MAUREL & PROM

HALF-YEAR REPORT

30 June 2018

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2 PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

As the Chief Executive Officer of Etablissements Maurel & Prom (hereinafter “**Maurel & Prom**” or the “**Company**”), reporting to the Chairman, Aussie B. Gautama, Michel Hochard is in charge of financial information and particularly the half-year financial report.

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Certification

“I hereby certify that, to the best of my knowledge, the condensed consolidated financial statements for the half-year ended have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of operations of the Company and its consolidated entities, and that the half-year management report on pages 4 to 27 provides a true and fair view of significant events for the first six months of the fiscal year, their impact on the financial statements, the main transactions between related parties, as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year.”

The Chief Executive Officer

Michel Hochard
Paris, 3 August 2018

3 GROUP BUSINESS ACTIVITIES IN THE FIRST HALF OF 2018

3.1 Production activities

	Units	Q1 2018	Q2 2018	H1 2018	H1 2017	H1 2018 vs H1 2017 change
Production 100% operated by Maurel & Prom						
Oil	*bopd*	23,975	19,173	21,561	24,705	*-13%*
Gas	*MMcf/d*	77.0	81.6	79.3	36.9	*115%*
TOTAL	***boepd***	**36,804**	**32,778**	**34,780**	**30,860**	*13%*
Maurel & Prom working interest production						
Oil	*bopd*	19,180	15,338	17,249	19,764	*-13%*
Gas	*MMcf/d*	37.0	39.2	38.1	17.8	*114%*
TOTAL	***boepd***	**25,346**	**21,877**	**23,602**	**22,723**	*4%*

In first-half 2018, operated oil production in Gabon stood at 21,561 bopd, down 13% compared to the previous year. Oil volume evacuation was limited throughout the second quarter of 2018 by request of the export pipeline operator and to prevent a build-up of pressure in the pipeline. Production returned to a normal level in early July.

After a three-year shutdown, drilling activities to support the production profile and counteract the fields' natural depletion resumed. However, this took longer than anticipated because of the amount of time it took to restart the drilling rigs. To date, two of the eleven wells planned for 2018 have been drilled. An additional rig will soon be put into action to make up for the delay in the initial drilling schedule in the second half of the year. This should boost production considerably by the end of the year.

In Tanzania, average operated production was around 79.3 MMcf/d at 100%, corresponding to 38.1 MMcf/d for M&P's working interest (48.06%). Since February 2018, the average operated production level has exceeded 80 MMcf/d, rising steadily to reach a record level of 89 MMcf/d in June 2018.

3.2 Other activities

Exploration activities

Exploration activities continued:

- in Namibia, an additional seismic was acquired on the 44 and 45 permits;
- in Gabon, an AGG (Airborne Gravity Gradiometry) was performed on the Kari and Nyanga Mayombe permits to confirm drilling locations and complement the seismic interpretations.

Drilling activities

The Group continued to manage drilling rigs for ENI Congo in the first half of 2018. Caroil, the Group's wholly owned subsidiary, also began a programme to upgrade its rigs to meet the demands of Maurel & Prom and other sector operators.

Seplat (Nigeria)

Seplat, in which Maurel & Prom holds a 20.46% stake, saw a return of its hydrocarbon production to the levels achieved before a force majeure was declared on the export terminal and significantly increased its gas production.

3.3 Financial information

3.3.1 Sales

	Q1 2018	Q2 2018	H1 2018	H1 2017	*H1 2018 vs H1 2017 change*
Total production sold in the period (M&P working interest)					
millions of barrels of oil	*1.7*	*1.4*	*3.1*	*3.3*	*-6%*
Millions of MBTU	*3.4*	*3.7*	*7.1*	*4.8*	*115%*
Average sale price					
OIL, in US$/bbl	*66.3*	*73.0*	*69.2*	*50.7*	*36%*
GAS, in US$/BTU	*3.18*	*3.17*	*3.17*	*3.19*	*-1%*
€/US$ exchange rate	**1.23**	**1.19**	**1.21**	**1.08**	*12%*
SALES (in US$m)					
Oil production	**124**	**107**	**231**	**178**	*30%*
Gabon	*115*	*98*	*213*	*169*	
Tanzania	*9*	*9*	*18*	*9*	
Drilling activities	**4**	**2**	**6**	**8**	*-25%*
Consolidated sales (in US$m)	**128**	**109**	**237**	**186**	*27%*
Consolidated sales (in €m)	**104**	**92**	**196**	**172**	*14%*

