial statements in this Annual Report.

2.1.1.9 Risks linked to SEPLAT

Since the merger by absorption of MPI by the Company, MPI's 21.37% minority stake in SEPLAT is held directly by the Company. The SEPLAT stake is consolidated by the Company at market value using the equity method.

As a result, the Company is sensitive to the risks that may impact SEPLAT. If the risks described in sections 2.1.1 and 2.1.2 of this Annual Report, were to impact SEPLAT, this could have a material adverse impact on the Company's activities, results of operations, and development.

All risks identified by SEPLAT for its activities are described in its 2017 Annual Report, available on its website at www.seplatpetroleum.com.

Should any of the identified risks (or other risks not identified in that document) occur, it could have a material adverse impact on the activities and results of SEPLAT and therefore of the Company. Generally speaking, any industrial risks that may impact SEPLAT, its activities and its share price are likely to have a material adverse impact on the Company and/or its share price.

The Company draws attention to the following risks that may affect SEPLAT in particular and have a material adverse impact on its activities and financial position:

- risks linked to the operation of the joint operating agreement between SEPLAT and Nigerian Petroleum Development Company (NPDC): since 30 July 2010, SEPLAT has owned 45% of the rights in Oil Mining Licences (OML) 4, 38 and 41, the remaining 55% being owned by NPDC; any persistent disagreement between SEPLAT and NPDC and/ or significant delay in fulfilling NPDC's financing obligations could have a long-term impact on the sustainable exploitation of OMLs 4, 38 and 41, leading to a material adverse impact on the activities and results of SEPLAT and also of the Company; the same holds true for the joint operating agreements with NPDC on OMLs 53 and 55, for which SEPLAT has indirectly owned 40% and 22.50% of rights respectively since 5 February 2015 and which Seplat was designated operator.
- risks of dependence on suppliers or subcontractors: non-performance, poor performance or late performance by a third party of its contractual obligations to SEPLAT could subject SEPLAT to additional costs and delays or even lead to the discontinuation of projects, which could have a significant unfavourable impact on the activity, outlook, financial position and results of SEPLAT and, by extension, the Company.
- risk of non-renewal of licences (OML) or of modifications to their financial conditions (alignment of the contractual conditions to the terms of the new Petroleum Industry Bill under discussion), for the OMLs 4, 38 and 41, the licences for which expire on 30 June 2019.

With regard to the transport agreement entered into with Shell Petroleum Development Company of Nigeria, SEPLAT has been dealing with a force majeure situation at the Forcados terminal from 21 February 2016 to 6 June 2017. The construction by SEPLAT of an oil pipeline to the Warri refinery facilities, where a barge-transport solution has been implemented, allowed limited evacuation of production during the period.

SEPLAT is now developing a new evacuation route linking its facilities to the Escravos terminal. This solution would provide it with an additional option in diversifying its current routes.

With regard to production from OML 55, delivery to the Bonny terminal is assured by third-party owned facilities; delivery problems or closure of those facilities could have a material adverse impact on the activities and production of OML 55. This also holds true for production from OML 53, which relies on the facilities of OML 124 in Izombe, from where it is exported via pipeline to the Brass oil terminal;

● risks related to dependence on customers: as SEPLAT does not have its own structure for selling its hydrocarbon production to end users, it has to enter into agreements with intermediaries specialising in this field.

The Company does not consider that SEPLAT runs any major counterparty risk in relation to this, to the extent that most of its production is sold, as at the date of this Annual Report, to Shell Western Supply and Trading, a company belonging to the Shell group, one of the world's leading oil groups.

However, SEPLAT remains exposed to other risks inherent in this type of contract, such as contractual non-performance or renegotiation under less favourable conditions.

The Company also draws the attention of investors to the fact that any future Company investment in developing countries with characteristics like those of Nigeria may be subject to risks similar to those described above.

2.1.2 Financial risks

The Group's results are sensitive to various market risks. The most significant of these are hydrocarbon prices, expressed in US dollars, and the euro/US dollar exchange rate.

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

In addition to the negative impact on sales and profitability for the Group, a prolonged period with weak oil or gas prices could lead the Group to re-evaluate its projects and the appraisal of its assets and oil and natural gas reserves (see the risk factor "Risks linked to appraisal of reserves" in section 2.1.1.2 of this Annual Report).

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

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

The Group is also exposed to risks linked to US dollar exchange rate fluctuations; although the euro is the Group's reporting currency for its financial statements, its operating currency is the US dollar. Consequently, the Group's financial statements are highly sensitive to the euro/US dollar exchange rate.

The Group's borrowing terms and financing structure at 31 December 2017 are described in chapter 7.2.1 of this Annual Report. Liquid assets held by the Group are placed in a non-interest bearing current account. To the extent that the Group has recourse to financial markets for its financing, the Group's position and its activities could be affected if access to these markets becomes more difficult.

2.1.2.1 Equity risk

Given the significant percentage of the Company's share capital held by PIEP following the takeover bid, the liquidity of the Company's shares has been reduced from that date. The price per share therefore may not fully reflect the value of the business. It is impossible to guarantee that transactions involving the Company's share capital would increase the liquidity of the shares or even that the administrative and management bodies would take a decision in that sense.

Successive treasury share repurchase plans have been put in place since 12 January 2005. As at 31 December 2017, the Company held 4,312,391 treasury shares for a gross carrying amount of €53.5 million, compared to a market value of €15.2 million. A provision was therefore established in the amount of €38 million.

A 10% decrease in the value of these securities would have a negative impact of €1.5 million on the Company's net income.

The Company does not use any specific hedging instrument.

For more information on the Group's financial risks, see Note 5 "Financial risk & fair value" in the Notes to the consolidated financial statements in this Annual Report:

- Note 5.1, "Risks of fluctuations in hydrocarbon prices";
- Note 5.2, "Foreign exchange risk"; Note that the Company did not use foreign exchange risk hedging instruments in fiscal year 2017;
- Note 5.3, "Liquidity risk";
- Note 5.4, "Interest rate risk"; note that the Company did not use interest-rate hedging instruments in 2017;
- Note 5.6, "Counterparty risk";
- Note 5.7, "Country risks".

2.1.3 Legal risks

2.1.3.1 Legal risks associated with the hydrocarbon sector

As stated in the risk factor "Risks linked to the regulatory procedure for obtaining and renewing certain permits" in section 2.1.1.1 of this Annual Report, the Group's oil and gas exploration and development activity is strictly governed by the various regulations applicable to this sector (Oil Code, law on hydrocarbon exploitation) in each of the countries in which the Group undertakes this activity, particularly with respect to the allocation of mining rights, the durations and legal conditions of development, which focus on the obligations for minimum work programmes and, if applicable, the contractual procedures for sharing production (described in the PSAs).

The oil and gas sector often represents a significant economic weight in the countries where the Group operates, and it may be subject to the payment of royalties, taxes and duties that are higher than other economic sectors.

A downturn in the political or economic situation, a tightening of oil or tax regulations, or of the conditions for obtaining or using permits in one or more countries in which the Group currently holds oil exploration or operating permits, presents a risk that is difficult to evaluate in terms of its impact on the Group's activity, as well as on the valuation and the profitability of the assets that may be concerned.

As indicated in the risk factor "Risks linked to the regulatory procedure for obtaining and renewing certain permits" in section 2.1.1.1 of this Annual Report, with respect to Gabon, the country in which the Group carries out most of its production (90% of Group sales), the Gabonese Hydrocarbons Code review currently in progress could have an adverse impact on the terms and conditions applicable to any new contracts or permits taken out by the Company or awarded to it, as well as to its current contracts when they come up for renewal, and as a result have a material adverse impact on the Group's activity, results of operations, and development.

To limit the legal and tax risks linked to the oil sector, the Group tries to establish adequate, regular relations both with the local authorities and communities in the countries in which it operates.

2.1.3.2 Risks for the Company in the event of a change in shareholder control

The new bank term loan agreed by the Company on 10 December 2017, as part of the refinancing operation for its debt described in section 7.2.1 of this Annual Report, contains a change-in-control clause which could result in any lender requesting immediate repayment of the sums loaned in the event of PIEP ceasing to control the Company.

The change in control of the Company is understood as the event in which PIEP (i) either directly or indirectly, or through the holding of share capital, the exercise of voting rights, the holding of their investment or the management of their rights, contracts or otherwise) ceases to have the power to (A) vote or to exercise control over 50% of the maximum number of votes that may be cast at a General Shareholders' Meeting of the Company, or (B) appoint and/or dismiss all or the majority of members of the Board of Directors or other governing body of the Company, or (c) exercise control over the decisions of the Company or its management policy, or (ii) cease to hold more than 50% of the issued share capital of the Company.

Likewise, there is a case of early repayment of the bank term loan should the Company cease to hold (directly or indirectly) the full share capital issued by Maurel & Prom West Africa and by Maurel & Prom Gabon.

Above all, the Group draws the attention of investors to the regulatory, fiscal and contractual environment inherent to the Group's activities in the hydrocarbon sector, which, in certain jurisdictions, includes provisions that may apply in the event of a change in control of the Company (notably in Gabon, Nigeria and Tanzania).

2.1.3.3 Legal risks linked to the legal and regulatory framework of exploration and production activities in the hydrocarbon sector

As indicated in risk factors "Financial risks" and "Legal risks associated with the hydrocarbon sector" in sections 2.1.2. and 2.1.3.1 respectively of this Annual Report, the Group carries out oil and gas exploration and production activities in a very large number of countries and is therefore subject to a substantial number of regulations, particularly with regard to permit allocation, the durations and legal conditions of operations which focus on the obligations for minimum work programmes and, if applicable, the contractual procedures for sharing production.

The specific risks related to the existence, in most countries in which the Group operates, of legal, fiscal, regulatory or contractual provisions that may apply in the event of a change in control of the Company, are detailed in section 2.1.3.2 of this Annual Report.

2.1.3.4 Risks linked to unresolved disputes

The Group is involved in various procedures and claims in the normal course of its activities. Beside this dispute and the Group's known risks of dispute stated in section 7.7. of this Annual Report, no other governmental, legal or arbitration proceeding exists, including any proceeding of which the Company is aware, whether pending or threatened, that could have or that has had significant effects on the financial position or profitability of the Company and/or the Group over the course of the last twelve months.

2.1.3.5 Risks linked to claims not covered by insurance

In addition to traditional risk cover insurance, the Group has taken out insurance policies that are specific to its business and to the nature and location of its assets. The policy for insuring against risk is set out in section 2.2. of this Annual Report.

The Group deems that the cover provided by the policies it has taken out is reasonably suited to the risks incurred as part of the Group's ongoing activities and complies with extractive industry standards. The discontinuation of hydrocarbon production operations on a field or in a country, for whatever reason, is not covered by business interruption insurance.

2.1.3.6 Compliance risk

Because of its many agreements and decentralised structure, the Group is exposed to potential corrupt practices. In addition to financial penalties, this risk may lead to criminal or civil risk, contract loss or damage to the Group's reputation. Measures taken to combat corruption are presented in section 4.3.4 (A) of this Annual Report.

2.2 INSURANCE

The Group has taken out the following insurance:

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

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

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

Insurance policies related to oil activities cover:

- risks of damage to oil facilities, including the pipeline network and drilling rigs that are reimbursed up to their declared value, risks of real losses of assets that are covered up to their replacement value and risks of pollution related to drilling operations;
- risks of general and third-party liability up to US\$50 million per claim. The total amount of insurance premiums per year paid by the Group is in the order of €1.4 million for the period from 1 March 2017 to 28 February 2018.

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

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

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

2.3 INTERNAL CONTROL AND RISK MANAGEMENT

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

2.3.1 Definition and objectives

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

- that accounting and financial data is true and fair;
- that accounting records are accurate and complete ;
- that the Group's transactions are executed and optimised ;
- that the actions of management, execution of transactions and the conduct of personnel are consistent with the guidelines given to Group operations by the company bodies, and consistent with the values, standards and internal rules of the Group;
- compliance with applicable local laws and regulations;
- safekeeping of the Group's assets by, among other things, providing for the prevention and control of the risks resulting from the Group's business, particularly those detailed in section 2.1 "Risk factors", and Chapter 7 "Additional information", of this Annual Report.

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

2.3.2 Organisation of internal control

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

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

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

2.3.3 Risk management

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

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

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

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

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

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

The main external risks are oil price and the legal and political risks related to the Group's exploration and production regions, as described in section 2.1, "Risk factors", of this Annual Report.

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

The Group has insurance covering several types of risks, including specific policies for its oil activity and the nature and location of its assets. This coverage is described in section 2.2., of this Annual Report.

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

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

- a Code of conduct defining the different types of forbidden behaviour likely to be involved in acts of corruption or bribery;
- an internal whistleblowing system to collect reports behaviour that does not comply with the Code of conduct;
- risk mapping that is regularly updated and aimed at identifying, analysing, and prioritize corruption risks according to activity sectors and geographic regions in which the company operates;

- third-party due diligence assessments of customers, first-tier suppliers, and intermediaries;
- internal or external accounting procedures aimed at ensuring that the accounts are not used to mask acts of corruption or bribery;
- training schemes for managers and staff who are most exposed to corruption and bribery risks within the Group;
- a disciplinary scheme enabling breaches of the Code of Conduct to be punished (acts of corruption and behaviour contrary to the Group's ethics);
- a control and assessment scheme to control and assess measures implemented within the Group.

Therefore, the Company wished to be in full compliance with this new legislation and so implemented an Ethics Charter, a Code of Conduct, Anti-corruption Guidelines, and Know Your Customer appendices across the Group. Within the Group, these texts form the Principles of Conduct and have been distributed within the holding company in Paris and in Gabon, Tanzania, and Colombia.

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

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

2.3.4 Implementation

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

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

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

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

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

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

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

In particular, executive teams approved the assessment made of the CSR risks. For their respective activities, Group entities identified, analysed and measured their risks. The main risk factors identified are described in section 2.1 "Risk Factors", of this Annual Report.

In 2017, reports on the Group's key projects were regularly presented to the Audit Committee and Risk Observatory, particularly by the Finance Department and/or the General Secretariat, so that changes in risks related to these key projects could be shared with control bodies.

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

Maurel & Prom's management control department coordinates the financial preparation of the Group's budget and the consolidated monthly reporting. It conducts analyses of the variations between the budget and the results as well as a general analysis of costs.

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

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

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

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

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

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

The statutory auditors validate the interim and annual financial documents before they are distributed.

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

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

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

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

2.3.5 Supervision of internal control procedures

2.3.5.1 Board of Directors

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

2.3.5.2 The Audit Committee and the Risk Observatory

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

The main duties of these committees are described in sections 3.2.2.3 (a) and 3.2.2.3(b) of this Annual Report.

2.3.5.3 Executive management

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

2.3.5.4 Internal auditors

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

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

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

2.3.5.5 Statutory Auditors

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

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

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

2.3.6 Achievements in 2017 and outlook for 2018

In April 2016, Maurel & Prom Gabon embarked on a process to strengthen its internal control procedures. This involved reviewing all key processes, identifying risks and singling out control processes and procedures that needed to be improved or better formalised. Weaknesses that have been identified during this review were corrected or are being corrected.

At the holding company level, the payment authorisation procedure was strengthened in 2018.

The general secretariat initiated awareness-raising session and training on the Spain II law, allowing each employee to become familiar with the duties and obligations incumbent on them. E-learning programmes will soon be set up to monitor the knowledge and application of the anti-corruption programme among Group employees.

The objective for 2018 is to create a Group internal audit function, directly attached to general management, that will group together all the internal control activities that are currently attached to different departments.

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3 CORPORATE GOVERNANCE

The Company has confirmed that the AFEP-MEDEF Corporate Governance Code, as revised in November 2016 (“**AFEP-MEDEF Code**”), is the corporate governance code with which it voluntarily complies, within the meaning of Article L.225-37 of the French Commercial Code and, in accordance with Article 27.2 of the AFEP-MEDEF Code, that it is a member of the Corporate Governance Steering Committee (*Haut Comité de Gouvernement d’Entreprise*). The AFEP-MEDEF Corporate Governance Code is available on the websites of AFEP (www.afep.com) and MEDEF (www.medef.com).

This chapter contains the report of the Chairman of the Board of Directors, prepared in accordance with Article L.225-37 of the French Commercial Code. The report was prepared by several of the Company’s functional departments, particularly the finance, human resources, legal and administration departments, and has been reviewed by the Audit Committee, the Risk Observatory and the Appointments and Compensation Committee. It was approved by the Board of Directors at its meeting of 24 April 2018.

3.1 STATEMENTS ON CORPORATE GOVERNANCE

In accordance with the “comply or explain” rule of Article L.225-37-4 of the French Commercial Code and Article 27.1 of the AFEP-MEDEF Code, the Company considers that, with the exception of factors disclosed and explained in full below in respect of the fiscal year ended 31 December 2017, the Company complies with the recommendations of that Code.

Article 9 of the AFEP-MEDEF Code: Assessment of the Board of Directors

“The Board assesses its ability to respond to the needs of the shareholders who have entrusted it with the administration of the company by periodically reviewing its composition, structural organisation and operations (which also involves reviewing the Board’s committees).

Each board reviews the desirable balance of its own composition and that of its committees and periodically considers whether its structural organisation and operations are adequate to perform its tasks. [...]

The assessment is carried out as follows:

- *once a year, the Board discusses its operations;*
- *a formal assessment is made at least every three years. This assessment may be carried out under the supervision of the Appointments Committee or an independent director, with the help of an external consultant;*
- *shareholders are informed each year of the assessments carried out and, if applicable, of any steps taken as a result.”*

In light of the significant changes that occurred during 2017 in the composition of the Board of Directors following the change in the Company's shareholder structure, the Board did not carry out any formal assessment of its composition or operations. This was to give the new board members enough time to perform their duties before carrying out such an assessment. A formal assessment will be performed for fiscal year 2018. The Board of Directors nevertheless dedicated one of its agenda items at its meeting of 24 April 2018 to discussing its operations in respect of fiscal year 2017.

Article 19 of the AFEP-MEDEF Code: Directors' code of ethics

"In the absence of legal provisions to the contrary, directors must be shareholders in their own right and, pursuant to the Articles of Association or Bylaws, hold a minimum number of shares to justify the attendance fees received. If a director does not own those shares when he/she takes up office, such director must use his/her attendance fees to purchase them."

The Board of Directors' Bylaws were amended on 30 March 2016 to stipulate that each director must commit to purchasing a minimum number of shares each year for an amount equivalent to €2,000 to be deducted from their attendance fees and keeping those shares in registered form until the end of their term of office. Following the reorganisation of the Board of Directors on 10 April 2017 to reflect the Company's new shareholder structure, the Board of Directors' Bylaws, as amended on 24 April 2017, (the "Bylaws"), stipulate that as from 2017 directors must commit to (i) purchasing 500 shares every year using the attendance fees they receive (or any smaller number of shares corresponding to an amount of €3,000), and (ii) keeping those shares until the end of their term of office. This rule does not apply to the Company's controlling shareholder director or to directors representing the Company's controlling shareholder, to the extent that PIEP holds 141,911,939 of the Company's shares.

Article 21 of the AFEP-MEDEF Code: Termination of employment upon appointment as a corporate officer

"It is recommended that, if an employee becomes a corporate officer, such employee's employment contract with the Company or a company within the Group should be terminated either by signing a severance agreement, or by the employee's resignation."

This recommendation applies to the Chairman, the Chairman & Chief Executive Officer, and the Chief Executive Officer in companies with a Board of Directors, and to the Chairman of the Management Board and to the Chief Executive Officer in companies with a Management Board and Supervisory Board, and to the managing partners of partnerships limited by shares.

It is not aimed at employees of a group of companies who are executive corporate officers in a subsidiary of that group, whether listed or unlisted."

The Board of Directors did not wish to terminate the employment contract of Michel Hochard who, until his appointment as Chief Executive Officer of the Company on 26 May 2014, had held the position of Chief Financial and administrative Officer for the Group for a number of years. The Board of Directors considered that although this provision would be understandable in the case of a director who was recruited externally or was a newcomer to the Group, it would be difficult to justify in the case of a manager who had led a successful career in the Company for a number of years and was now being asked to take on more senior responsibilities.

On an individual level this measure would make the position of interested candidates more precarious given the risks incurred in their new responsibilities, and could lead internal candidates to refuse the position or to require higher compensation, which are certainly not the objectives sought by the recommendations of the AFEP-MEDEF Code. This measure would distance the officers from the corporate fabric, and would be inconsistent with the goals of internal promotion and "sustainable management" which are key to building the Company and its development. Accordingly, the Board of Directors decided to maintain Michel Hochard's employment contract as Chief Financial Officer while still appointing him as Chief Executive Officer. His contract was therefore suspended, in accordance with relevant case law, from the time of his appointment as Chief Executive Officer of the Company and shall remain so until his term of office as CEO expires.

Article 16.2.2 of the AFEP-MEDEF Code: Succession planning for executive corporate officers

"The appointments committee (or an ad hoc committee) should design a plan for replacement of executive corporate officers. This is one of the committee's main tasks, even though such a task may, if necessary, be entrusted by the board to an ad hoc committee."

The composition of the Board and its committees was amended in light of the change in shareholder structure resulting from the takeover bid initiated by PIEP, following which PIEP has owned 72.65% of the Company's capital since February 2017, and in accordance with the agreements related to the takeover bid providing for governance commitments giving PIEP the option of reflecting the new shareholder structure and consequently appointing all members of the Board of Directors, with the exception of independent members. The Board of Directors, as newly comprised on 10 April 2017, appointed a new Board chairman and confirmed the Chief Executive Officer in his position at that same meeting, reappointing him on 22 June 2017. Against this backdrop, a succession plan for executive corporate officers to take account of the new situation in which the Company finds itself and its impact on the Company's governance will be initiated in 2018.

Article 24.3.3 of the AFEP-MEDEF Code: Long-term compensation of executive corporate officers

Performance criteria

"These mechanisms may involve the grant of instruments such as stock options or performance shares or an allotment of securities or a cash payment under multi-year variable compensation plans. [...]"

These plans, whose award must be proportionate to the annual fixed and variable component, should provide for challenging performance conditions that must be met over a period of several consecutive years. These conditions may be performance conditions internal to the company or relative performance conditions, meaning that they are linked to the performance of other companies from a reference sector."

At its meeting of 24 April 2017, the Board of Directors, acting on the recommendation of the Appointments and Compensation Committee and on the authority granted by the Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 15 June 2016, decided to grant 240,000 bonus performance shares to the Chief Executive Officer. The Board approved the plan to award bonus performance shares and set the employment conditions and two performance criteria tailored to the transitional period in which the Company finds itself, as these relate to (i) the success of the transition phase following the acquisition of the Company by PT Pertamina Internasional Eksplorasi dan Produksi ("PEIP") and (ii) participation in the implementation of succession planning and the process for recruiting the future chief executive officer in conjunction with the Appointments and Compensation Committee, and, if necessary, the transfer of files to the future chief executive officer.

The Board of Directors, acting on the recommendation of the Appointments and Compensation Committee, decided that the vesting period for the bonus shares would be three years, it being specified that (i) the definitive grant of performance shares is subject to an employment condition, (ii) the Chief Executive Officer must retain 20% of the shares resulting from the performance share award in bearer form until he steps down from his office, and (iii) he must not engage in risk-hedging transactions on these shares.

The Board of Directors will assess the employment condition and performance criteria on the date of the General Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2017.

This award is part of the specific context of the transitional period in which the Company finds itself following the acquisition of the Company by PIEP which the Board of Directors believes justifies incentivising the Chief Executive Officer to achieve several objectives in the short term, aligning his interests with the Company's corporate interests and the interests of the shareholders.

Risk-hedging transactions

“Executive corporate officers who are beneficiaries of stock options and/or performance shares must make a formal commitment not to engage in any hedging transactions in respect of their own risks, either on options or on shares resulting from the exercise of options or on performance shares, until the end of the period determined by the Board of Directors for holding shares.”

An agreement related to the takeover bid, entered into on 25 August 2016 between the Company, PIEP and PT Pertamina (Persero) (the “TOA”), provided for the commitment on the part of PIEP to implement a bonus share liquidity mechanism for all beneficiaries whose shares were not available to be contributed to the takeover bid. Following the success of the takeover bid, an addendum to the TOA was signed on 2 March 2017 primarily to provide for the parties’ commitments regarding the signing of the liquidity agreements. Pursuant to these agreements, PIEP offered all beneficiaries whose shares were not available to be contributed to the takeover bid the option of entering into a liquidity agreement, the price of which is determined on the basis of a multiple resulting from the takeover bid.

To the extent that all bearers of bonus shares fulfilling the aforementioned conditions are eligible for this liquidity mechanism, and even though that mechanism could potentially be considered risk hedging within the meaning of the AFEP-MEDEF Code, it was deemed that the Chief Executive Officer could be offered such an agreement, whether in respect of bonus shares awarded to him prior to holding the position of chief executive officer (in his capacity as an employee of the Company or corporate officer in a company absorbed by the Company) that were not available to be contributed to the takeover bid, or performance shares awarded to him in the context of his position at 25 February 2016 prior to the takeover bid, it being specified that the legal conditions relating to holding shares applicable to executive corporate officers are still complied with under the implementation of this liquidity mechanism.

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

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

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

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

If paid, severance should not exceed two years’ compensation (fixed and variable).

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

This two-year limit also covers payments related to employment contract termination, where applicable.”

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

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

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

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

3.2 ADMINISTRATION AND MANAGEMENT OF THE COMPANY

3.2.1 Administrative, executive management and management bodies

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

Jean-François Hénin served as Chairman of the Company's Board of Directors from 26 May 2014 to 10 April 2017, the date on which his resignation as director and Chairman of the Board of Directors took effect. At its meeting of 10 April 2017, the Board of Directors re-examined the question of keeping the offices of chairman and chief executive officer separate and decided to maintain this mode of governance organisation since it was better suited to the Company's operations and characteristics. Since 10 April 2017, Aussie B. Gautama has served as Chairman of the Board of Directors (see section 3.2.1.1.1 (a) of this Annual Report).

Michel Hochard has served as Chief Executive Officer of the Company since 26 May 2014. Michel Hochard was confirmed as Chief Executive Officer at the Board of Directors' meeting of April 10, 2017, and was then reappointed as Chief Executive Officer by the Board of Directors' meeting of 22 June 2017, on the recommendation of the Appointments and Compensation Committee, for a two-year term which will expire at the end of the General Shareholders' Meeting convened in 2019 to approve the financial statements for the year ending 31 December 2018.

3.2.1.1 Members of the Board of Directors, executive management and management

(a) Board of Directors

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

Terms of office are staggered in order to avoid all reappointments occurring at the same time and to make the process more harmonious for directors.

The table below shows the membership of the Company's Board of Directors at 31 December 2017 as well as the changes in its membership during the 2017 fiscal year.

⊕ Membership of the Company's Board of Directors as at 31 December 2017 and description of changes that occurred during fiscal year 2017

Membership of the Board of Directors at 1 January 2017	Departure(s)	Reappointment(s)	Appointment/Description	Membership of the Board of Directors at 31 December 2017
Jean-François Hénin (Chairman)	Resignation (10 April 2017)	-	Co-optation of Aussie B. Gautama ⁽¹⁾ (10 April 2017)	Aussie B. Gautama (Chairman)
Gérard Andreck (Independent director and Vice-Chairman)	Resignation (10 April 2017)	-	Co-optation of PIEP ⁽²⁾ (10 April 2017)	PIEP, represented by Huddie Dewanto (Director)
Xavier Blandin (Independent director)	End of term of office ⁽³⁾ (22 June 2017)	-	-	-
Nathalie Delapalme (Independent director)	-	Reappointed at the General Shareholders' Meeting of 22 June 2017	-	Nathalie Delapalme (Independent director)
Carole Delorme d'Armaillé (Independent director)	-	-	-	Carole Delorme d'Armaillé (Independent director)
Eloi Duverger (Independent director)	Resignation (10 April 2017)	-	-	-
Roman Gozalo (Independent director)	-	Reappointed at the General Shareholders' Meeting of 22 June 2017	-	Roman Gozalo (Independent director)
François Raudot Genêt de Châtenay (Independent director)	Resignation (10 April 2017)	-	Co-optation of Maria R. Nellia ⁽⁴⁾ (10 April 2017)	Maria R. Nellia (Director)
Denie S. Tampubolon (Director)	-	-	-	Denie S. Tampubolon ⁽⁵⁾ (Director)
9 directors				7 directors

(1) The co-optation of Aussie B. Gautama was ratified by the General Shareholders' Meeting of 22 June 2017.

(2) The co-optation of PIEP was ratified by the General Shareholders' Meeting of 22 June 2017.

(3) Xavier Blandin did not seek the renewal of his term of office as director, which expired on 22 June 2017. Acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided not to replace him.

(4) The co-optation of Maria R. Nellia was ratified by the General Shareholders' Meeting of 22 June 2017.

(5) The co-optation of Denie S. Tampubolon by the Board of Directors' meeting of 25 August 2016 was ratified by the General Shareholders' Meeting of 22 June 2017.

Since the Board of Directors' meeting of 10 April 2017, of the seven members comprising the Board of Directors, three are women, representing 43% of Board members. The percentage of women on the Board was unaffected by the reappointments carried out at the General Shareholders' Meeting of 22 June 2017 and remains unchanged as at the date of this Annual Report. The 40% proportion of women on the Company's Board of Directors therefore complies with the provisions of Article L.225-18-1 of the French Commercial Code resulting from Act No. 2011-103 of 27 January 2011 on balanced gender representation on boards of directors and executive boards.

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

The proportion of independent directors on the Board of Directors and review of the nature of the independence of members can be found in section 3.2.2.2 (a) of this Annual Report.

➤ Biographies of the members of the Board of Directors at 31 December 2017

	<p>Nathalie Delapalme Independent director Chairman of the Appointments and Compensation Committee Member of the Audit Committee Member of the Risk Observatory</p>	<p>Number of shares held: 516 Date of first appointment: 20 mai 2010 Term of office start date: 22 June 2017 Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2019</p>
	<p>French citizen Aged 60</p>	<p>Maurel & Prom 51, rue d'Anjou 75008 Paris</p>
<p>Main position held outside the Company in the fiscal year ended 31 December 2017 Executive Director of the Mo Ibrahim Foundation.</p> <p>Other directorships and offices held in the fiscal year ended 31 December 2017</p> <p>Within the Group -</p> <p>Outside the Group Director and member of the governance, appointments and compensations committee of EBI S.A. Director and member of the appointments and compensation committee of CFAO Director of Pierre Fabre S.A.</p> <p>Other directorships and offices held in any company within the past five years</p> <p>Within the Group -</p> <p>Outside the Group -</p> <p>Professional experience</p> <p>Nathalie Delapalme began her career in the French Senate, where she served from 1984 to 1985 and again from 1997 to 2002, mainly as an administrator and then as an advisor to France's National Finance, Budget and Accounts Commission.</p> <p>She was also a Deputy Director serving under the Minister for Development Cooperation between 1995 and 1997, and then became Africa advisor to the Foreign Minister from 2002 to 2007. From 2007 to 2010 she held the position of General Inspector of Finances for the Inspectorate-General of Finance (IGF), and in June 2010 she joined the Mo Ibrahim Foundation as Executive Director for Research and Public Policy.</p>		

	Carole Delorme d'Armaillé Independent director Chairman of the Risk Observatory		Number of shares held: 500 Date of first appointment: 27 March 2013 Term of office start date: 18 June 2015 Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2017
	French citizen Aged 55	Maurel & Prom 51, rue d'Anjou 75008 Paris	

Main position held outside the Company in the fiscal year ended 31 December 2017

Chairman of Athys Finances SAS

Other directorships and offices held in the fiscal year ended 31 December 2017

Within the Group

-

Outside the Group

-

Other directorships and offices held in any company within the past five years

Within the Group

-

Outside the Group

-

Professional experience

Carole Delorme d'Armaillé has had a dual career as group treasurer and head of professional associations in the financial services sector. She began in the financial division of Péchiney before joining the Altus Group's SBT-BATIF bank and then the Global Markets team at JP Morgan in Paris. In 1995 she returned to the packaging sector at Crown Cork & Seal (formerly CarnaudMetalbox).

In the 2000s, she became managing director of the Association Française des Trésoriers d'Entreprise (AFTE, the French Association of Corporate Treasurers) and then went on to spend 10 years as director of investor communications and relations at Paris EUROPLACE, an organisation tasked with promoting the Paris financial marketplace.

Since the beginning of 2016 she has served as Chief Executive Officer of the Office de Coordination Bancaire et Financière in Paris.

	<p>Roman Gozalo Independent director Chairman of the Audit Committee Member of the Risk Observatory Member of the Appointments and Compensation Committee</p>		<p>Number of shares held: 500 Date of first appointment: 12 June 2008 Term of office start date: 22 June 2017 Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2019</p>
	<p>French citizen Aged 72</p>	<p>Maurel & Prom 51, rue d'Anjou 75008 Paris</p>	
<p>Main position held outside the Company in the fiscal year ended 31 December 2017 -</p> <p>Other directorships and offices held in the fiscal year ended 31 December 2017 Within the Group - Outside the Group -</p> <p>Other directorships and offices held in any company within the past five years Within the Group - Outside the Group Observer at MPI SA⁽¹⁾ (until 27 July 2015)</p> <p>Expérience professionnelle Roman Gozalo developed his management expertise by serving as the executive manager of three subsidiaries of the Total Group from 1988 to 2002 and also as Administrative Director (General Secretary) of the Elf Group from 1995 to 1999.</p>			

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

	Denie S. Tampubolon Director Member of the Appointments and Compensation Committee		Number of shares held: 0 Date of first appointment: 25 August 2016 Term of office start date: 25 August 2016 Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2018
	Indonesian citizen Aged 53	Maurel & Prom 51, rue d'Anjou 75008 Paris	

Main position held outside the Company in the fiscal year ended 31 December 2017

-

Other directorships and offices held in the fiscal year ended 31 December 2017

Within the Group

-

Outside the Group

-

Other directorships and offices held in any company within the past five years

Within the Group

-

Outside the Group

-

Professional experience

Denie S. Tampubolon began his career at Pertamina in 1990, working in the Exploration department covering the Kalimantan region. From 1995 to 2000 he worked as an analyst in the Technical Analysis Department before joining the Strategic Planning and Portfolio Management Department.

From 2000 to 2005 he was assigned to the Secretariat of the Organization of the Petroleum Exporting Countries (OPEC) in Vienna. He returned to Pertamina in 2006 where he held a number of positions before becoming Director of Upstream Business Intelligence in 2009.

From 2010 to 2011, Denie S. Tampubolon was seconded as ministerial special advisor to Indonesia's Ministry of Energy and Mineral Resources. Returning to Pertamina in 2012, he joined the Upstream Business Development Department. In July 2013 he was appointed to his current position of Senior Vice President Upstream Business Development.

From November 2013 to February 2014, Denie S. Tampubolon also served as Chairman and Chief Executive Officer of PIEP, a subsidiary of PT Pertamina (Persero), managing overseas assets.

Since 2015 he has been a member of the Board of Commissioners of PT Pertamina EP Cepu, a subsidiary of PT Pertamina (Persero), jointly managing with ExxonMobil the Cepu block, which currently produces 180 Mbopd.

Since December 2015 Denie S. Tampubolon has also been Chairman and Chief Executive Officer of PT Pertamina Hulu Indonesia, a subsidiary of PT Pertamina (Persero), managing the Mahakam and other product-sharing agreements in Indonesia. The Mahakam PSA was transferred to Pertamina on 1 January 2018.

	Aussie B. Gautama Chairman of the Board of Directors		Number of shares held: 0
	Indonesian citizen Aged 62	Maurel & Prom 51, rue d'Anjou 75008 Paris	Date of first appointment: 10 April 2017 Term of office start date: 10 April 2017 Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending

Main position held outside the Company in the fiscal year ended 31 December 2017

Advisor to the Chief Executive Officer of PT Pertamina Corporate regarding upstream activities
Advisor to the Chairman and Chief Executive Officer of PT Pertamina Internasional Exploration & Production

Other directorships and offices held in the fiscal year ended 31 December 2017

Within the Group

-

Outside the Group

-

Autres mandats et fonctions échus exercés dans toute société au cours des cinq dernières années

Within the Group

-

Outside the Group

-

Professional experience

Aussie B. Gautama, an adviser to Pertamina's executive management on Exploration and Production activities since 2015, has held a number of successive positions at Total (1982-2012).

In 1991 he joined Total in Paris, working as a geologist on the Midgard project in Norway for two years. From 1998 to 2000, he worked at Total Libya as head of geology and geophysics. In 2005 he returned to Total in Paris where he spent two years coordinating the OML 130 Egina-Preowei project in Nigeria.

From 2007 to 2012 he served as Vice President Geosciences & Reservoir at Total E&P Indonesia.

In 2012 Aussie B. Gautama was appointed Deputy for Planning Management at SKK Migas, the Indonesian regulatory authority tasked with managing exploration and production activities in the country's hydrocarbon industry.

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

	Maria R. Nellia Director Member of the Risk Observatory		Number of shares held: 0 Date of first appointment: 10 April 2017 Term of office start date: 10 April 2017 Term of office expiry date:
	Indonesian citizen Aged 53	Maurel & Prom 51, rue d'Anjou 75008 Paris	General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2017

Main position held outside the Company in the fiscal year ended 31 December 2017

- VP Commercial and business support PIEP
- President Director Pertamina Algeria EP

Other directorships and offices held in the fiscal year ended 31 December 2017

Within the Group

-

Outside the Group

-

Autres mandats et fonctions échus exercés dans toute société au cours des cinq dernières années

Within the Group

-

Outside the Group

-

Professional experience

She has worked in the oil and gas sector for almost 29 years, since 1989. She joined PIEP in 2015 and currently serves as Vice President of Commercial & Business Support.

Maria R. Nellia received her bachelor's degree in Geophysical Engineering from the Colorado School of Mines, USA in 1988.

She began her career in August 1989 at Mobil Oil Indonesia and then at Exxon Mobil as Geophysicist Exploration Development. She further developed her expertise in managing an oil and gas company by joining a number of multinational oil and gas companies, including PT Landmark Concurrent Solusi Indonesia, a Halliburton-group company in 2000, PT Medco E&P Indonesia in 2004 and Eni Indonesia in 2007. During this period she held many different positions, including that of Exploration Project Liaison Superintendent at Eni Indonesia in 2014.

Maria R. Nellia has also expanded on her interest in the oil industry by publishing a research paper entitled "3D Seismic Facies Analysis of a Reefal Buildup of the NSO 'A' Area, Offshore North Sumatra", which she presented at the 22nd Indonesian Petroleum Association (IPA) Convention in 1993 and again at the American Association of Petroleum Geologist (AAPG) Convention in 1994.

PIEP Director Member of the Audit Committee		Number of shares held: 141,911,939 Date of first appointment: 10 April 2017 Term of office start date: 10 April 2017 Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2017
Represented by Huddie Dewanto		
Indonesian citizen Aged 54	Maurel & Prom 51, rue d'Anjou 75008 Paris	

Main position held outside the Company in the fiscal year ended 31 December 2017

-

Other directorships and offices held in the fiscal year ended 31 December 2017

Within the Group

-

Outside the Group

Director Finance and Commercial, Pertamina Internasional EP

Other directorships and offices held in any company within the past five years

Within the Group

-

Outside the Group

-

Professional experience

PIEP is a subsidiary of PT Pertamina (Persero), Indonesia's state-owned oil company and leading integrated energy company. At the end of 2015 it had almost 28,000 employees. PT Pertamina (Persero) is active in exploration and production (oil and gas), refining, distribution and marketing (oil products and petrochemicals), and also develops biofuels, geothermal power and other alternative sustainable energies.

Huddie Dewanto is a member of PIEP's Board of Directors. He graduated in accounting from Gadjah Mada University in Indonesia and then completed a master's degree in the same subject from Case Western Reserve University in the United States.

He has worked for PT Pertamina (Persero) since 1990, with 27 years' experience in financial management. From 1999 to 2004 he was Indonesia's representative at OPEC (Organization of the Petroleum Exporting Countries) in Vienna.

After his return, Huddie Dewanto was appointed to his first executive position as Finance Manager in 2007 before becoming Vice-President Financing at PT Pertamina (Persero). During that period, he attended several technical and leadership training courses provided by the company in conjunction with prestigious business schools such as INSEAD. In 2013 Huddie Dewanto was appointed Finance and Business Support Director at PT Pertamina Algeria EP and was heavily involved in the acquisition of ConocoPhillips Algeria Ltd, Pertamina's first foreign operatorship asset. He has since pursued his career at PIEP as Director of Finance and Business.

It should be noted that in accordance with the recommendations of the AFEP-MEDEF Code and the Bylaws, when appointing a director or renewing their term of office, the Appointments and Compensation Committee ensures that the Company director concerned holds no more than four other directorships in listed companies outside the Company, including foreign companies.

In order to ensure compliance with the aforementioned rules and the rules relating to the total number of directorships permitted by the French Commercial Code, the Bylaws stipulate that all directors must inform the Board of Directors (and the Appointments and Compensation Committee) of any positions that they hold in other companies, including membership of committees of the boards of directors of these French or foreign companies.

(b) Chief Executive Officer

+ Biography of the Chief Executive Officer at 31 December 2017

Michel Hochard Chief Executive Officer		Number of shares held: 336,000 Date of first appointment: 26 May 2014 Term of office start date: 22 June 2017 Term of office expiry date: General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2018
French citizen Aged 68	Maurel & Prom 51, rue d'Anjou 75008 Paris	

Main position held outside the Company in the fiscal year ended 31 December 2017

-

Other directorships and offices held in the fiscal year ended 31 December 2017

For information, it should be noted that pursuant to Article 14.1 of Appendix 1 to Regulation (EC) No. 809/2004 of 29 April 2004, the Company does not list below all of the Company's subsidiaries in which Michel Hochard was also a member of an administrative, management or supervisory body at 31 December 2017.

Within the Group

Director of Seplat Petroleum Development Company Ltd(1) (Nigeria)*

Outside the Group

-

Other directorships and offices held in any company within the past five years

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

Within the Group

-

Outside the Group

Chief Executive Officer (until 27 August 2014) then Chief Operating Officer of MPI SA⁽²⁾

Director of Newton Energy Limited (Nigeria) (until 18 May 2016)

Expérience professionnelle

Michel Hochard has a diploma from the Institut Commercial de Nancy (ICN). He is a qualified accountant and worked as an internal auditor in the Finance Department of Elf Aquitaine and as head of the finance division for Africa & the Middle East. He also served as Finance Director at SNEAP and at ELF Aquitaine Production. He was Deputy Director of Human Resources at Elf Exploration Production and Operations Director at PricewaterhouseCoopers BPO. He also served as Chief Executive Officer of MPI until 27 August 2014. From September 2007 until his appointment as Chief Executive Officer, he was the Company's Chief Financial Officer. Michel Hochard's employment contract as CFO has been suspended for his term of office as the Company's Chief Executive Officer (see section 3.1., page 96, of this Annual Report).

* Listed company (for current terms of office).

(1) Company incorporated into the Group following the completion of the merger by absorption of MPI S.A. by the Company on 23 December 2015.

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

It should be noted that in accordance with the recommendations of the AFEP-MEDEF Code and the Bylaws, an executive corporate officer, in this instance Michel Hochard, the Company's Chief Executive Officer, may not hold more than two other directorships in listed companies outside the Group, including foreign companies. The officer must also seek the opinion of the Board of Directors before accepting a new directorship in a listed company outside the Group, including any foreign company.

(c) Observer

In accordance with the Articles of Association and the Bylaws of the Company's Board of Directors and its special committees as amended on 24 April 2017, the Board of Directors may appoint a maximum of four observers to the Company, chosen from among the natural persons.

The term of office for observers is set at three years.

Observers are required to attend and observe the meetings of the Board of Directors, and may be consulted by it. They may also present observations at General Shareholders' Meetings on the proposals submitted to them, if they see fit. They must be invited to every meeting of the Board of Directors. The Board of Directors may assign specific tasks to observers.

They may sit on committees created by the Board of Directors, except for the Audit Committee.

The Board of Directors may decide to pay observers a proportion of the attendance fees allotted to it by the General Shareholders' Meeting, and authorise the reimbursement of expenses that observers incur during the course of their work for the Company.

Christian Bellon de Chassy has been a censor since 29 June 2011. As his present term of office as observer ends at the close of the General Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016 and he is not seeking reappointment, the Board decided not to reappoint or replace him.

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

(a) Potential conflicts of interest

As at 31 December 2017 and the date of this Annual Report, the Company was not aware of any potential conflict of interest between the private interests of the members of the Board of Directors and/or executive management and their duties with respect to the Company.

It should be noted that up until 31 March 2017, the Company had a sublease agreement with Pacifico (a company of which Jean-François Hénin was both Chairman of the Management Board and a shareholder). Under that agreement, signed on 5 April 2013, some of the premises located within the Company's registered office were subleased to Pacifico. The rent received by the Company under the sublease agreement amounted to €163,801.35 net of taxes for the fiscal year ended 31 December 2016. This lease was terminated by an addendum dated 25 August 2016 with effect from 1 January 2017. For information purposes, it should be noted that the return of the premises was delayed until 31 March 2017. The amount received by the Company under the sublease agreement was €55,750 for the period running from 1 January to 31 March 2017.