The Group's consolidated sales for the first half of 2018 stood at €196 million, up 14% compared to the first half of 2017. Sales presented in euros were negatively impacted by the rise in the euro against the dollar between H1 2017 and H1 2018. Sales expressed in the US dollar functional currency stood at US$237 million, up 27% compared to H1 2017.

The increase in sales was largely due to the substantial rise in the average sale price of oil produced in Gabon (US$69.2/bbl, 36% higher than in H1 2017).
Operated oil production in Gabon, which stood at 21,561 bopd in the first half of 2018, fell by 13% compared to the previous year. In Tanzania, average gas output was 79.3 MMcf/d for the operated interest, corresponding to 38.1 MMcf/d for M&P's interest (48.06%).

The entry into force of IFRS 15, mandatory from 1 January 2018, led the Group to change the way it recognises sales. Instead of being based on the Group's entitlements on the production delivered to the oil terminals ("entitlement method"), they are now determined according to liftings during the period. In accordance with IFRS 15, this change in accounting method was applied prospectively, without restating comparative periods.

The effect on sales in the first-half 2018 in Gabon was positive to the tune of some US$18 million, with lifted volumes exceeding production.

3.3.2 Current operating income

The increase in oil prices had a direct positive impact on the Group's margins. The EBITDA margin rose from 45% in the first half of 2017 to 51% of sales in the first half of 2018. Accordingly, current operating income amounted to €56 million in H1 2018 versus €25 million in H1 2017. As for the Group's operating income, this amounted to €53 million in H1 2018 versus €19 million in H1 2017.

3.3.3 Financial income

Financial income for first-half 2018 showed a loss of €8 million, which included in particular a net borrowing cost of -€9 million. The Group's refinancing in US dollars at the end of 2017 led to a significant reduction in the Group's exposure to foreign exchange risk. Foreign exchange income was a positive €1 million, versus a loss of €33 million at 30 June 2017.

3.3.4 Income from equity associates

The Group's share of income from equity associates amounted to €9 million, reflecting the return of Seplat's hydrocarbon production to the levels achieved before a force majeure was declared on the export terminal and the stepping up of its gas production.

3.3.5 Net income

After taking into account the above elements and a tax liability of €34 million, the Group's consolidated net income at 30 June 2018 was €20 million.

3.3.6 Cash flow

At 30 June 2018, the Group's cash position stood at €265 million (US$308 million), an increase of €48 million over the period.
Cash flow from operating activities amounted to €77 million. This was used to finance (i) investments (€31 million), for the most part in Gabon on the Ezanga production permit, and (ii) interest payments on borrowings (€7 million).

4 OIL RESERVES AND RESOURCES

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.
At 31 December 2017, oil reserves were certified in Gabon by DeGolyer and MacNaughton and gas reserves were certified in Tanzania by RPS Energy. Seplat reserves correspond to 21.37% of M&P's share of the reserves reported in Seplat's 2017 annual report. They were certified by Ryder Scott.

P1+P2 reserves net of royalties	**M&P**	**SEPLAT**	**Total**
M&P working interest	**195.3**	**101.9**	**297.3**
Oil (MMbbl)	*151.1*	*48.3*	*199.4*
Gas (MMboe)	*44.2*[1]	*53.6*	*97.8*

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

5 LIST OF THE MAIN ASSETS HELD BY THE GROUP AT 30 JUNE 2018

Country	Company	Name	Company’s interest
Gabon	M&P	Ezanga-Exploration	100%
		Ezanga-Production	80%
		Nyanga Mayombe	100%
		Banio	100%
		Kari	100%
Tanzania	M&P	Bigwa-Rufiji/Mafia	60%
		Mnazi Bay-Production	48.06%
		Mnazi Bay-Exploration	60.075%
Canada	M&P	Alberta	25%
		Gaspé Peninsula	50%
Namibia	M&P	0044	42.5 %
		0045	42.5 %
Myanmar	M&P	M2 block	40%
Nigeria	Seplat(1)	OMLs 4, 38 and 41	45%
		OML 283	40%
		OML 53	40%
		OML 55	22.5%
Colombia	M&P Colombia(2)	Muisca	100%
	M&P Colombia(2)	COR 15	100%
	M&P Colombia(2)	CPO 17	50%
Italy	M&P	Fiume Tellaro	100%
France	M&P	Mios	50%

(1) M&P has had a 20.46% interest in SEPLAT since February 2018.

(2) M&P has a 50.001% interest in M&P Colombia.

6 SHAREHOLDERS' EQUITY AND CORPORATE LIFE

6.1 General Shareholders' Meeting

The Combined General Meeting of Maurel & Prom shareholders on 20 June 2018, chaired by Aussie B. Gautama, approved the resolutions concerning the company financial statements and the consolidated financial statements for the fiscal year ended 31 December 2017.

6.2 Total number of voting rights and shares comprising the share capital

Pursuant to Article L. 233-8 II of the French Commercial Code and the French Financial Markets Authority (AMF) General Regulations, Maurel & Prom informs its shareholders that the total number of voting rights and shares comprising its share capital at 30 June 2018 was as follows:

Date	Number of shares comprising the capital	Number of voting rights
30 June 2018	195,340,313	Theoretical: 195,872,670 Exercisable: 192,536,046

** Theoretical voting rights = total number of voting rights attached to the total number of shares, including treasury shares without voting rights.*

6.3 Risks and uncertainties

The Group's results are sensitive to various market risks. The most significant concern hydrocarbon prices, risks inherent to host countries and the €/US$ exchange rate.

In terms of exchange rates, the Group has a forward-looking currency approach for managing currency fluctuations, pricing inflows in dollars against work and expenses. However, since the Group is responsible for financing its subsidiaries, its exchange position is primarily in dollars, revalued as euros, which is the reporting currency for the accounts. This results in fluctuations linked to the volatility of the €/US$ exchange rate. These revaluations may result in significant fluctuations in financial income. They are not subject to any specific hedging.

The risks linked to Maurel & Prom's activities are described in Chapter 2 of the Group's 2017 Annual Report.

7 GROUP'S CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7.1 Consolidated statement of financial position

ASSETS (in € thousands)	Note	30/06/2018	31/12/2017
Intangible assets (net)	3.2	137,408	135,720
Property, plant and equipment (net)	3.3	1,248,859	1,226,457
Non-current financial assets (net)	4.1	6,978	6,572
Other non-current assets (net)	3.5	38,804	38,829
Investments in equity associates	2.2	134,230	125,564
Deferred tax assets	5.1	24,530	27,096
NON-CURRENT ASSETS		**1,590,810**	**1,560,239**
Inventories (net)		6,852	6,501
Trade receivables and related accounts (net)	3.4	90,283	49,288
Other current financial assets	4.1	68,055	67,019
Other current assets	3.5	35,244	35,988
Current tax receivables	5.1	387	445
Current financial instruments	4.4	24	0
Cash and cash equivalents	4.2	269,019	216,908
CURRENT ASSETS		**469,864**	**376,148**
TOTAL ASSETS		**2,060,674**	**1,936,387**