In addition, it should be noted that under the takeover bid initiated by PIEP on the Company's shares, a tender offer agreement (the "**Tender Offer Agreement**" or "**TOA**") between PT Pertamina (Persero), PIEP and the Company was signed on 25 August 2016. This agreement came as a result of the Block Sale by Pacifico (a company in which, at the time, Jean-François Hénin was a shareholder and Chairman of the Management Board) to PEIP. The agreement provided for commitments regarding the TOA on the part of the parties, and especially the commitments related to governance whereby PIEP has the option, in the event of a successful TOA, of appointing all members of the Board of Directors, with the exception of independent members, in order to reflect the potential new shareholder structure (see section 3.2.2.1 (b) of this Annual Report). The TOA did not give rise to the payment of fees or costs to PT Pertamina (Persero), PIEP or Pacifico by the Company. The TOA was the subject of an addendum dated 2 March 2017, while

two shareholder loan agreements were signed by the Company and PIEP on 2 March 2017 whereby PIEP agreed to make funds available to the Company as part of the early repayment of the ORNANE bonds following the change in control in the Company (see section 7.2.1.5 of this Annual Report). On that date, Denie S. Tampubolon, who is associated with PT Pertamina (Persero), was a member of the Company's Board of Directors.

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

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

It should be noted that the Company considers it good practice for a director in a potential conflict-of-interest situation refrain from attending discussions on deliberations related thereto and will revise its Bylaws in accordance with the 2018 revised version of the French Commercial Code.

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

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

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

(b) Other information

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

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

3.2.2 Operations of administrative and management bodies

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

(a) Securities transactions

No securities transaction carried out by one or more of the Company's corporate officers after their appointment was reported to the Company during the fiscal year ended 31 December 2017 and up until the date of this Annual Report.

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

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

Tender Offer Agreement

You are reminded that on 25 August 2016, the Company, PIEP and PT Pertamina (Persero) entered into an agreement regarding a tender offer on the Company's shares (TOA). The TOA did not give rise to the payment of fees or costs to PT Pertamina (Persero), PIEP or Pacifico by the Company. In particular the TOA provided for: :

- the terms and conditions under which PIEP agreed to purchase the Company's shares by means of a voluntary takeover bid;
- the commitment for the Company's Board of Directors to recommend the takeover bid within three business days as from the receipt of an equity statement issued by an independent appraiser attesting that the takeover bid was equitable for holders of the Company's shares;
- the Company's commitments in terms of governance, with PIEP having the option, in the event of a successful takeover, to appoint all members of the Company's Board of Directors (with the exception of independent members) to reflect the Company's potential new share ownership structure;
- the commitments to run the Company's operations in the normal course of business during the TOA;
- the commitments of the PIEP and the Company to cooperate and make all commercially reasonable efforts to obtain, as soon as possible and in any event as from the filing of the takeover bid and up until the settlement of the takeover bid, the required agreement of third parties based on a joint assessment in good faith by the Company and PIEP in application of the implementation, under the takeover bid, of change of control clauses in the agreements signed by the Company (and particularly financing contracts) or in respect of permits or approvals;
- the commitment on the part of the Company not to solicit any acquisition proposals other than the takeover bid, it being specified that in the event of a higher competing offer initiated by a third party (and unsolicited by the Company or by its boards), the Company's Board of Directors may recommend accepting that offer and terminate the TOA, provided that the PIEP, informed of this offer by the Company, and within three business days following this information, does not make any proposals that may change the recommendation envisaged by the Company regarding the competing offer;
- the commitment on the part of PIEP to implement a liquidity facility of bonus shares for beneficiaries of these shares according to procedures to be discussed in good faith;
- a commitment by the Company and its subsidiaries not to (i) contribute treasury shares to the takeover bid, or (ii) transfer treasury shares to third parties, except exceptions provided for in the TOA.

An addendum to the TOA, signed on 2 March 2017, was primarily intended to clarify (i) the terms and conditions under which PIEP would provide funds to the Company as part of the early repayment of the ORNANE bonds following the change in control of the Company resulting from the takeover bid, and (ii) the parties' commitments regarding the signature of the liquidity agreements and the conditions under which the lock-up and long-term incentive plan will be implemented. In addition, two shareholder loans designed to make funds available to the Company as part of the early repayment of the ORNANE bonds, following the change in control of the Company as a result of the takeover bid, were signed by the Company and PIEP (see section 7.2.1.5 of this Annual Report). The two loans were repaid as part of the refinancing of the Company's entire debt (see section 7.3 of this Annual Report). A further shareholder loan was concluded on 11 December 2017.

It should be noted that during the last fiscal year, an agreement was in effect between the Company or its subsidiaries and Jean-François Hénin, whose role as member and chairman of the Board of Directors ended on 10 April 2017 (see section 3.2.1.2 (a) of this Annual Report).

3.2.2.2 Organisation and operations of the Board of Directors

(a) Description of the Board of Directors

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

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

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

Company shares held by board members

The breakdown of equity interests held in the Company by corporate officers as at 31 December 2017, to the Company's knowledge, is as follows:

Corporate officer	Shares
Aussie B. Gautama (Chairman)	0
PIEP, represented by Huddie Dewanto (Director)	141,911,939
Maria R. Nellia (Director)	0
Denie S. Tampubolon (Director)	0
Nathalie Delapalme (Independent director)	516
Carole Delorme d'Armaillé (Independent director)	500
Roman Gozalo (Independent director)	500
Michel Hochard (Chief Executive Officer)	336,000

Following the reorganisation of the Board of Directors on 10 April 2017 to reflect the Company's new shareholder structure, the Bylaws were amended on 24 April 2017 to stipulate that directors must commit to (i) purchasing 500 shares every year using the attendance fees they receive (or any smaller number of shares corresponding to an amount of €3,000), and (ii) keeping those shares until the end of their term of office. This rule does not apply to the Company's controlling shareholder director or to directors representing the Company's controlling shareholder. As of the date of this Annual Report, PIEP held 141,911,939 Company shares, representing 72.65% of the capital.

Independence of the Directors

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

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

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

- not be or have been in the past five years:
 - an employee or executive corporate officer of the Company;
 - an employee, executive director or director of a company consolidated by the Company;
 - an employee, executive director or director of the Company's parent company or a company consolidated by that parent company;

- not be an executive corporate officer of a company in which the Company directly or indirectly holds an office as director or in which an employee nominated as such or an executive corporate officer of the Company (currently or who has held such an office for less than five years) holds an office as director;
- not be¹ a major customer, supplier, investment banker or financing banker:
 - of importance for the Company or its Group;
 - or deriving a significant portion of business from the Company or its Group;
- not have close family ties with another corporate officer;
- not have been a statutory auditor of the Company in the preceding five years;
- not be a director of the Company of more than 12 years' standing, after which the status of independent director cannot apply.

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

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

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

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

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

Consequently, the Board of Directors believes that based on the recommendation of the Appointments and Compensation Committee at its meeting of 24 April 2018, the following directors should be considered to be independent:

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

As at 24 April 2018, the Company's Board of Directors therefore comprised more than a third of independent directors (three out of the seven members), in accordance with the recommendations of the AFEP-MEDEF Code.

(1) Or be directly or indirectly linked to these individuals.

The following table summarises the situation of the Company's independent directors as at 24 April 2018, with respect to the independence criteria set out in the AFEP-MEDEF Code and included in the Bylaws:

	Employee or executive corporate officer in the past five years ⁽¹⁾	Cross-directorships ⁽¹⁾	Relations d'affaires significatives ⁽¹⁾	Family ties ⁽¹⁾	Auditing ⁽¹⁾	12 years ⁽¹⁾
Nathalie Delapalme	0	0	0	0	0	0
Carole Delorme d'Armaillé	0	0	0	0	0	0
Roman Gozalo	0	0	0	0	0	0

(1)) "0" = an independence criterion met; "x" = an independence criterion not met.

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

(b) Chairmanship and convening of the Board of Directors

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

Following the decision by the Board of Directors on 26 May 2014, the roles of Chairman of the Board of Directors and Chief Executive Officer were separated as of that date to improve the Board's operating procedures and allow the Chairman to focus on the major strategic decisions affecting the Company. From that date and until 10 April 2017, the role of Chairman of the Board of Directors was held by Jean-François Hénin. Following Jean-François Hénin's resignation from the office of Chairman of the Board of Directors and from the office of Director on 10 April 2017, he was replaced in those roles as from that date by Aussie B. Gautama.

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

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

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

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

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

Attendance at Board of Directors' meetings

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

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

Deliberations by the Board of Directors

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

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

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

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

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

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

The Board of Directors met eleven times during the fiscal year ended 31 December 2017 and the average attendance rate of its members was 90.25%. The table below shows (i) the general attendance rate and (ii) the attendance rate at Board meetings held in 2017:

Board meeting	Attendance rate
10 January 2017	88.9%
22 February 2017	88.9%
2 March 2017	88.9%
31 March 2017	88.9%
10 April 2017	88.9%
24 April 2017	75%
22 June 2017	87.5%
30 August 2017	100%
12 September 2017	100%
23 November 2017	100%
20 December 2017	85.7%
AVERAGE ATTENDANCE	90.25 %

Director	Attendance rate
Aussie B. Gautama ⁽¹⁾	100%
PIEP, represented by Huddie Dewanto ⁽²⁾	100%
Maria R. Nellia ⁽³⁾	66.66%
Denie S. Tampubolon	82%
Nathalie Delapalme	100%
Carole Delorme d'Armaillé	91%
Roman Gozalo	100%
Jean-François Hénin ⁽⁴⁾	100%
Gérard Andreck ⁽⁵⁾	80%
Xavier Blandin ⁽⁶⁾	71%
Eloi Duverger ⁽⁷⁾	100%
François Raudot Genêt de Châtenay ⁽⁸⁾	80%

(1) As from 10 April 2017, date on which Aussie B. Gautama was co-opted by the Board of Directors as director and Chairman of the Board of Directors.

(2) As from 10 April 2017, date on which PIEP was co-opted by the Board of Directors as director.

(3) As from 10 April 2017, date on which Maria R. Nellia was co-opted by the Board of Directors as director.

(4) Until 10 April 2017, effective date of Jean-François Hénin's resignation as director and Chairman of the Board of Directors.

(5) Until 10 April 2017, effective date of Gérard Andreck's resignation as director.

(6) Until 22 June 2017, date of the end of Xavier Blandin's directorship.

(7) Until 10 April 2017, effective date of Eloi Duverger's resignation as director.

(8) Until 10 April 2017, effective date of François Raudot Genêt de Châtenay's resignation as director.

The following agenda items were deliberated upon at the meetings of the Board of Directors held in 2017:

- presentation of a year-end estimate for 2016, and draft budget for 2017;
- review of the 2016 estimated financial data;
- approval of the addendum to the TOA, the two shareholder loans and the subordination agreement;
- review and approval of the parent company and consolidated financial statements for the fiscal year ended 31 December 2016, proposed allocation of income for the fiscal year ended 31 December 2016, the management report and the Chairman's report on corporate governance and internal control;
- recomposition of the Board of Directors and its committees (co-optation, reappointment);
- convening of the Ordinary and Extraordinary General Shareholders' Meeting and setting of the agenda, draft resolutions, and approval of the Board of Directors' Report for that Meeting;
- review of directors' status in terms of the independence criteria adopted in the Bylaws and self-assessment by the Board of Directors;
- renewal of the term of office of the Chief Executive Officer and limitation of his powers;
- delegation of powers to the Chief Executive Officer with respect to surety bonds, endorsements and guarantees and report of the Chief Executive Officer;
- authorisation of regulated agreements;
- review of the list of regulated agreements the execution of which continued during the last fiscal year;
- approval of the implementation of a plan to award performance and bonus shares to the Chief Executive Officer and employees;
- arrangements for the distribution of attendance fees;
- setting of compensation for the Chairman of the Board of Directors and the Chief Executive Officer;
- review of the financial statements for the first half of 2017 and the draft statement concerning the 2017 first-half results;
- approval of refinancing;
- presentation of anti-corruption regulations ("Sapin II" law);
- review of development projects;
- presentation of a year-end estimate for 2017 and the draft budget for 2018;

(c) Role of the Board of Directors

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

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

- preparing the parent company financial statements, the consolidated financial statements, the annual management report (for the Company and the Group) and documents setting out management forecasts;
- discussing and approving the major operations envisaged by the Group (i.e. (i) that may significantly impact the strategy of the Company and of the companies that it controls, their financial structure or their scope of activity, the Group's results or the structure of its balance sheet or risk profile, (ii) organic growth operations, and (iii) internal restructuring operations) and giving its prior approval to any significant operation outside the Company's stated strategy;
- approving all proposed mergers and demergers;
- defining the Company's financial communication policy and ensuring the quality of the information provided to shareholders and the financial markets via the financial statements that it approves, the Annual Report and press releases, or when major transactions are conducted;
- devoting at least one meeting a year to reviewing the entire strategy of the Group;
- authorising surety bonds, endorsements and guarantees;
- convening General Shareholders' Meetings and setting their agenda;
- choosing the Company's organisational structure;
- appointing and dismissing the Chairman of the Board of Directors, the Chief Executive Officer, and any deputy chief executive officer tasked with managing the Company, checking their management performance, setting their compensation and approving the scope of their powers;
- appointing members of the Board of Directors' special committees;
- approving the list of directors each year who are considered to be independent in accordance with the Bylaws;
- co-opting, in the circumstances stipulated by law, one or more directors;
- granting to one or more directors any special mandates for one or more specific purposes;
- assessing its own work by reviewing its own operating procedures, checking that important issues are properly prepared and discussed and measuring each director's actual contribution to its work in terms of their expertise and their involvement in its deliberations. For this purpose, at least once a year it devotes an agenda item to discussion of its operation with the understanding that a formal assessment must be carried out at least every three years.
- distributing attendance fees;
- setting all exceptional compensation for directors for all duties performed or offices held;
- deciding to relocate the registered office within France, subject to ratification at the next Ordinary General Shareholders' Meeting;
- authorising "regulated" agreements;
- reviewing issues related to the Company's corporate and environmental responsibility;

- reviewing risk mapping and more specifically risks related to corporate, environmental and societal responsibility and certain risks related to specific files;
- staying informed of all important events affecting the Company's markets;
- carrying out all inspections and checks that it considers appropriate.

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

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

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

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

Powers of the Chairman of the Board of Directors

The Chairman represents the Board of Directors, organises and oversees its work, and reports on it to the General Shareholders' Meeting. The Chairman oversees the proper operation of the Company's bodies and ensures that the directors are capable of fulfilling their duties (Article L.225-51 of the French Commercial Code).

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

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

Powers of the Chief Executive Officer

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

Les dispositions des statuts ou les décisions du conseil d'administration limitant les pouvoirs du directeur général sont inopposables aux tiers (article L. 225-56 du Code de commerce).

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

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

In compliance with the provisions of Articles L.225-35 and R.225-38 of the French Commercial Code, the Board of Directors unanimously resolved to authorise the Chairman and Chief Executive Officer to freely grant endorsements or guarantees in the name of the Company for one year, starting on 22 June 2017, regardless of the term of the commitments that are secured, endorsed or guaranteed and up to the limit of the aforementioned amounts. The Chief Executive Officer may not grant any endorsement, security bond or guarantee that exceeds this cap to a third party without the express authorisation of the Board of Directors. Furthermore, the Chief Executive Officer may grant surety bonds, endorsements or guarantees in the name of the Company to the tax and customs authorities with no restriction as to the amount.

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

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

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

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

(d) Nature of the information provided to members of the Board of Directors for the preparation of directors' work and duties

Information prior to each meeting of the Board of Directors

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

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

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

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

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

Financial information

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

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

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

The members of the Board of Directors are also informed of the Company's liquidity position when making decisions relating to financing and debt.

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

Information on particular transactions

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

Permanent information

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

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

Each director may also request any additional training as he or she considers necessary on the specific features of the Company, its businesses and its industry sector. The training is organised, offered and paid for by the Company. For fiscal year 2017, the directors co-opted in 2017 received training in the rules of governance in listed companies referring to the AFEP-MEDEF Code and European and French rules applicable to listed companies, as well as in insider trading and financial results. The training sessions were conducted by a law firm. The Company also provided several training courses in the "Sapin II" law and corporate law issues applicable to the Company's operations.

The members of the Board of Directors are also informed of market trends, the competitive environment and the main challenges affecting the proper operation of the company, including in matters of social and environmental responsibility.

Directors' duties

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

In accordance with the provisions of the AFEP-MEDEF Code and the Bylaws, directors must attend General Shareholders' Meetings. Note that in this regard, all directors attended the General Shareholders' Meeting of 22 June 2017, with the exception of Xavier Blandin.

The Bylaws are available on the Company's website. www.maureletprom.fr

(e) Assessment of the Board of Directors

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

This assessment is also an opportunity for the Board of Directors to analyse the desired balance of representation both on the Board and the special committees, specifically in terms of diversity (gender representation, nationality, international experience, expertise, etc.) and to periodically analyse whether its structure and operating procedures are suited to the performance of its duties.

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

In 2017 the Board of Directors did not carry out any formal assessment of its composition or operations with respect to the 2016 fiscal year. In light of the significant changes that occurred during 2016 and 2017 in its composition as a result of the change in its shareholder structure, a formal assessment will be carried out in fiscal year 2018.

With regard to the Board's assessment for fiscal year 2017, at its meeting of 24 April 2018, the Board of Directors discussed its membership (in terms of the number of female directors on the Board, members' skills and international representation) and operation, as well as the operation of its special committees, and the information contained in the reports given to members with the aim of improving the Board's work.

The review showed that the directors were unanimously satisfied with the Board's operating procedures. The composition of the Board was satisfactory, particularly with regard to the diversity of director profiles, equal gender representation, its size and the number of independent directors in the context of a controlled company. It was noted that the frequency of the meetings allow the Board to perform checks as appropriate. In general, the quality of the information provided by the Company to help the directors carry out their duties means that discussions are always of high quality. Directors furthermore unanimously expressed their appreciation of the way the Board of Directors' special committees operated and the efficient team work within these committees. They also recognised the fact that the special committees were chaired by independent directors.

The Board of Directors continued to make sure that it had the desired balance of representation. As such, diversity of gender, profiles and skills will continue to be encouraged.

The Board of Directors also reviewed each director's effective contribution to the Board's work. It was shown that the directors all had a high level of commitment, diligence and preparation, reflected in their strong capacity to contribute effectively to the Board's discussions.

The assessment was an opportunity for the Board of Directors to plan improvements and specifically to: set up a think tank on the missions and organisation of the Board's committees, introduce a succession plan for executive corporate officers, and establish an integration programme for new board members.

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

(f) Prevention of insider trading

To ensure the prudent management of the Company's securities in compliance with applicable regulations and, in accordance with the precautionary principle, to alert the directors, Chairman of the Board, Chief Executive Officer and, to the extent that such roles exist, Vice-Chairman of the Board of Directors and Deputy Chief Executive Officer of the Company (collectively, the "**Corporate Officers**"), and Group employees, the Board of Directors has introduced a code of ethics relating to insider trading.

The code explains in particular the rules of professional conduct relating to transactions in financial instruments issued or to be issued by the Company and to derivative and other instruments linked to these instruments (options, units in FCPE mutual funds etc.) (collectively, the "**Financial Instruments**").

The code of ethics on the prevention of insider trading includes the definition of inside information and gives examples of information that could be considered privileged. This is, in particular, information about the Company's and/or Group's financial position, strategy, development focus, operations, commercial activity, disputes, and investigations or actions involving the Company and/or Group in court, arbitration or administrative proceedings. The code of ethics on the prevention of insider trading then outlines the type of person(s) who could be considered "insiders".

The prevention of insider trading requires the establishment of specific procedures. In this respect, the code of ethics sets out:

- a summary of the obligation of discretion of insiders, including the general obligation not to carry out transactions involving the Financial Instruments, the general ban on disclosing privileged information, specific obligations (holding shares in registered form, ban on carrying out transactions considered to be speculative, blackout periods) as well as preliminary consultation with a compliance officer in the event of performing a transaction;
- preparing, updating and providing the AMF with a list of Group insiders; and
- a specific obligation, especially on the part of Corporate Officers, to individually disclose any transactions involving Financial Instruments.

Lastly, the code of ethics on the prevention of insider trading presents the main penalties applied. Note that the code of ethics regarding the prevention of insider trading is currently under revision in order to incorporate the regulatory developments resulting from among other things the entry into force of European Regulation (EC) 596/2014 on market abuse.

3.2.2.3 Organisation and operation of the special committees

In accordance with the Bylaws, the Board of Directors has three special committees: (i) an audit committee, (ii) an appointments and compensation committee, and (iii) a risk observatory, designed to help the Board run smoothly and to provide the Board with efficient support as it prepares its decisions.

(a) Audit Committee

Membership of the Audit Committee

At least two thirds of the Audit Committee must be made up of independent directors of the Company; it may not include any executive corporate officers of the Company. The members of the Audit Committee are selected by the Board of Directors from among its members. The members of the Audit Committee are experts in finance, accounting or statutory account auditing (see section 3.2.1 (a) of this Annual Report).

The appointment or renewal of the Chairman of the Audit Committee, as proposed by the Appointments and Compensation Committee, is closely reviewed by the Board of Directors.

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

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

The table below summarises the changes in the membership of the Audit Committee between 1 January 2017 and 31 December 2017.

Membership of the Committee at 1 January 2017	Departure	Appointment	Membership of the Committee at 31 December 2017
Roman Gozalo (Chairman, independent director)	-	-	Roman Gozalo (Chairman, independent director)
Nathalie Delapalme (Independent director)	Reorganisation of the Audit Committee (10 April 2017)	Appointment of PIEP ⁽¹⁾ (10 April 2017)	PIEP, represented by Huddie Dewanto (Director)
Xavier Blandin (Independent director)	End of term of office ⁽²⁾ (22 June 2017)	Appointment of Nathalie Delapalme ⁽³⁾ (22 June 2017)	Nathalie Delapalme (Independent director)
3 members			3 members

(1) Acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided, at its meeting of 10 April 2017, to appoint PIEP to the Audit Committee.

(2) Xavier Blandin did not seek the renewal of his term of office as director, which expired on 22 June 2017.

(3) Acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided, at its meeting of 22 June 2017, to appoint Nathalie Delapalme to the Audit Committee.

Operation of the Audit Committee

Convening meetings of the Audit Committee

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

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

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

Attendance at meetings of the Audit Committee

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

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

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

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

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

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

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

Deliberations of the Audit Committee

Audit Committee meetings are chaired by its Chairman.

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

Information provided to the members of the Audit Committee

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

General secretary of the Audit Committee

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

Minutes of the meetings of the Audit Committee

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

Role of the Audit Committee

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

The role of the Audit Committee is as follows:

Accounts/transactions and financial information

- review the parent company and consolidated financial statements as well as those of the Company's main subsidiaries;
- review the scope of the Group's consolidated companies and, as the case may be, the reasons why companies have not been included;
- check that the accounting methods adopted (i) for the preparation of the parent company and consolidated financial statements, (ii) for the Group's scope of consolidation and (iii) for the processing of material transactions are relevant and consistent;
- review any material transactions that may cause conflicts of interest;
- monitor the process of preparing financial information;

- monitor the effectiveness of internal control and risk management systems, their deployment and the implementation of corrective actions in coordination with the Risk Observatory when material weaknesses or irregularities are found or identified;
- review the statutory auditors' main findings regarding the parent company and consolidated financial statements as well as internal control and internal audit;
- receive internal audit and risk control reports;
- interview the heads of internal audit and risk control and, in coordination with the Risk Observatory, express an opinion on the organisation of their departments;
- remain informed of the internal audit programme;
- receive internal audit reports and a periodic summary of those reports;
- review the report prepared by the Chairman of the Board of Directors on those same topics at the General Shareholders' Meeting;
- review, in coordination with the Risk Observatory, the risks to which the Company is exposed and the solutions adopted by the Company to address such risks;
- review material off-balance-sheet commitments;
- ensure that systems to detect and correct any malfunctions are in place. To that end, the Audit Committee assesses the importance of any malfunctions or weaknesses of which it has been informed and in turn notifies the Board of Directors;
- review risk mapping and more specifically risks related to corporate, environmental and societal responsibility and certain risks related to specific files;
- review any matter likely to have a material impact on the substance and presentation of the parent company and consolidated financial statements.

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

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

Relations with the statutory auditors

- regularly interview the statutory auditors, in particular at meetings discussing the process of preparing financial information and the review of parent company and consolidated financial statements, to hear their reports on the performance of their tasks and the conclusions of their review, it being understood that the statutory auditors may be interviewed without the executive officers directors being present. The purpose of such meetings is to allow the Audit Committee to be informed by the statutory auditors of the main risk areas or uncertainties identified, the audit approach adopted, and any problems encountered in performing their tasks;
- be informed by the statutory auditors of any material weaknesses in internal control identified during their review in terms of the procedures for preparing and processing accounting and financial information;
- interview the statutory auditors regarding (i) their schedule of work and the sampling they have undertaken, (ii) any modifications that they consider should be made to the accounts or accounting documents and their observations on the evaluation methods used, (iii) any irregularities and inaccuracies they may have discovered and (iv) any conclusions arising from the observations and adjustments to the results for the period compared with those for the previous period;

- propose to the Board of Directors the procedure for selecting the statutory auditors, prepare a call for tender, if necessary, as provided for by law. and approve the specifications and choice of auditor;
- manage the procedure for selecting the statutory auditors on a “best bid” rather than a “lowest bid” basis in compliance with the rotation obligations stipulated by law, and submit a recommendation regarding the statutory auditors proposed for appointment by the General Shareholders’ Meeting;
- oversee the statutory auditors’ legal review of the parent company and consolidated financial statements.

Monitoring the rules for independence and objectivity of the statutory auditors

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

Approval of the services provided by the Statutory Auditors

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

Activity of the Audit Committee during the fiscal year ended 31 December 2017

During the fiscal year ended 31 December 2017, the Audit Committee held seven working sessions attended by the Company’s financial management and the statutory auditors. The attendance rate at these sessions was 100%. The table below shows the attendance rate of each Audit Committee member at the Audit Committee meetings held in 2017:

Director	Attendance rate
Nathalie Delapalme (Independent director)	100%
PIEP, represented by Huddie Dewanto ⁽¹⁾ (Director)	100%
Xavier Blandin ⁽²⁾ (Director)	100%
Roman Gozalo (Chairman, independent director)	100%

(1) As from 10 April 2017, date on which PIEP was appointed by the Board of Directors to the Audit Committee.

(2) Until 22 June 2017, date of the end of Xavier Blandin's directorship.

At these sessions, the Audit Committee worked mainly on forecasting the 2016 year-end, reviewing the 2016 estimated financial data, approving the parent company and consolidated financial statements for the fiscal year ended 31 December 2016, reviewing the Annual Report (including the Company and Group management report, the annual financial report and the Chairman's report on corporate governance and internal control), approving the financial statements for the first half of 2017, forecasting profits for 2017 and preparing the budget for 2018.

(b) Appointments and Compensation Committee

Membership of the Appointments and compensation Committee

At least half the Appointments and Compensation Committee must be made up of independent directors of the Company; it may not include any executive corporate officers of the Company.

The members of the Appointments and Compensation Committee are selected by the Board of Directors from among its members or from outside the Board for their expertise.

The Chairman of the Appointments and Compensation Committee, who must meet be independent is appointed by the Board of Directors for the period of his/her term of office as director, unless decided otherwise. The appointment or renewal of the Chairman of the Appointments and Compensation Committee is closely reviewed by the Board of Directors.

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

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

The table below summarises the changes in the membership of the Appointments and Compensation Committee between 1 January 2017 and 31 December 2017.

Membership of the Committee at 1 January 2017	Departure	Appointment	Membership of the Committee at 31 December 2017
G�rard Andreck (Chairman, independent director)	Resignation (10 April 2017)	Appointment of Nathalie Delapalme (10 April 2017) ⁽¹⁾	Nathalie Delapalme (Chairman, independent director)
Fran�ois Raudot Gen�t de Ch�tenay (Independent director)	Resignation (10 April 2017)	Appointment of Roman Gozalo (22 June 2017) ⁽²⁾	Roman Gozalo (Independent director)
Denie S. Tampubolon (Director)	-	-	Denie S. Tampubolon (Director)
3 members			3 members

(1) At its meeting of 10 April 2017, the Board of Directors decided to appoint Nathalie Delapalme to the Appointments and Compensation Committee.

(2) At its meeting of 22 June 2017, the Board of Directors decided to appoint Roman Gozalo to the Appointments and Compensation Committee following the end of Xavier Blandin’s term of office as member of the Appointments and Compensation Committee that same day, Xavier Blandin having been appointed member of that Committee at the Board of Directors’ meeting of 10 April 2017.

Operation

Convening meetings of the Appointments and Compensation Committee

The Appointments and Compensation Committee is convened by its Chairman and meets as often as the Chairman deems necessary or appropriate, at least twice yearly.

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

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

Attendance at meetings of the Appointments and Compensation Committee

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

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

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

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

Where such methods are used in certain meetings, the Chairman must indicate that in the notice to meeting.

Deliberations by the Appointments and Compensation Committee

Appointments and Compensation Committee meetings are chaired by its Chairman.

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

Information for members of the Appointments and Compensation Committee

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

Secretarial functions for the Appointments and Compensation Committee

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

Minutes of Appointments and Compensation Committee meetings

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

Role of the Appointments and Compensation Committee

Selection and appointments

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

- to formulate reasoned proposals for the Board of Directors regarding the appointment of the Company's executive and non-executive corporate officers as well as its directors. These proposals are made after reviewing in detail all factors to be taken into account in its deliberations, specifically:
 - the desired balance of representation on the Board of Directors in light of the composition of and changes in the Company's shareholder structure;
 - the gender balance on the Board of Directors;
 - nationalities and international experience: the search for and assessment of potential candidates; and
 - the opportunities for renewing mandates;
- to strive to reflect a diversity of experience and points of view while ensuring that the Board of Directors retains the necessary objectivity and independence from executive management and any particular group of shareholders, and ensuring the stability of the Company's corporate bodies;
- to strive, when formulating its proposals, to ensure that (i) the independent directors in office account for (a) at least half of the members of the Board of Directors if the Company's capital is widely held and the Company has no controlling shareholders or (b) at least one-third of the members of the Board of Directors if the Company is controlled within the meaning of Article L.233-3 of the French Commercial Code, and (ii) the Audit Committee and Risk Observatory do not include any executive corporate officer and that at least two-thirds of the members of the Audit Committee are independent directors and one member of the Risk Observatory is independent;

- to organise a procedure for selecting future independent directors and carry out its own research on potential candidates before approaching them;
- to review, each year before the publication of the Annual Report and on a case by case basis, the status of each director in terms of the independent criteria given in the Bylaws and submit its proposals to the Board of Directors for the latter to review the status of each candidate, as described in Article 1.2 of the Bylaws. The Appointments and Compensation Committee also reviews the independence of candidates before appointing them as a new director;
- to prepare a succession plan for executive corporate officers; and
- to give its advice, when requested by the Board of Directors, on the recruitment or dismissal of a non-executive corporate officer.

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

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

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

- issuing an opinion, if so requested, on any proposals for exceptional compensation made by the Board of Directors to compensate any member assigned particular duties or given a special mandate, in compliance with the provisions of Article L.225-46 of the French Commercial Code; and
- reviewing any issue submitted to it by the Chairman of the Board of Directors relating to the matters described above as well as any planned capital increases reserved for employees.

Activity of the Appointments and Compensation Committee during the fiscal year ended 31 December 2017

The Appointments and Compensation Committee met five times during 2017, with an attendance rate of 93%. The table below shows the attendance rate of each Appointments and Compensation Committee member at the Appointments and Compensation Committee meetings held in 2017:

Director	
G�rard Andreck ⁽¹⁾	100%
Nathalie Delapalme ⁽²⁾	100%
Fran�ois Raudot Gen�t de Chatenay ⁽³⁾	100%
Denie S.Tampubolon	100%
Roman Gozalo ⁽⁴⁾	100%
Xavier Blandin ⁽⁵⁾	50%

(1) Until 10 April 2017, effective date of G rard Andreck's resignation as member of the Appointments and Compensation Committee.

(2) As from 10 April 2017, date on which Nathalie Delapalme was appointed by the Board of Directors to the Appointments and Compensation Committee.

(3) Until 10 April 2017, effective date of Fran ois Raudot Gen t de Ch tenay's resignation as member of the Appointments and Compensation Committee.

(4) As from 22 June 2017, date on which Roman Gozalo was appointed by the Board of Directors to the Appointments and Compensation Committee.

(5) Xavier Blandin was a member of the Appointments and Compensation Committee from 10 April 2017, the date of his appointment by the Board of Directors to the Appointments and Compensation Committee, to 22 June 2017, the date of the end of his directorship.

The Appointments and Compensation Committee mainly addressed the renewal of appointments of directors, the co-optation of a director, the renewal of the appointment of the Chief Executive Officer and the appointment of the Chairman of the Board of Directors, the compensation of executive corporate officers (including the bonus performance shares awarded to the Chief Executive Officer) and the allocation of attendance fees. Its recommendations regarding compensation were based principally on an analysis of the individual performances and contributions of the individuals concerned.

(c) Risk Observatory

Membership of the Risk Observatory

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

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

The appointment or renewal of the Chairman of the Risk Observatory, as proposed by the Appointments and Compensation Committee, is closely reviewed by the Board of Directors.

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

The table below summarises the changes in the membership of the Risk Observatory between 1 January 2017 and 31 December 2017.

Membership of the Committee at 1 January 2017	Departure	Appointment	Membership of the Committee at 31 December 2017
Carole Delorme d'Armaillé (Chairman, independent director)	-	-	Carole Delorme d'Armaillé (Chairman, independent director)
Nathalie Delapalme (Independent director)	-	-	Nathalie Delapalme (Independent director)
Roman Gozalo (Independent director)	-	-	Roman Gozalo (Independent director)
Xavier Blandin (Independent director)	Reorganisation of the Committee (10 April 2017)	Appointment of Maria R. Nellia (10 April 2017)	Maria R. Nellia (Director)
4 members			4 members

Operation of the Risk Observatory

Convening meetings of the Risk Observatory

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

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

The Chairman of the Risk Observatory sets the meeting agenda.

Attendance at meetings of the Risk Observatory

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

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

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

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

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

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

Deliberations of the Risk Observatory

Risk Observatory meetings are chaired by its Chairman.

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

Information for members of the Risk Observatory

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

Secretarial functions for the Risk Observatory

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

Minutes of the meetings of the Risk Observatory

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

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

Role of the Risk Observatory

The Risk Observatory's role, as approved by the Board of Directors, is as follows:

- monitor, in coordination with the Audit Committee, the effectiveness of internal control and risk management systems, their deployment and the implementation of corrective actions when material weaknesses or irregularities are found or identified;
- review any material transactions that may cause conflicts of interest;
- review the statutory auditors' main findings regarding the parent company and consolidated financial statements as well as internal control and internal audit;
- receive internal audit and risk control reports;

- review the report prepared by the Chairman of the Board of Directors on those same topics at the General Shareholders' Meeting;
- interview the heads of internal audit and risk control and, in coordination with the Audit Committee, express an opinion on the organisation of their departments;
- review, in coordination with the Audit Committee, the risks to which the Company is exposed and the solutions adopted by the Company to address such risks, paying particular attention to potential tax risks and their consequences in terms of reputation;
- ensure that systems to detect and correct any malfunctions are in place. To that end, the Risk Observatory assesses the importance of any malfunctions or weaknesses of which it has been informed and in turn notifies the Board of Directors regarding these matters; and
- review, with the assistance of the auditors and external consultants, the Group's corporate and environmental responsibility strategy and the options chosen for its implementation.

Activity of the Risk Observatory during the fiscal year ended 31 December 2017

The Risk Observatory met five times during 2017, with an attendance rate of 95%. The table below shows the attendance rate of each Risk Observatory member at the Risk Observatory meetings held in 2017:

Director	Attendance rate
Carole Delorme d'Armaillé	100%
Nathalie Delapalme	100%
Maria R. Nellia ⁽¹⁾	75%
Xavier Blandin ⁽²⁾	100%
Roman Gozalo	100%

(1) As from 10 April 2017, date on which Maria R. Nellia was appointed by the Board of Directors as member of the Risk Observatory.

(2) Until 10 April 2017, date of the end of Xavier Blandin's role as member of the Risk Observatory.

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

3.2.3 Compensation and benefits of all kinds granted to corporate officers

3.2.3.1 Executive corporate officers

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

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

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

(a) Compensation policy for the 2017 fiscal year

Compensation policy for the Chairman of the Board of Directors for the 2017 fiscal year

In essence, the compensation of the Chairman of the Board of Directors for 2017 comprised a fixed portion and attendance fees and did not include any variable compensation, benefits in kind or any award of stock options or performance shares.

The Chairman of the Board of Directors does not receive any (i) compensation or benefits due or that may be due on the expiry of or a change in their role or (ii) non-compete compensation.

There is no specific pension scheme for executive corporate officers, who are entitled to the same pension schemes as those applicable to the Group's employees.

The principles and criteria for determining the compensation and benefits of any kind paid or awarded to the Chairman of the Board of Directors for the fiscal year ended 31 December 2017 that were approved by the Company's General Shareholders' Meeting of 22 June 2017 under the 20th resolution are provided in the Company's 2016 Annual Report, section 3.2.3.2.2.

Compensation policy for the Chief Executive Officer for the 2017 fiscal year

In essence, the compensation of the Chief Executive Officer for fiscal year 2017 comprised a fixed portion, an award of bonus performance shares and benefits in kind (including reimbursement of travel expenses).

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

The Chief Executive Officer does not receive any (i) compensation or benefits due or that may be due on the expiry of or a change in his office or (ii) non-compete compensation.

There is no specific pension scheme for executive corporate officers, who are entitled to the same pension schemes as those applicable to the Group's employees.

The principles and criteria for determining the compensation and benefits of any kind paid or awarded to the Chief Executive Officer for the fiscal year ended 31 December 2017 that were approved by the Company's General Shareholders' Meeting of 22 June 2017 under the 21st resolution are provided in the Company's 2016 Annual Report, section 3.2.3.2.2.

(b) Details of the compensation of the Chairman of the Board of Directors and of the Chief Executive Officer for the last two fiscal years

Compensation paid for the 2017 fiscal year

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

The 2017 compensation of Jean-François Hénin, Chairman of the Board of Directors until 10 April 2017, includes an annual fixed component amounting to €97,823, calculated pro rata to the actual term of office served, based on annual gross fixed compensation of €325,000 and attendance fees on the same basis as other directors.

As part of the change in its chairmanship, the Board of Directors reviewed the fixed compensation of the new Chairman, Aussie B. Gautama. In this regard, the Board of Directors, acting on the recommendation of the Appointments and Compensation Committee, decided to set that compensation at €120,000 based on the criteria taken into account for determining the compensation of the Chairman of the Board and in view of the new shareholder structure.

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

The Chief Executive Officer's 2017 compensation includes (i) fixed annual compensation of €425,000, unchanged from the previous year, (ii) an award of 240,000 bonus performance shares valued at €647,000 and (iii) benefits in kind comprising a foreign travel allowance of €1,250 per day plus other typical benefits in kind for a total amount of €77,500.

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

- the success of the transition phase following the acquisition of the Company by PIEP;
- participation in the implementation of succession planning and the process for recruiting the future chief executive officer in conjunction with the Appointments and Compensation Committee, and, if necessary, the transfer of files to the future chief executive officer.

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

The Board of Directors will assess the employment condition and performance criteria on the date of the General Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2017.

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

For information purposes, under his employment contract as the Company's Chief Financial Officer (suspended for his term of office as the Company's Chief Executive Officer), Michel Hochard, Chief Executive Officer, is bound by a non-compete clause applicable for two years following the termination of his contract for any reason, which prohibits him from performing any equivalent paid function in a similar field of activity for a competitor of the Company. The financial indemnity owed for this non-compete obligation amounts to 35% of the compensation he would have earned for the corresponding time period. The Company may, however, unilaterally decide to release Michel Hochard from this obligation. In addition, should Michel Hochard be forced to leave or dismissed from his role as Chief Administrative and Financial Officer within 18 months following a change of control of the Company or a significant change in the stake held by the Company's leading shareholder, Mr. Hochard is owed a contractual severance amount equal to 24 months' gross salary (calculated on the monthly average of gross salary received over the 15 months preceding his dismissal or forced departure). This payment would be added to the contractual and statutory indemnities owed upon contract termination. Provision was also made for special compensation in the form of a retirement package paid at a reducing amount over one year, with an allowance of one month per quarter starting on 1 April 2012. As at 31 December 2017, no amount was paid in respect of that compensation.

Compensation paid for the 2016 fiscal year

At its meeting of 25 February 2016, the Board of Directors, on the recommendation of the Appointments and Compensation Committee, decided to increase the compensation of the Chairman of the Board of Directors and the Chief Executive Officer taking them from €200,000 to €325,000 (+62%) and €350,000 to €425,000 (+21%) respectively. It should be noted that this compensation was unchanged from 12 June 2014 to 25 February 2016. Compensation of corporate officers is determined by the Board of Directors based on the Appointments and Compensation Committee's proposals. The Appointments and Compensation Committee issued this proposal after reviewing all of the details of compensation of the Company's executive corporate officers and with regard to the amount of compensation paid into French or foreign companies of a similar size, the work performed during the merger with MPI, the change in scope of the merged entity and the implementation of the strategy with regard to playing active role in the consolidation of the hydrocarbon sector by contributing to the development of a leader among the European oil juniors.

At its meeting of 25 February 2016, the Board of Directors, acting on the recommendation of the Appointments and Compensation Committee and on the authority granted by the Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 17 December 2015, decided to grant 240,000 bonus performance shares to the Chief Executive Officer. The Board approved the plan to award bonus performance shares and set the employment conditions and three performance criteria related to:

- the reduction in the Group's structuring costs, for 42% of the shares granted;
- compliance with the commitments under the RCF, for 29% of the shares granted; and
- the finalisation of the merger with MPI, for 29% of the shares granted.

Vesting and lock-up periods are one year each, it being specified that (i) the definitive grant of performance shares is subject to employment conditions, (ii) the Chief Executive Officer must retain 20% of the shares resulting from the performance share award in bearer form until he steps down from his office and (iii) in accordance with the rules stipulated in the Code of Ethics regarding insider trading, he must not engage in risk-hedging transactions on those shares, with the exception of the liquidity agreement offered to all beneficiaries of bonus or performance shares by the majority shareholder as part of the TOA).

At its meeting of 31 March 2017, the Board of Directors noted that the performance conditions had been met and consequently decided to definitively award 240,000 bonus performance shares to the Chief Executive Officer.

Furthermore, for fiscal year 2016, the Chief Executive Officer was entitled to a foreign travel per diem of €1,250.

For the 2016 fiscal year, Michel Hochard was also a director of SEPLAT and Newton Energy. As such, he received US\$140,000 in attendance fees from SEPLAT for his directorship in 2016. It should be noted, however, that the sums he received in respect of this directorship are not related to his office as the Company's Chief Executive Officer.

By way of information, it should also be noted that under his employment contract as the Company's Chief Financial Officer (suspended for his term of office as the Company's Chief Executive Officer), Michel Hochard is bound by a non-compete clause applicable for two years following the termination of his contract for any reason, which prohibits him from performing any equivalent paid function in a similar field of activity for a competitor of the Company. The financial indemnity owed for this non-compete obligation amounts to 35% of the compensation he would have earned for the corresponding time period. The Company may, however, unilaterally decide to release Michel Hochard from this obligation. In addition, should Michel Hochard be forced to leave or dismissed from his role as Chief Administrative and Financial Officer within 18 months following a change of control of the Company or a significant change in the stake held by the Company's leading shareholder, Mr. Hochard is owed a contractual severance amount equal to 24 months' gross salary (calculated on the monthly average of gross salary received

over the 15 months preceding his dismissal or forced departure). This payment would be added to the contractual and statutory indemnities owed upon contract termination. Provision was also made for special compensation in the form of a retirement package paid at a reducing amount over one year, with an allowance of one month per quarter starting on 1 April 2012. As at 31 December 2016, no amount is payable with respect to this compensation.

Comparative tables for compensation components for fiscal years 2016 and 2017

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

Name and title of executive corporate officer: Jean-François Hénin, Chairman of the Board of Directors until 10 April 2017	Fiscal year 2017	Fiscal year 2016
Compensation due for the fiscal year	97,823 ⁽¹⁾	325,000
Value of multi-year variable compensation granted during the year	-	-
Value of options granted during the year	-	-
Value of performance shares allocated during the year	-	-
TOTAL	97,823	325,000

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

(2) The compensation components due to Jean-François Hénin for his role as Chairman of the Board of Directors in fiscal year 2017 will be subject to approval by the General Shareholders' Meeting of 20 June 2018.

Name and title of executive corporate officer: Aussie B. Gautama, Chairman of the Board of Directors from 10 April 2017	Fiscal year 2017	Fiscal year 2016
Compensation due for the fiscal year	87,692 ⁽¹⁾	-
Value of multi-year variable compensation granted during the year	-	-
Value of options granted during the year	-	-
Value of performance shares allocated during the year	-	-
TOTAL	87,692	0

(1) Amounts paid in fixed compensation calculated pro rata to the actual term of office served by Aussie B. Gautama as Chairman of the Board of Directors in fiscal year 2017, based on annual gross fixed compensation of €120,000.

(2) The compensation components due to Aussie B. Gautama for his role as Chairman of the Board of Directors in fiscal year 2017 will be subject to approval by the General Shareholders' Meeting of 20 June 2018.

Name and title of executive corporate officer: Michel Hochard, Chief Executive Officer	Fiscal year 2017	Fiscal year 2016
Compensation due for the fiscal year	425,000	425,000
Value of multi-year variable compensation granted during the year	-	-
Value of options granted during the year	-	-
Value of performance shares allocated during the year	552,000	468,821
TOTAL	977,000	893,821

(1) The compensation components due to Michel Hochard for his role as Chief Executive Officer in fiscal year 2017 will be subject to approval by the General Shareholders' Meeting of 20 June 2018.

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

Name and title of executive corporate officer: Jean-François Hénin, Chairman of the Board of Directors until 10 April 2017	Amounts in fiscal year 2017		Amounts in fiscal year 2016	
	due	Paid	due	Paid
Fixed compensation ⁽²⁾	97,823	97,823	325,000	325,000
Annual variable compensation	-	-	-	-
Multi-year variable remuneration	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees ⁽³⁾	20,136	20,136	50,285	50,285
Benefits in kind	-	-	-	-
TOTAL	117,959	117,959	375,285	375,285

(1) The compensation components due to Jean-François Hénin for his role as Chairman of the Board of Directors in fiscal year 2017 will be subject to approval by the General Shareholders' Meeting of 20 June 2018.

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

(3) Attendance fees due to Jean-François Hénin up to 10 April 2017, the effective date of his resignation as director and Chairman of the Board of Directors.

Name and title of executive corporate officer: Aussie B. Gautama, Chairman of the Board of Directors from 10 April 2017	Amounts in fiscal year 2017		Amounts in fiscal year 2016	
	Due	Paid	Due	Paid
Fixed compensation ⁽²⁾	87,692	87,692	-	-
Annual variable compensation	-	-	-	-
Multi-year variable remuneration	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees ⁽³⁾	32,131	32,131	-	-
Benefits in kind	-	-	-	-
TOTAL	119,823	119,823	-	-

- (1) The compensation components due to Aussie B. Gautama for his role as Chairman of the Board of Directors in fiscal year 2017 will be subject to approval by the General Shareholders' Meeting of 20 June 2018.
- (2) Amounts due in fixed compensation calculated pro rata to the actual term of office served by Aussie B. Gautama as Chairman of the Board of Directors in fiscal year 2017, based on annual gross fixed compensation of €120,000.
- (3) Attendance fees due to Aussie B. Gautama as from 10 April 2017, date on which Aussie B. Gautama was co-opted by the Board of Directors as director and Chairman of the Board of Directors.
- (4) [Compensation paid to Aussie B. Gautama in respect of his position at PIEP.]

Name and title of executive corporate officer: Michel Hochard, Chief Executive Officer	Amounts in fiscal year 2017		Amounts in fiscal year 2016	
	Due	Paid	Due	Paid
Fixed compensation	425,000	425,000	425,000	425,00
Annual variable compensation	-	-	-	-
Multi-year variable remuneration	-	-	-	-
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (travel allowance) and overseas per diems	96,883	96,883	60,927	60,927
TOTAL	521,883	521,883	485,927	485,927

- (1) The compensation components due to Michel Hochard for his role as Chief Executive Officer in fiscal year 2017 will be subject to approval by the General Shareholders' Meeting of 20 June 2018.

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

No options to subscribe or purchase shares were granted to any executive corporate officer during the fiscal year ended 31 December 2017. It should be noted that the Company is no longer authorised by the General Shareholders' Meeting to grant options to subscribe for or purchase shares.

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

No options to subscribe or purchase shares were exercised by any executive corporate officer during the fiscal year ended 31 December 2017.

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

Bonus shares awarded by the General Shareholders' Meeting during the fiscal year to the Chief Executive Officer by the Company or by any Group company	Number and date of plan	Number of shares awarded during fiscal year 2017	Value of performance shares	Vesting date	End of lock-up period	Performance conditions
	24 April 2017	240,000	552,000*	25 April 2020	25 April 2020	The performance conditions are described in section 3.2.3.1 (b)

*Value recognised in the consolidated financial statements.

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

Bonus shares becoming available to each corporate officer during the fiscal year	No. and date of plan	Number of shares that became available during the fiscal year	Vesting conditions
	20 June 2013	30,000 ⁽¹⁾	-

(1) Note that at its meeting of 20 June 2013, the MPI Board of Directors awarded 45,000 performance shares to Michel Hochard, MPI's Chief Executive Officer. The performance shares were definitively granted by MPI on 20 June 2015 and were subject to a two-year lock-up period. Following the merger of MPI on 23 December 2015, under which Michel Hochard no longer held any position at MPI, those shares were exchanged for 30,000 Company shares (in application of the applicable merger exchange ratio), it being nevertheless specified that the shares were still subject to the lock-up period initially prescribed. This period ended on 20 April 2017.

● **Options to subscribe for or purchase shares granted to the top ten employees who are not corporate officers and options exercised by said individuals (Table No. 9)**

None.

History of bonus share grants (AMF Table No. 10)

Date of General Shareholders' Meeting	14/06/2012	17/12/2015	15/06/2016	15/06/2016
Date of Board meeting	28/03/2014	25/02/2016	31/03/2017	24/04/2017 ⁽²⁾
Total number of bonus shares granted	56,840	1,080,600	895,000	240,000
Number of bonus shares granted to Michel Hochard, Chief Executive Officer	0	240,000 ⁽¹⁾	0	240,000
Vesting date	28/03/2016	25/02/2017	31/03/2018	24/04/2020
End of lock-up period	28/03/2018	25/02/2018	31/03/2019	24/02/2020
Number of shares vested to Michel Hochard	0	240,000	0	⁽³⁾
Aggregate number of shares cancelled or null and void	5,000	0	0	⁽³⁾
Bonus shares outstanding at year-end	0	0	895,000	⁽³⁾

(1) At its meeting of 25 February 2016, the Board approved the plan to award bonus performance shares and set the employment conditions and three performance criteria related to:

- the reduction in the Group's structuring costs, for 42% of the shares granted;
- compliance with the commitments under the RCF, for 29% of the shares granted; and
- the finalisation of the merger with MPI, for 29% of the shares granted.

(2) At its meeting of 24 April 2017, the Board approved the plan to award bonus performance shares and set the employment conditions and two performance criteria related to:

- the success of the transition phase following the acquisition of the Company by PIEP;
- participation in the implementation of succession planning and the process for recruiting the future chief executive officer in conjunction with the Appointments and Compensation Committee, and, if necessary, the transfer of files to the future chief executive officer.

(3) The Board of Directors will assess the employment condition and performance criteria on the date of the General Shareholders' Meeting convened to approve the financial statements for the fiscal year 2017.

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

	Employment contract	Supplementary pension scheme	Compensation or benefits due or that may be due as a result of termination or change of role	Compensation relating to a non-compete clause
<p>Name: Jean-François Hénin</p> <p>Position: Chairman of the Board of Directors</p> <p>First appointed: 14 June 2007 (Chairman and CEO)</p> <p>Term of office start date: 26 May 2014 (Chairman of the Board of Directors)</p> <p>Term of office end date: 10 April 2017</p>	No	No ⁽¹⁾	No	No

(1) Except for the group pension scheme.

	Employment contract	Supplementary pension scheme	Compensation or benefits due or that may be due as a result of termination or change of role	Compensation relating to a non-compete clause
<p>Name: Aussie B. Gautama</p> <p>Position: Chairman of the Board of Directors</p> <p>Term of office start date: 10 April 2017</p>	No	No	No	No

	Employment contract	Supplementary pension scheme	Compensation or benefits due or that may be due as a result of termination or change of role	Compensation relating to a non-compete clause
Name: Michel Hochard	Yes⁽²⁾	No⁽¹⁾	No⁽³⁾	No
Position: Chief Executive Officer				
First appointed: 26 May 2014				
Term of office start date: 22 June 2017				
Term of office end date: Approval of financial statements for the fiscal year ended 31 December 2018				

(1) Except for the group pension scheme.

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

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

Shareholder vote on the compensation components paid or awarded to executive corporate officers for the fiscal year ended 31 December 2017

The compensation components paid or awarded to Jean-François Hénin in his capacity as Chairman of the Board of Directors until 10 April 2017 for the fiscal year ended 31 December 2017 pursuant to the compensation policy approved by the General Shareholders' Meeting of 22 June 2017 under the 20th resolution are described in the table below:

Jean-François Hénin

Compensation components paid or awarded for the fiscal year ended 31 December 2017	Amount or carrying amount submitted for vote	Description
Fixed compensation	€97,823	<p>During fiscal year 2017, Jean-François Hénin received compensation for his role as Chairman of the Board of Directors until 10 April 2017. During that period he received the sum of €97,823 (amount calculated pro rata to the actual term of office served by Jean-François Hénin as Chairman of the Board of Directors in fiscal year 2017, based on annual gross fixed compensation of €325,000).</p> <p>Details of the annual fixed compensation approved by the General Shareholders' Meeting of 22 June 2017 under the vote on the compensation policy for the Chairman of the Board of Directors for the fiscal year ended 31 December 2017 can be found in the Company's 2016 Annual Report, in section 3.2.3.2.2, page 106.</p>
Annual variable compensation	N/A	Jean-François Hénin receives no variable compensation.
Deferred variable compensation	N/A	Jean-François Hénin receives no deferred variable compensation.
Variable multi-year compensation	N/A	Jean-François Hénin receives no multi-year variable compensation.
Exceptional compensation	N/A	Jean-François Hénin receives no exceptional compensation.
Stock options, performance shares and any other long-term compensation	Options = N/A Shares = N/A Other compensation = N/A	Jean-François Hénin receives no stock options, performance shares or any other long-term compensation.
Attendance fees	€ 20,136	<p>This amount corresponds to the attendance fees paid to Jean-François Hénin during the fiscal year ended 31 December 2017.</p> <p>Details of the annual fixed compensation approved by the General Shareholders' Meeting of 22 June 2017 under the vote on the compensation policy for the Chairman of the Board of Directors for the fiscal year ended 31 December 2017 can be found in the Company's 2016 Annual Report, in section 3.2.3.2.2.</p>
Valuation of benefits of any kind	N/A	Jean-François Hénin is not entitled to any other benefits.

Compensation paid or awarded for the fiscal year just ended that have been or will be submitted for vote at the General Shareholders' Meeting under the procedure for regulated agreements and commitments	Amount submitted for vote	Description
Severance pay	N/A	Jean-François Hénin is not entitled to a severance package.
Non-compete compensation	N/A	Jean-François Hénin is not entitled to non-compete compensation.
Supplementary pension scheme	N/A	Jean-François Hénin is not entitled to any supplementary pension scheme, with the exception of the existing group pension scheme.

The details of the compensation paid or granted to Aussie B. Gautama in his capacity as Chairman of the Board of Directors since 10 April 2017 for the fiscal year ended 31 December 2017 are described in the table below:

Aussie B. Gautama		
Compensation components paid or awarded since 10 April 2017	Amount or carrying amount submitted for vote	Description
Fixed compensation	€87,692	<p>During fiscal year 2017, Aussie B. Gautama received compensation for his role as Chairman of the Board of Directors since 10 April 2017. During that period he received the sum of €87,692 (amount calculated pro rata to the actual term of office served by Aussie B. Gautama as Chairman of the Board of Directors in fiscal year 2017, based on annual gross fixed compensation of €120,000).</p> <p>Details of the annual fixed compensation approved by the General Shareholders' Meeting of 22 June 2017 under the vote on the compensation policy for the Chairman of the Board of Directors for the fiscal year ended 31 December 2017 can be found in the Company's 2016 Annual Report, in section 3.2.3.2.2.</p>
Annual variable compensation	N/A	Aussie B. Gautama receives no variable compensation.
Deferred variable compensation	N/A	Aussie B. Gautama receives no deferred variable compensation.
Variable multi-year compensation	N/A	Aussie B. Gautama receives no multi-year variable compensation.
Exceptional compensation	N/A	Aussie B. Gautama receives no exceptional compensation.
Stock options, performance shares and any other long-term compensation	Options = N/A Shares = N/A Other compensation = N/A	Aussie B. Gautama receives no stock options, performance shares or any other long-term compensation.
Attendance fees	€32,131	<p>This amount corresponds to the attendance fees paid to Aussie B. Gautama during the fiscal year ended 31 December 2017.</p> <p>Details of the annual fixed compensation approved by the General Shareholders' Meeting of 22 June 2017 under the vote on the compensation policy for the Chairman of the Board of Directors for the fiscal year ended 31 December 2017 can be found in the Company's 2016 Annual Report, in section 3.2.3.2.2.</p>
Valuation of benefits of any kind	N/A	Aussie B. Gautama receives no other benefits.

Compensation paid or awarded for the fiscal year just ended that have been or will be submitted for vote at the General Shareholders' Meeting under the procedure for regulated agreements and commitments	Amount or carrying amount submitted for vote	Description
Severance pay	N/A	Aussie B. Gautama is not entitled to a severance package.
Non-compete compensation	N/A	Aussie B. Gautama is not entitled to non-compete compensation.
Supplementary pension scheme	N/A	Aussie B. Gautama is not entitled to any supplementary pension scheme, with the exception of the existing group pension scheme.

The details of the compensation paid or granted to Michel Hochard in his capacity as Chief Executive Officer for the fiscal year ended 31 December 2017 are described in the table below:

Michel Hochard		
Details of compensation due or awarded for the fiscal year ended	Amount or carrying amount submitted for vote	Description
Fixed compensation	€425,000 per year (gross)	During fiscal year 2017, Michel Hochard received compensation of €425,000 for his role as Chief Executive Officer. Details of the annual fixed compensation approved by the General Shareholders' Meeting of 22 June 2017 under the vote on the compensation policy for the Chief Executive Officer for the fiscal year ended 31 December 2017 can be found in the Company's 2016 Annual Report, in section 3.2.3.2.2.
Annual variable compensation	N/A	Michel Hochard receives no deferred variable compensation.
Deferred variable compensation	N/A	Monsieur Michel Hochard ne bénéficie d'aucune rémunération variable différée.
Variable multi-year compensation	N/A	Michel Hochard receives no multi-year variable compensation.
Exceptional compensation	N/A	Michel Hochard receives no exceptional compensation.

<p>Stock options, performance shares and any other long-term compensation</p>	<p>€647,000* Options = N/A Other compensation = N/A</p>	<p>Details of the annual fixed compensation approved by the General Shareholders' Meeting of 22 June 2017 under the vote on the compensation policy for the Chief Executive Officer for the fiscal year ended 31 December 2017 can be found in the Company's 2016 Annual Report, in section 3.2.3.2.2.</p> <p>At its meeting of 24 April 2017, the Board of Directors, on the recommendation of the Appointments and Compensation Committee, and on the authority granted by the Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 15 June 2016, decided to grant 240,000 bonus performance shares to the Chief Executive Officer.</p> <p>The two performance criteria are related to:</p> <ul style="list-style-type: none"> ● the success of the transition phase following the acquisition of the Company by PIEP; ● participation in the implementation of succession planning and the process for recruiting the future chief executive officer in conjunction with the Appointments and Compensation Committee, and, if necessary, the transfer of files to the future chief executive officer. <p>The vesting period is three years and there is no lock-up period, it being specified that (i) the definitive grant of performance shares is subject to an employment condition, fulfilled if the Chief Executive Officer still holds such office on the date of the Company's General Shareholders' Meeting convened to approve the financial statements for the 2017 fiscal year, and (ii) the Chief Executive Officer must retain 20% of the shares resulting from the performance share award in bearer form until he steps down from his office.</p> <p>The Board of Directors will assess the employment condition and performance criteria on the date of the General Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2017.</p>
<p>Attendance fees</p>	<p>N/A</p>	<p>As Michel Hochard is not a Company director or an observer, he is not entitled to attendance fees.</p>
<p>Valuation of benefits of any kind</p>	<p>€96,883</p>	<p>Michel Hochard has his travel expenses and overseas per diems paid.</p> <p>Details of the annual fixed compensation approved by the General Shareholders' Meeting of 22 June 2017 under the vote on the compensation policy for the Chief Executive Officer for the fiscal year ended 31 December 2017 can be found in the Company's 2016 Annual Report, in section 3.2.3.2.2.</p>

* of which 95,000€ for free shares granted in 2016

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

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

(c) Principles and criteria governing the determination, allocation and award of the fixed, variable and exceptional components of total compensation and benefits of any kind that may be owed or awarded for fiscal year 2018 to the Chairman of the Board and the Chief Executive Officer with respect to their office

Law No. 2016-1691 of 9 December 2016 on transparency, anti-corruption and modernization of economy – the “Sapin II Law” – requires a binding vote of the shareholders on the principles and criteria governing the determination, allocation and award of the fixed, variable and exceptional components of total compensation and benefits of all kinds that may be owed or awarded to the Chairman of the Board and to the Chief Executive Officer for financial year 2018 (i.e., the compensation policy).

The purpose of this section is to present, in accordance with the provisions of Article L.225-37-2 of the French Commercial Code, the principles and criteria set by the Board of Directors, based on the recommendation of the Appointments and Compensation Committee (the “**ACC**”).⁽²⁾

We suggest that you approve the principles and criteria presented in this report. Two resolutions will be presented for the Chairman of the Board and for the Chief Executive Officer respectively. If the shareholders at the Ordinary and Extraordinary General Meeting scheduled for 20 June 2018 do not approve (one of) these resolutions, the relevant compensation will be determined in accordance with compensation granted for the previous fiscal year, which is the compensation policy approved by the General Shareholders' Meeting of 22 June 2017 under the 20th and 21st resolutions.

As a reminder, all components of compensation paid to the Chairman of the Board and to the Chief Executive Officer of Établissements Maurel & Prom (the “**Company**”) are determined by the Board of Directors, acting on the recommendation of the ACC by reference to the principles set out in the AFEP-MEDEF Corporate Governance Code for listed companies, as amended in November 2016 (the “**AFEP-MEDEF Code**”).

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

I. Compensation policy applying to the Chairman of the Board of Directors (a non-executive corporate officer) for fiscal year 2018

The Chairman of the Board's compensation is made up of fixed compensation and directors' fees.

Fixed compensation

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

For information purposes only, after taking into account all of the Chairman's compensation components and a study* conducted by a firm specialising in the structure and compensation of board chairmen and chief executive officers of companies listed in the SBF 80 index (i.e. companies in the SBF 120 not included in the CAC 40), the Board of Directors, acting on the recommendation of the ACC, decided not to make any changes to Aussie B. Gautama's compensation for fiscal 2018, which was set at €120,000 by the Board of Directors at its meeting of 10 April 2017. There are no plans at this stage to modify it until the end of the Chairman's term of office.

Attendance fees

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

For information purposes only, the Chairman of the Board received €32,131 in attendance fees for the 2017 fiscal year, covering the period from 10 April to 31 December 2017.

No other compensation components

The Chairman of the Board does not receive any annual variable compensation, multi-year compensation or exceptional compensation. He does not receive any share subscription or purchase options or bonus shares. He also does not enjoy coverage under any special pension scheme for corporate officers, nor is he entitled to any severance or non-compete payment. Lastly, he is not party to or recipient of any compensation or benefits under any agreements entered into whether directly or through the intermediary of another person, by reason of his office as Chairman of the Board, with the Company, any company controlled by the Company within the meaning of Article L. 233-16 of the French Commercial Code, any company controlling the Company or any company controlled by the same company within the meaning of such Article.

II. Compensation policy for the Chief Executive Officer (an executive corporate officer) for the 2018 fiscal year

The compensation paid to the Chief Executive Officer is made up exclusively of (i) fixed compensation, (ii) variable compensation and (iii) benefits in kind with (iv) the possibility, in exceptional cases, to grant him the corresponding exceptional compensation.

* Compensation practices in French companies listed on the regulated market of CAC Mid & Small, except for financial sectors and real estate companies whose turnover does not exceed 2 billion euros.

Fixed compensation

Fixed annual compensation compensates the Chief Executive Officer for his responsibilities. Its amount is based on an in-depth analysis of market practice, size and market capitalization of the Company, the separation between the roles of Chairman of the Board and Chief Executive Officer, experience, technical skill and the scarcity and critical importance of those skills, past individual compensation and years of service of the Chief Executive Officer. For example, after taking into account all of the Chief Executive Officer's compensation components and a study* conducted by a specialized firm on the structure and compensation of chief executive officers, the Board of Directors followed the recommendation of the ACC and decided not to make any changes to Michel Hochard's compensation for fiscal 2018, which had been set at €425,000 by the Board of Directors at its meeting of 10 April 2017. There are no plans at this stage to modify it until the end of the Chief Executive Officer's term of office.

Annual variable compensation

After taking into account all the compensation components of the Chief Executive Officer and a study conducted by a firm specializing in the structure and remuneration of the Chairman of the Board of Directors and the Chief Executive Officer of certain companies *, the Board of Directors On the recommendation of the CNR, the Board decided that the Chief Executive Officer would receive annual variable compensation. It is specified, in accordance with AFEP-MEDEF Code, that the allocation of annual variable compensation will also benefit other Group employees.

As the variable compensation component must be consistent with the performance of the Chief Executive Officer and the Company's strategy and progress, this compensation is determined based on quantifiable criteria related to the Company's operating, financial and strategic performance, which is assessed according to a sliding and proportional scale, as well as on qualitative criteria, it being specified that both quantifiable and qualitative targets to be achieved are set based on specific, predetermined targets (with the exception of a qualitative criterion for which the Board of Directors wishes to retain discretion in order to take into account the unpredictability of the context). The criteria and targets are approved annually by the Board of Directors, which acts on the recommendation of the ACC. They may not be changed during the year.

In accordance with the recommendations of the AFEP-MEDEF Code, the total amount of the variable component is expressed as a percentage of annual fixed compensation, with each criterion entitling to a portion of the percentage of the annual fixed compensation. Following an analysis of the study produced by the specialist firm*, it was decided that the maximum amount of the Chief Executive Officer's annual variable compensation should be set at 100% of his annual fixed compensation.

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

Quantifiable criteria:

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

Qualitative criteria:

1. Ongoing efforts in terms of safety and the environment: 0% of annual fixed compensation;
2. The individual performance of the Chief Executive Officer: 20%** of annual fixed compensation.

* Compensation practices at French companies listed on the CAC Mid & Small regulated market, except in financial and real estate sectors, whose sales are under €2 billion.

** This percentage may be increased to 50% of annual fixed compensation, but the total annual variable compensation may not exceed 100% of annual fixed compensation.

As indicated above, the expected achievement level of the quantifiable criteria is very specific but is not made public for confidentiality reasons. Similarly, the qualitative criterion regarding Social and Environmental Responsibility was predetermined and specific, but details of the evaluation sub-criteria are not made public for confidentiality reasons, it being specified that for the other qualitative criterion related to individual performance, the Board of Directors wishes to retain discretion in order to take into account the unpredictability of the context.

Benefits in kind

The Chief Executive Officer receives a foreign travel per diem in the amount of €1,250 for business trips outside France, benefits in kind provisions under a profit-sharing agreement applied in the Company and a mobile phone, it being understood that the Board may, depending on the situation, decide to grant other customary benefits in kind for such office.

Exceptional compensation

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

No other compensation components

The Chief Executive Officer does not receive any directors' fees from the Company as he is not a director thereof. He also does not receive any variable annual or multi-year compensation. He does not receive any share subscription or purchase options or bonus shares. The Chief Executive Officer also does not enjoy coverage under any special pension scheme for corporate officers; he is covered by the same pension schemes as those applying to other Group employees. Further, he does not benefit from any "golden hello" payments for taking office, severance payments or non-compete amounts for his office. Lastly, he is not party to or recipient of any compensation or benefits under any agreements entered into, whether directly or through the intermediary of another person, by reason of his office as Chief Executive Officer, with the Company, any company controlled by the Company within the meaning of Article L.233-16 of the French Commercial Code, any company controlling the Company or any company controlled by the same company within the meaning of such Article.⁽¹⁾

We draw your attention to the fact that Articles L. 225-37-2 and L. 225-100 of the French Commercial Code provide that, where such components exist, the variable and exception compensation components of the Chairman of the Board and the Chief Executive Officer shall only be paid after shareholders' General Meeting has approved the fixed, variable and exceptional components of the total compensation and benefits of any kind paid or granted to the Chairman of the Board and the Chief Executive Officer for the 2018 financial year pursuant to the terms set out by Article L. 225-100 of the French Commercial Code.

(1) For information purposes, Michel Hochard's employment contract as the Company's Chief Administrative and Financial Officer (which contract is suspended for the duration of his role as Company Chief Executive Officer) contains a two-year non-compete clause which comes into force upon termination of his contract on any grounds whatsoever. The clause bars him from performing any equivalent salaried role in a similar field of business for a Company competitor. The financial indemnity owed for this non-compete obligation amounts to 35% of the compensation he would have earned for the corresponding time period. The Company may, however, unilaterally decide to release Michel Hochard from this obligation. In addition, should Michel Hochard be forced to leave or dismissed from his role as Chief Administrative and Financial Officer within 18 months following a change of control of the Company or a significant change in the stake held by the Company's leading shareholder, Mr. Hochard is owed a contractual severance amount equal to 24 months' gross salary (calculated on the monthly average of gross salary received over the 15 months preceding his dismissal or forced departure). This payment would be added to the contractual and statutory indemnities owed upon contract termination. Provision was also made for special compensation in the form of a retirement package paid at a reducing amount over one year, with an allowance of one month per quarter starting on 1 April 2012.

3.2.3.2 Non-executive corporate officers

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

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

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

On the recommendation of the Appointments and Compensation Committee, the Board of Directors, at its meeting of 24 April 2018, decided to distribute the budget for attendance fees for 2017 according to the following rule:

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

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

No options for the subscription or purchase of shares or for bonus shares have been granted to the Company's non-executive corporate officers by the Company or by Group companies during the last three fiscal years. Furthermore, no options to subscribe for or purchase shares were exercised by or granted to any non-executive corporate officer during the fiscal year ended 31 December 2017.

Any positions held by non-executive corporate officers in the Company's subsidiaries are not compensated.

The Company's non-executive corporate officers received the compensation shown in the table below (in euros) during the fiscal years ending 31 December 2017 and 31 December 2016, respectively:

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

Non-executive corporate officers	Amount paid in fiscal year 2017	Amount paid in fiscal year 2016
G�rard Andreck⁽¹⁾		
Attendance fees	16,000	46,614
Other compensation	-	-
Xavier Blandin⁽²⁾		
Attendance fees	30,786	49,652
Other compensation	-	-
Nathalie Delapalme		
Attendance fees	67,527	47,120
Other compensation	-	-
Carole Delorme d'Armaill�		
Attendance fees	52,111	50,158
Other compensation	-	-
Roman Gozalo		
Attendance fees	72,039	51,930
Other compensation	-	-
Emmanuel de Marion de Glatigny⁽³⁾		
Attendance fees	-	33,179
Other compensation	-	-
Fran�ois Raudot Gen�t de Chatenay⁽⁴⁾		
Attendance fees	15,436	38,260
Other compensation	-	-
Eloi Duverger⁽⁵⁾		
Attendance fees	15,436	36,994
Other compensation	-	-
Denie S. Tampubolon⁽³⁾		
Attendance fees	47,411	10,193
Other compensation	-	-

Non-executive corporate officers	Amount paid in fiscal year 2017	Amount paid in fiscal year 2016
Christian Bellon de Chassy		
Attendance fees	20,446	35,728
Other compensation	-	-
Maria R. Nellia⁽⁴⁾		
Attendance fees	27,431	-
Other compensation	-	-
PIEP, représenté par Monsieur Huddie Dewanto⁽¹⁾		
Attendance fees	33,071	-
Other compensation	-	-
TOTAL	397,694	399,828

(1) Gérard Andreck resigned as director on 10 April 2017. He was replaced by PIEP, which was co-opted on that same day. The co-optation of PIEP was ratified by the General Shareholders' Meeting of 22 June 2017.

(2) Xavier Blandin did not seek the renewal of his term of office as director, which expired on 22 June 2017. Acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided not to replace him.

(3) Emmanuel de Marion de Glatigny resigned as director on 25 August 2016. He was replaced by Denie S. Tampubolon, who was co-opted on 25 August 2016. The co-optation of Denie S. Tampubolon was ratified by the General Shareholders' Meeting of 22 June 2017.

(4) François Raudot Genêt de Châtenay resigned as director on 10 April 2017. He was replaced by Maria R. Nellia, who was co-opted on that same day. The co-optation of Maria R. Nellia was ratified by the Ordinary Shareholders' Meeting of 22 June 2017.

(5) Eloi Duverger resigned as director on 10 April 2017. Acting on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided not to replace him.

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

As at 24 April 2018, the Company's corporate officers together held 142,249,455 Company shares (of which 141,911,939 were held by PIEP) (i.e. 72.82% of the capital, representing 72.60% of theoretical voting rights and 74.29 % of exercisable voting rights).

The details of equity interests in the Company as well as the transferable securities issued by Company held by the corporate officers to the Company's knowledge, are shown in the table in section 3.2.2.2 (a) of this Annual Report.

In addition to the provisions in the Code of Ethics on preventing insider trading (see section 3.2.2.2 (f) of this Annual Report), the members of the Board of Directors are subject to the laws and regulations governing trading in company securities about which they have information that has not yet been made public.

3.3 AGREEMENTS REFERRED TO IN ARTICLE L.225-37-4, PARAGRAPH 2 OF THE FRENCH COMMERCIAL CODE

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

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

The special report of the Company's statutory auditors on the regulated agreements and commitments referred to in Articles L225-38 *et seq.* of the French Commercial Code fiscal year 2017 is provided in section 6.5.2 of this Annual Report.

3.4 RULES FOR ADMISSION AND CONVENING GENERAL SHAREHOLDERS' MEETINGS

3.4.1 Convening General Shareholders' Meetings

General Shareholders' Meetings are convened, under conditions stipulated by law, by the Board of Directors or, otherwise, by the statutory auditors or by any other legally authorised persons.

General Shareholders' Meetings are held at the registered office or at any other location specified in the meeting notice.

The conditions of admission to General Shareholders' Meetings are described below.

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

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

3.4.2 Shareholder access to and participation in General Shareholders' Meetings

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

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

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

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

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

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

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

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

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

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

Share capital structure

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

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

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

Statutory restrictions on the exercise of voting rights

Article 10 of the Articles of Association, which also appears in section 6.2.5 of this Annual Report, stipulates that any shareholder who has not declared to the Company that they have exceeded a threshold of 2% of the capital or voting rights or any multiple of this 2% threshold shall be deprived of voting rights with respect to the shares exceeding the percentage that should have been declared. This restriction may, as the case may be, have an impact in the event of a public offering.

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

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

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

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

Powers of the Board of Directors

Pursuant to the resolution approved by the shareholders at the General Shareholders' Meeting of 22 June 2017, the Board of Directors may not implement the Company's share buyback programme during any period of public offering on the Company's shares.

In addition, in accordance with the decision of the General Shareholders' Meeting of 15 June 2016, the Board of Directors may not decide to issue shares or transferable securities conferring access to capital, with or without pre-emptive subscription rights, during periods of public offering on the Company's shares, with the exception of awards of bonus shares or issues of shares or transferable securities conferring access to capital reserved for employees.

In accordance with the decision of the General Shareholders' Meeting of 18 June 2015, the Board may nevertheless award bonus preference shares during a period of public offering on the Company's shares.

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

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

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

Under the previous financing arrangement, the Revolving Credit Facility (RCF), described in section 7.2.1.6 of this Annual Report), contained a change in control clause whereby any lender can cancel the credit arrangements granted to the Company and require it to repay all or part of the outstanding line of credit immediately in the event of a change in control of the Company. Following the Company's aforementioned debt refinancing in December 2017, the RCF, which at the time was being amortised (approximately US\$325 million), was closed as part of the Company's repayment of that financing.

Lastly, the 2019 ORNANE and 2021 ORNANE bond issue contracts described in section 7.2.1.4 of this Annual Report) each contain a change of control clause stipulating that bearers may request the early repayment of their bonds in cash in the event of a change in control of the Company. The last ORNANE 2019 and ORNANE 2021 bonds outstanding, amortised early as of 12 February 2018, were subsequently cancelled in accordance with their terms and conditions.

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

Authorities and delegations granted by the Company's General Shareholders' Meetings still in force at 31 December 2017 and, as applicable, their use during the 2017 fiscal year are described in the tables below:

Resolution No.	Type of authority or delegation	Ceiling	Duration of authority from 15/06/2016	Comments
Eleven	Delegation of authority granted to the Board of Directors to issue Company shares and transferable securities conferring access to the capital of the Company or of one of its subsidiaries and/or entitling holders to the allotment of debt securities, with shareholders' pre-emptive subscription rights. ⁽¹⁾	Total nominal value of capital increases: €75m Total par value of any debt securities that may be issued: €600m.	26 months, until 15 August 2018.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 18 June 2015. This delegation cannot be used in a public offering of Company shares. This delegation was not used as at 31 December 2017, or as at the date of this Annual Report.
Twelve	Delegation of authority granted to the Board of Directors to issue Company shares or transferable securities conferring access to the capital of the Company or of one of its subsidiaries and/or entitling holders to the allotment of debt securities in the event of a public offering, with removal of shareholders' pre-emptive subscription rights. ^{(1) (2)}	Total nominal value of capital increases: €45m Total par value of any debt securities that may be issued: €350m.	26 months, until 15 August 2018.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 18 June 2015. This delegation cannot be used in a public offering of Company shares. This delegation was not used as at 31 December 2016, nor as at the date of this Annual Report.

Resolution No.	Type of authority or delegation	Ceiling	Duration of authority from 15/06/2016	Comments
Thirteen	Delegation of authority granted to the Board of Directors to issue Company shares and transferable securities conferring access to the capital of the Company or of one of its subsidiaries and/or entitling holders to the allotment of debt securities by private investment governed by Article L.411-2 section II of the French Monetary and Financial Code, with removal of shareholders' pre-emptive subscription rights. ⁽¹⁾⁽²⁾	<p>Total nominal value of capital increases: €45m</p> <p>Limit: 20% per year of the Company's share capital as calculated at the date of the Board of Directors' decision to use the delegation.</p> <p>Total nominal value of any debt securities that may be issued: €350m.</p>	26 months, until 15 August 2018.	<p>This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 18 June 2015.</p> <p>This delegation cannot be used in a public offering of Company shares.</p> <p>This delegation was not used as at 31 December 2017, nor as at the date of this Annual Report.</p>
Fourteen	Authority granted to the Board of Directors to set the issue price in accordance with the conditions determined by the General Shareholders' Meeting in the event of an issue of shares or transferable securities conferring access to capital and/or entitling holders to the allotment of debt securities, with removal of shareholders' pre-emptive subscription rights. ⁽¹⁾⁽²⁾	<p>Total nominal value of capital increases: 10% of the Company's share capital (as it exists at the date of decision of the Board of Directors).</p> <p>This ceiling counts towards the ceiling of the resolution pursuant to which the issue was decided.</p>	26 months, until 15 August 2018.	<p>This authority replaced the previous authority granted for the same purpose by the General Shareholders' Meeting of 18 June 2015.</p> <p>This authority cannot be used in a public offering of Company shares.</p> <p>This authority was not used as at 31 December 2017, nor as at the date of this Annual Report.</p>

Resolution No.	Type of authority or delegation	Ceiling	Duration of authority from 15/06/2016	Comments
Fifteen	<p>Authority granted to the Board of Directors to increase the number of instruments to be issued in the event of a capital increase with or without removal of shareholders' pre-emptive subscription rights.⁽¹⁾⁽²⁾</p>	<p>The increase must be made within 30 days of the end of the initial subscription period and may not exceed 15% of the initial issue. It must be made at the same price as that used for the initial issue.</p> <p>This ceiling counts towards the ceiling of the resolution pursuant to which the issue was decided.</p>	<p>26 months, until 15 August 2018.</p>	<p>This authority replaced the previous authority granted for the same purpose by the General Shareholders' Meeting of 18 June 2015.</p> <p>This authority cannot be used in a public offering of Company shares.</p> <p>This authority was not used as at 31 December 2017, nor as at the date of this Annual Report.</p>
Sixteen	<p>Delegation of authority granted to the Board of Directors to issue Company shares or transferable securities conferring access to the Company's capital and/or entitling holders to the allotment of debt securities in the event of a public exchange offer initiated by the Company, without shareholders' pre-emptive subscription rights.⁽¹⁾⁽²⁾</p>	<p>Total nominal value of capital increases: €45m.</p> <p>Total nominal value of any debt securities that may be issued: €350m.</p>	<p>26 months, until 15 August 2018.</p>	<p>This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 18 June 2015.</p> <p>This delegation cannot be used in a public offering of Company shares.</p> <p>This delegation was not used as at 31 December 2017, nor as at the date of this Annual Report.</p>

Resolution No.	Type of authority or delegation	Ceiling	Duration of authority from 15/06/2016	Comments
Seventeen	Delegation of authority granted to the Board of Directors to issue Company shares or transferable securities conferring access to the Company's capital and/or entitling holders to the allotment of debt securities with a view to compensating in-kind contributions granted to the Company, without shareholders' pre-emptive subscription rights. ⁽¹⁾⁽²⁾	Nominal amount of capital increases: dual limit of €45 million and 10% of the Company's share capital (as existing at the date of the Board of Directors' decision). Total nominal value of any debt securities that may be issued: €350m.	26 months, until 15 August 2018.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 18 June 2015. This delegation cannot be used in a public offering of Company shares. This delegation was not used as at 31 December 2017, nor as at the date of this Annual Report.
Eighteen	Delegation of authority granted to the Board of Directors to increase the Company's capital by capitalising reserves, profits, premiums or other sums which may be capitalised.	Maximum nominal value equal to the total sums that may be incorporated into the capital pursuant to the regulations in force.	26 months, until 15 August 2018.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 18 June 2015. This delegation cannot be used in a public offering of Company shares. This delegation was not used as at 31 December 2016, nor as at the date of this Annual Report

Resolution No.	Type of authority or delegation	Ceiling	Duration of authority from 15/06/2016	Comments
Nineteen	Authority granted to the Board of Directors to allocate Company shares free of charge to employees and/or corporate officers of the Company and its subsidiaries, removing shareholders' pre-emptive subscription rights.	Number of ordinary bonus shares awarded: 1% of the Company's share capital (as existing at the date of the Board of Directors' decision to award them).	38 months, until 15 August 2019.	This authority replaced the previous authority granted for the same purpose by the General Shareholders' Meeting of 17 December 2015. [This authority was used to allocate shares under the plan of 31 March 2017 and 24 April 2017 for 1,135,000 shares as at 31 December 2017.]
Twenty	Delegation of authority granted to the Board of Directors to execute capital increases reserved for employees enrolled in the Company savings plan, with the removal of shareholders' pre-emptive subscription rights.	Total nominal value of capital increases: €1m.	26 months, until 15 August 2018.	This delegation replaced the previous delegation granted for the same purpose by the General Shareholders' Meeting of 18 June 2015. This delegation was not used as at 31 December 2017, nor as at the date of this Annual Report.

(1) Counts towards the €75-million total ceiling on capital increases and the €600-billion total ceiling on debt securities.

(2) Counts towards the €45-million ceiling on capital increases and the €350-million ceiling on debt securities.

Lastly, under the terms of the 23rd resolution of the General Shareholders' Meeting of 22 June 2017, the Board of Directors is authorised to cancel Company shares up to a limit of 10% of the Company's share capital per 24-month period. This authority was granted for a period of 18 months from the date of the aforementioned General Meeting.

Authorisations and delegations granted to the Board of Directors by the Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 18 June 2015 with respect to issues of shares and securities conferring access to capital were as follows:

Resolution No.	Type of authority or delegation	Ceiling	Duration of authority from 18/06/2016	Comments
Twenty-two	Authority granted to the Board of Directors to allot preference shares in the Company for free to employees and/or corporate officers of the Company and its subsidiaries, entailing the waiver of shareholders' pre-emptive subscription rights.	<p>Number of ordinary bonus shares awarded: 0.2% of the Company's share capital (as existing at the date of the Board of Directors' decision to award them).</p> <p>Total number of ordinary shares that may be issued upon conversion of preference shares: 2% of the Company's share capital (as existing at the date of the Board of Directors' decision to award them).</p>	38 months, until 18 August 2018.	This delegation was used on 25 February 2016

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4 SOCIAL, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY

The economic environment in 2017, which was characterised by a recovery in oil prices, was more favourable to the oil industry and put an end to the marked halt in investments in 2015.

The resumption of exploration and production activities is now part of a global energy transition. Depending on their individual commitments, countries may start updating their energy mix to favour some energies over others. To have a better understanding of the new parameters, and despite the relatively small size of its operations compared to other operators, the Maurel & Prom Group has been accepting the CDP's requests to provide details of its climate policy based on the CDP questionnaire since 2014. The Group scored B in 2017 and aims to maintain this climate rating.

In Gabon, a portion of the oil produced is sent to the local refinery and the rest is sold to a major oil producer. The Maurel & Prom Group continued to pursue its goals of increasing production and controlling costs. The subsidiary continued to implement its plan to use all of its associated gas production, one of the major joint-benefits of which will be to put an end to routine flaring.

In Tanzania, all of the gas produced is used locally for the country's power generation needs. The increased demand for power by the industrial sector in Dar Es Salaam drove up MPEP Tanzania's production volumes by +14% compared to 2016.

Whenever the national context is deemed unfavourable, projects are discontinued. In Quebec, the withdrawal of Anticosti Island from all hydrocarbon or underground reservoir exploration activities resulted in M&P pulling out from the project in July 2017.

Overall, 2017 marked the beginning of a resumption in the Maurel & Prom Group's development projects, with the workforce being mobilised accordingly. In Tanzania, 2017 was devoted to efforts to increase the facilities' production capacity which continued into mid-February 2018. In Gabon, the subsidiary designed a programme to drill 11 development wells and is currently preparing exploration drilling on the Kari and Nyanga Mayombe permits for 2018. In Colombia, while the SSJN-9 permit entered the final phase of its return to the government, the COR-15 permit entered its exploration phase in October 2017. In 2018, the subsidiary will focus on preparing its application for an environmental permit before applying for drilling approval.

Maurel & Prom pays particular attention to producing environmental and social impact studies and environmental and social management plans, and commissions these through specialist environmental consulting firms. These studies and plans are highly detailed and essential for obtaining environmental permits and establishing project feasibility. In 2017 the Gabonese subsidiary conducted four studies: two environmental studies on the Ezanga permit for the exploration of a laterite quarry and the proposed development of a bypass road, and two environmental and social impact studies for exploration drilling projects on the Kari and Nyanga Mayombe permits.

With the resumption of drilling projects and operations, protecting the environment and the health and safety of individuals remains a priority. In December 2017, the Gabonese subsidiary recorded an accidental crude oil spill. It mobilised all the financial, human and technical resources needed to clean up the pollution. By mid-March 2018, 98% of the affected land had been cleaned.

Ongoing efforts since 2015 to improve occupational health and safety have resulted in a significant change in HSSE performance indicators. At end-2017, the Gabonese and Tanzanian subsidiaries had recorded 299 and 515 consecutive days, respectively, with no lost-time accidents for all employees and contractors.

In Gabon, the country's deteriorating political and industrial situation was a factor in a strike triggered at the Gabonese subsidiary on 22 February 2017. As this strike was declared illegal, work resumed on 13 March 2017. A number of ad hoc or structural measures were taken, aimed at calming relations with employees, restoring employee representation and promoting a return to dialogue.

In 2017 the Group wanted to reaffirm its values and principles of conduct and therefore drew up an ethics charter, a code of conduct and anti-corruption guidelines applicable to employees in all subsidiaries and to individuals representing the Group not only internally but also in relationships with third parties (business relationships or civil society).

With regard to sustainable and local development, the Group once again contributed financially to local sustainable development and social initiatives. In 2017, the Group's contractual commitments towards local communities totalled US\$7.0 million for all subsidiaries combined. In 2017, a series of community projects covering access to water, energy, health care, education and job creation, aimed at villages located within the Ezanga permit's sphere of influence, were placed on the Local Community Development Fund's agenda.

In accordance with Articles L.225-102-1 and R.225-105 *et seq.* of the French Commercial Code, the management report presents information on the manner in which the Company addresses the social and environmental consequences of its activities as well as its corporate commitments to promote sustainable development, antidiscrimination measures and diversity. This information is presented in accordance with the applicable laws and regulations and focuses on Group entities that the Group controls and that employ staff.

4.1 SOCIAL INFORMATION

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

In light of this, the Group has geared its strategy towards retaining skills and developing optimal teams to increase efficiency.

4.1.1 Employment

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

In 2017, the Gabonese subsidiary remained the Group's largest operation in terms of workforce. At end-December 2017, Maurel & Prom Gabon had 342 employees representing 63.6% of the Maurel & Prom Group's total workforce, compared with 335¹ employees representing 63.5%² of the total workforce at end-December 2016.