EQUITY AND LIABILITIES (€ thousands)	Note	30/06/2018	31/12/2017
Share capital		150,412	150,412
Additional paid-in capital		15,580	27,664
Consolidated reserves		745,934	713,830
Treasury shares		(41,099)	(53,521)
Net income, Group share		18,522	6,620
EQUITY, GROUP SHARE		**889,350**	**845,004**
Non-controlling interests		534	(261)
TOTAL EQUITY		**889,884**	**844,743**
Non-current provisions	3.8	42,301	41,062
Shareholder loans	4.3	85,778	83,382
Other non-current borrowings and financial debt	4.3	510,041	494,965
Deferred tax liabilities	5.1	330,304	308,752
NON-CURRENT LIABILITIES		**968,424**	**928,161**
Shareholder loans	4.3	0	79
Current bond borrowings	4.3	0	290
Other current borrowings and financial debt	4.3	8,201	1,574
Trade payables and related accounts	3.7	51,620	47,347
Current tax liabilities	5.1	9,010	5,092
Other current liabilities	3.6	120,207	95,915
Current provisions	3.8	13,328	13,185
CURRENT LIABILITIES		**202,366**	**163,483**
TOTAL EQUITY AND LIABILITIES		**2,060,674**	**1,936,387**

7.2 Consolidated statement of comprehensive income

7.2.1.1 Net income for the period

in € thousands	Note	30/06/2018	30/06/2017 (*) adjusted
Sales	1.1	196,146	171,731
Other income from operations	2.2	2,060	266
Change in overlift/underlift position	1.3	(13,092)	0
Purchases and operating expenses		(39,515)	(48,516)
Taxes		(19,238)	(18,938)
Personnel expenses		(27,184)	(26,939)
EBITDA		**99,176**	**77,603**
Depreciation and amortisation, provisions related to production activities net of reversals		(42,708)	(55,100)
Depreciation and amortisation, provisions related to drilling activities net of reversals		(741)	2,355
Current Operating Income		**55,727**	**24,858**
Expenses and impairment of exploration assets net of reversals		(1,984)	(1,880)
Other non-current income and expenses		(893)	(4,030)
Income from asset disposals		56	5
Operating income	3.1	**52,907**	**18,953**
Cost of gross debt		*(11,137)*	*(26,708)*
Income from cash		*2,146*	*520*
Income and expenses related to interest-rate derivative financial instruments		*(2)*	*5,767*
Net cost of financial debt		(8,993)	(20,422)
Net foreign exchange adjustment		956	(33,011)
Other financial income and expenses		(151)	(829)
Financial income	4.7	**(8,188)**	**(54,262)**
Income before tax		44,719	(35,309)
Income tax	5.1	(33,730)	(15,229)
Net income from consolidated companies		**10,990**	**(50,538)**
Share of income/loss of associates	2.2	9,017	(5,621)
Net consolidated income		**20,006**	**(56,159)**
Of which: - Net income, Group share		18,522	(56,360)
- Non-controlling interests		1,484	201

** Adjusted for the change in accounting method in 7.5.1.6.*

7.2.1.2 Comprehensive income for the period

in € thousands	30/06/2018	30/06/2017 (*) adjusted
Net income for the period	**20,006**	**(56,159)**
Foreign exchange adjustment for the financial statements of foreign entities	25,021	(71,553)
Changes in the fair value of cash flow hedges	(121)	0
Total comprehensive income for the period	**44,906**	**(127,712)**
- Group share	43,394	(127,953)
- Non-controlling interests	1,513	241

** Adjusted for the change in accounting method in 7.5.1.6.*

7.2.1.3 Earnings per share

	30/06/2018	30/06/2017 (*) adjusted
Net income attributable to Group equity holders for the period in € thousands	**18,522**	**(56,360)**
Share capital	195,340,313	195,340,313
Treasury shares	3,336,625	4,433,909
Average number of shares outstanding	**192,003,688**	**189,892,068**
Number of diluted shares	**192,183,688**	**191,030,068**
Earnings per share (€)		
Basic	0.10	-0.30
Diluted	0.10	-0.30

** Adjusted for the change in accounting method in 7.5.1.6.*

7.3 Changes in shareholders' equity

in € thousands	Capital	Treasury shares	Additional paid-in capital and reserves	Fair value of net investment hedges	Currency translation adjustment	Income for the period	Equity, Group share	Non-controlling interests	Total equity
31 December 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)			(790)	**(119,426)**		**(119,426)**
1 January 2017 adjusted*	**150,412**	**(68,140)**	**695,581**	**(7,436)**	**235,671**	**(50,983)**	**955,104**	**(662)**	**954,442**
Net income as reported						*(56,752)*	***(56,752)***	*201*	***(56,550)***
Change in accounting method						*391*	***391***		***391***
Other comprehensive income					(71,593)		**(71,593)**	40	**(71,553)**
Total comprehensive income	**0**	**0**	**0**	**0**	**(71,593)**	**(56,360)**	**(127,953)**	**241**	**(127,712)**
Appropriation of income - dividends			(50,193)			50,193	**0**		**0**
Bonus shares			1,137				**1,137**		**1,137**
Changes in treasury shares		14,177	(14,433)				**(256)**		**(256)**
Total transactions with shareholders	**0**	**14,177**	**(63,489)**	**0**	**0**	**50,193**	**881**	**0**	**881**
30 June 2017 adjusted	**150,412**	**(53,963)**	**632,091**	**(7,436)**	**164,078**	**(57,150)**	**828,031**	**(421)**	**827,611**

in € thousands	Capital	Treasury shares	Additional paid-in capital and reserves	Fair value of net investment hedges	Currency translation adjustment	Income for the period	Equity, Group share	Non-controlling interests	Total equity
1 January 2018 as reported	**150,412**	**(53,521)**	**623,017**	**(7,436)**	**125,912**	**6,620**	**845,004**	**(261)**	**844,743**
Net income			0			18,522	**18,522**	1,484	**20,006**
Fair value of hedging instruments			(121)				**(121)**		**(121)**
Other comprehensive income			0		24,992		**24,992**	29	**25,021**
Total comprehensive income	**0**	**0**	**(121)**	**0**	**24,992**	**18,522**	**43,394**	**1,513**	**44,906**
Appropriation of income - dividends			6,620			(6,620)	**0**		**0**
Group/Minority interests sharing			816		(99)		**717**	(717)	**0**
IFRS 9 first-time application impact (Seplat)			(983)				**(983)**		**(983)**
Bonus shares			(11,205)				**(11,205)**		**(11,205)**
Changes in treasury shares		12,422	0				**12,422**		**12,422**
Total transactions with shareholders	**0**	**12,422**	**(4,752)**	**0**	**(99)**	**(6,620)**	**952**	**(717)**	**234**
30 June 2018	**150,412**	**(41,099)**	**618,144**	**(7,436)**	**150,806**	**18,522**	**889,350**	**534**	**889,884**