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

At 31 December 2017, the Group had 538 employees in five countries, compared with 528* employees in six countries at 31 December 2016.

The tables below show the breakdown of the workforce at end-2015, end-2016 and end-2017 based on job position, age bracket, geographic region, gender and contract type (expatriates or local employees).

Position	2015	2016*	2017
Engineers	65	64	67
Technicians	277	274	309
Support staff	210	190	162
Total	552*	528	538

* Breakdown of 2016 workforce adjusted for end-of-year personnel changes

Breakdown by age bracket	2015	2016*	2017
Up to 25 years	4	5	3
25 to 34 years	155	129	118
35 to 44 years	206	213	221
45 to 54 years	129	131	141
Over 55 years	58	50	55
Total	552	528	538

* Workforce figure at end-2016 adjusted for 2016 end-of-year personnel changes

1 2016 workforce figure adjusted for end-of-year personnel changes.

2 As above.

Geographic breakdown (registered workforce)	2015			2016*			2017					
	Men	Women	Total	Men	Women	Total	Men	%	Women	%	Total	%
All types of employment contract, by gender												
Africa	439	57	496	421	60	479	433	93	58	81	491	91
Latin America	6	5	11	5	5	10	4	1	3	4	7	1
Europe – Middle East	30	14	44	26	11	37	29	6	11	15	40	8
North America	1	-	1	-	-	-	-	-	-	-	-	-
Sub-total	473	75	552	452	74	526	466	100	72	100	538	100
Total	552			528*			538					

* Workforce figure at end-2016 adjusted for 2016 end-of-year personnel changes.

Breakdown of expatriate/local employees at 31/12/2017	Expatriate	%	Local	%	Total
Africa	56	95%	435	91%	491
Latin America	2	4%	5	1%	7
Europe	1	2%	39	8%	40
TOTAL	59	100%	479	100%	538

4.1.1.2 Recruitment and dismissals

The recruitment policy was marked successively by the insourcing of skills in Gabon, the reallocation of resources in Latin America, the integration of Caroil's workforce, and the creation of teams in Tanzania as a result of the ramp-up of gas production and sales activities.

Recruitment	2015			2016*			2017		
	Permanent	Casual	Total	Permanent	Casual	Total	Permanent	Casual	Total
Total Group	52	18	70	11	18	29	27	20	47
O/w Company	1	4	5	2	1	3	3	3	6

* Workforce figure at end-2016 adjusted for 2016 end-of-year personnel changes.

In 2017 the recruitment policy focused on the subsidiaries in Gabon and Tanzania, and on operations in France, and for the most part involved permanent contracts. In spite of 47 new hires in 2017, the total workforce remained unchanged compared to 2016. Staff departures, which were down compared to previous years, represented 5.6% of the total workforce at the end of 2017. The reduction in the workforce due to departures for any cause except role change primarily affected Gabon, which accounted for 70.3% of staff departures.

The table below shows departures from the Group, excluding retirees and role changes, as at 31 December 2015, 2016 and 2017:

	2015	2016*	2017
Departures excluding retirees/role changes, of which:	42	50	30
Voluntary departures (resignations, negotiated departures, contract terminations)	23	36	10
End of fixed-term contract	4	4	8
Dismissals	11	8	10
Deaths	3	2	2
Total departures/total workforce	7,7%	9,5%	5,6%

* Workforce figure at end-2016 adjusted for 2016 end-of-year personnel changes.

The workforce reduction at the Caroil subsidiary continued to a lesser extent, accounting for 18.9% of the drop in total employees. This decrease mainly pertained to the support functions of permanent staff. At end-2017, drilling subsidiary Caroil had three bases in Tanzania, Congo and Gabon. Since 2015, Caroil's drilling, workover and maintenance activities have had two challenges to overcome: (1) managing the steep decline in its drilling activities and investments since the second half of 2015, which meant redistributing teams to retain skills, and (2) developing teams with a diverse range of skills to handle projects under management-type contracts (teams at Caroil work on equipment owned by the operator), such contracts requiring specific technical expertise due to the equipment used (mechanical equipment that is somewhat outdated) and the fact that the site is located offshore. At the end of 2017, Caroil was preparing to resume drilling projects and ramp up its workload for 2018.

4.1.1.3 Compensation and changes in compensation

The compensation of corporate officers is described in paragraph 3.2.3 of this Annual Report, it being understood that the variable portion of that compensation (attendance fees) is not subject to qualitative or quantitative criteria associated with the Company's corporate, social and environmental responsibility.

The Group strives to recognise and to fairly reward the contribution of each employee to the Company's success. Compensation varies according to each person's position, skills, performance and potential.

These common principles are adjusted in accordance with local parameters such as social legislation, economic conditions and the job market in the various countries in which the Group operates.

For the Group as a whole, personnel expenses break down as follows:

Total payroll, including:	2016	2017
in € thousands		
Wages and salaries	29,834	32,165
Profit-sharing	675	569
Other personnel expenses	12,169	13,278
NET VALUE	42,678	46,012

4.1.1.3.1 . Profit-sharing

The employees of the Company and those of Maurel & Prom Assistance Technique are able to share in the Group's performance through a profit-sharing plan and an employee savings scheme. The Group has also decided to establish a comprehensive bonus share allocation system to reward employees of the Group's foreign companies in which the collective profit-sharing schemes permitted under French law do not exist.

Profit-sharing plan

The employees of the Company and those of Maurel & Prom Assistance Technique can participate in a profit-sharing plan. The profit-sharing plans currently in place at these companies were set up for Maurel & Prom Assistance Technique and for the Company on 1 January 2016 and 1 January 2015, respectively. These agreements have a dual purpose: (i) to rally employees in order to boost Group productivity and (ii) to reward each person's contribution to the common effort to increase productivity and improve the way that work is organised.

Employee savings scheme

On 1 March 2002, the Company set up a proactive employee savings scheme by giving employees the option of subscribing to a Company Savings Plan ("CSP"). This plan has a one-year term and is automatically renewable for one-year periods. Since 8 September 2010, a CSP has been set up within Maurel & Prom Assistance Technique.

All employees of these companies with at least three months' service may join the plan, if they wish to do so. Contributions to the Company Savings Plan can be made from all or part of any employee profit-sharing, voluntary additional payments by the beneficiary (to the extent permitted by law), Company contributions, and transfer of savings to the plan by the beneficiary.

Employees are encouraged to save through a flexible contribution schedule that is applied across the board and available to all beneficiaries.

Employer contributions to the CSP in 2017 (amounts paid into the CSP on behalf of the employees) amounted to €188,068 (versus €225,518 in 2016).

⊕ Bonus shares granted to Group employees

	Plan 2013	Plan 2014	Plan 2016	Plan 2017
Award date	30/08/2013	28/03/2014	25/02/2016	31/03/2017
Vesting	30/08/2015	28/03/2016	25/02/2017	31/03/2018
period	30/08/2017	28/03/2018	25/02/2018	31/03/2019
Number of employees concerned	3	17	36	31
Number of bonus shares	34,000	51,840	1,080,600*	895,000**

* Including bonus shares awarded to the Chief Executive Officer.

** Excluding shares awarded to the Chief Executive Officer.

Pension plan and other benefits

The Company and Maurel & Prom Assistance Technique participate in a supplementary pension scheme, which is a group insurance policy with Generali. This affiliation covers all employees, with employer contributions set at 8% for tranches A, B and C. The sums paid under this scheme amounted to €401,044 in 2017 (versus €430,032 in 2016).

4.1.2 Organisation of work

4.1.2.1 Organisation of working time

The average working week is set by national law and adjusted according to the local context.

In France, the Company has been governed by the oil industry collective agreement since 1 March 2004.

Working hours

In France, a protocol to control and reduce working hours has been in place since 19 May 2003. Under this protocol, the working week for Company employees is 35 hours.

In addition, on 1 January 2011, the Company implemented a system for all managers and employees who have discretion over how to assign their time, based on a set number of working days. Under this system, the working time for the employees concerned is counted in days and no longer in hours. An annual limit of 218 days per year is set by collective agreement, but an employee may lawfully work beyond this up to a maximum of 282 days per year.

Overtime

There is no overtime system in place for employees who work a 35-hour week, or for employees working for a set number of days. However, the latter may recoup any days worked over and above the limit set by the collective agreement.

The limit for employees of Caroil in metropolitan France is 218 days a year. Caroil expatriate employees are bound by their particular shift work system.

4.1.2.2 Absenteeism

In 2017, the total rate of absenteeism is estimated to be 2.0%, versus 2.8% in 2016, including 1.7% due to illness versus 2.2% in 2016.

The following calculation method is used:

- overall absenteeism: $B / (A+B)$; and
- absenteeism through illness: $C / (A+B)$

Where:

- (A) corresponds to the number of days actually worked by all employees under contract, including training days;
- (B) corresponds to the number of days of absence (due to sickness, occupational illness, maternity, workplace accident including work-related travel accident, or any other absence not provided for contractually); and
- (C) is the number of sick days (excluding occupational illness, maternity, workplace accident or work-related travel accident, etc.).

4.1.3 Social relations

(A) Organisation of social dialogue, notably procedures for employee information, consultation and negotiation

The quality of industrial relations within the Group is the result of dialogue between employees, their representatives and management.

In the Group's subsidiaries, dialogue is organised in accordance with applicable laws and regulations.

In Gabon, the first quarter of 2017 was marked by labour disputes and the triggering of a strike at the Gabonese subsidiary on 22 February 2017. As this strike was declared illegal, work resumed on 13 March 2017.

Executive management implemented a series of initiatives to re-establish internal communications. The main initiative involved organising a team building exercise, in which 65% of employees took part.

Dialogue resumed during the third quarter of 2017 with the two oil industry unions (ONEP and SAP – *Syndicat Autonome du Pétrole*) at a series of negotiation meetings aimed at bringing back employee representatives.

The negotiation process, conducted in close collaboration with Gabon's Special Labour Inspectorate in charge of the oil sector, led to the election of employee representative councils at three establishments (POG, Onal and Coucal) on 11 December 2017.

In January 2018, training for all staff representatives on the role they play was organised and co-facilitated by an external firm and the director of ISTRAP (inspectorate in charge of the oil sector).

In Tanzania, following the increase in activity since 2015, workplace dialogue has become more formalised. In August 2014, employees joined the Tanzania Mines, Energy, Construction and Allied Workers Union (TAMICO). A branch of the union was opened in 2015 in Mnazi Bay. Representatives from the union relay employees' demands to the employer. If necessary, a three-party meeting is arranged, attended by employee, employer and union representatives.

In Colombia, social dialogue is promoted through monthly meetings of an occupational health and safety committee and quarterly meetings of a committee tasked with preventing workplace harassment. These committee meetings are opportunities for employees and employers to come together to discuss topics other than those solely related to occupational health and safety.

(B) Overview of collective agreements

The Group operates in countries where the relatively recent local hydrocarbon exploration and production industry does not always have a collective branch agreement.

In the absence of such measures, the Group's subsidiaries, on a case-by-case basis, enter into collective agreements in particular to cover employee healthcare costs and compensation.

In 2017 there were no new collective agreements within the Group.

4.1.4 Health and safety

Health and safety is a key Group concern. The Group is committed to continuing to improve working conditions, preventing risks and reducing nuisances, by implementing a "Health and Safety, Security, Environment and Quality" management programme, which is based on industrial best practices, in compliance with national regulations.

In terms of organisation, the responsibilities for health, safety and environment ("HSE") are clearly defined at all levels.

The HSE Manager, who reports to the Chief Executive Officer, is responsible for the Group-wide implementation of the principles of the Group's Safety, Environment and Quality Charter drawn up in 2006. As such, he defines the Group's HSE policy, objectives and organisation.

The Group has also set up an HSSE executive committee, chaired by Maurel & Prom's Chief Executive Officer. It consists of the Group's Chief Operating Officer, the General Secretary and the HSE Manager. The committee defines the Group's HSSE policy and objectives, revises the objectives when necessary, and monitors HSE performance and the corresponding action plans. The HSSE Executive Committee met in April and December 2017.

Within the Group's subsidiaries, their respective CEOs have ultimate responsibility for HSE issues and are tasked with ensuring that, in all their subsidiary's activities, the health and safety of individuals, environmental protection and the protection of goods and property are respected.

In 2017, five new HSSE policies were adopted, laying out the commitments made by the subsidiaries with regard to the environment; health, safety and security; ethics; driving and travel; alcohol and drug consumption; and the fight against malaria based on the World Bank's ABCD programme.

The Gabonese subsidiary has updated its health, safety and environment policy. The new HSSE policies commit Maurel & Prom Gabon's executive management and its employees, partners and subcontractors to continuous performance improvement. Collection and processing of HSSE performance indicators improved significantly. A comprehensive record of incidents and accidents is kept, from which information can be drawn. Corrective actions are also recorded and monitored. Preventive action procedures were introduced. Key performance indicators (KPIs) measure progress achieved as a result of these initiatives. On 31 December 2016, the Gabonese subsidiary registered a record 541 consecutive days without a lost time accident. At the end of 2017, that indicator had recorded 299 consecutive days with no lost time.

In 2017, the Tanzanian subsidiary continued to strengthen its HSSE policy with the support of external resources. The goal was for the local team to be independent and share the same Group HSE management system. In 2017, the Tanzanian subsidiary invited an HSE agent from the Gabonese subsidiary to come and share his experience and make sure all processes were consistent and implemented within the Group. Since 2016, the Tanzanian subsidiary has also been keeping comprehensive records of incidents and accidents, recording and monitoring corrective actions and introducing preventive action procedures. In 2017, the subsidiary recorded 515 consecutive days with no lost-time accidents for all employees and contractors.

The traditional approach to HSE responsibilities in drilling activities is to allocate them on a strictly contractual basis between the drilling company and the operator. The drilling company sets up an

HSE management system and is in charge of its implementation. The same rules apply to intra-group relations, between Caroil and the Group's exploration and production subsidiaries. In 2017, Caroil recorded no lost-time accidents for any employee or contractor.

Note that Caroil's quality, occupational health and safety, and environment management system is underpinned by a robust and efficient documentation system with triple certification (ISO 14001: 2004, ISO 9001: 2008 and OHSAS 18001: 2007).

4.1.4.1 Occupational health and safety conditions

The countries in which the Group operates, particularly Gabon, Tanzania and Colombia, have passed specific laws governing employee health and working conditions, which the subsidiaries apply.

In Gabon, risk prevention programmes are systematically deployed at all Maurel & Prom Gabon sites and facilities. Since 2014, on-site induction procedures were revised to make a medical check-up and HSE accreditation mandatory before starting a job. Since 2017, all employees must follow ten basic rules to gain access to the site. A multiple-choice test is used to check their knowledge of those rules. With regard to traffic accidents, in 2014 geolocation devices and radios were installed in every vehicle and throughout the site.

Since 2017, all vehicles must be equipped with GPS in order to be permitted to drive around the Onal site. In Tanzania, the subsidiary is working with the Occupational Safety and Health Authority (OSHA) and refers to the OSHA Act of 2003.

In Colombia, compliance with the guidelines for the prevention of industrial accidents and occupational diseases is verified via half-yearly HSE activity and performance reports sent to the National Hydrocarbon Agency, by audits carried out by the Agency as part of its annual HSE audits of all exploration and production contracts as well as via audits conducted by the Colombian Security Council. Through the application of internal procedures (for HSE audits and training), Maurel & Prom Colombia ensures that its subcontractors also apply the relevant legal standards.

4.1.4.2 Overview of collective agreements on occupational health and safety signed with trade unions or employee representatives

In recent years, the Group has established agreements on social protection for its employees at most of its subsidiaries (in France, Gabon, Colombia and Tanzania). Under certain conditions, these agreements cover employees' medical expenses and potentially their families' medical expenses.

In Colombia, the subsidiary has set up an occupational health and safety committee as required by local law. The committee includes an employee representative, an employer representative and a mediator. This committee is tasked with promoting and monitoring compliance with occupational health and safety rules and regulations.

In Gabon, the goal for 2018 is to upgrade the operating procedures of the occupational health and safety committee to bring them in line with legal requirements.

4.1.4.3 Industrial accidents and occupational diseases

The frequency of workplace accidents involving Group employees is shown in the table below:

	2015	2016	2017
Lost Time Injury Frequency (LTIF)	2,3	0	0,26
Total Recordable Injury Rate (TRIR)	6.9	4.2	0.78

The Lost Time Injury Frequency (LTIF) rate is the total number of deaths and injuries or illnesses resulting from work that prevent the person from working on the day following the accident (Lost Time Injuries – LTI), multiplied by one million hours worked and divided by the number of hours worked.

The Total Recordable Injury Rate (TRIR) is the total number of (i) deaths; (ii) injuries or illnesses resulting from work that prevent the person from working on the day following the accident (LTI); (iii) Restricted Work Day Cases (RWDC) corresponding to an injury causing medically certified incapacity provided it is not caused by death or injury with work stoppage; plus (iv) Medical Treatment Cases (MTC), defined as an injury requiring treatment by a doctor or nurse, multiplied by one million hours worked and divided by the number of hours worked.

In 2017, the Gabonese subsidiary recorded one lost-time accident at one of its contractors, which was the Group's only LTI case for that year.

The Group's French companies did not report any occupational illnesses in 2017. Furthermore, the Company is not aware of any occupational illnesses that could be reportable by the Group's subsidiaries under the applicable regulations in the countries in which those subsidiaries are based.

In Gabon, road accidents account for a large proportion of industrial accidents. This is partly due to the site's geographical remoteness in a mountainous region. During the rainy and dry seasons, both of which are extreme, the tracks are slippery. The area's undulating terrain exacerbates the safety issue. Maurel & Prom has successively taken various corrective measures to reduce this risk, mainly by setting up a Good Driving training programme, training employees in defensive driving, using GPS to track vehicles and equipping six vehicles with interior and exterior roll bars at the Onal and Coucal sites. In 2017, incidents and accidents involving a vehicle accounted for no more than 10% of reported incidents and accidents. Only two of them resulted in injury. Road risk remains a major concern but appears to be under control thanks to the implementation of the above measures.

In 2017, 36% of recorded injuries, regardless of severity, were to hands and fingers. As a result, a major hand and finger injury reduction campaign was conducted in February 2018.

Critical drilling activities include handling with the risk of pinching/crushing, lifting operations with the risk of objects falling, and working at height. Transportation and malaria are also causes of accidents and illness.

The risk of explosion from the uncontrolled release of a gas cloud or of flammable hydrocarbons is considered a major or catastrophic scenario. A series of equipment and redundant barriers are provided, as well as training for sensor staff whose ability to control an eruption is tested every two years.

4.1.5 Training

The Group faces a two-fold challenge in its training programme: on the one hand, to develop an HSE corporate culture internally and among its subcontractors and contractors, and, on the other, to develop continuous training and skills transfer to local workers.

4.1.5.1 Training policies implemented

The Group's training policy is organised around tasks such as the updating and renewal of skills certificates in safety techniques, training local employees in oil-related occupations, continuous training based on individual career paths and training for HSE managers, all of which are entrusted to external training agencies.

Skills transfer and "localisation" are arranged internally and divided into four key strands: theory classes and operational tutorials, practical exercises and group exercises at the operating site, on-site technical learning, and on-the-job training (OJT).

There are two objectives for internal training:

- minimise training costs and prioritise training in HSSE and typical occupations (exploration and operations); and
- as a priority, strengthen the abilities and further develop the skills of exploration and operating staff.

Preventive safety training covers electrical certification and command of preventive safety techniques in an oil and gas environment. The Group updated its operating management system (OMS) in 2017 based on IOGP (International Association of Oil and Gas Producers) standards and rolled out internal training modules for selected HSSE managers at the Gabonese subsidiary (specifically IOHS and HSE management training). It also continued to revise the HSSE training matrix. This now comprises around ten internal training modules, including an HSE induction course and training in defensive driving delivered by a four-person team with independently approved skills. In addition, 11 people were trained in fire prevention in 2017, and 33 in 2016. Priority was given to mandatory training courses (i.e. HSE management training, well control training, HLO (Helicopter Landing Officer)/HDA (Helideck Assistant) training, fire prevention, first aid, electrical accreditation, and monitoring working at height).

In Gabon in 2016, a training plan was introduced to better identify and respond to staff requests. In-house training in 2016 and 2017 pertained to safety induction (a minimum amount of HSE knowledge is required to be allowed on site) and was given to subsidiary employees and contractors, or 1,200 individuals in 2016 and 1,170 in 2017.

Exploration and operations-related training is also provided in the form of on-the-job training. In 2015, it mainly consisted of training in production and maintenance, learning about basic principles and breakdown detection and the PCP systems (surface-downhole and optimisation). In 2016, training focused on the surface production process. In 2017, the focus was on mandatory certification and accreditation for operational staff.

4.1.5.2 Number of hours of training

The table below shows the number of hours of external training provided to Group employees in fiscal years 2015, 2016 and 2017, along with the associated cost.

2015		2016		2017	
Number of hours of training	Cost	Number of hours of training	Cost	Number of hours of training	Cost
8,692	€291,444	5,329	€123,630	11,377	€490,312

The number of hours allocated to external training was divided between the Gabonese subsidiary, which accounted for 80.1%, and the Tanzanian subsidiary, which accounted for 17.0%. The increase in training hours was the result of efforts focused on training in well operations and well monitoring, and electricity accreditations. Training was also provided to support functions in communications, management and work organisation, while customs experts led training in transit-related matters. In Tanzania, a person recruited locally benefited from a three-month certification course in France at the IFP continuing education institute to move into the position of production manager.

4.1.6 Equality of treatment

The Group does not discriminate between men and women when hiring to fill vacancies. As at 31 December 2017, women represented 13.4% of the Group's workforce and 12.8% of its recruitment that year, compared to 14.4% and 26.7% respectively in 2016. In 2017, 79.2% of women employed in the Group worked in support functions, 11.1% of women were technicians, and 9.7% of women held engineering positions, such as reservoir engineer, drilling procurement engineer, well performance engineer, head of the environmental department, and HSSE administration coordinator.

(A) Measures taken to promote gender equality

The Group does not discriminate between men and women when hiring to fill vacancies. As at 31 December 2017, women represented 13.4% of the Group's workforce and 12.8% of its recruitment that year, compared to 14.4% and 26.7% respectively in 2016. In 2017, 79.2% of women employed in the Group worked in support functions, 11.1% of women were technicians, and 9.7% of women held engineering positions, such as reservoir engineer, drilling procurement engineer, well performance engineer, head of the environmental department, and HSSE administration coordinator.

(B) Measures taken to encourage the employment and integration of people with disabilities

The Group has not taken affirmative action to integrate the diverse range of disabilities into its working environment and strategic business planning.

An ILO report entitled "Current and future skills, human resources development and safety training for contractors in the oil and gas industry" released in 2012 indicates that at the end of 2012, only one oil company had joined the Global Business and Disability Network created by the International Labour Office. This illustrates the sector-wide problems in doing more in this field.

In 2017, the Group had no disabled employees.

(C) Anti-discrimination policy

The Group strives to offer equal opportunities for all employees at every stage of their professional career. In this respect, the Group's decision-making criteria are not based on race, nationality, religion, ethnic origin, gender, marital status, morals, political opinions, union activities or – unless declared incapacitated by an occupational physician – state of health. The only criteria that the Group recognises as valid are a person's professional qualities and qualifications.

The Group is committed to full compliance with the principles of non-discrimination, as set out in French law (declaration of human and citizens' rights, laws and decrees in force) and in applicable European and local law.

4.1.7 Promotion of and compliance with the International Labour Organisation's Fundamental Conventions

Freedom of association and the right to collective bargaining/elimination of discrimination in respect of employment and occupation/elimination of forced and compulsory labour/effective abolition of child labour.

The Company's general policy complies with the general principles of international law (OECD, ILO and EU law) as well as national laws that exclude, in particular, all forms of discrimination, harassment, forced labour and child labour.

4.2 ENVIRONMENTAL INFORMATION

4.2.1 General environmental policy

In terms of environmental protection, the Group's objective is to preserve the areas that may be impacted by its activities and to raise awareness among local communities of environmental issues. Each subsidiary implements an environmental management programme aimed at identifying, preventing and mitigating environmental risks.

The Group's environmental policy is based on "control of its energy consumption, control of its greenhouse gas emissions and optimal management of its release of waste products".

(A) Group arrangements to address environmental issues and, where necessary, environmental assessment and certification initiatives

The management of environmental issues is embedded in the HSE departments of the Group's subsidiaries. It is the subject of regular reporting to the highest echelons of the company.

The Group's HSSE management system was defined in 2008, based on the HSE management model used by the International Association of Oil and Gas Producers (IOGP), and is revised and improved on a regular basis.

The management programmes concerning respect for the environment are built around waste management, environmental impact assessment, transport and storage of hazardous products, and the development and restoration of sites and platforms.

Site management and rehabilitation requires access to financial reserves. These are referenced in paragraph 4.2.1 (D) of this Annual Report.

The operational implementation of the environmental management system in the Group's subsidiaries varies according to the size of the subsidiary concerned and its level of activity. Maurel & Prom's Gabonese subsidiary is a pilot facility for the Group. The consolidation of its environmental management system that

began in 2015 continued in 2016 and was completed in 2017 with the creation of a documentary base, the Operating Management System (OMS), promoting the subsidiary's expertise. The goal for 2018 is to deploy the OMS in the Tanzanian subsidiary and ensure it is fully functional.

Although the Group recognises the value of certification, all of the Group's facilities in each of the various countries are subject to regular inspections and audits by non-governmental organisations, local governments and local populations, and it has therefore not sought, until now, to set up a certification process for its facilities.

(B) Employee training and information action on environmental protection

Just as much as health and safety, the environment lies at the heart of the Group's employee training and awareness programme.

In the environmental study for a project, a management plan is drawn up as stated in paragraph 4.2.1. (C) of this Annual Report. This environmental management plan is then distributed to the on-site operators for implementation.

It is supported by information and awareness sessions for the operators involved in implementing the project, both Group employees and contractors.

In 2017 in Gabon, on World Environment Day, and as part of a memorandum of understanding on environmental protection in the Gamba Complex of Protected Areas (referred to in paragraph 4.2.5 of this Annual Report), Maurel & Prom staff, subcontractors and people living near the Coucal and Onal sites were invited to take part in an anti-poaching awareness campaign. The campaign, conducted over three days in conjunction with two other oil companies and the IBONGA NGO, was a great success: more than one-third of the people targeted took part in workshops.

(C) Resources dedicated to the prevention of environmental and pollution risks

Every project is initially based on a preliminary risk study that leads to the definition of a social and environmental action plan approved by the competent authorities. Adequate financial, human and technical resources are then made available to apply it. The implementation of these management plans is subject to regular internal and external audits by the competent authorities.

Impact studies are carried out in accordance with local regulations, before the project and then throughout the project. In order to enable the identification, assessment and prevention of risks, the Group relies on internal expertise and on independent experts recommended by the local authorities.

If the site is situated in a national or marine park, every project is discussed with the park administrators.

Once these risk studies have been completed, the Group deploys the following action plans:

- upstream, to combat soil degradation, the deterioration of water tables or sludge seeping into farmland and rivers, the Group asks civil engineering contractors and services to consolidate landscaping work along roads and at site platforms. Weaker areas are stabilised by putting in plant cover (replanting by hydroseeding); and
- downstream, sites are preserved by rehabilitating deforested areas, sorting waste and controlling waste destruction.

In Gabon, 29 of the subsidiary's full-time employees (versus 21 in 2016) were assigned to implementing its environmental policy. They report to the HSSE department. Twenty-six people work on-site as environmental staff in charge of the waste collection centre at the Onal site, as site HSE supervisors, or as environmental safety assistants.

In 2017, an anti-pollution exercise was conducted, involving a total of 23 people. Anti-pollution exercises are aimed at analysing the effectiveness of the anti-pollution plan and related procedures. The exercises identified a number of areas for improvement.

(D) Amount of provisions and guarantees for environmental risks

As at 31 December 2017, provisions and guarantees for environmental risks across the Group were nil. However, the Group had established a provision for abandoning and restoring sites. As at 31 December 2017, it amounted to €35.8 million, versus €39.0 million for fiscal year 2016.

As at 31 December 2017, the Group had not established any other provisions for non-financial risk.

4.2.2 Pollution

(A) Measures to prevent, reduce or remedy releases into the air, water and soil that seriously affect the environment

Water

In Gabon, in order to control water quality, Maurel & Prom has built a water treatment plant to process waste water from drilling and has installed piezometric wells on certain fields (four at the Onal field). These measures allow it to sample, monitor and analyse waste water from drilling, river water surrounding the platforms, and groundwater. These monitoring actions are supplemented by measures intended to limit the effects of accidental hydrocarbon pollution through the availability of floating booms and dispersants to be used only when absolutely necessary.

Air

Hydrocarbon exploitation produces atmospheric emissions that can contribute to the formation of particle clouds and acid rain. These atmospheric emissions may be governed by local standards that define the type of substance to be controlled, based on local standards and operating permits.

Soil

The risks of soil contamination related to the Group's activities arise essentially from drilling mud, accidental spills and waste storage (see paragraph 4.2.2 (A) of this Annual Report).

In 2017, the Gabonese subsidiary set up a waste collection centre at the Onal site which includes a transit area for sorting and conditioning waste before it is sent to subcontractors for treatment. A roofed, concrete structure has been built to house soiled waste. It has a surface area of 100 m² and contains a holding tank. The structure is designed to limit soil pollution in waste storage areas.

+ Number of accidental hydrocarbon spills

	2015	2016	2017
Number of hydrocarbon spills reaching the environment (more than 1 barrel)	17	12	13
Total volume of hydrocarbons spills reaching the environment, in cubic metres	28.6	37.8	176.2

In 2017, there were 13 accidental hydrocarbon spills into the natural environment with a total volume of 176.2 m³. The subsidiary recorded one environmental incident that qualified as major because the volume of crude oil spilled exceeded the 500-barrel threshold.

To clean up the site, the subsidiary mobilised 151 people and substantial material resources (power shovel, bulldozer, buses, dugout canoes, and individual equipment). By mid-March 2018, 98% of the affected land had been cleaned. Remedial action was identified.

Other spills led to the following remedial action: clean-up of areas concerned, education of staff in charge of operations, preventive checks, or extraction of samples from the impacted medium for analysis.

(B) Management of noise and other forms of pollution specific to an activity

Oil and gas activities can cause a nuisance for people living or working near the exploration or production sites. This is mainly due to noise and smells, but could also be vibrations and road, sea or waterway traffic.

To prevent noise nuisance, the Group encloses equipment such as electricity generators.

In Gabon, noise pollution is not deemed to be significant outside the sites.

In addition, it should be noted that the Group's facilities in Tanzania, which are located in a protected marine park, must strive not to create light pollution during turtle egg-laying and whale breeding seasons.

4.2.3 Circular economy

(A) Waste prevention and management

Measures for preventing, recycling and re-using waste and other waste recovery or disposal methods

In accordance with Article 9 of the Charter, the Group strives to control its waste production. The Group's subsidiaries engaged in hydrocarbon exploration and production have set up waste sorting, treatment and recycling systems.

In Gabon, waste produced at production platforms, accommodation facilities, landing stages, aerodromes or access roads is dealt with by eight environmental officers who conduct daily rounds picking up any waste produced and sorting it based on type. Once sorted, the waste is loaded into trailers and sent via barge to companies in Port-Gentil for treatment and disposal. Recyclable waste is exported.

Measures to combat food waste

Aside from the disposal of waste produced at accommodation facilities, the Group is not directly exposed to the issue of food waste due to the nature of its activities.

(B) Sustainable use of resources

Water consumption and supply in accordance with local restrictions

No Group sites are involved in water-use disputes.

The water produced by the Group, which is water mixed with reservoir oil or brine, is separated, treated and reinjected into the geological formation.

Freshwater extractions are for domestic needs (human consumption for life's essentials) and industrial needs (making concrete for construction, civil engineering and maintenance, making mud during drilling, and cooling systems for facilities).

In Gabon, the majority of the underground and surface freshwater extracted for sanitation or industrial (drilling) purposes is then reinjected or treated and released into the natural environment. In Tanzania, freshwater consumption is limited to bottled drinking water (the camp water is desalinated).

Consumption of raw materials and measures taken to improve the efficiency of their use

The main raw materials consumed by the Group's activities are water and power. The measures taken by the Group for the recovery and re-use of associated gas are set out below:

Energy consumption, measures taken to improve energy efficiency, and use of renewable energy

The Group uses various energy sources for its oil and gas exploration and production operations. The facilities consume bought or produced natural gas, diesel for certain generators, fuel (kerosene, diesel and petrol) for transportation, and a marginal amount of electricity.

To improve the energy efficiency of the Gabonese activities, all platforms will eventually be electrified in order to be able to use gas associated with oil extraction, rather than diesel. In 2015 the diesel burner of the boiler at the Onal field was also replaced with a gas burner for the same consumption reduction reasons. The Gabonese subsidiary has developed a project to use the associated gas it produces. More information about this project can be found in paragraph 4.2.4 A of this Annual Report.

In Gabon, solar-powered autonomous lighting has been installed at isolated logistics sites. In Tanzania, the subsidiary has elected to use solar emergency power supplies for its computer servers.

The Group's estimated consolidated energy consumption to operate fixed and mobile combustion sources at the Gabonese and Tanzanian subsidiaries and Caroil in 2017 was 27,149.4 toe versus 30,065.5 toe in 2016. This drop was due to a decline in fuel and gas consumption in Gabon.

Land use

The land footprint of seismic surveys and exploration activities is very limited over time. When operations cease and the land is surrendered, the Group works to return it to its original state by involving the local populations in the restoration process (choice of varieties to be replanted, for example).

The effects of its production activities are felt over a longer period.

The Group strives to minimise its footprint by reconstituting slopes, seeding embankments and the differences of level created by its activities that may cause water run-off and landslides.

The Group's activities are located on land that is not subject to any land use disputes. In Gabon, the areas used are situated in logging concessions exploited by other companies.

At end-2017, the estimated total footprint occupied by platforms and access roads in Gabon was 712 hectares.

In Colombia and Peru, operating restrictions are in force depending on the type of zone (exclusion zone, operating zone with tight restrictions, operating zone with moderate restrictions, and operating zone with no restrictions). After selling its stake in the Sabanero field in September 2013, the Colombian subsidiary's operational footprint was limited to the four Muisca platforms. The footprint is no more than 8.2 hectares and Maurel & Prom is continuing to overhaul the previous exploration and environmental mitigation platforms.

In Colombia, the management of block SSJN-9, which was temporarily handed back to the National Hydrocarbon Agency (ANH), entered its shutdown phase, a three-year period during which the Company must improve its brownfield (2.5 hectares) through reforestation of a surface area six times greater than the area initially occupied. In 2017, the Colombian subsidiary finalised the identification of 15 hectares to fulfil its environmental obligations under a three-year programme that began in 2016. Once the brownfield is made good and the reforestation is complete, ANH will take back the block permanently.

4.2.4 Climate change

(A) Significant sources of greenhouse gas emissions generated from the Company's activities, especially through the use of its goods and services

In oil exploration and production activities, greenhouse gas emissions are mainly linked to natural gas associated with oil production, which may be flared, vented or possibly leaked.

It is standard practice to flare (burn off) excess gas to ensure the safety of the facility. The quantity of gas flared can also depend on whether or not processes have been put in place for reinjecting gas and infrastructures for processing gas, using the gas internally at the facility, selling the hydrocarbons extracted commercially or even the type of hydrocarbon extracted. Flared gas is clearly a non-value-adding resource and a source of pollution. In recent years, the sector has made progress in reducing the volumes of gas flared and the associated greenhouse gas emissions.

In the Group, gas flaring is limited. In Tanzania, the subsidiary does not flare gas. In Gabon, the Onal wells have a low gas/oil ratio (GOR). The GOR represents the amount of gas dissolved in the oil; the lower the ratio, the less gas is present, and the lower the volume of gas flared, relatively speaking.

Other direct sources of greenhouse gas emissions are mainly generator groups that run on petrol and gas, generators, compressors at facilities and camps, and transportation methods used by the Group (small boats, vehicles, trucks and planes) and potential fugitive leaks.

In line with Gabon's national policy to reduce greenhouse gas emissions and associated gas flaring, the Group has decided to install compressors in Gabon to recover the associated gas and use it to supply heating plants used to heat exported oil. This gas will replace the natural gas currently bought from third parties. The project has been included in the budget since 2012 and will be operational in 2018. Studies into processes are currently under way. The first results revealed a reduction in the volume of gas flared in 2017. In Gabon, over the scope existing in 2017, the volume of gas flared was 36.0 MN^{m3} versus 46.8 MN^{m3} in 2016.

In 2017, consolidated greenhouse gas emission figures reflecting emissions from fixed and mobile sources over the scope of the Gabonese and Tanzanian subsidiaries and Caroil amounted to an estimated 12,549 tCO₂e/MMboe versus 15,939 tCO₂e³/MMboe³ in 2016.

Consolidated indirect greenhouse gas emissions (Scope 2) reflecting the Gabonese and Tanzanian subsidiaries' power purchases and Caroil's activities were estimated at 248 tCO₂e in 2017 versus 291 tCO₂e in 2016. Consolidated greenhouse gas emissions induced by the air and helicopter travel of employees of the Gabonese and Tanzanian subsidiaries and Caroil amounted to an estimated 4,055 tCO₂e.

3 Data subjected to a correction of the carbon intensity calculation formula. Gross greenhouse gas emissions did not require correction.

Oil is used for refining or in the petrochemical industry, while gas is used for power generation. Some of the oil produced in Gabon is refined locally by the Sogara refinery in Port-Gentil. The remainder is exported, transformed and sold by other players in the downstream hydrocarbon sector. All gas produced in Tanzania is used locally and supplies the Mtwara thermal power station belonging to Tanesco (Tanzania Electric Supply Company Limited).

(B) Adapting to the consequences of climate change

There is great uncertainty over a large number of specific climate change impacts. In this context, for the oil and gas sector, adapting to climate change means, firstly, improving the reliability and flexibility of infrastructure and, secondly, boosting the “adaptability” of the sector, the host countries and their populations. The adaptation strategy must include the impact of climate change in the sector’s risk management system and throughout the entire value chain.

It requires answers and technical solutions to be provided to curb such risks, and the sharing of knowledge with countries and communities to help them plan their climate change adaptations such as preparing for emergency situations.

The Group’s facilities are located in climate zones with severe seasonal extremes. The Group intends to capitalise on its experience to internally assess the risks posed by climate change and define an adaptation policy. In Gabon, the Group supports the national policy for adapting to climate change by taking steps to reduce its greenhouse gas emissions.

4.2.5 Protection of biodiversity

Measures taken to preserve or develop biodiversity

On all the permits, the potential impact of activities on biodiversity is assessed by conducting environmental impact studies. Species are surveyed, detailed forest inventories are produced and environmental management plans are drawn up. In 2017, the Gabonese subsidiary conducted four environmental studies: two environmental studies on the Ezanga permit for the exploration of a laterite quarry and proposed construction of a bypass road, and two environmental and social impact studies for exploration drilling projects on the Kari and Nyanga Mayombe permits.

Preservation of the ecosystem requires training and raising the awareness of staff, subcontractors and local populations, emphasising the prohibition of clearing plant material, hunting and poaching.

In Gabon, a memorandum of understanding on environmental protection in the Gamba Complex of Protected Areas (Kari permit) was signed in 2014. As part of this project, initiated in 2015, awareness campaigns for local populations and workers, along with surveillance measures, have been planned in conjunction with the Compagnie des Bois du Gabon (CBG), the WWF and the Ministry for Water and Forests. The memorandum of understanding was established following a number of meetings and discussions with the CBG and pools resources for combating poaching and protecting the environment. The project is funded on a quarterly basis in conjunction with other operators in the area and has an oversight body. In 2017, an awareness campaign was conducted among the people of Mandji and Allonah and staff working at the Coucal and Onal sites.

4.3 INFORMATION ON CORPORATE COMMITMENTS TO PROMOTE SUSTAINABLE DEVELOPMENT

In the regions in which it operates, the Group contributes to developing employment at local level and participates in regional development. In terms of sustainable development, the Group is committed contractually, alongside national governments, to local development programmes and committed on its own initiative to projects singled out by its subsidiaries. Projects are chosen from a list prepared with local communities located within the sphere of influence of Maurel & Prom's activities.

4.3.1 Regional, economic and social impact of the Company's operations

(A) Regional, economic and social impact of Maurel & Prom on employment and regional development

The regional, economic and social impact of Maurel & Prom's activities in terms of jobs and regional development can be measured directly and indirectly through the supply chain.

In 2017, 90% of the workers directly employed by the Gabonese and Tanzanian subsidiaries were recruited locally.

Impact studies have concluded that Maurel & Prom's activities have a positive impact on local development. For example, during public consultations with local communities regarding new exploration drilling projects on the Nyanga Mayombe and Kari permits, Maurel & Prom committed to using, via its subcontractors, local unskilled labour and, where appropriate, local service providers with the necessary approvals.

Between 2010 and 2014, the Group's activities indirectly created 1,291 temporary, locally filled jobs and 99 permanent jobs in Gabon. Between 2016 and 2017, the Gabonese subsidiary employed 65 local villagers on fixed-term contracts at the Coucal and Onal sites in the Dourembou canton (Coucal site) and Lacs du Sud canton (Onal site).

(B) Regional, economic and social impact of Maurel & Prom on neighbouring or local populations

The policies with regard to local communities are developed with Group subsidiaries and adapted to the countries in which they operate. In Colombia, Gabon and Tanzania, staff include a team dedicated to managing relations with the communities living near the sites.

In Gabon, the Group's subsidiary contributes to the Local Communities Development Fund (FDCL), which was created in 2010 to pursue community projects in exploitation regions and surrounding areas. The total amount allocated to this fund in 2017 was US\$1.2 million (€1.0 million) for the Ezanga, Kari and Nyanga Mayombe PSAs.

The fund, initially administered by a four-party commission consisting of the Directorate-General for Hydrocarbons, Maurel & Prom Gabon, the local administrative authority and community representatives, is now managed by the Diversified Investment Fund, which was created by Decree 0313/PR/MPH of 25 September 2014.

In April 2017, the technical commission held a meeting in Lambaréné on behalf of the Ezanga PSA, during which community projects covering access to water, energy, health care, education and job creation, aimed at villages located within the Ezanga permit's sphere of influence, were identified and placed on the FDCL's agenda.

Since 1 January 2013, Maurel & Prom Gabon has also contributed to the Provision for Diversified Investment (PDI) and the Provision for Hydrocarbon Investment (PHI) as part of the Ezanga production sharing agreement, to help address sustainable development challenges. The PDI and PHI provide financial support for nationwide development projects. The selected projects are managed and supervised by a stewardship committee statutorily comprised of a representative of the Gabonese Presidential Office, two representatives of the oil authorities, a representative of the Ministry of the Economy and one person representing the operator. The project completed under the PDI and PHI involved the rehabilitation and development of rural roads in the town of Lambaréné (Moyen Ogooué Province). The contribution in fiscal year 2017 was €5.6 million (€5.0 million).

In addition to its contractual obligations, Maurel & Prom Gabon provides aid and assistance to populations, non-governmental organisations, administrations and local communities. In 2016, the subsidiary launched a project designed to promote the integration of local female workers in catering jobs at the Onal site. Eventually some 20 permanent jobs will be created. The project continued in 2017. In 2017 the subsidiary paid the sum of US\$43K to remediate hydraulic boreholes in five villages in the Ogooué et des Lacs department in the province of Moyen Ogooué.

In Tanzania, the subsidiary completed the construction or remediation of 11 social projects within the BRM permit sphere of influence. These community support projects involved seven primary and secondary schools, a community clinic, two roads, the provision of solar panels to the Mafia health care centre, and well drilling in villages in the Mafia area.

Between 2009 and 2016, in the Mnazi Bay/Mtwara sphere of influence, the subsidiary also built eight classrooms and a laboratory in five schools, a community clinic and a maternity clinic. In 2016, the Tanzanian subsidiary built two classrooms in the villages of Ruvula and Nahoma. That same year it also recruited 20 people directly from the village neighbouring Maurel & Prom's facilities in Mnazi Bay.

4.3.2 Relations with persons or organisations with an interest in Maurel & Prom's activities, notably occupational integration associations, teaching establishments, environmental protection associations, consumer groups and local residents' associations

(A) Conditions for dialogue with these persons or organisations

The Group has special relationships with environmental NGOs that work in the national parks or in their surroundings, in which the Group carries out some of its activities, such as the National Agency for National Parks (ANPN) in Gabon.

In terms of integration, the Gabonese subsidiary signed a "young apprentice" framework agreement with the vocational integration fund ("FIR" - *Fonds d'aide à l'insertion et réinsertion professionnelle*). The agreement is designed to promote the entry of young graduates into the workforce. Since 2015 the subsidiary has received 30 FIR trainees, 14 of them in 2017. Five training courses led to recruitment.

(B) Partnership and sponsorship initiatives

The Group forges partnerships, particularly with regard to environmental protection issues. Maurel & Prom Gabon helps finance the anti-poaching and wildlife management programme PROLAB (in collaboration with the CGB and ANPN under the agreement mentioned in paragraph 4.2.5 [A]), and contributes to the development and monitoring of its annual action programme. Since 2015, it has conducted annual awareness campaigns among local people and workers at the Coucal and Onal sites.

The Group's Gabonese subsidiary sits on national park local management advisory committees. These committees are advisory bodies intended to promote dialogue between villages, civil society, non-governmental organisations, the private sector and the administrative authorities.

Lastly, because the Onal site and Kari permit are located within the Lower-Ogooué Ramsar site, Maurel & Prom Gabon is a partner in the project spearheaded by the General Directorate for the Environment and Protection of Nature (DGEPN) to support the management of critical wetlands in Gabon. An audit of facilities on Onal conducted by the Environment Ministry in 2017 led to the establishment of a management committee for the Lower-Ogooué Ramsar site of which M&P is the vice-chair. One of its programmes is aimed at raising public awareness about fishing resource conservation.

4.3.3 Subcontractors and suppliers

The upstream oil and gas sector requires collaboration with many subcontractors and suppliers, which indirectly exposes operators to a risk that their partners will not have sufficient control of environmental and social parameters.

To protect itself against this risk, the Maurel & Prom Group has written provisions into its contracts designed to ascertain whether its business partners' HSE practices comply with its own standards. The provisions also establish the exact HSE responsibilities and performance objectives required for the term of the contracts concerned.

(A) Social and environmental issues taken into account in the Group's procurement policy

Procurement is guided by accessibility criteria. The equipment purchased by the Group is prefabricated and assembled in European countries. There has been a trend to relocate the production of this equipment to countries that may be considered sensitive from an environmental or social point of view. The Group remains particularly attentive, insofar as the control measures it may take, to the quality produced by the supplier and to production conditions.

(B) Importance of subcontracting and of considering social and environmental responsibility in relations with suppliers and subcontractors

In connection with its activities, the Group regularly seeks technical assistance for its exploration and production activities, and civil engineering and construction works, but also for its programmes to promote environmental protection and sustainable development.

Since 2013, the Group adopted an HSE management procedure and a comprehensive subcontractor selection procedure that applies to all subsidiaries. In 2016, in accordance with commitments made in 2015, the Gabonese subsidiary stepped up the implementation of its subcontractor assessment procedure by conducting five comprehensive audits.

Since 2017, the Gabonese subsidiary's sub-contracting agreements have included a note detailing its partners' HSE risk management obligations.

4.3.4 Fair practices

In 2017, the Maurel & Prom Group laid out its Ethics Charter and Code of Conduct. The Group uses these as the cornerstone of its fundamental values and principles of conduct. Anti-corruption guidelines reaffirm the Group's commitment to upholding the essential values of honesty, good faith, integrity, loyalty and commitment.

(A) Anti-corruption measures

The measures taken by the Maurel & Prom Group to prevent corruption are multifaceted.

Its subsidiaries participate in the Extractive Industry Transparency Initiative surveys when so requested. The most recent survey concerning the Group was on Tanzania for the period 2014-2015 and was the subject of a *Tanzania Extractive Industry Transparency Initiative* report in June 2017.

The Group's purchasing policy is based on a tendering process. Calls for tender are open to shortlisted companies only.

The bids are opened in the presence of the supervisory authority. In Gabon, the threshold at which tenders become compulsory is now US\$500,000, in accordance with the new terms of the Ezanga permit.

In 2017, the Group included anti-corruption guidelines in its Code of Conduct in accordance with anti-corruption laws, regulations and standards. These include the guidelines resulting from the Sapin II Act in France, the US Foreign Corrupt Practices Act and the UK Bribery Act 2010. Accordingly, the Group prohibits all forms of corruption and prescribes measures to prevent and identify acts of corruption within the Group.

(B) Measures taken to promote consumer health and safety

As it is not a downstream participant in the hydrocarbon sector, the Group is not able to provide or adopt measures to promote the health and safety of consumers.

4.3.5 Other actions undertaken to promote human rights

As part of a responsible approach, the Group also considers the respect of human rights when assessing new investment projects, conducting social and environmental impact studies and throughout the life of its projects. Failure to adhere to human rights principles can have an adverse effect on the feasibility of a project, its financing, progress and completion as well as the Group's image.

Populations located in the sphere of influence of the Group's projects are consulted at project presentation meetings to identify any interactions that may occur between the projects and the customs and development needs of the villages concerned. The projects are then adapted accordingly.

For the length of an operation, communication is arranged with representatives from the local population and local authorities to deal with any complaints and ensure that the subsidiaries get involved in the most appropriate community projects.

4.4 REPORT OF THE INDEPENDENT THIRD-PARTY BODY ON THE SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION CONTAINED WITHIN THE 2017 ANNUAL REPORT

Report of the independent third-party body on social, environmental and societal data

Following the request made to us as auditors (COFRAC-accredited under Certificate 03-0990 Rev.6(1)), we hereby present the results of our audit carried out in accordance with Articles L.225-102-1 and R.225-105 *et seq.* of the French Commercial Code.

The purpose of our audit was to verify the presence of all required social, environmental and societal information ("CSR Information") and to express an opinion on the fairness of the CSR Information selected by the Company and presented in its 2017 Annual Report.

This CSR Information was collected and consolidated under the responsibility of the Chief Executive Officer and coordinated by the Etablissements Maurel & Prom Administration Department, in accordance with the Maurel & Prom Group's procedures.

Our responsibility is to express an opinion on this CSR Information pursuant to Articles A225-2 *et seq.* of the French Commercial Code governing the procedures to be followed by independent third-party bodies,

and based on our own audit. The conclusions below relate only to the information required under the French Commercial Code (Chapter 4 of the 2017 Annual Report: Corporate Social Responsibility) and not to the 2017 Annual Report as a whole.

1 : List of offices and coverage available at www.cofrac.fr

Nature and extent of the audit

SOCOTEC's audit primarily consisted of:

- an assessment of the Company for the purposes of understanding the Maurel & Prom Group's activities and structure (including an analysis of the 2017 Annual Report and interviews with management);
- a risk assessment to establish an audit plan specific to the activities undertaken and the CSR Information reported;
- the implementation of the audit plan;
- the drafting of a preliminary report subject to the Company's approval; and
- the drafting of a final report (declaration of presence of information and opinion on CSR Information).

Based on a documentary audit (1 March to 19 April 2018) and an on-site audit on 19 and 20 March 2018 by two of our CSR experts, our review audit consisted of interviews with the management at the Maurel & Prom Group's head office and with the individuals at head office and in Gabon and Tanzania responsible for preparing the CSR Information.

We carried out the following audit to obtain assurance that the selected CSR Information is free from material misstatement:

- We assessed the Maurel & Prom Group's procedures in terms of their relevance, reliability, ease of comprehension and completeness (use of a questionnaire sent to subsidiaries, additional requests made to the CSR Steering Committee, consolidation tools and internal control).
- At the Maurel & Prom Group, we conducted interviews with the persons responsible for environmental and social reporting to check compliance with internal procedures.
- Checks were performed on all quantitative 2017 CSR Information for all consolidated subsidiaries of the Maurel & Prom Group with regard to its consistency with the previous year's data and with the Maurel & Prom Group's current position, as well as to ensure that it has been properly compiled.
- We performed a thorough examination of the understanding and proper application of procedures for important information⁽²⁾ (questionnaire responses), and conducted in-depth tests based on sampling techniques, consisting of checking the calculations made and reconciling the CSR Information with the supporting evidence in terms of quantitative information.

In 2017, the quantitative data thus selected covered 100% of the consolidated workforce for social / societal aspects. The audits also covered the environmental aspects of all the operating subsidiaries (exploration and production activities in Gabon and Tanzania, representing all of Maurel & Prom's hydrocarbon production, drilling activity on its own account or on behalf of the Group. third): the scope of our audit covered 79% (energies) to 91% (GHG) of the data contributing to the quantification of the environmental indicators presented.

The energy consumption data as well as data related to greenhouse gases (scope 1 intensity of emissions and scope 2) were verified with reasonable assurance.

In our opinion, our methodology for identifying important information and auditing data based on the selected sampling provides a reasonable basis for the conclusions and comments expressed below.

Conclusion

Declaration of presence of information

We confirm the presence in the Maurel & Prom 2017 Annual Report of all the information set out in Articles R.225-105 et seq. of the French Commercial Code, except that for which the explanation given by the Maurel & Prom Group as to its lack of relevance in terms of the Group's activities and customers was deemed satisfactory.

Opinion on CSR Information

Based on our audit, we did not identify any material misstatements that could call into question:

- the compilation and consolidation of the CSR Information drawn up in accordance with the procedures of the Maurel & Prom Group and the information gathered; and
- the fairness of the CSR Information reported.

For SOCOTEC, the Auditors
Patrick Armando and Jean-Michel Prioleau

24 April 2018



(2) Important information taken into account in 2017: workforce and age distribution; recruitment and downsizing; compensation and career advancement; organisation of workplace dialogue; health and safety conditions and occupational accidents (frequency and severity rates); training; methods employed to prevent environmental risks; financial guarantees; energy consumption and greenhouse gas emissions (including flared gas); economic and social impact of activities on local populations; subcontractor and supplier relations.

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5 FINANCIAL STATEMENTS

5.1 GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

5.1.1 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 associates	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		0	0
TOTAL ASSETS		1,936,387	2,250,806

* Adjusted for the change in accounting method.

⊕ 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 loans	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 loans	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		0	0
TOTAL EQUITY AND LIABILITIES		1,936,387	2,250,807

* Adjusted for the change in accounting method.

5.1.2 Consolidated statement of profit & loss and other comprehensive income

+ Net income for the year ended 31 December 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, impairment loss & provisions related to production activities net of reversals		(98,276)	(117,857)
Depreciation and amortisation, impairment loss & 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
<i>Gross cost of debt</i>		(48,476)	(35,682)
<i>Income from cash</i>		1,249	1,289
<i>Net gains on fair value of financial instruments</i>		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)
Net income (loss) of the consolidated entity		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 31 December 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.

5.1.3 Consolidated changes in shareholders' equity

In € thousands	Share 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 as reported	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 (loss) as reported						(50,193)	(50,193)	85	(50,108)
Change in accounting method						(789)	(789)		(789)
Net income (loss) adjusted						(50,983)	(50,983)	85	(50,897)
Other comprehensive income				(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 as reported	150,412	(68,140)	814,216	(7,436)	235,671	(50,193)	1,074,530	(662)	1,073,868
Change in accounting method			(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						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	0	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.

5.1.4 Consolidated statement of cash flows

In € thousands	Notes	31/12/2017	31/12/16 ^(*) adjusted
Net income		6,960	(50,897)
Tax expense for continuing operations	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
<i>Inventories</i>	3.4	1,506	(1,057)
<i>Trade receivables</i>	3.5	(23,719)	(4,885)
<i>Trade payables</i>	3.7	2,968	(16,352)
<i>Other credits and liabilities</i>	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)
Interests from investment	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 on financing	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

5.1.5 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 entity designated as the "Group" and each one individually as the "entities of the Group") and the Group's share in its joint ventures. The Group, which is listed for trading on Euronext Paris, acts primarily as an operator specialising in the exploration and production of hydrocarbons (oil and gas).

The consolidated financial statements were approved by the Board of Directors on 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

As a result of the takeover bid, which closed on 9 February 2017, PT Pertamina Internasional Eksplorasi dan Produksi ("PIEP"), the wholly-owned subsidiary of Indonesian company Pertamina, holds 72.65% of Maurel & Prom's capital and controls the Group.

At end-2017, the Group had successfully refinanced all of its debt on favourable terms, thanks to the support of its new shareholder, PIEP, and proceeded with the restructuring its repayment terms.

The refinancing is based on the following elements:

- Bank loan: a US\$600-million term loan signed with a group of nine international banks;
- Shareholder loan: a shareholder loan set up with PIEP for an initial amount of US\$100 million, with a second tranche of US\$100 million that can be drawn down at Maurel & Prom's discretion;
- Repayment of approximately US\$760 million in existing debt:
 - the Revolving Credit Facility (RCF) currently in repayment and amounting to US\$325 million has been closed, also resulting in the release of US\$75 million in cash previously held as collateral;
 - repayment of the shareholder loan made available by PIEP, under the terms laid out at the time of the takeover bid, in the amount of €189 million (approximately US\$224 million);
 - redemption of the ORNANE 2019 and 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 31 December 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 financing holdings, particularly Etablissements Maurel & Prom. Going forward, the Group's exposure to the EUR/USD exchange risk will be significantly reduced.

The rise in the price of Brent and subsequent increase in sale prices (the average sale price was US\$53/bbl in 2017 versus US\$42.7/bbl in 2016, an increase of 24%) resulted in the Group posting 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 consisted mainly of asset impairment (€6 million for rigs and €6 million in impairment of the residual value of the M'Kurunga project in Tanzania) and €9.5 million in expenses borne by the Group in connection with the takeover by the lead shareholder. These were compensated by CAD 16.2 million 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 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 at 31 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 application of this standard is expected to have a material impact on the Group;
- IFRS 15 "Income from customer contracts": 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.

Therefore, to avoid the volatility of results caused by such variances, sales are now recognised based on rights accrued by the Group on production delivered to the oil terminals (entitlement method) and not on liftings. Sales for the period were thus adjusted based on oil rights by recognising a debt to partners in an overlift position and a receivable to partners in an underlift position.

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 but rather, will require sales to be recognised based on oil sold, i.e. oil lifted. The Group will nevertheless continue to apply the entitlement method in the consolidated financial statements to reflect imbalances between liftings and the theoretical entitlement in the cost of sales. This will be done 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-/under-lift positions will be recorded in an account specifically created for this purpose.

- IFRS 16 “Leases”: mandatory application for the Group from 1 January 2019. As such, analyses are being carried out so that the retrospective transition method can be applied for fiscal 2018.

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

IFRS have been applied by the Group consistently for all 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;
- estimated 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 consider 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, the industry applies two methods for recognising exploration expenditures, both of which comply with IFRS 6:

- the “successful efforts” method, generally applied by large companies;
- the “full cost” method, 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 recognised its exploration expenditures using the “full cost” method.

In contrast, the Pertamina Group uses the “successful efforts” method.

To harmonise reporting elements following the takeover by PIEP, the Group decided to recognise its exploration expenditures using the “successful efforts” method at the 2017 balance sheet date.

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 in connection with discovering or clarifying 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 and 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

(in € thousands)	31/12/2016 (*) adjusted	Change	31/12/2016 as reported
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
Assets held for sale and discontinued operations	0		0
TOTAL ASSETS	2,250,806	(145,627)	2,396,433

* Adjusted for the change in accounting method.

⊕ Equity and liabilities

(in € 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
Liabilities held for sale and discontinued operations	0		0
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)	31/12/16 (*) adjusted	Change	31/12/2016 as reported
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, impairment loss & provisions related to production activities net of reversals	(117,857)	4,281	(122,137)
Depreciation and amortisation, impairment loss & provisions related to drilling activities net of reversals	(4,019)		(4,019)
Current Operating Income	18,865	4,281	14,585
Provisions and impairment of drilling assets	0		0
Expenses and impairment of exploration assets net of reversals	(7,577)	(3,593)	(3,984)
Other non-current income and expenses	6,487		6,487
Income from asset disposals	(373)		(373)
Operating income	17,402	688	16,714
<i>Gross cost of debt</i>	(35,682)		(35,682)
<i>Income from cash</i>	1,289		1,289
<i>Net gains on fair value of financial instruments</i>	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)
Income from equity associates	(27,635)		(27,635)
Income (loss) attributable to shareholders	(50,897)	(789)	(50,108)
o/w: - 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 (€)	31/12/16 (*) adjusted	Change	31/12/2016 as reported
Basic	-0.27		-0.26
Diluted	-0.27		-0.26

* Adjusted for the change in accounting method.

Note 1.3.3 Adjusted cash flow statement

(in € thousands)	31/12/16 ^(*) adjusted	Change	31/12/2016 as reported
Net income	(50,897)	(789)	(50,108)
Tax expense for continuing operations	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)
<i>Inventories</i>	(1,057)		(1,057)
<i>Trade receivables</i>	(4,885)		(4,885)
<i>Trade payables</i>	(16,352)		(16,352)
<i>Other credits and liabilities</i>	(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)		(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 has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements as from the date control is gained until the date control ceases.

Intra-group balances, transactions, income and expenses are eliminated on consolidation.

Equity associates

Joint ventures and associates are consolidated using the equity method.

- Joint ventures are arrangements giving the Group joint control, according to which it has rights to the net assets of the arrangement and not rights to the assets and obligations for the liabilities of the arrangement.
- Affiliated entities are entities over whose financial and operating policies the Group has significant influence without controlling or jointly controlling them. Significant influence is assumed when the percentage of voting rights is greater than or equal to 20%, unless a lack of participation in the Company's management reveals a lack of significant influence. When the percentage is less, the entity is consolidated using the equity method if significant influence can be demonstrated.

The gains resulting from transactions with the equity associates are eliminated through a reduction of the investment in equity associate to the extent of the Group's stake in the associate. Losses are eliminated in the same way as gains, but only insofar as they do not represent an impairment.

When the impairment criteria as defined in IAS 39 "Financial Instruments: Recognition and Measurement" indicate that equity associates may have declined in value, the amount of the impairment loss is measured using the rules specified in IAS 36 "Impairment of Assets".

Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 "Business Combinations". Thus, when control of a company is acquired, this method requires the recognition of the identifiable assets and assumed liabilities by the Group at their fair value (with exceptions) in accordance with IFRS guidelines.

The Group values the goodwill on the acquisition date as:

- the fair value of the transferred consideration; plus
- the amount recognised for non-controlling interests in the acquired company; plus
- if the business combination is carried out in stages, the fair value of any interest previously held in the acquired company; minus
- the net amount recognised (generally at fair value) for the identifiable assets acquired and the liabilities taken over.

When the difference is negative, a profit for acquisition under advantageous conditions must be recognised directly in operating income.

Costs related to the acquisition, other than those related to the issuance of a debt or equity securities, which the Group bears as a result of a business combination, are expensed as they are incurred. Determination of goodwill is finalised within a period of one year from the date of acquisition. Such goodwill is not amortised but tested for impairment at the end of each accounting period and whenever there is an impairment indicator; any impairment charge recognised on goodwill is irreversible.

Changes in the percentage of the Group's stake in a subsidiary which do not result in a loss of control are recognised as equity transactions.

Goodwill relating to equity associates is recognised under equity associates.

Currency translation

The consolidated financial statements are presented in 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 shareholders' equity, while those related to minority interests are recognised under "non-controlling interests". Currency translation adjustments related to a net investment in a foreign activity are recorded directly 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 presented as a currency 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.

For the record, the functional currency of the 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	0	400,406		
Operating income	(1,898)	115,337	(1,718)	
Exchange loss		604		
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 the deconsolidation of a subsidiary.

Despite a first half that was negatively impacted by restricted evacuation capacities, particularly those intended for the Forcados export terminal which was shut down for force majeure 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:

- An interest expense of US\$18-million related to the costs of Brent price-hedging instruments used by the company during the fiscal 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 five-year business plan that was more favourable than that of the previous year.

As at 31 December 2017, the SEPLAT share price was 108.75 pence, representing 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		
Operating income	5,420	(37,375)	(439)	
Exchange loss		(91,681)		
Loss on derivatives on hydrocarbons		(13,617)		
Financial income	543	(13,449)		
Corporate income tax	(172)	6,029		
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	Drilling	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)
Purchases & operating expenses and personnel expenses, net of other	(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 and drilling assets	(95,300)	(5,798)	(101,099)		754	2,823	(97,522)
Provisions and impairment of drilling assets					(6,124)		(6,124)
Expenses and impairment of exploration assets net of reversals				4,601			4,601
Other non-recurring expenses						(10,617)	(10,617)
Gain (loss) on asset disposals	(57)		(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	Gabon	Tanzania	Production	Exploration	Drilling	Other	31/12/2016 ^(*) adjusted
Sales	286,729	18,156	304,884		12,343		317,227
Taxes	(38,904)	(93)	(38,997)	(158)	(568)	(693)	(40,415)
Purchases & operating expenses and personnel expenses, net of other income	(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 and drilling assets	(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, which consists in measuring oil over-or under-lift positions at realisable 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 amortisation (EBITDA) represents sales 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;
- 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 that the volatility of such expenditures is unpredictable, depending on the results of exploration activities;
- costs relating to business combinations and restructuring.

The rise in the price of Brent and subsequent increase in sale prices (the average sale price was US\$53/bbl in 2017 versus US\$42.7/bbl in 2016, an increase of 24%) resulted in the Group posting 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 in drilling asset impairment following the review of the recoverable value of two rigs;
- €6 million in exploration asset impairment following the rejection by TPDC of the development project submitted for M'Kuranga in Tanzania;
- €1 million in exploration expenses in Canada and Myanmar corresponding to remaining work expensed for the period, in line with the impairments decided at the end of 2015.

- €9.5 million in non-recurring fees and incentive compensation expenses borne by the Group as part of Pertamina's takeover bid;
- +€11 million in compensation received from the Government of Quebec following the withdrawal of the territory of Anticosti Island from any exploration work relating to hydrocarbons and underground reservoirs.

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 conducts part of 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, the Company agrees to finance its percentage of interest in exploration and production operations, and in exchange receives a share of production known as "cost oil". The sale of this production share normally allows the Company to recover its investments, as well as the operating costs incurred. The production balance (known as "profit oil") is then split between the Company and the state in variable proportions and the Company pays its share of tax on the revenue from its activities.

Under such Production Sharing Agreements, the Company recognises its share of assets, 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, during the exploration phase, amortised on a straight-line basis over the estimated duration of the permit or during the development phase, in line with the amortisation rate for the oil production facilities. If the permit is withdrawn or the exploration fails, the remaining amortisation is recorded in full at once.
- Acquired mining rights: Acquisitions of mining rights are recorded as intangible assets and, if they have led to the discovery of oil reserves, depreciated 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 efforts" method.

Charges incurred prior to the issuance of the exploration permit are recognised as expenses.

Studies and works concerning the exploration, including geology and geophysics costs, are recorded under expenses until a prospect is identified.

Expenses incurred to identify a prospect such as exploratory drilling are capitalised and are depreciated as soon as the production starts.

Drilling expenditure that does not result in a commercial discovery is posted under expenses for the total amount incurred once it is decided to permanently abandon work in the zone concerned or in the connected zone.

When the technical feasibility and commercial viability of the oil production project can be proven (analysis based on the outcome of appraisal wells or seismic study work, etc.) and following the issuance of an Exclusive Development and Production Authorisation (AEDE), these costs then become development costs, a portion of which is transferred to property, plant and equipment, depending on their nature.

Once an impairment indicator appears (permit 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 field in question. For specific facilities, i.e. those dedicated to specific areas of a field, the depreciation rate used equals the ratio of the field's hydrocarbon production during the 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 restoration

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

The discounted site remediation cost is capitalised and added to the value of the underlying asset and 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 operation to finance its share of the cost of works. When the contract terms give it similar characteristics to those of other oil assets, the financing of oil costs on behalf of third parties is treated as an oil asset.

Consequently and in accordance with paragraph 47 (d) of ASC 932 usually applied in the oil sector, the accounting rules are those applicable to expenses of the same nature as the Group's own share (fixed assets, depreciation, impairment, operating costs as expenses):

- accounting for exploration costs financed as intangible assets (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;
- 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 that 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 period is based on the estimated useful life of the different categories of property, plant and equipment, which are predominantly as follows:

- buildings: 10 years;
- infrastructure: 8 to 10 years;
- drilling equipment: 3 to 20 years;
- technical facilities: 3 to 10 years;
- fixtures and fittings: 4 to 10 years;
- rolling stock: 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 as reported	Change in method	31/12/2016 (*) adjusted	Currency translation adjustment	Invest- ments	Transfer	Impairment and explora- tion expense	Depre- ciation	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
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
Sawn Lake (Canada)					329		(329)		
Anticosti (Canada)					202		(202)		
Bloc M2 (Myanmar)					818		(818)		
Other	8		8		35			(19)	24
Assets attached to producing permits	70,394	(63,789)	6 605	(45)	2,105	(0)	(7,104)	(19)	1,542
Drilling	47		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 as reported	Change in method	31/12/2015 (*) adjusted	Currency translation adjustment	Invest- ments	Transfer	Impairment and explora- tion expense	Depre- ciation	31/12/2016 (*) adjusted
Ezanga (Gabon)	220,022	(68,567)	151,455	220	130	(198)		(10,941)	140,666
Mnazi Bay (Tanzanie)	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)	
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		664		(664)		5,565
Permits 44 & 45 (Namibia)	5,147	(5,147)			679		(679)		
Fiume Tellaro (Italy)	7		7					(7)	
Sawn Lake (Canada)					575		(575)		
Anticosti (Canada)					1,383		(1,383)		
Bloc M2 (Myanmar)					866		(866)		
Autres	13		13		33			(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		39			(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 amortisation is as follows:

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

en milliers €	31/12/2016 as reported	31/12/2016 (*) adjusted	Currency translation adjustment	Invest- ments	Transfer	Impair- ment and exploration expense.	Depre- ciation	31/12/2017
Ezanga (Gabon)	1,399,563	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	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 producing permits	1,848	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	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 as reported	Change in method	31/12/2015 (*) adjusted	Currency translation adjustment	Invest- ments	Transfer	Impairment and explora- tion expense	Depre- ciation	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		(72)			1,848
Sawn Lake (Canada)					235		(235)		
Assets attached to producing permits	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		118			(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 amortisation 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
Amortisation 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
Amortisation 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	(3)	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 lifting.

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

Drilling trade receivables mainly correspond to receivables from leading oil companies.

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

Note 3.6: Other assets

Other current assets include assets related to the regular operating cycle, some of which can be produced more than 12 months after the reporting date. 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 adjustments	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 adjustments	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 adjustments	Change	Impairment /Reversals	31/12/2017
Social security liability	8,748	(677)	1,649		9,720
Tax liabilities	22,655	(3,397)	12,238		31,496
Fixed asset liabilities	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 adjustments	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 an appraisal report and updated using US Bloomberg Corporate AA rates to remain aligned with the term of the commitment. For example, a 4.7% rate projected over 40 years is used to calculate the provision for the Ezanga remediation.

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

⊕ 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 loans	(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 restoration.

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 adjustments	Change	Impairment /Reversals	31/12/2017
Equity interests					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 RCF, which resulted in the release of a US\$75 million security deposit.

The decrease in “miscellaneous receivables” includes €9 million in proceeds from arbitration with Dominion Oil & Gas Ltd, 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
Marketable securities	50,046	
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	Translation currency adjustments	Takeover bid ^(*)	Repay- ment of old loans	Proceeds from new loans	Interests with- drawal	Other move- ments	31/12/2017
Term loan (US\$600m)		(8,246)			501,355			493,109
Shareholder loans		(597)	187,873	(188,582)	84,688			83,382
2019 ORNANE	239,841		(120,913)	(131,963)			13,035	
2021 ORNANE	100,534		(66,960)	(48,174)			14,599	
RCF (US\$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
2019 ORNANE							288	288
2021 ORNANE							3	3
RCF (US\$400m)	88,938	(7,315)		(67,806)		(13,817)		
Lease financing debt	285						59	343
Current bank loans	147				551	(44)		653
Other	3						(3)	
Accrued interest	10,667					(10,465)	454	656
/ intermediate shareholder loans						(3,720)	3,720	
/ shareholder loans (US\$100m)							79	79
/ 2019 ORNANE	4,111					(2,053)	(2,058)	
/ 2021 ORNANE	3,162					(1,299)	(1,864)	
/ Term loan (US\$600m)							577	577
/ RCF	3,394					(3,394)		
Current	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 income from the early repayment.

Note 4.4.1 Bonds

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

- 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.

If holders exercise their rights to be allotted shares, and at the issuer's discretion, these bonds enable:

either,

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

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

After the Group's change in control, bearers of the 2019 and 2021 ORNANE bonds had the option to request early repayment for all or some of their bonds in cash 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 repaid this credit facility in the amount of US\$325 million.

At the end of the fiscal year, only 16,936 ORNANE 2019 bonds and 240 ORNANE 2021 bonds remained outstanding. As a result, the Group decided to exercise its right to amortise the ORNANE 2019 and ORNANE 2021 bonds early, under the terms and conditions set forth in their respective issue contracts, effective as at 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 its entire debt on favourable terms, the Group has now rescheduled its repayments over seven years, including a two-year grace period. It was also an opportunity to align the functional currency of the financial holdings with that of the operational entities and denominate them in US dollars, thereby reducing future exposure to exchange rate fluctuations.

Shareholder loan

The early repayment of ORNANE bonds in March 2017 was financed through funds made available to Maurel & Prom by PIEP through a shareholder loan that used the terms and conditions of the ORNANE, for a nominal 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 bid, in the amount of €189 million (including accrued interest).

A shareholder loan was then set up with PIEP for an initial amount of \$100 million, with a second tranche of \$100 million that can be drawn down at Maurel & Prom’s discretion.

The terms of this new facility are as follows:

Initial amount:	US\$100 million
Additional amount:	US\$100 million that can be drawn down at will
Maturity:	December 2024
First repayment:	December 2020
Repayment:	17 quarterly instalments
Borrowing rate:	LIBOR + 1.60%.

Maurel & Prom Revolving Credit Facility

On 18 December 2014, the Group signed a credit facility the features of which have not changed since then:

Initial amount:	US\$400 million
Additional amount:	US\$250 million until 31 December 2016
Maturity:	31 December 2020, i.e. 6 years
First repayment:	31 December 2017
Borrowing rate:	LIBOR +3.40% until 31/12/2018, then +3.65%.

The first three repayments of US\$18.7 million each were made on 1 January 2017, 1 April 2017 and 1 October 2017, in accordance with the initial repayment schedule.

In December 2017, as part of its refinancing strategy, the Group repaid this credit facility in the amount of US\$325 million. This resulted in the release of US\$75 million in liquid assets, previously held as collateral.

US\$600-million term loan

The Group 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:

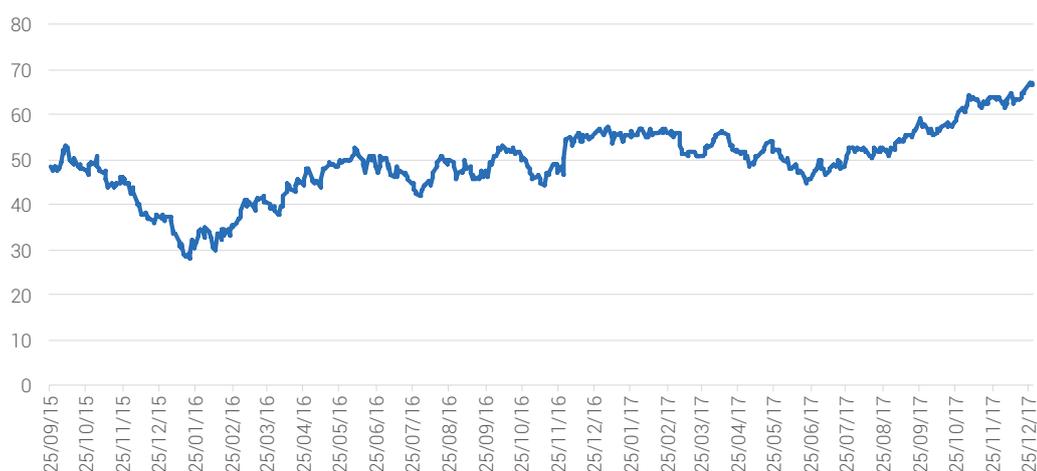
Initial amount:	US\$600 million
Maturity:	December 2023
First repayment:	March 2020
Repayment:	16 quarterly instalments
Borrowing rate:	LIBOR + 1.50%.

+ 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 the price of hydrocarbons took place in 2017.

Brent price movements (in US\$)



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 in 2015 before eventually rising to US\$57/bbl at the end of 2016 and US\$67/bbl at the end of 2017. For the full year, 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 -€36 million.

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;
- there is also a foreign exchange risk linked to the conversion into euros of the accounts of Group entities 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\$ rate	10% drop in €/US\$ rate	10% rise in €/US\$ rate	10% drop in €/US\$ rate
USD	(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 millions of US dollars (2017)	Assets and liabilities	Commitments in currencies	Net position before hedging	Net position before hedging	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: Loans. 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 (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 € thousands):

In € thousands 5 years	2018	2019	2020	2021	2022	>5 years	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
2019 ORNANE	3						3	3
2021 ORNANE	288						288	288
Term loan (US\$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 were 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	2017	2018	2019	2020	2021	>5 years	Total contractual flow	Total contractual flow
2019 ORNANE	4,111	4,111	257,083				265,305	243,952
2021 ORNANE	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
2019 ORNANE	3	243,952
2021 ORNANE	288	103,697
Other		37
Fixed rate	290	347,686
Revolving Credit Facility	0	380,620
Term loan (US\$600m)	493,686	
Shareholder loan	83,461	
Lease financing debt	2,200	2,397
Current bank loans and other	653	150
Floating rate	580,000	383,167
Borrowings	580,290	730,852

A 1-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 1-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	
	Total Balance sheet	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 it does not incur any significant counterparty risk, as its production is mainly sold to a leading oil group: Total Gabon. Guarantees are in place to cover outstanding amounts on gas sales in Tanzania. Other financial and non-financial current assets do not present any significant credit risk.

Note 5.6: Country risks

A significant proportion of the Group's production and reserves is located in countries outside the OECD area, some of which may be 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, terrorist group actions, and the imposition of international economic sanctions. The occurrence and extent of incidents related to economic, social and political instability are unpredictable but it is possible that such incidents may have a material adverse impact on the Group's production, reserves and activities in the future.

In addition, the Group conducts exploration and production activities in countries whose government and regulatory framework may be unexpectedly modified and where the application of tax rules and contractual rights is 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.

			31/12/2017		31/12/2016	
In € thousands	Level		Total Balance sheet	Fair value	Total Balance sheet	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 amortised cost	d	496,539	496,539	383,203	383,203
Bonds	Liabilities at amortised 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:

- 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;
- 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;
- The net carrying value of the Group's cash corresponds to its fair value given that it is considered to be liquid;
- As all other borrowings and financial debts were arranged at variable interest rates, their balance sheet value reflects fair value;
- The fair value of the ORNANE 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 in particular have been taken into account:

- the existence of sufficient temporary differences taxable by the same tax authority for the same taxable entity, which will create taxable amounts on which unutilised 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 likelihood 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 recognised 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, tax liability 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 liability	(1,666)	(26,132)	(27,798)
Payments		25,921	25,921
Currency translation adjustments	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)

* Adjusted for the change in accounting method.

Note 6.1.2 Breakdown of deferred taxes

In € thousands	31/12/2017	31/12/2016 ^(*) adjusted
Valuation difference of tangible assets	27,096	33,295
Deferred tax assets	27,096	33,295
Valuation difference of tangible assets	308,752	351,963
Deferred tax liabilities	308,752	351,963
Net deferred tax	281,655	318,667

* Adjusted for the change in accounting method.

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
(b) Tax recognised in income	(27,798)	(10,428)
Effective tax rate	-184.4%	-66.2%
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)

* Adjusted for the change in accounting method.

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

* Adjusted for the change in accounting method.

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 agreement.

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 Company shares, 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 31/12/17	195,340,313	4,312,391

The bonus share allocations 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 related parties (net)	Amount payable to related parties
1) Equity associates				
Maurel & Prom Colombia BV		94	2,758	
SEPLAT				
2) Other related parties				
- 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 Internasional Eksplorasi dan Produksi (PIEP) to provide the amounts required to repay the 2019 and 2021 ORNANE bonds to holders 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 amount of US\$100 million, with a second tranche of US\$100 million that could be drawn down 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 its payment obligations under this loan.

No Group assets have been pledged as collateral. However, restrictions on the use of certain bank accounts of Maurel & Prom Gabon and Maurel & Prom West Africa were specified in the event of default on this new loan (except in certain cases).

Furthermore, under the terms of the new loan, Maurel & Prom West Africa has undertaken to meet certain financial ratios at 30 June and 31 December of each year:

- ratio for the Group's consolidated net debt to EBITDAX (earnings before interest, taxes, depreciation, amortisation and impairment net of the impact of exchange gains and losses and exploration costs), not to exceed 4.00:1.00, calculated over a 12-month period prior to the reference period;
- 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, failing which 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 a debt subordination agreement the shareholder loans granted by PIEP relating to the ORNANE 2019 and ORNANE 2021 bonds as well as to the Revolving Credit Facility (RCF). Since the two shareholder loans dated 2 March 2017 were repaid early, this agreement is no longer valid.

As part of the new term loan entered into on 10 December 2017, on 11 December 2017, Etablissements Maurel & Prom, Maurel & Prom West Africa and Maurel & Prom Gabon signed a subordination agreement under which certain distributions and debts of Etablissements Maurel & Prom, Maurel & Prom West Africa and Maurel & Prom Gabon are subordinate 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 default on the new loan.

Note 6.5.6 Rockover

Under the terms of the purchase agreement, as amended, entered into in February 2005 by Etablissements Maurel & Prom, the Rockover Group and Betty & Dickson Trustees Limited (now Mayfair Trustees Limited) as trustee of the Masasa Trust (with Rockover, the "Sellers"), Maurel & Prom undertook to pay the Sellers:

- a 2% royalty when total production exceeds 39 million barrels on all fields sold to Maurel & Prom (excluding Banio). 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 royalty amounting to \$1.30 for every barrel produced from the date that total production in all licensed zones exceeds 80 million barrels; and
- a 10% royalty on the production from the sole Banio field when total production from this field exceeds 3.865 million barrels.

The agreement also stipulates that Maurel & Prom shall pay the Masasa Trust a royalty equivalent to 2% of total available production up to a threshold of 30 million barrels, and of 1.5% above that threshold, on the production from the exploration permits resulting from the MT 2000-Nyanga Mayombe exploration permit. This commitment is recognised in expenses commensurate with production, knowing that production in the Banio field (the only MT 2000-Nyanga Mayombe exploration permit to-date) is currently suspended indefinitely.

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 2015 and the commitment is recognised as a monthly expense. As at 31 December 2017, Wentworth had been paid US\$1.383 million. 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 538 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 work and services directly related to the audit assignment:								
- 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 the best of Maurel & Prom's knowledge, there are no post-balance sheet events likely to adversely affect the Company's financial position, assets and liabilities, results or activities.

5.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal year ended 31 December 2017

To the Etablissements Maurel & Prom S.A. General Shareholders' Meeting,

Opinion

In compliance with the assignment entrusted to us by your General Shareholders' Meeting, we have audited the consolidated financial statements of Etablissements Maurel & Prom S.A. for the fiscal year ended 31 December 2017, as appended to this report.

In our opinion, the consolidated financial statements present a true and fair view of the income from operations for the past fiscal year, as well as the financial position and assets at the end of the fiscal year of the group formed by the persons and entities included in the consolidation, in accordance with International Financial Reporting Standards, as adopted in the European Union.

The opinion expressed below is consistent with the content of our report to the audit committee.

Basis for opinion

Audit protocol

We conducted our audit in accordance with auditing standards applicable in France. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis on which to form our opinion.

Our responsibilities under these standards are described in the section "Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements" of this report.

Independence

We conducted our audit in accordance with the independence rules applicable to us, for the period from 1 January 2017 to the issue date of our report. In particular we have not provided any services prohibited under Article 5 (1) of EU Regulation 537/2014 or by the statutory auditors' professional code of ethics.

Observation

In due respect of the opinion expressed above, we draw your attention to the following point described in Note 1.3 to the consolidated financial statements regarding the change in accounting method for exploration assets as reflected in the change from the "full cost" method to the "successful efforts" method.

Justification of our assessments – Key audit matters

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code regarding the justification of our assessments, we bring to your attention the key audit matters related to the risk of material misstatements which, based on our professional opinion, were the most important for the audit of the consolidated financial statements for the financial year and our response in respect of those risks.

These assessments were performed as part of the audit of the consolidated financial statements taken as a whole and led to our opinion as expressed above. We express no opinion on the information contained in these consolidated financial statements taken in isolation.

Impact of the estimate of reserves on the recognition and amortisation of production assets

Risk identified	Our response
<p>Every year the Group engages specialists to independently appraise the reserves for each oil producing permit.</p> <p>Proven and probable reserves correspond, respectively, to oil and gas reserves that are “reasonably certain” and “reasonably probable” to be producible using current technology, at current prices, with current commercial terms and government consent.</p> <p>The estimation of hydrocarbon reserves is fundamental to recognising assets related to the Group’s oil operations, especially with regard to recognising exploration expenditures in accordance with the “successful efforts” method that the Group applied for the first time in this fiscal year, determining the depreciation rate of those assets according to the unit-of-production method described in Note 3.3 to the consolidated financial statements, as well as to the impairment tests conducted by the Cash Generating Units (CGUs) on production activities.</p> <p>Reserve estimates are by nature uncertain because of the geoscience and engineering data used to determine the volume in the fields. It is also complex because of the contractual terms and conditions that determine the Group’s share of reserves.</p> <p>For these reasons, we have considered the estimate of proven and probable reserves to be a key audit matter.</p>	<p>The procedures carried out consisted in:</p> <ul style="list-style-type: none"> ● Noting the procedures set up by the Group to determine its hydrocarbon reserves; ● Assessing the qualifications of the independent appraisers tasked with estimating and certifying the reserves; ● Analysing changes in reserves compared to the end of the previous fiscal year so that our audit can focus on the main changes for the period; ● Comparing actual production in previous years with the corresponding expected production; ● Analysing the assumptions used by the group and the independent appraisers to determine the proven and probable reserves recoverable before the agreements conferring the production permits expire and, as necessary, the reasons that led the Group to consider that the renewal of this entitlement was reasonably certain, for the estimate of the reserves; in the case of gas reserves, corroborating their recognition level based on existing sales agreements; ● Assessing whether the revised reserve estimates were properly taken into account by the Group during impairment tests and for recording depreciation and amortisation expenses.

Impairment of non-current assets net of oil and gas production

Risk identified	Our response
<p>As at 31 December 2017, the Group's production activity was split between the Ezanga and Mnazi Bay permits, which represent €1,343 million in net non-current assets and account for 89% of the Group's non-current assets.</p> <p>We deemed that the impairment of non-current production activity assets was a key audit matter because of their material importance in the Group's financial statements. Furthermore, the determination of their recoverable value, based on the value of their expected updated future cash flow, requires the use of assumptions, estimates and material assessments by management, as indicated in Note 3.3 to the consolidated financial statements.</p> <p>Specifically, a sustained climate of low hydrocarbon prices would adversely affect the Group's results and, as a consequence, significantly impact the recoverable value of production activity assets.</p> <p>The Group deems that a permit generally constitutes a Cash Generating Unit (CGU). A CGU is a set of assets whose ongoing utilisation generates cash flows that are largely independent of the cash flows from the other asset groups.</p> <p>The Group performs impairment tests on those assets, the procedures for which are described in Note 3.3 to the consolidated financial statements.</p> <p>The main assumptions that Management takes into consideration when assessing recoverable value are, as mentioned in Note 3.3.2 to the consolidated financial statements, as follows:</p> <ul style="list-style-type: none"> ● The future price of hydrocarbons ● Operating costs ● Estimates of hydrocarbon reserves ● Forecasts of produced, marketed volumes ● The discount rate after tax 	<p>For those two assets subject to an impairment test, our audit involved obtaining the value in use (future discounted cash flows) and analysing whether, in the event that the value thus obtained is lower than the net book value, an impairment was recognised.</p> <p>To assess the relevance of Management's assumptions and the data included in the assessment models, we produced a comparative analysis of industry practices relating to hydrocarbon prices (in the short, medium and long term) and discount rates.</p> <p>In addition, we analysed the data underlying future cash flows used to determine the recoverable value of assets included in the tested CGUs:</p> <ul style="list-style-type: none"> ● the production profiles used were compared to reserves certified by independent appraisers; ● Assumptions of operating costs were corroborated with the levels of actual budgeted costs resulting from forecasts established by Management and presented to the Board of Directors; ● We assessed whether the tax rates used were consistent with applicable tax regimes or prevailing oil contracts.

Verification of disclosures relating to the Group provided in the Management Report

In accordance with generally accepted auditing standards applicable in France, we also carried out the specific verifications required by law on the disclosures presented in the Management Report prepared by the Board of Directors.

We have no matters to report concerning their fair presentation or consistency with the consolidated financial statements.

Disclosures resulting from other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed statutory auditors of Etablissements Maurel & Prom by the General Shareholders' Meeting of 12 June 2014 in the case of KPMG SA and International Audit Company.

As at 31 December 2017, KPMG and International Audit Company were in their fourth consecutive year as statutory auditors.

Responsibilities of management and individuals charged with corporate governance in respect of the consolidated financial statements

It is management's responsibility to prepare the consolidated financial statements giving a true and fair view in accordance with IFRS as adopted in the European Union and to implement the internal control procedures it deems necessary in order to ensure that the consolidated financial statements it has prepared are free from material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, it is incumbent on management to assess the company's ability to continue as a going concern, to include in these statements, where applicable, the information related to continuing as a going concern, and to apply the going concern basis of accounting, except if the company is expected to be wound up or cease operating.

It is incumbent on the audit committee to monitor the process for preparing financial information and the effectiveness of internal control and risk management systems, and, where applicable, internal audit systems, as these apply to the procedures for preparing and processing the accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Statutory auditors' responsibilities regarding the audit of the consolidated financial statements

Audit objectives and approach

We are required to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards of our profession will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-2 of the French Commercial Code, our role in certifying the financial statements does not consist in guaranteeing the viability or quality of your company's management.

As part of an audit conducted in accordance with auditing standards applicable in France, the statutory auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as related disclosures provided in the consolidated financial statements;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. These conclusions are based on the audit evidence obtained up to the date of their report. However, future events or conditions may cause the company to cease to continue as a going concern. If they conclude that a material uncertainty exists, they will draw attention in their report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, they will either issue a qualified opinion or refuse to certify the statements;
- evaluate the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- with regard to the financial information about the persons or entities included in the consolidation scope, collect information that they deem sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for the management, supervision and audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the audit committee

We provide a report to the audit committee which includes information about the scope and timing of our audit and our audit findings. If applicable, we also bring to its attention material weaknesses in internal control that we identified as pertaining to the procedures for preparing and processing accounting and financial information.

The information contained in our report to the audit committee includes the risks of material misstatement that we consider to have been the most important to the audit of the 2017 consolidated financial statements and which therefore constitute the audit's key matter. We are required to describe these in this report.

We also provide the audit committee with the statement provided for by Article 6 of EU Regulation 537-2014 confirming our independence, within the meaning of the rules applicable in France as set forth in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the statutory auditors' professional code of ethics. Where applicable, we discuss with the audit committee any risks to our independence and the safeguards applied.

Statutory Auditors

Paris La Défense, 24 April 2018
KPMG Audit
Department of KPMG S.A.

Paris, 24 April 2018
International Audit Company

Eric Jacquet
Partner

François Caillet
Partner

5.3 PARENT COMPANY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

+ Balance sheet

In € thousands	Note	Gross	Depreciation and amortisation & Provisions	Net at 31/12/2017	Net at 31/12/2016
INTANGIBLE ASSETS	4.1	5,382	(5,357)	25	13
PROPERTY, PLANT AND EQUIPMENT	4.2	10,097	(4,904)	5,193	6,861
Equity interests	4.4	310,273	(166,903)	143,370	143,445
Other fixed financial assets	4.3	422	(152)	270	75,120
FIXED FINANCIAL ASSETS		310,695	(167,055)	143,640	218,566
FIXED ASSETS		326,173	(177,316)	148,857	225,440
Commodity inventory		129	(129)	0	0
Trade receivables and related accounts		1,394		1,394	972
Other receivables	4.5	486,720	(362,624)	124,097	596,746
Treasury shares	4.8	53,524	(38,333)	15,191	22,950
Cash instruments	4.8	50,046		50,046	
Available funds	4.8	121,207		121,207	139,998
CURRENT ASSETS		713,021	(401,086)	311,936	760,666
Prepaid expenses		541		541	380
Charges to be spread over several fiscal years					10,210
Currency translation adjustment	4.7	4,735		4,735	55,236
TOTAL ASSETS		1,044,471	(578,402)	466,069	1,051,931

In € thousands	Note	Net at 31/12/2017	Net at 31/12/2016
Share capital		150,412	150,412
Additional paid-in capital		27,664	79,577
Legal reserve		9,336	9,336
Other reserves		(2,688)	(1,483)
Carry forwards		0	
Income for the period		22,971	(37,493)
SHAREHOLDERS' EQUITY	4.9	207,696	200,350
PROVISIONS FOR RISKS AND EXPENSES	4.10	13,366	58,023
Current bond borrowings	4.12	295	371,637
Loans and other borrowings from financial institutions	4.11	769	383,104
Miscellaneous borrowings and financial debt		0	37
FINANCIAL DEBT		1,064	754,777
Trade payables and related accounts		3,547	4,067
Tax and social security receivables		4,401	3,032
Fixed asset liabilities and related accounts		1,627	1 612
Other debts	4.13	211,254	4,965
MISCELLANEOUS LIABILITIES		220,829	13,676
LIABILITIES		221,893	768,453
Currency translation adjustment	4.7	23,114	25,105
TOTAL LIABILITIES		466,069	1,051,931

+ Profit/loss

In € thousands	Note	Net at 31/12/2017	Net at 31/12/2016
Sales	4.15	17,943	16,144
Reversals on amortisation, depreciation and provisions		4,315	37
Other operating income		0	69
OPERATING INCOME		22,258	16,250
Other purchases and external expenses		(18,207)	(15,093)
Taxes and charges		(1,700)	(777)
Wages and salaries		(5,845)	(5,750)
Social security contributions		(3,467)	(3,547)
Other operating expenses		(10,964)	(6,943)
OPERATING EXPENSES		(40,184)	(32,111)
Depreciation charges on fixed assets		(156)	(626)
Depreciation charges on deferred expenses		(10,210)	(3,049)
Provisions for impairment of current assets		(1,737)	(4,099)
DEPRECIATION/AMORTISATION ALLOWANCES AND OPERATING PROVISIONS		(12,103)	(7,774)
OPERATING INCOME (LOSS)		(30,028)	(23,634)
SHARE OF INCOME OF JVs		(96)	(75)
Interest on ORNANE securities		(3,357)	(7,254)
Interest on other borrowings		(17,803)	(15,112)
Income from cash		1,650	1,266
INTEREST FROM BORROWINGS AND CASH AND CASH EQUIVALENTS		(19,509)	(21,101)
ALLOCATIONS TO AND REVERSALS OF PROVISIONS ON TREASURY SHARES		6,857	7,302
Credit losses on investments		(600)	(1,352)
Interest receivables		25,656	39,565
Reversals of provisions on securities and current accounts		11,805	128,079
Allocations to provisions on securities and current accounts		(73,956)	(48,205)
INCOME ON SECURITIES AND INVESTMENT-RELATED RECEIVABLES		(37,095)	118,088
MERGER LOSS		0	(108,492)
DIVIDENDS RECEIVED		85,500	33,230
Exchange gains and losses		(34,826)	(1,525)
Financial provisions for foreign exchange rate differences		(373)	(48,854)
Reversals of financial provisions for foreign exchange rate differences		48,854	
EXCHANGE LOSS		13,654	(50,379)
FINANCIAL INCOME	4.16	49,310	(21,428)
CURRENT INCOME BEFORE TAX		19,282	(45,062)
Extraordinary income		223	9,244
Extraordinary expenses		(560)	(2,602)
Allocations to and reversals of provisions for extraordinary risks		408	206
Gains and losses on treasury shares		(68)	715
Proceeds from the disposal of securities		0	(76)
Proceeds from the disposal of other fixed assets		1	18
EXTRAORDINARY INCOME		3	7,505
Employee profit-sharing in expansion results		0	0
Income tax		3,686	64
PROFIT OR LOSS		22,971	(37,493)

Notes

+ 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 consolidated financial statements were approved by the Board of Directors on 8 March 2017. The financial statements are presented in euros. Amounts are rounded off to the nearest thousand euros, except where otherwise indicated.

+ Note 2: Significant events

As a result of the takeover bid, which closed on 9 February 2017, PT Pertamina Internasional Eksplorasi dan Produksi ("PIEP"), the wholly-owned subsidiary of Indonesian company Pertamina, holds 72.65% of Maurel & Prom's capital.

At end-2017, the Group had successfully refinanced all of its debt on favourable terms, thanks to the support of its new shareholder, PIEP, and proceeded with the restructuring its repayment terms. Against this backdrop, and in order to repay the RCF and ORNANE bonds, the Company asked its subsidiary Maurel & Prom Gabon SA to repay its current account advance amounting to US\$600 million, which also presented the opportunity to convert the debt from euros to US dollars. Maurel & Prom Gabon SA therefore requested a loan from its parent company Maurel & Prom West Africa SA, which itself has a term loan of US\$600 million with a consortium of nine banks.

At the same time, the Company received a US\$100-million shareholder loan from PIEP.

In addition, the Company recognised €85.5 million in MP Gabon S.A. dividends and obtained CAD\$16.2 million in compensation from the Quebec government following the government's withdrawal of Anticosti Island territory from all hydrocarbon or underground reservoir research activity.

+ Note 3: Accounting Policies

The parent company financial statements have been drawn up in accordance with accounting principles generally accepted in France and in particular with the provisions of the General Chart of Accounts resulting from French Accounting Standards Authority (ANC) Regulation 2017-03 of November 2017 amending ANC Regulation 2014-03, which the company applied early at 1 January 2017. The main change applicable to the Company relates to exploration expenses, which can no longer be activated. This change in accounting method does not have a material impact on the financial statements for the fiscal year.

Accounting policies were applied in compliance with the principle of prudence, in accordance with the following basic assumptions :

- going concern assumption ;
- consistency of accounting methods ;
- accrual basis of accounting ;

and in accordance with the general rules for preparing and presenting annual financial statements.

The basic method used to evaluate the items recorded in the accounts is the historical cost method. The main methods used are as follows:

Oil assets

Expenditures for the acquisition and allocation of mining permits are recorded as intangible assets and, during the exploration phase, amortised on a straight-line basis over the estimated duration of the permit or during the development phase, in line with the amortisation rate for the oil production facilities. If the permit is withdrawn or the exploration fails, the remaining amortisation is recorded in full at once.

Exploration studies and work, including geology and geophysics expenditure, are expensed in accordance with ANC Regulation 2017-03 of November 2017. Only costs that specifically relate to identifying prospects such as exploration drilling are capitalised, and they are amortised once exploitation commences.

Drilling expenditure that does not result in a commercial discovery is expensed for the total amount incurred.

Provisions for extraordinary impairment or amortisation are booked when accumulated costs are greater than discounted future cash flow estimates or when technical difficulties are encountered. Impairments are determined per exploration permit.

Other property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are recognised at their acquisition cost. Depreciation and amortisation expenses are calculated over the estimate life of the assets based on straight-line (SL) or declining balance (DB) methods as follows:

- fixtures and fittings: SL over 5 to 10 years;
- office and computer equipment: SL or DB over 3 to 5 years;
- office furniture: SL over 10 years;
- Software: L, over 3 years.

Equity interests, fixed investments and related receivables

Equity interests are recognised at their acquisition cost. Receivables from equity interests are valued at their nominal value.

A provision is created when the net realisable value is lower than the cost of inventories. Inventory value, represented by value in use, is determined according to the equity capital and prospective profitability of the companies concerned.

For companies in the exploration phase, equity interests and related receivables are subject to a provision for exploration expenses as long as no decision to turn the project into a commercial development or to turn the project into a producing asset has been made. If proven reserves have been revealed, the value of the securities and receivables is limited to the amount of discounted future earnings at closing.

For other activities, provisions for impairment of equity interests and related receivables are determined by taking into account the financial performance of said equity interests less projected discounted future earnings, changes in net income or their expected resale value.

When losses surpass the value of securities and receivables, a provision for risks is recorded in the same amount.

For listed equity interests, the actual value is also determined by taking the share price into account. Other fixed investments are valued at their purchase price or their market value, whichever is lower. This includes company treasury shares that have been subject to precise allocation.

Receivables

Receivables are recognised at their nominal value. A provision for impairment is recorded when there is a risk of non-payment.

Deferred expenses

Deferred expenses correspond to bond issue costs and bank costs amortised over the time that the principal is being repaid.

Foreign currency transactions

Expenses and income in foreign currencies are posted at their equivalent in the functional currency of the entity concerned at the transaction date.

Payables, external financing and receivables denominated in foreign currencies are shown on the balance sheet at their equivalent value in EUR at the closing rate. Any difference arising from the translation of foreign currency payables and receivables at that closing rate are recognised on the balance sheet under "Currency translation adjustments". A provision is booked for unrealised losses that are not offset.

Foreign currency liquidity is translated at the closing rate, and currency translation adjustments are recorded in the income statement. When foreign currency cash and cash equivalents are solely allocated to future investments (specific contracts) and isolated as such, future receipts and disbursements make a natural hedge from foreign currency profit or loss.

Provisions for risks and expenses

Provisions for risks and expenses are set up to cover various contingencies that could arise, and particularly risks related to subsidiaries, litigation and foreign exchange losses.

The Company's pension and similar benefit obligations are limited to paying contributions to general mandatory plans and to paying retirement benefits defined in the applicable collective bargaining agreement.

The actuarial method used is known as the projected unit credit method, which sees each year of service as giving rise to an additional unit of benefit. These calculations incorporate assumptions about mortality, staff turnover and projections of future salaries.

Translation of the establishments' annual financial statements

For independent entities whose functional currency is not the euro, annual financial statements are translated into the Company's reporting currency, namely the euro, according to the following principles :

Translation at the closing rate except for intra-company financing accounts which are kept at the historic rate ;

Translation of net income items at the average rate for the period.

+ Note 4: Additional information on the balance sheet and income statement

Note 4.1: Intangible assets

In € thousands	Gross value	Impairment	Net value
Software at 31/12/2016	2,263	(2,250)	13
Gabon mining permit as at 31/12/2016	3,518	(3,518)	(0)
Oil operating costs, France at 31/12/2016	3,656	(3,656)	0
Total intangible assets at 31/12/2016	9,437	(9,425)	13
acquisitions	35		35
change in accounting method	(3,656)	3,656	0
entities that left the group	(435)	411	(23)
depreciation and amortisation		0	0
Total intangible assets at 31/12/2016	5,382	(5,357)	25
Software at 31/12/2017	1,864	(1,839)	25
Gabon mining permit as at 31/12/2017	3,518	(3,518)	(0)
Oil operating costs, France at 31/12/2017			0

Note 4.2: Property, plant and equipment

In € thousands	
Gross value of fixtures and equipment at 31/12/2016	11,193
Amortisation at 31/12/2016	(4,331)
Net value of property, plant and equipment as at 31/12/2016	6,861
acquisitions	149
currency translation effect	(1,950)
depreciation and amortisation	132
Net value of property, plant and equipment as at 31/12/2017	5,193
Gross value of fixtures and equipment at 31/12/2017	10,097
Amortisation at 31/12/2017	(4,904)

Property, plant and equipment mostly correspond to a drilling rig in Colombia.

Note 4.3: Other fixed financial assets

In € thousands	Gross value	Impairment	Net value
Sundry deposits at 31/12/2016	510	(76)	434
Escrow fund at 31/12/2016	74,686		74,686
Total financial assets as at 31/12/2016	75,196	(76)	75,120
acquisitions	82		82
decreases	(74,686)		(74,686)
currency translation effect	(170)		(170)
depreciation and amortisation		(76)	(76)
Total intangible assets as at 31/12/2017	422	(152)	270
Sundry deposits at 31/12/2017	422	(152)	270
Escrow fund at 31/12/2017	0		0

A US\$75-million collateral deposit was released in connection with the repayment in 2017 of the Revolving Credit Facility.

Note 4.4: Equity interests

In € thousands	31/12/2016	Change	31/12/2017
Maurel & Prom Assistance Technique securities	34,211		34,211
Cardinal securities	6,060		6,060
Seplat Petroleum securities	140,180		140,180
Panther securities	10,756		10,756
Maurel & Prom Colombia securities	92,431		92,431
Intégra Oil securities	25,840		25,840
Other	792	3	795
Total gross value of equity interests	310,270	3	310,273
Maurel & Prom Assistance Technique securities	(33,096)		(33,096)
Cardinal securities	(6,060)		(6,060)
Panther securities	(10,756)		(10,756)
Maurel & Prom Colombia securities	(90,722)		(90,722)
Intégra Oil securities	(25,840)		(25,840)
Other	(351)	(78)	(430)
Total impairment of equity interests	(166,825)	(78)	(166,903)
Net value of equity interests	143,445	(75)	143,370

Note 4.5: Other receivables

In € thousands	31/12/2017	31/12/2016
Advances to group subsidiaries	479,901	894,805
Prepayments to suppliers and debit notes to subsidiaries	0	
Miscellaneous receivables	6,819	10,055
Total other gross receivables	486,720	904,860
Impairment	(362,624)	(308,114)
Total other net receivables	124,097	596,746

Advances to subsidiaries were as follows:

In € thousands	31/12/2017			Transfers			31/12/2016		
	Gross	Impairment	Net	Gross	Change	Impairment	Gross	Impairment	Net
Gabon			0	(404,451)		0	404,451		404,451
BRM	123,137	(123,137)	0	23		(13,133)	123,114	(110,004)	13,110
Mnazi Bay	125,911	(10,000)	115,911	(1,764)	(13,414)	(10,000)	141,088		141,088
Namibia	9,937	(9,937)	0	660		(9,937)	9,277	0	9,277
MPDS	57,625	(57,625)	0	0		(16,723)	57,625	(40,903)	16,723
East Asia	61,957	(61,957)	0	(1,330)		1,330	63,287	(63,287)	0
Sawn lake	44,977	(44,977)	0	2,605		(2,605)	42,372	(42,372)	0
Québec	2,763	(2,763)	0	(10,097)		10,097	12,860	(12,860)	0
Peru	18,366	(18,366)	0	1,370		(1,370)	16,996	(16,996)	0
Ison	12,854	(12,854)	0	202		(202)	12,652	(12,652)	0
Intégra	3,691	(3,691)	0	0		0	3,691	(3,691)	0
Caroil	7,816	(7,816)	0	7,816		(7,816)			0
Other	10,867	(9,501)	1,367	3,476		(4,151)	7,391	(5,350)	2,041
TOTAL	479,901	(362,624)	117,277	(401,490)	(13,414)	(54,510)	894,805	(308,114)	586,691

The change for Quebec comes from the current account repayment obtained after CAD\$16.2 million in compensation was received following the Quebec government's withdrawal of Anticosti Island territory from all hydrocarbon or underground reservoir research activity.

The reduction in advances for Gabon (which became a liability) were as follows:

Gabon advances at the end of 2016	404,451
Financing of MP Gabon investments and expenditure	194,111
Deposit of MP Gabon income	(337,058)
Refinancing	(501,355)
Dividends received	85,381
Interest on current accounts	19,297
Foreign exchange effect on financing in US\$	11,459
Gabon liabilities at end-2017	(123,714)

As part of the Group's refinancing and in order to repay the RCF and ORNANE bonds, the Company asked its subsidiary Maurel & Prom Gabon SA to repay its current account advance amounting to US\$600 million, which also presented the opportunity to convert the debt from euros to US dollars. Maurel & Prom Gabon SA therefore requested a loan from its parent company Maurel & Prom West Africa SA, which itself has a term loan of US\$600 million with a consortium of nine banks.

Note 4.6: Maturity of Receivables

In € thousands	Total amount	Within one year	More than one year
Deposits and guarantees	270		270
Other receivables	124,097		124,097
Trade receivables and related accounts	1,394	1,394	
Total gross receivables by due date	125,761	1,394	124,367

Note 4.7: Currency translation adjustment

Currency translation adjustments, for both assets and liabilities, pertain to remeasuring payables and receivables (mainly on current accounts and on the shareholder loan denominated in US dollars) at the closing rate. Provisions have been recorded for unrealised foreign exchange losses.

Note 4.8: Cash instruments, available funds and bank loans

In € thousands	31/12/2017	31/12/2016
Bank current accounts and other	121,207	139,998
SICAV (Investment Company with Variable Capital) and FCP (mutual funds)	50,046	0
Available funds	171,254	139,998
Bank loans	(769)	(239)
Net cash	170,485	139,759
Treasury shares	15,191	22,950
Equity interests	15,191	22,950
Net cash position	185,675	162,708

As at 31 December 2017, Maurel & Prom held 4,312,391 treasury shares for a gross value of €53 million.

The comparison between the treasury shares' historic acquisition cost and their average cost at December 2017 (€3.53) led the Company to recognise a €38-million impairment loss, taking their net book value to €15 million.

Note 4.9: Shareholders' equity

In € thousands	31/12/2016	Appropriation of income	Income for the period	Transl. reserve	Capital increase	31/12/2017
Share capital	150,412					150,412
Premiums	79,577	(37,493)			(14,421)	27,664
Legal reserve	9,336					9,336
Other reserves	(1,483)			(1,205)		(2,688)
Carry forwards	0					0
Income	(37,493)	37,493	22,971			22,971
Shareholders' equity	200,350	0	22,971	(1,205)	(14,421)	207,696

At 31 December 2017, the share capital was composed of 195,340,313 shares with a par value of €0.77, for a total capital of €150,412,041.01.

Note 4.9.1 Employee share issues and bonus shares

On 18 June 2015, the Combined Shareholders' Meeting delegated authority to the Board of Directors for a 38-month period to decide to grant up to 1% of the share capital as at 18 June 2016 one or more times to employees, or a subset thereof, and/or corporate officers, or a subset thereof, of the Company or from companies and economic interest groups affiliated with the Company. This delegation on 18 June 2015 terminates the unused portion of the delegation given on 14 June 2012, effective immediately.

The bonus share allocations 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	895,500
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 4.9.2 Share buyback program

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 maintain the Company's number of shares. Over the same period, 2,251,381 shares were bought and 2,306,635 shares were sold under the liquidity agreement.

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 Company shares, and the share capital was €150,412,041.01.

In euros	Number of shares	Treasury shares
At 31/12/15	195,340,313	5,576,271
- Share buyback		-128,026
At 31/12/16	195,340,313	5,448,245
- Share buyback		-1,135,854
At 31/12/17	195,340,313	4,312,391

Note 4.10: Provisions for risks and expenses

In € thousands	31/12/2016	Allocation for the year	Write-backs for the year	31/12/2017
Currency exchange risk	48,854	373	(48,854)	373
Retirement benefits	928		(203)	725
Other	8,240	12,267	(8,240)	12,268
Total provisions	58,023	12,640	(57,297)	13,366
Operating income			(203)	
Financial income		10,964	(55,374)	
Extraordinary income		1,677	(1,719)	

Other provisions mainly concern the share of certain subsidiaries' net negative assets.

Note 4.11: Borrowings from financial institutions

In € thousands	31/12/2017	31/12/2016
RCF		382,864
Bank loans	769	239
Total other borrowings	769	383,104

The RCF was fully repaid on 21 December 2017.

Note 4.12: Bonds

In € thousands	31/12/2017			31/12/2016		
	Capital	Interest	Total	Capital	Interest	Total
2019 ORNANE	292		292	253,000	2,056	255,056
2021 ORNANE	3		3	115,000	1,581	116,581
Convertible bond borrowings	295		295	368,000	3,637	371,637

After the Group's change in control, bearers of the 2019 and 2021 ORNANE bonds had the option to request early repayment for all or some of their bonds in cash 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 a shareholder loan under the terms of the ORNANE (i.e. same interest rate and maturity explained above except for 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 ORNANE 2019 and 2021 bonds held by PIEP for a total €180 million and then cancelled them.

At the end of the fiscal year, only 16,936 ORNANE 2019 bonds and 240 ORNANE 2021 bonds remained outstanding. As a result, the Group decided to exercise its right to amortise the ORNANE 2019 and ORNANE 2021 bonds early, under the terms and conditions set forth in their respective issue contracts, effective as

at 12 February 2018.

Note 4.13: Other debts

In € thousands	31/12/2017	31/12/2016
Debts to the Gabon subsidiary	123,714	
Debts to other Group subsidiaries	2,806	2,507
Shareholder loan	83,462	
Other accrued liabilities	1,272	2,458
Total other liabilities	211,254	4,965

The early repayment of ORNANE bonds in March 2017 was financed through funds made available to Maurel & Prom by PIEP through a shareholder loan that used the terms and conditions of the ORNANE, for a nominal 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 bid, in the amount of €189 million (including accrued interest).

A shareholder loan was then set up with PIEP for an initial amount of \$100 million, with a second tranche of \$100 million that can be drawn down at Maurel & Prom's discretion.

The terms of this new facility are as follows:

Initial amount :	US\$100 million
Additional amount :	US\$100 million that can be drawn down at will
Maturity :	December 2024
First repayment :	December 2020
Repayment :	17 quarterly instalments
Borrowing rate :	LIBOR +1.60%.

Note 4.14: Debt Maturities

In € thousands amount	Total	Within one year	More than one year	More than five years
Bonds	295	295		
Bank Loans	769	769		
Trade payables and related accounts	3,547	3,547		
Tax and social security receivables	4,401	4,401		
Fixed asset liabilities and related accounts	1,627	1,627		
Other debts	211,254	127,792		83,462
Total payables by due date	221,893	138,431		83,462

Note 4.15: Sales

Company sales correspond exclusively to services and studies provided to the Company's subsidiaries, especially in Gabon and Tanzania, in the amount of €18 million.

Note 4.16: Financial income

In € thousands	Note	Net at 31/12/2017	Net at 31/12/2016
SHARE OF INCOME OF JVs		(96)	(75)
Interest on ORNANE securities	a	(3,357)	(7,254)
Interest on other borrowings	b	(17,803)	(15,112)
Income from cash		1,650	1,266
INTEREST FROM BORROWINGS AND CASH AND CASH EQUIVALENTS		(19,509)	(21,101)
ALLOCATIONS TO AND REVERSALS OF PROVISIONS ON TREASURY SHARES		6,857	7,302
Credit losses on investments		(600)	(1,352)
Interest receivables	c	25,656	39,565
Reversals of provisions on securities and current accounts	d	11,805	128,079
Allocations to provisions on securities and current accounts	e	(73,956)	(48,205)
INCOME ON SECURITIES AND INVESTMENT-RELATED RECEIVABLES		(37,095)	118,088
MERGER LOSS	f	0	(108,492)
DIVIDENDS RECEIVED	g	85,500	33,230
Currency exchange gains and losses	h	(34,826)	(1,525)
Financial provisions for foreign exchange rate differences		(373)	(48,854)
Reversals of financial provisions for foreign exchange rate differences	h	48,854	
EXCHANGE LOSS		13,654	(50,379)
FINANCIAL INCOME		49,310	(21,428)

- a) interest expenses on the ORNANE 2019 and ORNANE 2021 bond borrowings fell as a result of the early repayment ;
- b) these were essentially the variable rate interest on the US\$400-million RCF and interest on the shareholder loan ;
- c) the reduction in income was due to there being fewer receivables subject to interest ;
- d) the change in this line item was mainly due to the provision write-back regarding the merger of Saint-Aubin Energie for €108 million in 2016 ;
- e) the allocations relate to interest billed to subsidiaries for which the current accounts were already impaired and to subsidiary provisions for risks, especially in the drilling segment ;
- f) in 2016 the €108-million technical merger loss was generated by the recognition of the Saint-Aubin Energie merger ;
- g) it concerned €85.5 million in dividends received from Maurel & Prom West Africa (versus €29 million the previous year) ;
- h) the foreign exchange differences were due to the revaluation of cash into US dollars, the RCF repayments and the Gabonese advances, which reversed the foreign exchange provision.

Note 4.17: Income tax

Maurel & Prom is the parent company of the tax consolidation group comprising Maurel & Prom, M&P Peru Holdings, M&P Volney 5, M&P Volney 6, M&P West Africa, MPEP BRM, MPEP France, MPEP Namibie, MPEP Mnazi Bay, MP East Asia, MP West Canada and M&P Assistance Technique.

+ Note 5: Additional information

Note 5.1: Financial risks

The Company's results are sensitive to various market risks, including EUR/USD foreign exchange risk, considering that a substantial portion of receivables and liabilities are denominated in US dollars.

The Company is also exposed to liquidity risk and interest rate risk. The Group's borrowing terms and conditions and financing structure of the Company are described in the Financing paragraph of the 2017 Annual Report.

Successive treasury share repurchase plans have been put in place since 12 January 2005. As at 31 December 2017, the Company held 4,312,391 treasury shares for a gross carrying amount of €53 million, compared to a market value of €15 million. A provision was therefore established in the amount of €38 million. A 10% decrease in the value of these securities would have a negative impact of €1.5 million on the Company's net income.

Note 5.2: Off-balance sheet commitments

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

Note 5.2.1 US\$600-million term loan

Maurel & Prom West Africa S.A., sole and whole owner of Maurel & Prom Gabon, 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 its payment obligations under this loan.

No Group assets have been pledged as collateral. However, restrictions on the use of certain bank accounts of Maurel & Prom Gabon and Maurel & Prom West Africa were specified in the event of default on this new loan (except in certain cases).

Furthermore, under the terms of the new loan, Maurel & Prom West Africa has undertaken to meet certain financial ratios at 30 June and 31 December of each year (starting in June 2018) :

- ratio for the Group's 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 a 12-month period prior to the reference period ;
- 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, failing which Etablissements Maurel & Prom would be forced to draw on the unused portion of the PIEP shareholder loan described below.

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 5.2.2 Subordination agreements with PIEP

On 17 April 2017, Etablissements Maurel & Prom signed a debt subordination agreement the shareholder loans granted by PIEP relating to the ORNANE 2019 and ORNANE 2021 bonds as well as to the Revolving Credit Facility (RCF).

This agreement was authorised by the Board of Directors of Etablissements Maurel & Prom on 2 March 2017.

Since the two shareholder loans dated 2 March 2017 were repaid early, this agreement is no longer valid.

As part of the new term loan entered into on 10 December 2017, on 11 December 2017, Etablissements Maurel & Prom, Maurel & Prom West Africa and Maurel & Prom Gabon signed a subordination agreement under which certain distributions and debts of Etablissements Maurel & Prom, Maurel & Prom West Africa and Maurel & Prom Gabon are subordinate to the new term loan.

Note 5.2.3 Rockover

Under the terms of the purchase agreement, as amended, entered into in February 2005 by Etablissements Maurel & Prom, the Rockover Group and Betty & Dickson Trustees Limited (now Mayfair Trustees Limited) as trustee of the Masasa Trust (with Rockover, the "Sellers"), Maurel & Prom undertook to pay the Sellers:

- a 2% royalty when total production exceeds 39 million barrels on all fields sold to Maurel & Prom (excluding Banio). 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 royalty amounting to \$1.30 for every barrel produced from the date that total production in all licensed zones exceeds 80 million barrels; and
- a 10% royalty on the production from the sole Banio field when total production from this field exceeds 3.865 million barrels.

The agreement also stipulates that Maurel & Prom must pay Masasa Trust a royalty equivalent to 2% of total available production up to 30 MMbbl and 1.5% above this limit, based on production from operational permits with the MT 2000-Nyanga Mayombe exploration permit. This commitment is recognised in expenses commensurate with production, knowing that production in the Banio field (the only MT 2000-Nyanga Mayombe exploration permit to-date) is currently suspended indefinitely.

Note 5.3: Company Workforce

As at 31 December 2017, the Company has 31 paid staff members.

Note 5.4: 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 5.5: Related companies

In € thousands	31/12/2017	31/12/2016
Equity interests	310,273	310,270
Other receivables	479,901	894,805
Assets	790,174	1,205,075
Fixed asset liabilities	1,612	1,612
Other debts	126,520	3,174
Shareholder loan	83,462	
Liabilities	128,132	4,786
Share from joint ventures	(96)	(75)
Financial income	25,656	39,563
Dividends	85,500	33,230
Financial expenses	(7,746)	(1,352)
Income statement	103,314	71,366

Note 5.6: Post-balance sheet events

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

Note 5.7: Subsidiaries and equity interests

Company	Currency	% held	Capital (in currencies)	Shareholders' equity other than share capital (in currencies)	Gross carrying amount of securities held €	Impairment	Net carrying amount of securities held €	Gross loans and advances granted € ^(a)	Dividends received	Sales for the previous fiscal year (in stated currency)	Net income for the previous fiscal year (instated currency)
France											
Maurel & Prom Assistance Technique	EUR	100%	1,500,000	(378,664)	34,211,193	(33,095,911)	1,115,281	(1,055,679)	0	1,429,035	65,353
Abroad											
Maurel & Prom West Africa	USD	100%	80,000	1,401,120	80,000	0	80,000	(1,523,585)	85,500,000	None	84,902,528
MPAT International (Geneva)	EUR	99.99%	195,270	1,670,074	277,714	0	277,714	0	0	9,432,676	275,329
Maurel & Prom Colombia BV	USD	50%	61,000	41,778,590	92,430,958	(90,721,532)	1,709,426	2,766,648	0	None	(2,450,410)
Panther Eureka Srl	EUR	100%	128,572	76,518	10,756,245	(10,756,245)	0	2,393,295	0	None	(259,513)
Seplat Petroleum ^(d)	USD	21.37%	1,826,000	1,503,097	140,180,414	0	140,180,414	11,861	0	452,179,000	263,408,000
Cardinal ^(c)	USD	40%			6,059,688	(6,059,688)	0	0	0		
Integra Oil ^(c)	USD	10%	37,000		25,839,793	(25,839,793)	0	3,691,399	0	None	
Other ^(b)					437,005	(429,848)	7,157	347,096,935	0		

(a) Including accrued interest

(b) includes all subsidiaries, other than those mentioned above, directly owned by Maurel & Prom SA

(c) no information available

(d) employee-related data reported as at 31 December 2017 in USD

5.4. STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Fiscal year ended 31 December 2017

To the Etablissements Maurel & Prom S.A. General Shareholders' Meeting,

Opinion

In compliance with the assignment entrusted to us by your General Shareholders' Meeting, we have audited the parent company financial statements of Etablissements Maurel & Prom S.A. for the fiscal year ended 31 December 2017, as appended to this report.

We hereby certify that with regard to French accounting principles and regulations, the parent company financial statements are consistent and fair and give a true and fair view of the results of the company's operations over the past year, as well as its financial position and assets at year-end.

The opinion expressed below is consistent with the content of our report to the audit committee.

Basis for opinion

Audit protocol

We conducted our audit in accordance with auditing standards applicable in France.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis on which to form our opinion.

Our responsibilities under these standards are described in the section "Responsibilities of the statutory auditors regarding the audit of the parent company financial statements" of this report.

Independence

We conducted our audit in accordance with the independence rules applicable to us, for the period from 1 January 2017 to the issue date of our report. In particular we have not provided any services prohibited under Article 5 (1) of EU Regulation 537/2014 or by the statutory auditors' professional code of ethics.

Observation

In due respect of the opinion expressed above, we draw your attention to the following point described in Note 3, "Rules and methods", to the parent company financial statements regarding the change in accounting method applicable to exploration expenditures resulting from ANC Regulation 2017-03 applied by your company as from 1 January 2017.

Justification of our assessments – Key audit matters

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code regarding the justification of our assessments, we bring to your attention the key audit matters related to the risk of material misstatements which, based on our professional opinion, were the most important for the audit of the parent company financial statements for the financial year and our response in respect of those risks.

These assessments were performed as part of the audit of the parent company financial statements taken as a whole and led to our opinion as expressed above. We express no opinion on the information contained in these annual company financial statements taken in isolation.

Assessment of equity interests and related receivables

Risk identified	Our response
<p>The Group's equity interests and advances to subsidiaries presented in the balance sheet as at 31 December 2017 in a net amount of €261 million account for 56% of the company's assets.</p> <p>As indicated in Note 3 to the financial statements, for companies in the exploration phase, equity interests and related receivables are provisioned for the total amount of exploration expenditures as long as no decision has been made to commercially develop the project or to start production. In the event of evidence of the existence of proven reserves and for companies with oil production activities, the value of the equity interests and receivables is limited to the amount of future income discounted at the balance sheet date.</p> <p>For other activities, provisions for impairment losses on equity interests and related receivables are determined by taking into account the financial performance of the equity interests based in particular on discounted future income forecasts, and changes in income or their probable resale value. For listed equity interests, the actual value is also determined by taking the share price into account.</p> <p>Against this backdrop and in view of the uncertainties inherent in certain factors and especially the probability of forecasting, we have considered that the correct valuation of equity interests, related receivables and provisions for risks was a key audit matter.</p>	<p>To assess the reasonable nature of the estimated actual value of equity interests based on the information provided to us, our audit mainly consisted in verifying that the estimate of these values as determined by management was based on appropriate justification of the valuation method and figures used and, depending on the interests concerned, in:</p> <ul style="list-style-type: none"> ● verifying that the equity capital used is consistent with the financial statements of the entities that have been audited or undergone analytical procedures and that any adjustments made to that equity capital were based on supporting documentation; ● verifying the stock market prices used; ● obtaining the cash flow and operating forecasts prepared by management regarding the activities of the entities concerned; ● verifying the consistency of the assumptions used by management with data from independent appraisal reports; ● verifying the key underlying data used to estimate discounted future revenues and particularly oil reserves, forecast sale prices, discount rates and inflation rates; ● verifying that the value resulting from cash flow forecasts was adjusted to the amount of the debt of the entity in question. <p>In addition to assessing actual values of equity interests, our audit also consisted in:</p> <ul style="list-style-type: none"> ● assessing the recoverable nature of related receivables with regard to the analyses carried out on the equity interests; ● verifying that a provision for risks had been booked in cases where the company is committed to bearing the losses of a subsidiary with negative equity.

Verification of the management report and other documents provided to shareholders

In accordance with generally accepted auditing standards applicable in France, we also carried out the specific verifications required by law.

Disclosures provided in the management report and in the other documents provided to shareholders on the financial position and parent company financial statements

We have no comments concerning the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the Shareholders with respect to the financial position and the parent company financial statements.

Information relating to corporate governance

We confirm that the disclosures required under Articles L.225-37-3 and L.225-37-4 of the French Commercial Code have been included in the Board of Directors' report.

For the amounts and disclosures provided pursuant to the provisions of Article L.225-37-3 of the French Commercial Code regarding the compensation and benefits paid to company officers and the commitments made to them, we have verified that these are consistent with the information contained in the financial statements or with the data used to prepare said financial statements and, as applicable, with the information obtained by your company from the companies that control it or are controlled by it. Based on the audit conducted, we hereby certify that the disclosures made are accurate and presented fairly.

For the information regarding the factors that your company considered likely to have an impact in the event of a takeover bid or public exchange offer, provided pursuant to the provisions of Article L.225-37-5 of the French Commercial Code, we have verified their consistency with the documents from which they were produced and which were provided to us.

Based on our audit, we have no matters to report concerning these disclosures.

Other information

As required by law, we have obtained assurance that disclosures about the acquisition of controlling and other interests and about the identity of holders of shares or voting rights were made in the management report.

Disclosures resulting from other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed statutory auditors of Etablissements Maurel & Prom by the General Shareholders' Meeting of 12 June 2014 in the case of KPMG SA and IAC.

As at 31 December 2017, KPMG and IAC were in their fourth consecutive year as statutory auditors.

Responsibilities of management and individuals charged with corporate governance in respect of the parent company financial statements

It is management's responsibility to prepare the parent company financial statements giving a true and fair view in accordance with French accounting principles and regulations and to implement the internal control procedures it deems necessary in order to ensure that the annual financial statements it has prepared are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for including information related to the going concern in these financial statements, where applicable, and applying going concern accounting conventions, unless the company is expected to be wound up or cease operating.

It is incumbent on the audit committee to monitor the process for preparing financial information and the effectiveness of internal control and risk management systems, and, where applicable, internal audit systems, as these apply to the procedures for preparing and processing the accounting and financial information.

The parent company financial statements have been approved by the Board of Directors.

Statutory auditors' responsibilities regarding the audit of the parent company financial statements

Audit objectives and approach

We are required to prepare a report on the parent company financial statements. Our objectives are to obtain reasonable assurance that the parent company financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards of our profession will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-2 of the French Commercial Code, our role in certifying the financial statements does not consist in guaranteeing the viability or quality of your company's management.

As part of an audit conducted in accordance with auditing standards applicable in France, the statutory auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as related disclosures provided in the parent company financial statements;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. These conclusions are based on the audit evidence obtained up to the date of their report. However, future events or conditions may cause the company to cease to continue as a going concern. If they conclude that a material uncertainty exists, they will draw attention in their report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, they will either issue a qualified opinion or refuse to certify the statements;
- evaluate the overall presentation of the annual financial statements and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the audit committee

We provide a report to the audit committee which includes information about the scope and timing of our audit and our audit findings. If applicable, we also bring to its attention material weaknesses in internal control that we identified as pertaining to the procedures for preparing and processing accounting and financial information.

The information contained in our report to the audit committee includes the risks of material misstatement that we consider to have been the most important to the audit of the 2017 parent company financial statements and which therefore constitute the audit's key matters. These are described in this report.

We also provide the audit committee with the statement provided for by Article 6 of EU Regulation 537-2014 confirming our independence, within the meaning of the rules applicable in France as set forth in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the statutory auditors' professional code of ethics. Where applicable, we discuss with the risk committee any risks to our independence and the safeguards applied.

Statutory Auditors

Paris La Défense, 24 April 2018
KPMG Audit
Department of KPMG S.A.

Paris, 24 April 2018
International Audit Company

Eric Jacquet
Partner

François Caillet
Partner

5.5 FIVE-YEAR FINANCIAL SUMMARY

In euros	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017
I - FINANCIAL POSITION AT THE END OF THE FISCAL YEAR					
a) Capital stock	93,578,230	93,602,812	150,412,041	150,412,041	150,412,041
b) Number of shares issued	121,530,169	121,562,094	195,340,313	195,340,313	195,340,313
II - TOTAL INCOME FROM OPERATING ACTIVITIES					
a) Sales (exclusive of tax)	13,287,876	17,337,130	16,154,394	16,144,493	17,942,804
b) Income before tax, amortisation, depreciation and provisions	-36,098,069	3,834,131	30,657,865	-68,347,851	33,478,240
c) Income tax	420,004	5,795	-941,929	63,838	3,685,518
d) Income after tax, amortisation, depreciation and provisions	-64,648,732	-140,559,277	-196,371,528	-37,492,782	22,971,076
e) Distributed profits ^(*)	0	0	0	0	0
III - EARNINGS PER SHARE					
a) Income after tax, but before amortisation, depreciation and provisions	-0.300	0.031	0.162	-0.350	0.190
b) Earnings after tax, amortisation, depreciation and provisions	-0.532	-1.156	-1.005	-0.192	0.118
c) Net dividend per share ^(*)	0.000	0.000	0.000	0.000	0.000
IV - PERSONNEL					
a) Number of employees	32	29.5	30	30	30
b) Total payroll	5,322,096	4,684,313	6,029,085	5,750,170	5,845,096
c) Sums paid for employee benefits (social security, welfare schemes, etc.)	2,846,624	3,101,679	3,000,771	3,547,316	3,467,000

(*) Amount payable for the year indicated, paid in the following fiscal year.

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6 INFORMATION ABOUT THE COMPANY AND ITS CAPITAL

INFORMATION ABOUT THE COMPANY

Company name: Établissements Maurel & Prom

Code APE: The Company's APE code (French business code) is 7010Z (Registered office activities).

Trade and Companies Registers: the Company is registered in the Paris Trade and Companies Register (Registre du Commerce et des Sociétés de Paris) under number 457 202 331.

Company's date of incorporation (Registration in the Trade and Companies Register): 10 December 1919. The Company is incorporated under French law.

Company duration: 99 years, unless dissolved early or extended. Initially intended until 31 December 2018, the Company's duration was extended, by decision of the shareholders at the Extraordinary General Shareholders' Meeting of 13 October 2014, to 99 years from the date of the meeting, i.e. until 13 October 2113.

Since 14 June 2007, Maurel & Prom has been a public limited company (*société anonyme*) with a Board of Directors, governed by the French Commercial Code (in particular by the provisions of Articles L.225-17 *et seq.* of the Code), as well as by all other laws and regulations applicable to it.

Registered office: 51, rue d'Anjou – 75008 Paris, France
Tel.: +33 (0)1 53 83 16 00 / Fax: +33 (0)1 53 83 16 04

6.1 SHARE CAPITAL

6.1.1 Share capital and authorisations to increase capital

6.1.1.1 Subscribed capital

At 31 December 2017, the Company's share capital was €150,412,041.01 (one hundred and fifty million four hundred and twelve thousand and forty-one euros and one euro cent), divided into 195,340,313 (one hundred and ninety-five million three hundred and forty thousand and three hundred and thirteen) fully paid-up shares with a nominal value of €0.77 (seventy-seven euro cents) each.

Each share confers a right to the Company's profits and assets in proportion to the share of the capital that it represents. Maurel & Prom's share capital may be increased, reduced or amortised under the terms and conditions governed by law, as the Articles of Association make no specific provision for this (see section 6.2.6. of this Annual Report).

6.1.1.2 Authorised capital

Capital increase authorisations and delegations granted by the Company's General Shareholders' Meeting in effect as at 31 December 2017, as well as their potential use during the fiscal year ended 31 December 2017 are described in the tables shown in section 3.6 of this Annual Report.

6.1.2 Treasury shares held by the issuer or on its behalf, or by its subsidiaries – Treasury share repurchase plan

6.1.2.1 2017 share repurchase

Authority granted by the General Shareholders' Meeting of 22 June 2017

Authority granted to the Board of Directors by the Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 15 June 2016 (Resolution Ten) was renewed by the Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 22 June 2017 (Resolution Twenty-Two).

The share repurchase plan adopted on 22 June 2017 can be summarised as follows :

- the Board of Directors has authority to purchase, hold or transfer shares of the Company, within the limit of the number of shares representing 10% of the existing share capital at any time (this percentage applying to share capital adjusted for transactions affecting it subsequent to the General Shareholders' Meeting) or 5% if it pertains to shares purchased to be held or subsequently delivered in payment or exchange as part of a merger, demerger, capital contribution or external growth transaction;
- where the shares are redeemed to boost liquidity (under the terms and conditions detailed below), the number of shares used to calculate this 10% limit corresponds to the number of shares purchased, less the number of shares resold over the term of this authority;
- the maximum purchase price must not exceed €10 per share. This price may be adjusted in the event of transactions relating to the share capital such as, in particular, the incorporation of reserves followed by the creation and allocation of bonus shares and/or the splitting or grouping of shares;
- the maximum value of funds designated for the repurchase plan is €195,340,310 (calculated on the basis of the share capital at 31 December 2016);
- the authority is granted for a period of 18 months, beginning on 22 June 2017 and expiring on 22 December 2018;
- the authority cannot be used in a public offering of Company shares.

Number of securities and proportion of capital that the issuer directly or indirectly holds

At 31 December 2017, the Company holds 4,312,391 of its own shares, or 2.21% of share capital.

The breakdown of securities held by the Company by objective as at 31 December 2017 is as follows :

- 91,857 shares or around 2.13% of the treasury shares held (representing approximately 0.05% of the Company's share capital) were held under a liquidity agreement;
- 3,320,534 shares, or around 77% of treasury shares (representing approximately 1.7% of the Company's share capital) were held as part of the Company's share retention objective with a view to their subsequent use in payment or exchange as part of potential external growth transactions and to honour obligations relating to negotiable securities conferring access to ordinary Company shares, by any means, immediately or in the future; and ;
- 900,000 shares or around 20.87% of treasury shares (representing approximately 0.46% of the capital) are allocated for cancellation.

During the fiscal year ended 31 December 2017, 1,080,600 shares were cancelled.

For information purposes, it should also be noted that following the capital increase, for the purpose of delivering bonus shares to the beneficiaries in the plan dated 31 March 2017, on 24 April 2018, a total of 895,000 shares were cancelled.

6.1.2.2 Report on previous plans

During the past year, the Company made use of its share repurchase plan (liquidity agreement).

+ Situation at 31/12/2017

Percentage of capital held as treasury shares	2.21%
Number of shares cancelled in the past 24 months (1,132,440), i.e.	0.58%
Number of shares held in portfolio	4,312,391
Carrying value of the portfolio in€	€53,524,178.82
Market value of the portfolio in € (Based on the weighted average share price in December 2017 of: €3.5226)	€15,190,829.24

From 1 January to 31 December 2017, no repurchased shares were reallocated.

The report on the completion of repurchase plans between 1 January and 31 December 2017 under the liquidity agreement with an investment services provider is as follows (note that the liquidity agreement was suspended on 2 December 2016 due to the takeover bid and reactivated on 20 February 2017):

	Cumulative gross flows*		Positions open on the date that the plan was published			
	Purchases	Sales/transfers	Open buy positions		Open sell positions	
Number of securities	2,251,381	2,306,635	-	-	-	-
Average maximum term	-	-	-	-	-	-
Average transaction price	3.6189	3.6371	-	-	-	-
TRANSACTION AMOUNTS	8,147,523	8,389,462	-	-	-	-

* Total gross flows include cash purchases and sales as well as exercised or expired options and futures.

6.1.2.3 Description of the share repurchase plan pursuant to Articles 241-1 *et seq.* of the General Regulations of the French Financial Markets Authority (AMF)

Legal framework

The plan is implemented in accordance with the provisions of Articles L.225-209 *et seq.* of the French Commercial Code, Regulation (EC) No. 596/2014 of the European Parliament and Council of 16 April 2014, EU delegated act No. 2016/1052 of the European Commission of 8 March 2016 and the General Regulations of the Autorité des marchés financiers.

Objectives of the new repurchase plan submitted to the General Shareholders' Meeting of 20 June 2018

The Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 20 June 2018 will be asked, in a resolution, to renew the authority granted by the Combined Ordinary and Extraordinary Shareholders' Meeting of 22 June 2017 (Resolution Twenty-Two).

The purpose of the new plan will be :

- to honour obligations under share option plans, under bonus share allocations (or preference share allocations, where applicable) or other share allocations or sales of shares, including under the savings plan (or similar), to employees and/or corporate officers of the Company and companies or economic interest groups related to it in accordance with applicable law and regulations, particularly as part of company profit-sharing or any share option plan or bonus share allocation (or preference share allocations, where applicable);
- to honour obligations relating to transferable securities conferring access to Company shares, by any means, immediately or in the future (including any hedging transactions by virtue of the Company's obligations relating to such transferable securities);
- to support the secondary market or the liquidity of Company shares through an investment services provider acting independently on behalf of the Company without being influenced by the Company under a liquidity agreement in accordance with the ethics charter recognised by the *Autorité des marchés financiers*;
- to hold shares for subsequent use as exchange or payment in a potential merger, demerger, capital contribution or external growth transaction;
- to cancel all or part of the shares repurchased;
- to implement any market practices authorised or to be authorised by market authorities; and
- any other transaction or goal that complies with laws and regulations in force or that may eventually be applicable.

Number of securities and proportion of capital that the issuer directly or indirectly holds

At 28 February 2018, the Company holds 4,391,061 treasury shares, or 2.24% of share capital. The breakdown of securities held by the Company by objective as at 28 February 2018 is indicated below:

- 170,527 shares or around 3.88% of the treasury shares held (representing approximately 0.08% of the Company's share capital) were held under a liquidity agreement;
- 3,320,534 shares or around 75.62% of treasury shares (representing approximately 1.7% of the Company's share capital) were held as part of the Company's share retention objective with a view to their subsequent use in payment or exchange as part of potential external growth transactions; and
- 900,000 shares or around 20.49% of treasury shares (representing approximately 0.46% of the capital) are allocated for cancellation.

Maximum share of capital, maximum number and characteristics of securities, maximum purchase price

Securities concerned

The repurchase plan concerns Company shares (ISIN code FR0000051070), traded on Euronext Paris (compartment B - Midcap), under Legal Entity Number (LEI) 969500ZTYI9C1C594X25.

Maximum share of capital

No more than 10% of the total number of shares making up the Company's share capital may be purchased (i.e. 19,534,031 shares, for example, at the date of this publication), it being stated that :

- this limit refers to the Company's share capital which may, if necessary, be adjusted to account for subsequent transactions affecting the share capital that take place after the General Shareholders' Meeting of 20 June 2018. Under no circumstances may the purchases made by the Company cause it to directly or indirectly hold more than 10% of its share capital ;
- the number of shares purchased by the Company to hold for use as payment or exchange in a merger, demerger or capital contribution may not exceed 5% of its share capital,(i.e. 9,767,015 shares, for example, at the date of this publication).

Purchase price

The Company may not pay more than € 10 per share for its treasury shares. Consequently, the maximum amount of funds that the Company may use for this repurchase plan is €195,340,310.

Repurchase procedures

These shares may be purchased, sold or transferred one or more times under the terms and conditions set forth by law and/or applicable regulations by any means, in particular on regulated markets, multilateral trading platforms (MTF) or via systematic internalisers or over the counter, including purchases or sales in blocks, by using derivative financial instruments or transferable securities conferring access to the capital of the Company, in accordance with applicable law and regulations on the date of the transactions considered.

These transactions may occur at any time except during periods of public offering concerning the shares of the Company.

Duration of the repurchase plan

The duration of this share repurchase plan is 18 months from the General Shareholders' Meeting of 20 June 2018, i.e. until 20 December 2019.

6.1.3 Convertible or exchangeable securities and warrants

ORNANE 2019 AND ORNANE 2021

On 6 June 2014, the Company launched an issue, reserved for qualified investors, of bonds redeemable in cash and/or new shares and/or existing shares (ORNANE) maturing on 1 July 2019, with an initial nominal value of approximately €220 million. This initial nominal value was increased to a maximum nominal value of approximately €253 million on 9 June 2014, by the exercise of the entire over-allocation option. This bond issue was represented by 14,658,169 ORNANEs issued on 11 June 2014 at a par value of €17.26 at a rate of 1.625% (ORNANE 2019, ISIN code FR0011973577).

On 12 May 2015, the Company launched an issue, reserved for qualified investors, of ORNANE maturing on 1 July 2021, with a total initial nominal value of approximately €115 million (after exercise of the extension clause). This bond issue is represented by 10,435,571 ORNANEs issued on 15 May 2015 at a par value of €11.02 at a rate of 2.75% (ORNANE 2021, ISIN code FR0012738144).

The aim with the ORNANE 2019 and ORNANE 2021 issue was to refinance the Company's debt and extend its maturity through the amortisation, via in particular an off-market purchase, of 2015 OCEANE.

Between their issue date and 1 January 2017, no ORNANE 2019 or ORNANE 2021 bonds were redeemed.

In compliance with the provisions of the ORNANE 2019 and ORNANE 2021 issue contracts, on 3 February 2017, the Company issued a press release informing holders of ORNANE 2019 and ORNANE 2021 that following the first settlement of the securities tendered as part of the Public Exchange Offer initiated by PIEP on the Company's shares on 1 February 2017, the Company was subject to a change in control (as defined in the ORNANE 2019 and ORNANE 2021 issue contracts) to the benefit of PIEP. As a result of this change in control, an early repayment period for 2019 ORNANE and 2021 ORNANE was opened from 6 February 2017 to 3 March 2017. The Company thus was informed that (i) ORNANE 2019 holders requested early repayment of 7,005,394 2019 ORNANE and (ii) ORNANE 2021 holders requested early repayment of 6,076,181 ORNANE 2021. Following the early repayment of these 7,005,394 ORNANE 2019 and these 6,076,181 ORNANE 2021 on 10 March 2017 and their cancellation, (i) 7,652,775 ORNANE 2019 remained in circulation (including 7,635,839 ORNANE 2019 held by PIEP) and (ii) 4,359,390 ORNANE 2021 (including 4,359,150 ORNANE 2021 held by PIEP).

On 12 December 2017, the Company announced that it was refinancing all its debt under more favourable terms and conditions and rescheduling its repayments over a seven-year period, including a two-year grace period. As part of this refinancing operation (as described in section 7.2.1 of this Annual Report), the Company in particular indicated that it was going to repurchase the ORNANE 2019 and ORNANE 2021 held by PIEP for €180 million (approximately \$212 million), then cancel them.

On 21 December 2017, the Company announced that it finalised the purchase of 7,635,839 ORNANE 2019 held by PIEP (accounting for around 99.78% of the outstanding ORNANE 2019) and 4,359,150 ORNANE 2021 held by PIEP (accounting for around 99.99% of the outstanding ORNANE 2021) as part of an over-the-counter transaction. The ORNANE 2019 and ORNANE 2021 have been repurchased at par plus accrued interest from the last interest payment date and have been cancelled in accordance with their related terms and conditions. Since all the outstanding ORNANE 2019 and ORNANE 2021 were less than 10% and 15% of the ORNANE 2019 and ORNANE 2021 initially issued, respectively, the Company decided to exercise its right to request early repayment of the ORNANE 2019 and ORNANE 2021 under the terms and conditions set forth in their issue agreement.

As a result, on 29 December 2017, the Company announced that it was implementing early repayment for all ORNANE 2019 and ORNANE 2021 that remained outstanding and for which share allocation rights have not been exercised, effective as at 12 February 2018 and in accordance with their terms and conditions. The Company also indicated that any holder of ORNANE 2019 and ORNANE 2021 exercising their right to grant shares would be paid in cash on 12 February 2018 at par value plus accrued interest since the last interest payment date, coming to €17.2923 per ORNANE 2019 and €11.0549 per ORNANE 2021, with all the ORNANE 2019 and ORNANE 2021 being subsequently cancelled in accordance with their terms and conditions.

After the early repayment for all or some of their bonds was completed, as at 12 February 2018, no ORNANE 2019 or ORNANE 2021 were outstanding any longer and all ORNANE 2019 and ORNANE 2021 were cancelled.

6.1.4 History of the share capital

The table below shows the change in the share capital of Maurel & Prom during fiscal years 2015, 2016 and 2017.

Date and transaction	Change in capital		Total share capital after transaction	Total share capital after transaction
	Nominal value of the transaction	Number of shares		
01/10/2015 Capital increase on exercise of share subscription warrants	€1,623.93	2,109	€93,604,436.31	121,564,203
23/12/2015 Capital increase through the merger by absorption of MPI	€56,792,654.38	73,756,694	€150,397,090.69	195,320,897
31/12/2015 Capital increase on exercise of share subscription warrants	€14,950.32	19,416	€150,412,041.01	195,340,313
28/03/2016 Capital increase following a bonus share award plan	€39,916.80	51,840	€150,451,957.81	195,392,153
28/03/2016 Cancellation of treasury shares	(€39,916.80)	51,840	€150,412,041.01	195,340,313
25/02/2017 Capital increase following a bonus share award plan	€832,062	1,080,600	€151,244,103.01	196,420,913
25/02/2017 Cancellation of treasury shares	€832,062	1,080,600	€150,412,041.01	195,340,313

To the Company's knowledge, none of its shares have been pledged.

6.1.5 Potential capital dilution

The table below shows the maximum potential dilution of the Company's share capital resulting from the redemption or exercise of all securities conferring access to the Company's share capital existing at 31 December 2017 or the allocation of bonus shares.

Capital at 31 December 2017	€150,412,041.01	195,340,313 shares
-----------------------------	------------------------	--------------------

	Issue date	Conversion expiration	Number of potential shares	Potential dilution
2019 ORNANE Balance at 31/12/2017: 16,936	06/06/2014	01/07/2019	16,936	0.01%
2021 ORNANE Balance at 31/12/2017: 240	12/05/2015	01/07/2021	240	0 %
TOTAL ORNANE BONDS	-	-	17,176	0.01%

	Issue date	Vesting date	Number of potential shares	Potential dilution
Bonus shares	31/03/2017 24/04/2017	31/03/2018 24/04/2020	895,000 240,000	0.46% 0.12%
TOTAL BONUS SHARES	-	-	1,135,000	0.58%
TOTAL (note that bonus shares will have no dilutive impact because the same number of treasury shares will be cancelled as the number of shares issued and bonus shares granted)	-	-	1,152,176	0.59%

6.2 ARTICLES OF INCORPORATION AND BY LAWS

The following information :

- corporate purpose ;
- provisions relating to administrative and management bodies ;
- terms and conditions for exercising voting rights – double voting rights ;
- disposal and transfer of shares ;
- procedure for modifying shareholders' rights ;
- Shareholders' Meeting notices and conditions of admission ;
- statutory thresholds ;
- rights and obligations attached to each share class.

are included in the Company's Articles of Association and available on the website : www.maureletprom.fr

In addition to the amendments to the Company's Articles of Association relating to share capital (as presented in section 6.2.4 of this Annual Report), in the last three fiscal years, no other changes to the Articles of Association were approved by the Company's General Shareholders' Meeting :

6.2.1 Corporate purpose

The Company's corporate purpose is described in Article 3 of its Articles of Association. The Company has the following purpose, both in France and abroad :

- the management of all shares and membership rights and, to this end, the acquisition of interests in any company, group or association, particularly by way of purchase, subscription and contribution, as well as the sale in any form of said shares or membership rights ;
- the prospecting and exploitation of all mineral deposits, particularly liquid or gaseous hydrocarbon deposits and related products ;
- the leasing, acquisition, transfer and sale of all wells, land, deposits, concessions, operating permits and prospecting permits, either on its own account or on behalf of third parties, whether by participation or otherwise, and the transportation, storage, processing, transformation and trading of all natural or synthetic hydrocarbons, all liquid or gaseous products or by-products of the subsoil, and all minerals or metals ;
- the acquisition of any buildings and their management or sale ;
- trading in all products and commodities ;
- generally speaking, the Company's direct or indirect participation in all commercial, industrial, property, agricultural and financial transactions, in France or other countries, either by the formation of new companies or by the contribution, subscription or purchase of shares or membership rights, merger, joint venture or otherwise, and generally all transactions of any kind whatsoever directly or indirectly related to these activities and likely to facilitate development or management.

6.2.2 Provisions relating to administrative and management bodies

At its meeting of 24 April 2017, the Company's Board of Directors updated the Bylaws.

These Bylaws reprise and set out certain articles in the Articles of Association including membership of the Board and the concept of independent director, the operating rules, missions, rights and obligations incumbent on directors laid down in a charter, the appointment and role of observers and the membership and remits of the Audit Committee, of the Risk Observatory and of the Appointments and Compensation Committee.

Furthermore, following the legal and regulatory provisions regarding the restrictions or prohibitions of members of the Board of Directors from trading in the Company's shares, the Company is still revising its code of conduct to prevent insider trading in order to take account of the amendments resulting from the entry into force of European Regulation No. 596/2014 of the European Parliament and Council of 16 April 2014 on market abuse (see section 3.2.2 (f) of this Annual Report).

6.2.3 Rights, privileges and restrictions attached to each class of shares in issue

At all General Shareholders' Meetings, every shareholder who is a member of such meetings has as many votes as the shares that he/she owns or represents, without any limitations other than those arising from statutory provisions.

Each share entitles the holder to one vote. A double voting right is conferred upon the holders of fully paid-up registered shares who are able to prove that they have been shareholders for at least four years without interruption (Article 11, paragraph 7). Furthermore, in the event of a capital increase through the capitalisation of reserves, profits or issue premiums, the double voting right is conferred – immediately upon the issue of any registered shares allocated free of charge – to a shareholder who had old shares benefiting from this same entitlement.

This double voting right will automatically lapse in respect of any shares that were able to be converted into bearer shares or transferred, but it may be reinstated if the new holder of the shares can prove that he/she has been their registered holder for at least four years.

Nevertheless, any transfer from registered share to registered share following an "ab intestate" succession or testamentary succession or division of jointly owned assets or joint property as between spouses shall not interrupt the above four-year period set forth above or shall retain the acquired right. The same applies in the case of inter-vivos gifts between living persons in favour of a spouse or of a relative entitled to inherit.

The double voting right may be removed by decision of the Extraordinary General Shareholders' Meeting after ratification by the special meeting of beneficiary shareholders.

Details of double voting rights are given in the share ownership tables in section 6.3 of this Annual Report.

6.2.4 Necessary procedures for modifying shareholders' rights

Any amendment to the Company's Articles of Association must be decided or authorised by the Extraordinary General Shareholders' Meeting, acting with the quorum and majority required by the provisions of Article L.225-96 of the French Commercial Code.

6.2.5 Required statement of declaration of ownership disclosure thresholds

In addition to the thresholds set forth in applicable laws and regulations as defined in Article L 233-7 of the French Commercial Code regarding crossing legal and regulatory thresholds, the Company's Articles of Association require that statutory threshold crossings be declared. Any individual or legal entity, acting alone or in concert, that comes to directly or indirectly hold a number of shares representing a percentage of the capital or voting rights equal to or greater than 2%, or a multiple of 2%, as long as it does not hold, alone or in concert, a total number of shares representing more than two thirds of the Company's capital and voting rights, must inform the Company of the total number of shares conferring entitlement to the Company capital that it owns, by registered mail with acknowledgement of receipt sent to the registered office within a period of five trading days from the date on which the aforementioned ownership thresholds are exceeded.

At the request, recorded in the minutes of the General Shareholders' Meeting, of one or more shareholders holding at least 2% of the Company's capital or voting rights, any failure to comply with this disclosure obligation shall be penalised, with respect to the shares exceeding the percentage that should have been declared, by withdrawal of the right to vote at any General Shareholders' Meeting that may be held until the end of a two-year period after the date on which the notification was formally recorded.

The same duty of information applies, with the same timescale and under the same conditions, each time the fraction of capital or voting rights held by a shareholder falls below one of the thresholds mentioned above.

To calculate the thresholds mentioned above, account is taken of the shares and voting rights held, as well as – even if the person concerned does not personally hold shares or voting rights in another manner – comparable shares or voting rights in accordance with Article L.233-9 of the French Commercial Code, which are divided by the total number of shares comprising the Company's capital and the total number of voting rights attached to those shares. The total number of voting rights is calculated on the basis of all shares to which voting rights are attached, including shares not eligible for voting rights.

In order to identify the owners of bearer shares, the Company is at all times entitled, in accordance with the conditions and the methods laid down by the legal and regulatory provisions, to request that the central depository keeping its share issue account disclose the identity of the owners of shares conferring immediate or future voting rights at General Shareholders' Meetings, as well as the number of shares held by each of them and, if applicable, any restrictions relating to the shares.

6.2.6 Provisions of the Articles of Association reinforcing the laws governing changes to share capital

The Company's share capital may only be changed in accordance with the laws and regulations in force, namely Articles L.225-127 et seq. of the French Commercial Code. The law takes precedence over any provision of the Articles of Association, Charter or Bylaws in matters concerning changes to the Company's share capital.

6.2.7 Disposal and transfer of shares

Subject to the legal and regulatory provisions, the shares are freely transferable. The shares are registered in an account and are transferred by means of a transfer from one account to another.

6.3 SHAREHOLDING

6.3.1 Current shareholding structure

6.3.1.1 Composition

At 31 December 2017, the capital and voting rights of the Company were distributed as follows :

At 31/12/2017	Number of shares	% of capital	Number of exercisable voting rights	% of voting rights	% of theoretical voting rights
				out of 191,656,189	out of 195,968,580
PIEP	141,911,939	72.65%	141,911,939	74%	72.4%
INSTITUTIONAL INVESTORS	9,092,800	4.66%	9,203,230	4.7%	4.6%
PUBLIC AND OTHER	38,460,460	19.68%	38,793,823	20.5%	20.1%
MAUREL & PROM (treasury shares)	4,312,391	2.21%	–	–	2.1%
EMPLOYEES	1,562,723	0.80%	1,747,197	0.8%	0.8%
TOTAL	195,340,313	100%	191,656,189	100%	100%

Theoretical voting rights = total number of voting rights attached to the total number of shares, including treasury shares without voting rights. In accordance with the regulation applicable to thresholds disclosure, the ownership thresholds relating to voting rights are calculated on the basis of theoretical voting rights (and not exercisable voting rights).

The breakdown of the Company's capital during the previous fiscal years is shown in the tables below.

At 28 February 2017, the capital and voting rights of the Company were distributed as follows :

At 28/02/2017	Number of shares	% of capital	Number of exercisable voting rights	% of voting rights	% of theoretical voting rights
				out of 193,011,969	out of 197,442,633
PIEP	141,911,939	72.65%	141,911,939	73.52%	71.88%
INSTITUTIONAL INVESTORS	9,312,484	4.77%	9,312,484	4.82%	4.72%
PUBLIC AND OTHER	38,112,648	19.51%	40,148,738	20.80%	20.33%
MAUREL & PROM (treasury shares)	4,430,664	2.27%	–	–	–
EMPLOYEES	1,572,578	0.80%	1,638,808	0.85%	0.83%
TOTAL	195,340,313	100%	193,011,969	100%	97.76%

Theoretical voting rights = total number of voting rights attached to the total number of shares, including treasury shares without voting rights. In accordance with the regulation applicable to thresholds disclosure, the ownership thresholds relating to voting rights are calculated on the basis of theoretical voting rights (and not exercisable voting rights).

At 31 January 2016, the capital and voting rights of the Company were distributed as follows :

At 31/01/2016	Number of shares	% of capital	Number of exercisable voting rights	% of exercisable voting rights	% of theoretical voting rights
				out of 205,815,607	out of 211,348,946
INSTITUTIONAL INVESTORS	102,476,826	52.46%	116,135,643	56.43%	54.95%
o/w Pacifico S.A.	47,916,026	24.53%	61,574,843*	29.92%	29.13%
o/w Macif	14,255,700	7.30%	14,255,700	6.93%	6.75%
o/w other institutional investors	40,305,100	20.63%	40,305,100	19.58%	19.07%
MAUREL & PROM (treasury shares)	5,533,339	2.83%	-	-	-
EMPLOYEES	1,329,912	0.68%	1,930,397	0.94%	0.91%
PUBLIC AND OTHER	86,000,236	44.03%	87,749,567	42.63%	41.52%
TOTAL	195,340,313	100%	205,815,607	100%	97.38%

Theoretical voting rights = total number of voting rights attached to the total number of shares, including treasury shares without voting rights. In accordance with the regulation applicable to thresholds disclosure, the ownership thresholds relating to voting rights are calculated on the basis of theoretical voting rights (and not exercisable voting rights).

* The variance between the number of shares held by Pacifico S.A. and the number of exercisable voting rights is due to the fact that Pacifico S.A. holds double voting rights.

6.3.1.2 Shareholders with more than 5% of capital

To the Company's knowledge, as at 31 December 2017 and at the date of this Annual Report, only PIEP held/ holds more than 5% of the share capital and/or voting rights of the Company.

6.3.1.3 Legal disclosure thresholds

Between 1 January 2017 and the date of this report, the Company was notified of the following declarations of legal disclosure thresholds :

Shareholder	Date of declaration ⁽¹⁾	Date of transaction ⁽¹⁾	Number of shares held ⁽¹⁾	Percentage of capital declared ⁽¹⁾	Number of voting rights held ⁽¹⁾	Percentage of declared voting rights (theoretical) ⁽¹⁾	Disclosure threshold/direction ⁽¹⁾	Origin of change ⁽¹⁾	Comments ⁽¹⁾
PIEP	27/01/2017	25/01/2017	125,924,574	64.46%	152,924,574	63.35%	25%, 30%, 1/3 and 50% of capital and voting rights / Upward	Shares purchased as part of the takeover bid initiated by PIEP on Company shares	PIEP also declared it held 6,845,626 ORNANE 2019 and 3,848,620 ORNANE 2021.
Bank of America Corporation	03/02/2017 and 07/02/2017	30/01/2017	10,375,521	5.31%	10,375,521	5.22%	5% of capital and voting rights / Upward	Shares purchased through the open market	Threshold crossed indirectly through Merrill Lynch International, which it controls. Of which 635,225 shares assimilated under Article L.233-9 I, paragraph 4 of the French Commercial Code.
Bank of America Corporation	09/02/2017	03/02/2017	9,339	0.005%	9,339	0.005%	5% of capital and voting rights / Downward	Shares sold through the open market and tendered as part of the takeover bid initiated by PIEP on Company shares	Shares held by assimilation under Article L.233-9 I, paragraph 4 bis of the French Commercial Code.
PIEP	20/02/2017	15/02/2017	141,911,939	72,65 %	141 911 939	71.39%	2/3 of capital and voting rights / Upward	Shares purchased through the open market and tendered as part of the takeover bid initiated by PIEP on Company shares	PIEP also declared it held 7,635,839 ORNANE 2019 and 4,359,150 ORNANE 2021

(1) Information from statements of declaration of ownership disclosure thresholds published by the French Financial Markets Authority.

6.3.1.4 Voting rights of the main shareholders exceeding their share of capital

In accordance with Article 11, paragraph 7 of the Company's Articles of Association, "Rights and obligations attached to shares", "a double voting right is granted to fully paid-up shares for which registration in the name of the same shareholder in the Company's registers can be proven for at least four uninterrupted years from the date on which they were fully paid up".

6.3.2 Dividend

In accordance with Article 243 bis of the French General Tax Code, no dividend was paid out for the previous three fiscal years.

The Board of Directors decided to propose to the Combined (Ordinary and Extraordinary) General Shareholders' Meeting of 20 June 2018 that no dividend be paid for the fiscal year ended 31 December 2017.

6.3.3 Control of the issuer exercised by one or more shareholders

6.3.3.1 Control of the issuer exercised by one or more shareholders

Since the first settlement of securities tendered as part of the takeover bid initiated by PIEP for Company securities on 1 February 2017, control of the Company has been held by PIEP. At 31 March 2018, PIEP held 72.65% of the Company's share capital, 72.44% of theoretical voting rights and 74.06% of exercisable voting rights.

It should be noted that as at the date of this Annual Report, the organisation and operating procedures of the Board of Directors and its special committees, the number of independent directors (forming more than a third of the Board, which ensures there are no conflicts of interest and regularly conducts assessments, two-thirds of the Audit Committee, two-thirds of the Appointments and Compensation Committee and the three-quarters of the Risk Observatory), the chairmanship of all the board committees being ensured by independent directors, the separation of the offices of chairman and chief executive officer (with this office being held by a person outside PIEP), compliance with the Bylaws and the AFEP-MEDEF Code contribute to the oversight of the Company's control by PIEP.

6.3.3.2 Agreements known to the issuer, the implementation of which could result in a change in control

To the Company's knowledge, there are no agreements between its shareholders or clauses in any agreement providing for preferential terms for the sale or purchase of Maurel & Prom shares affecting 0.5% or more of the share capital or voting rights of the Company, the implementation of which could result in a change in control of the Company.

6.4 RELATED-PARTY TRANSACTIONS

The breakdown of related-party transactions as referred to by standards adopted in accordance with European regulation No. (EC) 1606/2002 concluded by Group companies during fiscal years 2015, 2016 and 2017 are shown in Note 6.4 of the Notes to the consolidated financial statements (see section 5.1.5 of this Annual Report). These transactions mainly concern equity associates and non-consolidated companies.

6.5 REGULATED AGREEMENTS AND COMMITMENTS

6.5.1 Regulated agreements and commitments

Regulated agreements and commitments within the meaning of Articles L. 225-38 et seq. of the French Commercial Code are shown in the Statutory Auditors' special report in section 6.5.2 below.

The Board of Directors conducted the annual review of regulated agreements and commitments during its meeting on 24 April 2018. During its meeting, the Company's Board of Directors decided to downgrade the following regulated agreement:

Current account agreement signed between the Company and ISON Holding Sarl dated 5 October 2000.

6.5.2 Special report of the Statutory Auditors on regulated agreements and commitments

General Shareholders' Meeting called to approve the financial statements for the fiscal year ended 31 December 2017

To the Shareholders:

In our capacity as Statutory Auditors of your Company, we hereby present our report on the regulated agreements and commitments.

It is our responsibility to inform you, on the basis of information provided to us, of the characteristics, essential terms and conditions, and reasons for the company's interest in the agreements and commitments of which we have been advised, or which we have discovered during our mission, without commenting on their usefulness or validity, or identifying the existence of other such agreements or commitments. It is your responsibility, under the provisions of Article R.225-31 of the French Commercial Code, to assess the benefits of entering into these agreements and commitments when they are submitted for your approval.

In addition, we are required, where applicable, to inform you, in accordance with Article R.225-31 of the French Commercial Code, about the continuation during the past fiscal year of agreements and commitments previously approved by the Shareholders' Meeting.

We planned and performed our audit in compliance with the professional guidelines issued by the French national auditing body (Compagnie nationale des commissaires aux comptes). Those guidelines require that we verify that the data and disclosures provided to us are consistent with the documents on which they were based.

Agreements and commitments submitted for approval by the General Shareholders' Meeting

Agreements and commitments authorised during the past fiscal year

In accordance with Article L.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments which were subject to the prior approval of your Board of Directors.

● Conclusion of a shareholder loan with PIEP

Nature and purpose

At its meeting of 23 November 2017, your Board of Directors authorised a shareholder loan between your Company and PT Pertamina Internasional Eksplorasi dan Produksi (PIEP).

Persons concerned

The company PIEP, a shareholder with more than 10% of your company's share capital, and Aussie Gautama, Denie Tampubolon, Huddie Dewanto and Maria R. Nellia, directors of your company and officers of PIEP or its majority shareholder, PT Pertamina.

Terms and reasons justifying the interest of this agreement

On 11 December 2017 your Company concluded a shareholder loan for the initial amount of US\$100 million (with a second tranche of US\$100 million), which may be drawn down at your Company's discretion. This loan is repayable in 17 quarterly instalments starting in December 2020 and bears interest at the annual rate of LIBOR +1.6%.

As at 31 December 2017 the amount drawn by your Company was US\$100 million.

This agreement is part of your Company's debt refinancing transaction of December 2017 and is being used to repay all of its old credit facilities.

● Conclusion of a Subordination Agreement with PIEP

Nature and purpose

At its meeting of 23 November 2017, your Board of Directors authorised an agreement to subordinate the debts of your Company, in particular those resulting from the shareholder loan granted by PT Pertamina Internasional Eksplorasi dan Produksi (PIEP).

Persons concerned

The company PIEP, a shareholder with more than 10% of your company's share capital, and Aussie Gautama, Denie Tampubolon, Huddie Dewanto and Maria R. Nellia, directors of your company and officers of PIEP or its majority shareholder, PT Pertamina.

Terms and reasons justifying the interest of this agreement

In view of the commitments made by your Company under the US\$600 million credit agreement entered into with a banking pool on 10 December 2017, the conclusion of the shareholder loan entered into with PIEP, as described above, required conclusion of a commitment to subordinate this loan to the US\$600 million credit agreement. This subordination agreement was signed on 11 December 2017.

The conclusion of this subordination agreement is a consequence of the PIEP shareholder loan.

● Conclusion of a repurchase agreement with PIEP for the ORNANE 2019 and ORNANE 2021 bonds

Nature and purpose

At its meeting of 23 November 2017, your Board of Directors authorised the conclusion of a repurchase agreement for all of the ORNANE 2019 and ORNANE 2021 bonds held by PT Pertamina Internasional Eksplorasi dan Produksi (PIEP).

Persons concerned

The company PIEP, a shareholder with more than 10% of your company's share capital, and Aussie Gautama, Denie Tampubolon, Huddie Dewanto and Maria R. Nellia, directors of your company and officers of PIEP or its majority shareholder, PT Pertamina.

Terms and reasons justifying the interest of this agreement

A repurchase agreement for the ORNANE 2019 and ORNANE 2021 bonds held by PIEP was concluded on 10 December 2017. This agreement specifies the terms and conditions for the repurchase of the bonds, including their repurchase at par value and the payment of accrued interest accrued between the payment date of the last coupon and the repurchase date.

This agreement is part of your Company's debt refinancing transaction of December 2017 and is strengthening your Company's financial structure.

Agreements and commitments with no prior authorisation

In accordance with Articles L.225-42 and L.823-12 of the French Commercial Code, we hereby inform you that the following agreements and commitments were not subject to the prior approval of your Board of Directors.

We are required to communicate to you the reasons why the authorisation procedure was not followed.

● Rider to the repurchase agreement for the ORNANE 2019 and ORNANE 2021 bonds held by PIEP

Nature and purpose

Rider to the repurchase agreement for the ORNANE bonds held by PT Pertamina Internasional Eksplorasi dan Produksi (PIEP).

Persons concerned

The company PIEP, a shareholder with more than 10% of your company's share capital, and Aussie Gautama, Denie Tampubolon, Huddie Dewanto and Maria R. Nella, directors of your company and officers of PIEP or its majority shareholder, PT Pertamina.

Terms and reasons justifying the interest of this agreement

On 19 December 2017 a rider to the repurchase agreement for the ORNANE 2019 and ORNANE 2021 bonds held by PIEP was entered into in order to specify the technical terms of payment for the repurchase of the ORNANE bonds.

Due to an omission, your Board of Directors has not formally voted on the rider to this repurchase agreement. However, to the extent that the agreement had initially been the subject of the regulated agreements procedure, the conclusion of a rider should have followed the same procedure.

Agreements and commitments already approved by the General Shareholders' Meeting

Agreements and commitments approved in previous fiscal years whose implementation continued during the past fiscal year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, already approved by the General Shareholders' Meeting in previous fiscal years, continued to be implemented during the past fiscal year

● Shareholder loans with PIEP

Nature and purpose

At its meeting of 2 March 2017, your Board of Directors authorised the conclusion of two shareholder loans with PT Pertamina Internasional Eksplorasi dan Produksi (PIEP), with a view to making available to your Company the sums needed for the early redemption of the ORNANE 2019 bonds (the "the ORNANE 2019 Shareholder Loan") and of the ORNANE 2021 bonds (the "ORNANE 2021 Shareholder Loan") not held by PIEP, resulting from the change of control of your Company following the takeover bid initiated by PIEP on the Company's shares.

Persons concerned

The company PIEP, a shareholder with more than 10% of your company's share capital, and Aussie Gautama, Denie Tampubolon, Huddie Dewanto and Maria R. Nella, directors of your company and officers of PIEP or its majority shareholder, PT Pertamina.

Terms and reasons justifying the interest of this agreement

Your Company had entered into two shareholder loans with PIEP with a view to making available to your Company the sums needed for the early redemption of the ORNANE 2019 and ORNANE 2021 bonds not held by PIEP.

The ORNANE 2019 and ORNANE 2021 shareholder loans were repaid in December 2017 as part of your Company's refinancing transaction.

● Subordination arrangement with PIEP

Nature and purpose

At its meeting of 2 March 2017, your Board of Directors had authorised the conclusion of a commitment to subordinate the debt of the ORNANE 2019 shareholder loan and the ORNANE 2021 shareholder loan to the Revolving Credit Facility (RCF) outstanding at that date.

Persons concerned

The company PIEP, a shareholder with more than 10% of your company's share capital, and Aussie Gautama, Denie Tampubolon, Huddie Dewanto and Maria R. Nellia, directors of your company and officers of PIEP or its majority shareholder, PT Pertamina.

Terms and reasons justifying the interest of this agreement

Given the commitments initially entered into by your company under the Revolving Credit Facility (RCF), the early redemption of ORNANE 2019 and ORNANE 2021 bonds via the conclusion of the ORNANE 2019 shareholder loan and the ORNANE 2021 shareholder loan with

PIEP required the conclusion of a commitment to subordinate these loans to the RCF. This subordination agreement was signed on 17 April 2017.

As the ORNANE 2019 and ORNANE 2021 shareholder loans were fully repaid in December 2017, the subordination commitment no longer applies.

● Agreement with Ison Holding Sarl ("ISON")

Nature and purpose

At its meeting of 24 April 2017, your Board of Directors authorised the renewal of the cash pooling agreement between ISON and your Company.

This agreement, initially entered into by your Company and New Gold Mali (and subsequently transferred to ISON), had already been approved by the Supervisory Board on 30 September 1999.

Persons concerned

Jean-François Hénin, Chairman of your Company until 10 April 2017 and a shareholder of ISON through Pacifico.

Terms and conditions

This agreement, initially entered into on 20 March 2000 by your Company and New Gold Mali, took effect on 1 January 2000 for a one-year term, automatically renewable for equivalent terms. Interest on current account advances is paid at the tax-deductible rate.

The receivable of €11,430,616 in principal and interest as at 30 June 2012 has been assigned to ISON, a company in which your Company holds an 18.64% interest, in return for the conclusion of an agreement between ISON and your Company on the same terms and for a debit balance in principal and interest of the same amount.

As at December 31 2017, the current account, including interest, was €12,853,822 in favour of the Company. Interest income for fiscal year 2017 was €214,552.

Following the resignation of Jean François Hénin from the Board of Directors of your Company on 10 April 2017, this agreement, which is still in effect, no longer constitutes a regulated agreement within the meaning of Article L225-38 of the French Commercial Code.

● **Rider relating to the suspension of the Michel Hochard's employment contract as Chief Financial Officer**

Nature and purpose

At its meeting of 26 May 2014, your Board of Directors voted to appoint Michel Hochard as the Chief Executive Officer of your Company

Persons concerned

Michel Hochard, Chief Executive Officer of your Company as from 26 May 2014.

Terms and condition

Insofar as Michel Hochard, prior to his appointment as the Chief Executive Officer of your Company, was the Company's Chief Financial officer, the Board of Directors, on the recommendation of the Appointments and Compensation Committee, duly noted the automatic suspension of Michel Hochard's employment contract dated 27 November 2007 (and its rider dated 10 October 2011) (the "Employment Contract"), it being specified that the Employment Contract would automatically go back into effect upon the termination, for any cause whatsoever, of Michel Hochard's appointment as Chief Executive Officer.

Accordingly, your Board of Directors authorised this suspension of the Employment Contract to be formalized in a rider, dated 26 May 2014, which sets out the terms and conditions governing the suspension and resumption of the said contract.

The Statutory Auditors

Paris La Défense, 24 April 2018
KPMG Audit
Department of KPMG S.A.

Paris, 24 April 2018
International Audit Company

Eric Jacquet
Partner

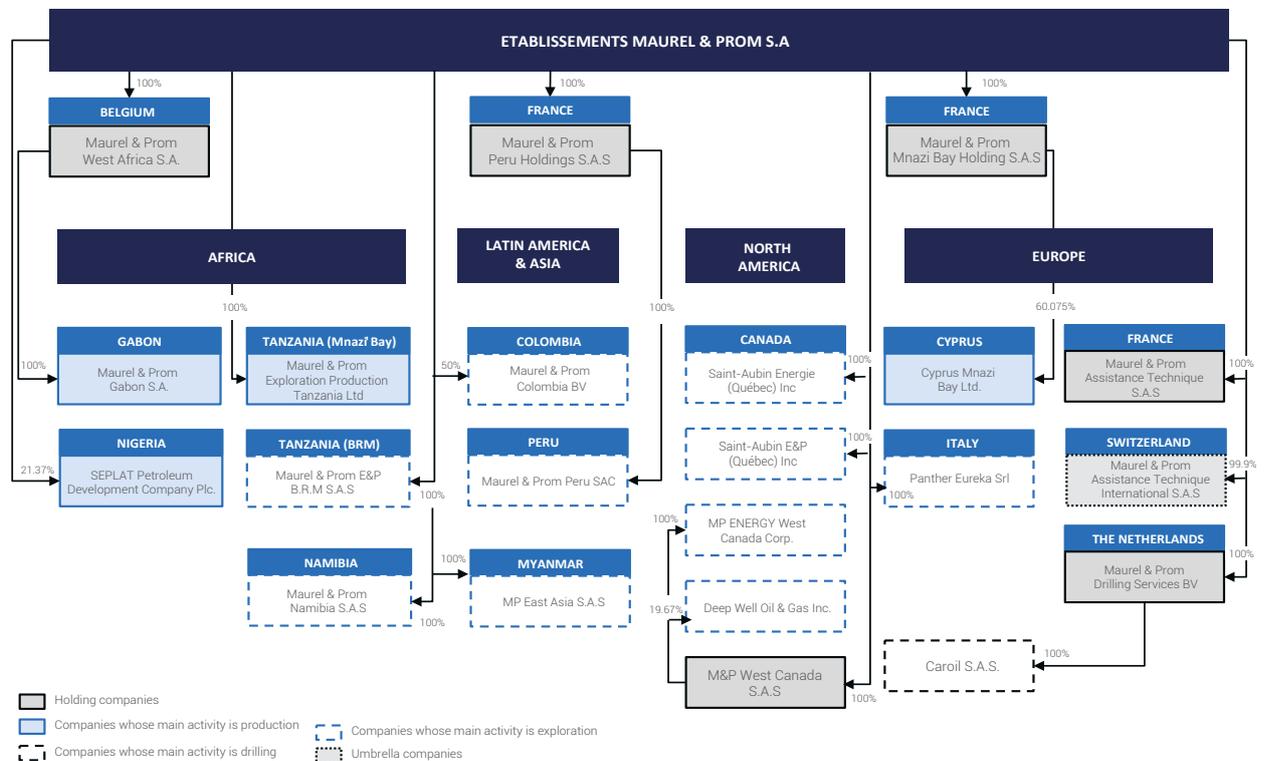
François Caillet
Partner

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7 ADDITIONAL INFORMATION

7.1 ORGANISATION CHART

7.1.1 Organisation chart of the main group entities



7.1.2 List of all incorporated Group entities in 2017

Pursuant to the OECD recommendation under Action 13 of its Base Erosion and Profit Shifting (BEPS) Project and to the Accounting Directive 2013/34/EU of the European Parliament and Council of 26 June 2013 relating to the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (the "Accounting Directive"), the Group has included country-by-country reporting in its legal organisation chart with an overview of the breakdown of income, taxes and activities per tax jurisdiction.

Tax jurisdiction	Resident incorporated entity	Registered office	Consolidated entities	Mining rights owned or managed	Hydro-carbon sales	Liquid and gas hydro-carbon exploration	Technical drilling services	Administrative and management services	Group internal financing	Shares or other equity instruments held	Dormant activities	Other
Bahamas	Zetah Noumbi Ltd.	Pointe Noire, Congo									x	e
Belgium	Maurel & Prom West Africa SAS	Brussels, Belgium	x							x		
Brazil	MP Oleo&Gas do Brazil	Paris, France									x	d
Canada	Saint-Aubin Energie Québec Inc (Gaspésie)	Montreal, Canada	x	x		x						
Canada	Saint-Aubin Exploration & Production Québec Inc (Anticosti)	Montreal, Canada	x	x		x						
Canada	MP Energy West Canada Corp. (Sawn Lake)	Calgary, Canada	x	x		x						
Canada	Deep Well Oil & Gas, Inc.	Edmonton, Alberta, Canada	x	x		x						
Colombia	Maurel & Prom Colombia BV	Rotterdam, Netherlands	x	x		x						
Colombia	Établissements Maurel & Prom S.A. (Bogota-based South American company)	Paris, France	x				x					
Colombia	Caroil S.A.S. (Colombia-based)	Paris, France	x				x				x	
Congo	Caroil S.A.S. (Congo-based)	Paris, France	x				x					
Spain	Maurel & Prom Venezuela	Madrid, Spain									x	
France	Établissements Maurel & Prom S.A. (registered office)	Paris, France	x	x				x	x	x		
France	Maurel & Prom Assistance Technique S.A.S.	Paris, France	x					x				
France	Maurel & Prom West Africa S.A.S.	Paris, France	x							x		
France	Maurel & Prom Peru Holdings S.A.S.	Paris, France	x							x		

Tax jurisdiction	Resident incorporated entity	Registered office	Consolidated entities	Mining rights owned or managed	Hydro-carbon sales	Liquid and gas hydro-carbon exploration	Technical drilling services	Administrative and management services	Group internal financing	Shares or other equity instruments held	Dormant activities	Other
France	Établissements Maurel & Prom S.A. (Mios-based)	Paris, France	x	x		x						
France	Établissements Maurel & Prom S.A. (Lavignolle-based)	Paris, France	x	x		x						
France	Maurel & Prom Volney 2 S.A.S.	Paris, France	x							x		e
France	Maurel & Prom Mnazi Bay Holdings S.A.S.	Paris, France	x							x		
France	Caroil S.A.S. (registered office)	Paris, France	x							x		
France	MP West Canada S.A.S.	Paris, France	x							x		
France	M&P Exploration Production France S.A.S.	Paris, France				x					x	
France	Volney 5 S.A.	Paris, France									x	
France	Volney 6 S.A.S.	Paris, France									x	
France	Integra Oil S.A.S.	Paris, France		x						x		b
Gabon	Maurel & Prom Gabon S.A.	Port-Gentil, Gabon	x	x	x	x						
Gabon	Caroil S.A.S. (Gabon-based)	Port-Gentil, Gabon	x				x					
Gabon	Maurel & Prom Exploration Production Gabon S.A.	Port-Gentil, Gabon		x							x	
Gabon	Maurel & Prom Développement Gabon S.A.	Port-Gentil, Gabon		x							x	d
Luxembourg	Ison Holding S.a.r.l.	Luxembourg, Luxembourg		x						x		a
Myanmar	Maurel & Prom East Asia S.A.S.	Paris, France	x	x		x						
Namibia	Maurel & Prom Namibia S.A.S.	Paris, France	x	x		x						
Nigeria	SEPLAT Petroleum Development Company Plc	Lagos, Nigeria, London, UK	x	x	x	x						
Nigeria	SEPLAT Petroleum Energy Ltd	Lagos, Nigeria									x	d
Nigeria	Cardinal	Nigeria					x					
Uganda	Caroil S.A.S. (Uganda-based)	Paris, France	x				x				x	d
Netherlands	Maurel & Prom Drilling Services	Amsterdam, Netherlands	x						x	x		

Tax jurisdiction	Resident incorporated entity	Registered office	Consolidated entities	Mining rights owned or managed	Hydro-carbon sales	Liquid and gas hydro-carbon exploration	Technical drilling services	Administrative and management services	Group internal financing	Shares or other equity instruments held	Dormant activities	Other
Netherlands	Maurel & Prom Netherlands B.V	Amsterdam, Netherlands									x	
Peru	Maurel & Prom Peru S.A.C.	Lima, Peru	x	x		x						
Sicily	Panther Eureka S.r.l.	Ragusa, Sicily	x	x		x						
Switzerland	Maurel & Prom Assistance Technique International S.A.	Geneva, Switzerland	x					c				
Tanzania	Maurel & Prom Tanzania Ltd	Dar es Salaam, Tanzania									x	d
Tanzania	Maurel & Prom Exploration Production Tanzania Ltd	Dar es Salaam, Tanzania	x	x	x	x						
Tanzania	Cyprus Mnazi Bay Limited	Nicosia, Cyprus	x	x	x	x						
Tanzania	Maurel & Prom Exploration et Production BRM S.A.S.	Paris, France	x	x		x						
Tanzania	Caroil S.A.S. (Tanzania-based)	Paris, France	x				x					

(a) Since 2012, the Company has held an 18.64% stake in ISON HOLDING SARL, a company incorporated under Luxembourg law. This company manages interests in gold-mining activities in Mali and owns New Gold Mali (NGM) and Tichit.

(b) In 2015, the Company received US\$9 m plus a 10% stake in that holding company which owns assets in Venezuela, along with preemptive rights on 50% of the dividends as payment for its receivable against the Integra Oil group.

(c) Maurel & Prom Assistance Technique International is a company entirely devoted to managing the majority of the personnel dedicated to the Group's international activities.

(d) These dormant entities were still in the process of liquidation at 31 December 2017.

(e) These entities left the Group in 2017.

7.1.3 Overview of the breakdown of activities, income and taxes by tax jurisdiction

The information presented in this section includes estimated corporate information (as the company financial statements of the Company's subsidiaries had not all been approved on the closing date of the Group's consolidated financial statements, these cannot be considered final) for fiscal year 2017, for entities held directly or indirectly at more than 40%, converted into euros at an average rate for the fiscal year for the income statement information and at the closing date for the balance sheet information. This information differs from the consolidated financial information to the extent that it is taken from the financial statements prepared according to local accounting standards and aggregates non-eliminated intra-Group operations. This information has been prepared in light of the draft amendment to the accounting directive of April 2016, modifying the Accounting Directive, on the communication of information relating to income tax by certain companies and branches.

Tax jurisdiction	in thousands Foreign currency	External sales	Related-party sales	Total sales	Profit (loss)	Tax	Pre-tax profit (loss)	Tax liability paid (PWP)	Tax liability payable (tax expense & state oil)	Share capital paid	Number of employees	Property, plant and equipment
Belgium	USD	-	-	-	1	0	1	-	0	94	-	-
Canada	CAD	85	0	85	9,546	0	9,546	0	0	8,069	-	9,908
Colombia	USD	2,258	0	2,258	(1,640)	(312)	(1,328)	855	312	51	7.0	7,007
Congo	USD	9,059	0	9,059	106	(472)	578	0	472	0	6.0	1,189
France	EUR	0	16,967	16,967	99,872	3,709	96,163	0	(3,709)	176,267	42.0	460
Gabon	USD	320,543	2,304	322,847	177,835	(25,929)	203,765	47,854	48,026	109	343.0	206,766
Myanmar	EUR	-	-	-	(757)	0	(757)	-	0	37	-	0
Namibia	EUR	-	-	-	(695)	0	(695)	-	0	37	-	0
Uganda	USD	-	-	-	(94)	0	(94)	-	0	0	-	0
Netherlands	EUR	-	-	-	(2,449)	0	(2,449)	-	0	16	-	0
Peru	USD	-	-	-	901	0	901	-	0	2,295	-	0
Sicily	EUR	-	-	-	340	0	340	-	0	129	-	621
Switzerland	EUR	0	9,433	9,433	275	(44)	320	33	44	195	42.0	0
Tanzania	USD	22,813	0	22,813	(7,715)	(1,527)	(6,188)	1,690	3,217	38	92.0	36,820
Total		354,759	28,704	383,462							532	

7.2 MAJOR CONTRACTS

Apart from the agreements below and those signed in the course of its normal activities, the Company has not entered into any significant agreements in the last two fiscal years.

7.2.1 Financing

On 12 December 2017, the Company announced the strengthening of the Group's financial structure, thereby reaffirming the backing of PIEP in the Company's growth strategy. This strengthening is due in particular to the refinancing of all the Company's debt under favourable conditions and the reorganisation of the payment instalments over a seven (7) year period, including a two year grace period. It gives the Company increased financial flexibility in view of potential developments in Africa and in Latin America.

This refinancing operation is based on the following elements:

- a term loan of US\$600 million (described in section 7.2.1.1. of this Annual Report) from a group of nine international banks;
- a shareholder loan with PIEP for an initial amount of US\$100 million (described in section 7.2.1.2. of this Annual Report);
- the repayment of approximately US\$760 of existing debt: (i) closure of the Revolving Credit Facility (RCF) currently being repaid, for US\$325 million (described in section 7.2.1.6. of this Annual Report); (ii) repayment of shareholder loans made available by PIEP according to the terms and conditions started during the takeover bid for €189 million (around US\$222 million) and buyback of the 2019 ORNANES and the 2021 ORNANES held by PIEP for a total amount of €180 million (around US\$212 million), followed by their cancellation (described in section 7.2.1.4. of this Annual Report).

7.2.1.1 Term Loan US\$600 million

Maurel & Prom West Africa, a wholly-owned subsidiary held directly by the Company and which holds all the capital of Maurel & Prom Gabon, agreed, as borrower, on 10 December 2017, a term loan for US\$600 million with a group of nine international banks comprising (i) MUFG Bank (as co-ordinator), (ii) Crédit Agricole Corporate and Investment Bank, (iii) DBS Bank, (iv) Hongkong and Shanghai Banking Corporation (HSBC), (v) ING Bank, (vi) Natixis, (vii) PT Bank Mandiri (Persero), (viii) Sumitomo Mitsui Banking Corporation Europe Limited and (ix) PT Bank Negara Indonesia (Persero) (the “**Term Loan**”).

The features of the Term Loan are described in the table below:

Amount	US\$600 million
Maturity	December 2023, i.e. 72 months (6 years)
First repayment	March 2020
Borrowing rate	LIBOR + 1.5%

The Term Loan is guaranteed by the Company and Maurel & Prom West Africa also benefits from the financial backing of PIEP in case of payment default on this loan (see section 7.2.1.3).

No security has been provided on the Group’s assets as part of the Term Loan. However, usage restrictions on certain Maurel & Prom Gabon and Maurel & Prom West Africa bank accounts have been planned in the event of default on the Term Loan (with certain exceptions).

Maurel & Prom West Africa has committed to complying with the respect of certain financial ratios at 30 June and 31 December each year for the Term Loan:

- a ratio for the Group’s consolidated net debt to EBITDAX (earnings before interest, taxes, depreciation, amortisation and impairment net of the impact of exchange gains and losses and exploration expenses), not exceeding 4.00:1.00, calculated over a 12-month period prior to the reference date;
- a Group debt service coverage ratio (DSCR) greater than 3.50:1.00 calculated over a six month period prior to the reference date;
- Group Tangible Net Worth greater than US\$500 million at each reference date.

In addition, the Company, Maurel & Prom West Africa and Maurel & Prom Gabon are committed to (subject to certain exceptions) (i) not agreeing to security on their assets, (ii) not selling, where applicable, their interest in Maurel & Prom West Africa, Maurel & Prom Gabon, as well as the underlying assets, (iii) not taking out any new loan or new financial debt. The companies are also committed to maintaining a minimum

amount of cash totalling US\$100 million in their bank accounts. Failing this the Company would be required to drawdown on the unused portion of the shareholder loan agreed by PIEP (described in section 7.2.1.2 of this Annual Report).

Furthermore, Maurel & Prom West Africa, Etablissements Maurel & Prom and Maurel & Prom Gabon are committed to not making any distribution, except for (i) distributions made between Maurel & Prom Gabon, Maurel & Prom West Africa, and Etablissements Maurel & Prom and (ii) subject to a minimum amount of working capital requirement defined between the parties, dividends distributed to the shareholders of Etablissements Maurel & Prom on the conditions, however, that the amount of these dividends is less than US\$10 million and is made within 36 months of the drawdown.

The Term Loan also provides for certain situations or events affecting PIEP (for example, bankruptcy, opening of insolvency proceedings, or any other similar event) that may lead to the mandatory early repayment of the loan if no agreement has been reached with the lenders to resolve the events.

Finally, the Term Loan also contains default clauses and early repayment clauses that are standard in this type of contract, as well as a change-in-control clause (described in section of this Annual Report). The change-in-control clause allows the lenders, if they so decide, to cancel the credit arrangements granted and to demand immediate repayment in the event of a change in control.

7.2.1.2 Shareholder loan (maximum US\$200 million)

As part of the refinancing, the Company agreed on a shareholder loan on 11 December 2017 with PIEP for an initial amount of US\$100 million, with a second tranche of US\$100 million available for drawdown should the Company wish. This loan has an annual interest rate of LIBOR + 1.6%. It is subordinate to the Term Loan. No security has been provided as part of this loan.

7.2.1.3 Financial backing agreement with PIEP

As part of the PIEP refinancing, the Company's main shareholder agreed a Sponsor Support Agreement with Maurel & Prom West Africa (a fully-owned subsidiary of the Company) according to which, PIEP agreed to make available to Maurel & Prom West Africa, at its request, the funds required in case of default on the term loan (as described in Section 7.2.1.1 of this Annual Report).

7.2.1.4 2019 ORNANE and 2021 ORNANE

On 6 June 2014, the Company launched an issue, reserved for qualified investors, of bonds redeemable in cash and/ or new shares and/or existing shares (2019 ORNANE) maturing on 1 July 2019, with an initial nominal value of approximately €220 million. This initial nominal value was increased to a maximum nominal value of approximately €253 million on 9 June 2014, by the exercise of the entire over-allocation option. This bond issue is represented by 14,658,169 ORNANEs issued on 11 June 2014 at a par value of €17.26 at a rate of 1.625% (2019 ORNANE, ISIN code FR0011973577).

On 12 May 2015, the Company launched an issue, reserved for qualified investors, of ORNANE maturing on 1 July 2021, with a total initial nominal value of approximately €115 million (after exercise of the extension clause). This bond issue is represented by 10,435,571 ORNANEs issued on 15 May 2015 at a par value of €11.02 at a rate of 2.75% (2021 ORNANE, ISIN code FR0012738144).

Between their issue date and 1 January 2017, no 2019 ORNANE or 2021 ORNANE bonds were redeemed.

The 2019 ORNANE and 2021 ORNANE issue agreements contain a change-in-control clause as well as an early repayment clause that is common in this type of agreement.

In compliance with the provisions of the 2019 ORNANE and 2021 ORNANE issue contracts, on 3 February 2017 the Company issued a press release to holders of 2019 ORNANE and holders of 2021 ORNANE to inform them that following the first settlement of the securities tendered as part of the Public Exchange Offer initiated by PIEP on the Company's shares on 1 February 2017, the Company was subject to a change in control, as defined in the 2019 ORNANE and 2021 ORNANE issue contracts, to the benefit of PIEP. As a result of this change in control, an early repayment period for 2019 ORNANE and 2021 ORNANE was opened from 6 February 2017 to 3 March 2017. The Company thus was informed (i) that 2019 ORNANE holders requested early repayment of 7,005,394 2019 ORNANE for a total repayment amount of €121,279,132.28 (capital increased by accrued interest) and (ii) that 2021 ORNANE holders requested early repayment of 6,076,181 2021 ORNANE for a total repayment amount of €67,303,515.04 (capital increased by accrued interest). Following the early repayment of these 7,005,394 2019 ORNANE and 6,076,181 2021 ORNANE on 10 March 2017 and their cancellation, there remained 7,652,775 2019 ORNANE (including 7,635,839 2019 ORNANE held by PIEP) and 4,359,390 2021 ORNANE (including 4,359,150 2021 ORNANE held by PIEP) in circulation.

On 12 December 2017 the Company announced the refinancing of all its debt under favourable conditions and the reorganisation of the payment instalments over a seven year period, including a two year grace period. As part of the refinancing operation, on 10 December 2017 the Company agreed with PIEP a buyback agreement for the 2019 ORNANES and the 2021 ORNANES held by PIEP for a total amount of €180 million (around US\$212 million), (including US\$156,383,951 for the 2019 ORNANE and US\$57,230,665 for the 2021 ORNANE).

On 21 December 2017, the Company announced that as part of an off-market transaction it had completed the buyback of 7,635,839 2019 ORNANE held by PIEP representing around 99.78% of the 2019 ORNANE outstanding and of 4,359,150 2021 ORNANE held by PIEP representing around 99.99% of the 2021 ORNANE outstanding. The 2019 ORNANE and the 2021 ORNANE were bought back at par plus interest accrued since the last interest payment date and were cancelled in accordance with their conditions. As all the 2019 ORNANE and the 2021 ORNANE outstanding are less than 10% and 15% respectively of the number of 2019 ORNANE and the 2021 ORNANE initially issued, the Company decided to exercise its right to request the early repayment of the 2019 ORNANE and the 2021 ORNANE under the conditions provided in their issue contract.

On 29 December 2017, therefore the Company announced the implementation of the early repayment, with effect from 12 February 2018, of all 2019 ORNANE and 2021 ORNANE outstanding, and for which share allocation right has not been exercised, according to their conditions, and has indicated that all holders of 2019 ORNANE and 2021 ORNANE exercising their right to share allocation will be paid in cash on 12 February 2018 at par value, plus interest accrued since the last interest payment date, i.e. €17.2923 per 2019 ORNANE, and €11,0549 euros per 2021 ORNANE, all the 2019 ORNANE and the 2021 ORNANE being then cancelled in accordance with their conditions.

Following the early repayment on 12 February 2018, there are no longer any 2019 ORNANE or 2021 ORNANE in circulation; all 2019 ORNANE and the 2021 ORNANE have been cancelled.

7.2.1.5 Shareholder loans related to 2019 ORNANE and 2021 ORNANE

In order to finance the early repayment of the 2019 ORNANE and 2021 ORNANE resulting from the change in control linked to the takeover bid, PIEP have made funds available to the Company by way of two shareholder loans agreed on 2 March 2017 by these parties. The amounts made available through the shareholder loans relating to the 2019 ORNANE and 2021 ORNANE are €121,572,332.5425 for the 2019 ORNANE and 67,305,173.38545 for the 2021 ORNANE, corresponding to the nominal value plus accrued interest of the 2019 ORNANE and 2021 ORNANE not held by PIEP.

The terms and conditions of the shareholder loan are broadly similar to those in the 2019 ORNANE and 2021 ORNANE issue agreements, namely (i) for the 2019 ORNANE: maturity on 1 July 2019, rate of 1.625% and write back of amortisation at the discretion of the Company, as well as the early redemption clause in the 2019 ORNANE issue agreement and (ii) for the 2021 ORNANE: maturity on 1 July 2021, rate of 2.75% and write-back of amortisation at the discretion of the Company, as well as the early redemption clause in the 2021 ORNANE issue agreement.

As part of the early repayment, these shareholder loans were repaid on 20 December 2017.

7.2.1.6 Closure of the Revolving Credit Facility (RCF)

On 18 December 2014, the Company signed a Revolving Credit Facility (the “RCF”) for US\$650 million with a consortium of four international banks (Natixis, BNP Paribas, Crédit Agricole Corporate & Investment Bank, and Standard Chartered Bank), based on an initial tranche of US\$400 million and a US\$250-million accordion feature until 31 December 2016, which may be drawn down on two occasions under certain conditions.

The features of this line of credit are as follows:

- Initial amount: US\$400 million
- Additional amount: US\$250 million until 31 December 2016
- Maturity: 31 December 2020, i.e. 6 years
- First repayment: 31 December 2016
- Borrowing rate: LIBOR +3.40% until 31 December 2018, then +3.65%.

The Company was the borrower in respect of the RCF, which was guaranteed by its French subsidiary Maurel & Prom West Africa and by Maurel & Prom Gabon. The following sureties have also been set up:

- pledge against bank account balance, granted by the Company on the Company’s collection account;
- pledge against Maurel & Prom Gabon shares held by Maurel & Prom West Africa;
- pledge against Maurel & Prom West Africa shares held by the Company;
- transfer, as a guarantee, of the respective rights held by Maurel & Prom Gabon, the Company and Maurel & Prom West Africa in any (i) hedge agreement, (ii) insurance policy and (iii) future oil sales agreement concerning underlying assets, entered into between Maurel & Prom Gabon and any party authorised to carry out extractions;
- transfer, as a guarantee, of rights relating to any loan awarded to any Group company.

The Credit Agreement came with an amortisation schedule stipulating a final repayment on 31 December 2020.

Maurel & Prom had to pay interest on the facility, when due, at a rate equal to the three-month LIBOR plus the mandatory costs and a margin of 3.40% per year until 31 December 2018 and then 3.65% per year until 31 December 2020. Interest will be calculated per three-month period, unless specified otherwise.

Under the terms of the RCF (subject to certain exceptions), the Company was not authorised to – and had to ensure that its subsidiaries did not – (i) grant any sureties on its assets, (ii) take on any additional financial debt or (iii) dispose of all or part of the underlying assets.

Subject to certain exceptions, the Company also made commitments (and must ensure that Maurel & Prom Gabon, Maurel & Prom West Africa, Caroil and Maurel & Prom Drilling Services respect these same commitments) to not (x) grant any new loans or (y) grant guarantees to any parties.

In addition, the Company made commitments to ensure that Maurel & Prom Gabon maintained a minimum level of production as stipulated with the RCF.

Maurel & Prom made commitments to comply with certain financial ratios at 30 June and 31 December each year:

- ratio for the Group’s consolidated net debt to EBITDAX (earnings before interest, taxes, depreciation, amortisation and impairment net of the impact of exchange gains and losses), calculated over a 12-month period prior to the reference period, with a maximum limit of 3.00;

- ratio for P1+P2 Group share reserves x US\$10, which must not fall below 1.5 times the Group's consolidated net debt.

In addition, Maurel & Prom Gabon's rights concerning oil production from fields in the Ezanga PSA could not drop below a net level of production set in the RCF.

The covenants for 31 December 2015 resulting from adjustments approved by the RCF bank consortium on 13 October 2015 are described below:

- a Group net debt/EBITDAX ratio, calculated over the 12-month period preceding the reference period, that does not exceed 4.20 at 31 December 2015; and
- regarding the level of production for Maurel & Prom Gabon's rights on oil production in fields included in the Ezanga PSA, the minimum production level at 31 December 2015 is an average of 19,000 barrels per day (in Company share) calculated over the final quarter of 2015 (instead of the second-half year 2015).

Lastly, the Company also obtained a deferral of the calculation period for a minimum level of production likely to trigger the accelerated repayment of the RCF: the level of production for Maurel & Prom Gabon's rights on oil production in fields covered by the Ezanga PSA, which could not be less than an average of 22,000 barrels per day, was calculated over the period from 1 December 2015 to 29 February 2016 in place of the period covering the first quarter of 2015.

Adjustments were accepted by the banking consortium on 24 August 2016, extending the loan's initial maturity. Specifically, they involve:

- a revised ratio for Group net consolidated debt to EBITDAX of 6 at 30 June 2016, 5.5 at 31 December 2016 and 20 June 2018 and so on;
- a security deposit of US\$75 million;
- pledged SEPLAT shares are equivalent to US\$25 million.

The summary table below shows the Company's commitments under the RCF after adjustment of specific RCF provisions approved by the banking consortium on 24 August 2016:

Initial commitment			Commitment made since August 24, 2016
Title	Definition	Frequency	Change
Financial commitment	Group net debt / EBITDAX <3	Half-yearly	Revised ratio for Group net consolidated debt to EBITDAX of 6 at 30 June 2016, 5.5 at 31 December 2016, 5 at 30 June 2017, 4 at 31 December 2017, 3 as from 30 June 2018; Security deposit of US\$75 million; Pledge of SEPLAT shares equivalent to US\$25 million.
Commitment regarding reserves	[(P1 + P2 reserves in Group share US\$10 per barrel)/ Group net debt] > 1.5	Yearly	No change
Production compliance certificate	Production in Group share > 19 Kbbbls from July 2015 to end 2016, 17.5 Kbbbls in 2017, 16 Kbbbls in 2018, 15 Kbbbls in subsequent years.	Half-yearly	No change

* Initial commitments had been adjusted in the context of the merger with MPI. Adjustments were as follows: (i) on the financial commitments, a ratio for Group net consolidated debt to EBITDAX of 4.2 at 31 December 2015 and (ii) on the production compliance certificate, the first test was to take place only over the fourth quarter 2015 (versus the third and fourth quarter 2015).

The RCF agreement contained the default and early repayment clauses that are usual in this type of agreement, as well as a change-in-control clause. The change-in-control clause allowed the lenders, if they so decided, to cancel the credit arrangements granted to the Company and to demand immediate repayment of each credit facility in the event of a change in control of the Company. The Block Sale, as well as the change in control for the RCF to the benefit of PIEP following the takeover bid, have not resulted in a demand for early repayment from the RCF lenders.

Following the aforementioned refinancing of the Company's debt in December 2017, the RCF, which is currently being repaid (i.e. around US\$325 million), was closed as part of the Company's repayment of existing debt totalling around US\$760 million and the guarantees granted as part of the RCF have been released.

7.2.2 Transportation, loading and sale of crude by the Group in Gabon

Regarding Maurel & Prom Gabon's transport of crude, at the beginning of 2017 Total Gabon sold interests in Coucal, Avocette and Aтора onshore blocks to Perenco Oil & Gas Gabon, as well as the operator duties linked to these interests, and an onshore oil pipeline network linking, among others, the oil installations of the Rabi field to the Cap Lopez oil terminal, where Maurel & Prom Gabon evacuates its crude (Rabi light) for lifting. Therefore, Perenco Oil & Gas Gabon became the operator of the 12 inch and 18 inch pipelines, ensuring transport of this crude to the Cap Lopez oil terminal. In November 2017, Perenco Oil & Gas Gabon sold the 18 inch pipeline to the Gabonese Republic, whilst fully maintaining its role as the pipeline operator.

In addition, the processing, storage, and loading of crude remains undertaken by Total Gabon at the Cap Lopez oil terminal.

7.2.3 Other large contracts

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

Under the agreement signed on 26 July 2012 to acquire Cyprus Mnazi Bay Limited from Wentworth, Wentworth will be paid up to US\$5 million if gas production volumes exceed 10 million cubic feet per day over a period of 30 consecutive days. The production threshold was exceeded over the last quarter of 2015 and the commitment is recognised as an expense as payments are made. At 31 December 2017, US\$1.4 million had already been paid to Wentworth.

7.3 RESTRICTION ON THE USE OF CAPITAL WITH A SIGNIFICANT IMPACT ON OPERATIONS

With the exception of the limits set out above, the Company has made no commitments having a significant impact on transactions that would restrict the use of capital.

7.4 PROPERTY, PLANT AND EQUIPMENT

With the exception of one building located in Gabon, no company in the Group owns any buildings. The Company's registered office is under a commercial lease signed on 31 January 2013 for the offices at 51, rue d'Anjou, 75008 Paris. It expires on 31 January 2022 after a nine-year period.

The Group is co-owner, with its associated companies, of the equipment and facilities needed to produce hydrocarbons at the fields it operates for the duration of their exploitation, as well as certain pipelines used to deliver crude oil to the point of extraction.

7.5. RESEARCH AND DEVELOPMENT, PATENTS AND PERMITS

The Group does not conduct research and development and does not own any patents or significant permits.

7.6 THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF INTEREST

Any information relating to the Group's hydrocarbon reserves and resources provided in this Annual Report is based on the certification or appraisal of independent experts, whose names are given in section 1.1.1 of this Annual Report.

7.7 JUDICIAL PROCEEDINGS AND ARBITRATIONS

The main disputes in which the Company or its subsidiaries are involved are described below.

Beside these disputes, no other governmental, legal or arbitration proceeding exists, including any proceeding of which the Company is aware, whether pending or threatened, that could have or that has had a significant impact on the financial position or profitability of the Company and/or the Group over the course of the last twelve months.

7.7.1 Jointly interested parties Rolland & Graff litigations

In relation to the planned merger between MPI and Maurel & Prom, on 13 November 2015 under Article 236-6 of its general regulations, the French Financial Markets Authority issued decision no. 2015C1692, under the terms of which it considered that "the planned merger between Maurel & Prom and MPI would not require modification of the rights and interests of the shareholders involved, in order to justify the implementation of a buyout bid" by Pacifico.

Ledbury Capital Partners LLP and Allan Gray Africa Equity Fund Limited and Allan Gray Africa formerly SA Equity Fund Limited, as a party, as well as Rolland & Graff and Vintage investment club, as another party, have filed two appeals with the Paris Court of Appeals against this decision (the "Appeals"). In a decision on 31 March 2016, the Paris court of appeals rejected the Appeals.

An appeal on points of law was lodged by the jointly interested parties Rolland & Graff and Vintage Investment Club on 3 June 2016 (notified 6 June 2016). The proceedings are currently pending before the Court of Cassation.

Furthermore, by writ dated 7 March 2016, the jointly interested parties Graff & Rolland and Vintage Investment Club commenced proceedings against Pacifico, Maurel & Prom and MPI in the Paris Commercial Court seeking to establish that Pacifico "had allegedly filed a takeover bid on MPI and Maurel & Prom prior to the Combined General Shareholders' Meetings of each of these two companies", which was done in application of Article 234-1 of the General Regulations of the AMF, and therefore to "cancel MPI's and Maurel & Prom's Combined General Shareholders' Meetings held on 17 December 2015 " that approved the merger between the Company and MPI, as well as Maurel & Prom's General Shareholders Meetings of 18 June 2015, 13 October 2014 and 12 June 2014. Damages are also sought from MPI and Maurel & Prom in the amount of €1,000,000 as well as from Pacifico. The procedure is still in progress.

7.7.2 Golden Palm arbitration

On 17 March 2017 the Group received official notification that a request for arbitration proceedings had been initiated against it by Golden Palm and PIA (it being specified that PIA was a joint shareholder of MP Iraq and "partner" on this project), which claimed that the Group owed them the sum of approximately US\$33.326 million as payment for an oil project in Iraq that was never completed. The Group deems the claims issued by Golden Palm and PIA to have no legal basis and therefore will vigorously defend its legitimate interests. The situation at the date of this Annual Report is that Golden Palm and PIA (the claimants) have in the end decided to end the arbitration proceedings and thus have requested from the ICC (International Chamber of Commerce) that the case is withdrawn.

7.8 PAYMENTS MADE TO GOVERNMENTS OF COUNTRIES WHERE EXTRACTIVE ACTIVITIES ARE CARRIED OUT

7.8.1 Preparation basis

The publication of this information is compulsory for the extractive industries pursuant to the Transparency Directive 2004/109/EC of 15 December 2004, transposed into French law by Law 2014-1662 of 30 December 2014 (the "Transparency Directive").

This information was established on the basis of specific consolidated reporting which listed, per project, payments made to government authority for each of the countries in which the Group carries out its activities.

"Projects" mean operating activities governed by a set of agreements that are significantly linked to one another (i.e. permits governed by the same exploration and production sharing agreement) and constitute the basis of payment obligations.

"Authorities of each government" mean any national, regional or local authority of a government or territory, or any administration, agency or controlled undertaking.

"Payments" mean disbursements and payments in kind made in respect of each of the following payment categories:

- A - Royalties, contributions or taxes levied on income (excluding taxes or levies on consumption, such as value added tax, personal income tax or sales tax);
- B - Signature, discovery or production premiums; permit rights, rental fees, entry rights or other permit and/or concession considerations;
- C - Payments for infrastructure improvements;
- D - Production rights and taxes levied on company benefits.

These different categories correspond to the level of information required by law. The other categories provided for in the Transparency Directive are not included as they have no purpose here.

7.8.2 Breakdown of sums paid in 2017

The table below shows the sums paid in fiscal year 2017 to governments of countries in which the Group operates. In the cases where the payment amounts per project or category are not material, a grouping was made.

Note that for Gabon, payment related mainly to the Ezanga permit.

In € thousands (converted at the average rate)	Taxes and contributions (A)	Premiums and rights (B)	Subsidies (C)	Production rights (D)	Total payments to governments
Gabon	30,015		1,738	47,854	79,607
Tanzania (Mnazy bay)	5,482	219	53	1,690	7,444
Tanzania (BRM)	46				46
Colombia (COR15)	282				282
Total	35,825	219	1,791	49,544	87,379

7.9 DOCUMENTS AVAILABLE TO THE PUBLIC

In compliance with the recommendations of the French Financial Markets Authority, the Company's Articles of Association and bylaws are available on the Company website www.maureletprom.fr. In addition, as for the minutes of General Shareholders' Meetings, the Statutory Auditors' reports and other corporate documents related to Maurel & Prom, they may be consulted at the Company's registered office: 51, rue d'Anjou – 75008 Paris, France.

The nature of these documents and the conditions for delivering or making them available are established by the applicable laws and regulations.

Information on the Company is also available on the Company's website www.maurelet-prom.fr, which allows shareholders, employees and the general public to access an overview of the Group and its key financial information, such as results, press releases on sales, results of operations, and other important events in the life of the Company or of the Group, annual reports (including the Company and the Group's historical financial information) filed with the French Financial Markets Authority, as well as their updates where applicable, interim reports, presentations to analysts, share prices, key figures, information on shareholders and corporate governance and all other significant events concerning the Company and the Group. A copy of these documents and information can also be obtained from the Company's registered office.

In compliance with Article 221-3 of the French Financial Markets Authority's general regulations, the regulated information (defined in Article 221-1 of the AMF's general regulations) is made available online on the Company's website. It remains there for at least five years, with the exception of Annual Reports and interim financial reports which remain there for at least 10 years.

Lastly, the statements of declaration of ownership disclosure thresholds are published on the French Financial Markets Authority's website

www.amf-france.org.

For information:

Press, shareholder and investor relations

Tel.: +33 (0)1 53 83 16 45

Email: ir@maureletprom.fr

7.10 STATUTORY AUDITORS

Statutory Auditors	Date of first appointment	Term of current appointment	Expiry of appointment
International Audit Company 46, rue du Général Foy 75008 Paris	General Shareholders' Meeting of 12 June 2014	6 years from 12 June 2014	At the close of the General Shareholders' Meeting called to approve the annual financial statements as at 31 December 2019
KPMG S.A. Tour EQHO 2 avenue Gambetta 92066 Paris La Défense Cedex	General Shareholders' Meeting of 12 June 2014	6 years from 12 June 2014	At the close of the General Shareholders' Meeting called to approve the annual financial statements as at 31 December 2019
Alternate Statutory Auditors			
Fabienne Hontarrede 459, avenue de Circourt 78170 La Celle-Saint-Cloud	General Shareholders' Meeting of 12 June 2014	6 years from 12 June 2014	At the close of the General Shareholders' Meeting called to approve the annual financial statements as at 31 December 2019
Salustro Reydel Tour EQHO 2 avenue Gambetta 92066 Paris La Défense Cedex	General Shareholders' Meeting of 12 June 2014	6 years from 12 June 2014	At the close of the General Shareholders' Meeting called to approve the annual financial statements as at 31 December 2019

7.11 HISTORICAL FINANCIAL INFORMATION

The management report, the consolidated and annual financial statements for fiscal years ended 31 December 2016 and 31 December 2015, including the Statutory Auditors' reports on these fiscal years, appear, respectively, in the Annual Reports filed on 26 April 2017 with the French Financial Markets Authority (AMF) under number D.17-0437 and on 22 April 2016 under number D.16-0390, which are incorporated by reference in this Annual Report.

7.12 STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL REPORT AND ITS UPDATING

Michel Hochard, the Company's Chief Executive Officer, is responsible for the financial information and the Annual Report.

His contact details are as follows:

Michel Hochard

Chief Executive Officer

Etablissements Maurel & Prom

51, rue d'Anjou – 75008 Paris, France.

Tel.: +33 (0)1 53 83 16 00

Fax: +33 (0)1 53 83 16 04

"I hereby certify, after having taken every reasonable measure to this effect, that the information contained in this Annual Report is, to my knowledge, accurate and does not contain any omission that could affect its scope.

I also hereby certify, to my knowledge, that the financial statements have been prepared in compliance with applicable standards in France and accurately represent the assets, financial position and earnings of the Company and all companies included in the consolidation, and that the management report included in this Annual Report presents a true and fair view of the progress of the business, earnings and financial position of the Company and of all companies included in the consolidation and that it describes the main risks and uncertainties it faces.

I have obtained a completion of work letter from the Statutory Auditors, in which they indicate that they have verified the financial data and the financial statements contained in this Annual Report and have read the Annual Report in its entirety".

7.13 GLOSSARY

m	Million(s).
MPI	Public limited company with its registered office at 51, rue d'Anjou, 75008 Paris, and listed in the Paris Trade and Companies Register (RCS) under number 517 518 247, merged with Etablissements Maurel & Prom S.A.
MMcf	Million cubic feet.
Mcf	Thousand cubic feet
MMbbl	Million barrels
MMboe	Million barrels of oil equivalent
cf	Cubic feet
cfpd	Cubic feet per day
Mcf	Thousand cubic feet
Bcf	Billion cubic feet
bbl	Barrel
bopd	Barrels of oil per day
Mbbl	Thousand barrels
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
Mboe	Thousand barrels of oil equivalent
€	Euro (s)
US\$	US dollar(s).
AEDE	Exclusive Development and Production Authorisation.
ANH	National Hydrocarbons Agency
bbl (barrel)	Unit of volumetric measurement of crude oil, which is 159 litres (42 US gallons). One tonne of oil contains approximately 7.5 barrels
boepd	Barrel of oil equivalent per day.
Brent	Class of North Sea oil.
EPSA	Exploration and production sharing agreement.
Block Sale	Sale of 47,916,026 shares held by Pacifico S.A. representing 24.53% of Maurel & Prom's capital to PT Pertamina (Persero) or to one of its subsidiaries.

PSA Production Sharing Agreement	Agreement signed by the government and the company operating under the permit; this agreement determines all the rights and obligations of the operator, in particular the percentage of cost oil (so that the operator can be reimbursed for exploration and development costs borne by the operating company) and the share of the profit oil (remuneration).
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	This Intermediate Management Balance corresponds to sales net of purchases of consumables and services, taxes and personnel expenses.
EBITDAX	EBITDAX is equal to earnings before interest, tax, amortisation and depreciation and before the impact of exchange gains and losses.
Drilling	Drilling consists of creating a passage through the surface of the earth in order to take samples from the subsoil or extract fluids. Originally, drilling was always performed vertically. Today, however, when drilling cannot be done vertically, it is done at an angle, whether directed or not towards specific objectives, as in downhill deviated drilling.
HSE	Health, Safety and Environment.
MMboe	Million barrels of oil equivalent.
MW	Milliwatt.
MN/m³	Meganewton per cubic metre.
MMcf/d	Million cubic feet per day.
Oil pipeline	Pipeline for transporting fluids.
OML	Oil Mining Licence.
Operator	Company responsible for the operations on an oil field.
Annual production	Production available for sale (after oil taxes).
Operated production	The total production of a field, before production sharing.
Takeover bid	Takeover bid initiated by PIEP, a wholly owned subsidiary of the Indonesian company PT Pertamina (Persero), on Maurel & Prom shares, which opened on 15 December 2016 until 19 January 2017, and then reopened on 27 January 2017 until 9 February 2017 when it was completed.
ORNANE	Bonds redeemable in cash and/or in new shares and/or existing shares.
PIEP	PT Pertamina Internasional Eksplorasi dan Produksi, an Indonesian company with registered office at Patra Jada Office Tower 3A Fl., Jalan Gatot Subroto, Kav. 32-34, Jakarta South 12950, Indonesia.
Maurel & Prom production share/ working interest	Operated production less the partners' share.
Maurel & Prom production share net of royalties	Maurel & Prom share of production minus royalties.

Production available for sale after oil taxes/ entitlements	Maurel & Prom's net share of production after royalties and oil taxes. This is the production sold.
RCF	Revolving Credit Facility of US\$650 million, based on an initial tranche of US\$400 million and a US\$250 million accordion feature until 31 December 2016, which may be drawn down on two occasions under certain conditions, agreed on 18 December 2014 by the Company with a consortium of four international banks (Natixis, BNP Paribas, Crédit Agricole Corporate & Investment Bank, and Standard Chartered Bank).
Royalties	Oil taxes paid in kind, corresponding to a percentage of a field's production.
Bylaws	Bylaws of the Company's Board of Directors and its special committees.
Assessed reserves	Maurel & Prom's share of reserves, as assessed by an independent expert, after deducting royalties in kind, and before the taxes applicable to each type of agreement (production sharing, concession).
Net reserves	The proportion of total reserves from fields reverting to the Company (according to its interest share), taking into consideration the stipulations of the Production Sharing Agreement for the cost oil and profit oil.
Reserves net of royalties	The total reserves of a field after deducting royalties.
P1 reserves (proven)	Gas and oil reserves "reasonably certain" to be producible using current technology, at current prices, with current commercial terms and government consent. In the industry, these are also known as P1 reserves. Some industry specialists refer to them as P90 reserves, because they have at least a 90% chance of being produced.
P2 reserves (probable)	Gas and oil reserves "reasonably probable" of being produced using current technology, at current prices, with current commercial terms and government consent. In the industry, these are also known as P2 reserves. Some industry specialists refer to them as P50 reserves, because they have at least a 50% chance of being produced.
P3 reserves (possible)	Gas and oil reserves defined as "having a chance of being developed under favourable circumstances". In the industry, these are also known as P3 reserves. Some industry specialists refer to them as P10 reserves, because they have at least a 10% chance of being produced.
2D/3D seismic survey	Geophysical surveying method consisting of sending sound waves into the subsoil and recording their propagation, thus making it possible to obtain information on the structure of the subsoil. They may be in 2 or 3 dimensions.
PET	Positron emission tomography.
tCO₂e	Tonne of carbon dioxide equivalent.

7.14 CROSS-REFERENCE TABLE

7.14.1 Management report

Items required by the French Commercial Code, Monetary and Financial Code, General Tax Code and General Regulations of the French Financial Markets Authority (AMF).	Corresponding SECTIONS of the Annual Report
Analysis of the development of the business, earnings and financial position of the Company, the Company's position during the fiscal year just ended (L.225-100 and L.232-1 of the French Commercial Code)	1.3; 5.1; 5.3; 5.5
Analysis of the development of the business, earnings and financial position of the Group, the Group's position during the fiscal year just ended (L.225-100-2 and L.233-26 of the French Commercial Code)	1.3; 5.1
Results of subsidiaries and controlled companies by branch of activity (L.233-6 of the French Commercial Code)	1.3; 5.1; 5.3
Projected changes (L.232-1 and L.233-26 of the French Commercial Code)	1.4
Significant events occurring after the end of the fiscal year (L.232-1 and L.233-26 of the French Commercial Code)	Profile; 1; 5.1 Note 6.9
Research and development activities (L.232-1 and L.233-26 of the French Commercial Code)	7.5
Interests or controlling interests in companies with their registered office in France (L.233-6 of the French Commercial Code)	N/A
Information on corporate social and environmental responsibility, corporate commitments to promote sustainable development, anti-discrimination measures and diversity (L.225-102-1 of the French Commercial Code)	4
Description of main risks and uncertainties (L.225-100-1 of the French Commercial Code)	2
Group financial risk management policy (L.225-100-1 of the French Commercial Code)	2.2; 3.3; 5.1.5 Note 5
Group exposure to price, credit, liquidity and cash flow risks (L.225-100-1 of the French Commercial Code)	2.2; 5.1.5 Note 5
Employee share ownership at the last day of the fiscal year (L.225-102 of the French Commercial Code)	6.3.1.1
Identity of shareholders holding more than 5%; treasury shares (L.233-13 of the French Commercial Code)	3.2.2.1 (a)

Items required by the French Commercial Code, Monetary and Financial Code, General Tax Code and General Regulations of the French Financial Markets Authority (AMF).

Corresponding SECTIONS of the Annual Report

Summary of transactions made by directors involving the securities of the Company (L.621-18-2 of the French Monetary and Financial Code and 223-26 of the French Financial Markets Authority's General Regulations)	3.2.2.1.1
Information on treasury share buybacks (L.225-211 of the French Commercial Code)	6.1.2
Amount of dividends distributed during the last three fiscal years (243 bis of the French General Tax Code)	6.3.2
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7.14.2 Commission Regulation (EC) No. 809/2004 of 29 April 2004

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5.1	History and development of the company	1.1
5.1.1	Corporate and trade name of the issuer	6
5.1.2	Registration location and number of the issuer	6
5.1.3	Date of incorporation and term of the issuer	6
5.1.4	Registered office and legal form of the issuer, legislation governing its activities, its country of origin, address and telephone number of its registered office	6
5.1.5	Significant events in the development of the issuer's activities	Profile; 1.2; 1.4
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6	Business overview	
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6.3	Exceptional events	Profile; 1.2.4
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10.2	Source, amount and description of cash flows	5.1.4
10.3	Borrowing conditions and financing structure	1.3.2; 5.1.5 Note 4
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10.5	Sources of financing planned for the main investments considered and major expenses on the most significant property, plant and equipment	5.1 Note 3.3
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12	Information on trends	1.4
12.1	Main trends having affected production, sales and inventories, costs and sale prices since the close of the previous fiscal year	1.2; 1.3; 1.4
12.2	Known trends, uncertainties, commitments or events likely to significantly influence the outlook for the current fiscal year	1.4
13	Forecasts and estimates of sales and investment budgets	N/A
14	Administrative, management and supervisory bodies and executive management	
14.1	Information regarding members of the administrative and management bodies	3.2.1
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15	Compensation and benefits	3.2.3
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20	Financial information concerning the issuer's assets, financial position and earnings	
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20.4.1	Audits of the historical financial information	5.2; 5.4
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20.4.3	Financial information appearing in the Annual Report and not taken from the issuer's certified financial statements	N/A

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20.6	Interim and other information	N/A
20.6.1	Quarterly or half-yearly financial information established since the date of the last audited financial statements	N/A
20.6.2	Interim financial information for the first six months of the fiscal year following the end of the last fiscal year audited	N/A
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21.1.2	Shares not representative of capital	N/A
21.1.3	Shares held by the issuer or its subsidiaries	6.1.2
21.1.4	Securities conferring future access to the issuer's share capital	6.1.3
21.1.5	Conditions governing any right of acquisition and/or any bond attached to capital subscribed but not paid up, or to any capital increase	N/A
21.1.6	Capital of any Group portion subject to an option	N/A
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