** Adjusted for the change in accounting method in 7.5.1.6.*

7.4 Cash flow statement

in € thousands	Note	30/06/2018	30/06/2017 (*) adjusted
Net income		20,006	(56,159)
Tax expense for continuing operations		33,730	15,229
Consolidated income from continuing operations		**53,736**	**(40,030)**
Net increase (reversals) of amortisation, depreciation and provisions	3.2 & 3.3 & 3.4 & 3.8	43,767	56,991
Exploration and decommissioning expenses	3.2	1,984	1,880
Share of income from equity associates	2.2	(9,017)	5,621
Other income and expenses calculated on bonus shares		768	1,105
Gains (losses) on asset disposals		(56)	(5)
Dilution gains and losses	2.2	(2,014)	
Unrealised gains (losses) due to changes in fair value		25	(5,767)
Other financial items		7,860	65,226
CASH FLOW BEFORE TAX		**97,052**	**84,121**
Income tax paid		(14,596)	(13,571)
Change in working capital requirements for operations		(5,884)	8,604
Inventories		*418*	*871*
Trade receivables	*3.4*	*(39,253)*	*(30,053)*
Trade payables	*3.7*	*3,939*	*10,948*
Other payables	*3.5 & 4.1*	*8,239*	*25,864*
Other receivables	*3.6 & 4.1*	*20,772*	*974*
NET CASH FLOW FROM OPERATING ACTIVITIES		**76,572**	**79,154**
Proceeds from disposals of property, plant & equipment and intangible assets		56	
Disbursements for acquisition of property, plant & equipment and intangible assets	3.2 & 3.3	(30,563)	(19,767)
Change in deposits		8	
Interest received on deposits	4.7	2,146	
Other cash flows from investing activities		(217)	
NET CASH FLOW FROM INVESTMENT ACTIVITIES		**(28,570)**	**(19,767)**
Treasury share acquisitions/sales		286	(276)
Proceeds from new loans			188,582
Loan repayments	4.3	(288)	(223,940)
Additional paid-in capital on hedging instruments	4.5	(169)	
Interest paid	4.3	(7,208)	(12,420)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(7,378)**	**(48,054)**
Impact of exchange rate fluctuation		7,741	(15,541)
CHANGE IN CASH POSITION (**)		**48,365**	**(4,209)**
CASH (**) AT BEGINNING OF PERIOD		**216,255**	**192,653**
CASH (**) AT END OF PERIOD		**264,620**	**188,444**

** Adjusted for the change in accounting method in 7.5.1.6.*
(**) Bank loans are reported under cash as shown below.

7.5 Notes to the consolidated financial statements

7.5.1 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 (together referred to as "the Group" and each individually referred to 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 extraction and production of hydrocarbons (oil and gas).

The consolidated financial statements were approved by the Board of Directors on 3 August 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.

7.5.1.1 Economic environment

Operated oil production in Gabon, which stood at 21,561 bopd in the first half of 2018, fell by 13% compared to the previous year. In Tanzania, average gas output was 79.3 MMcf/d for the operated interest, corresponding to 38.1 MMcf/d for M&P's interest (48.06%). Production has remained at a volume in excess of 80 MMcf/d and continues to increase steadily.

The increase in sales compared to H1 2017 was largely due to the substantial rise in the average sale price of oil produced in Gabon (US$69.2/bbl, 36% higher than in H1 2017).
First-half sales in Gabon also benefited from approximately US$18 million in lifting volume that exceeded production during the half-year in question.
However, the appreciation of the euro against the dollar between 2017 (average rate 1.08) and 2018 (average rate 1.21) adversely affected sales and operating income presented in euros.

The refinancing in dollars at the end of 2017 proved its worth, reducing the net interest expense and foreign exchange gains and losses. Positions in transactional foreign currencies, as opposed to the US$ functional currency of all the consolidated entities, are now limited (they are essentially tax receivables in XAF in Gabon) and therefore no longer have such an impact on financial income.

The Group's share of income from equity associates amounted to €9 million, reflecting the return of Seplat's hydrocarbon production to the levels achieved before a force majeure was declared on the export terminal and the stepping up of its gas production.

The Group's consolidated net income at 30 June 2018 was €20 million. It was favourably impacted by the rise in the price of Brent in the first half of 2018, even though this meant a higher tax liability.

Cash flow from operating activities amounted to €77 million. This was used to finance (i) investments (€31 million), for the most part in Gabon on the Ezanga production permit, and (ii) interest payments on borrowings (€7 million).

7.5.1.2 Declaration of compliance

The Group's condensed consolidated financial statements (including the accompanying notes) have been prepared in line with International Accounting Standard (IAS) 34 Interim Financial Reporting. In accordance with IAS 34, the notes exclusively concern significant events that occurred during the first half of 2018 and they do not present all the information required for full-year financial statements. As such, they must be read in conjunction with the annual consolidated financial statements for the fiscal year ended 31 December 2017.

7.5.1.3 Principal accounting methods

The interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (available at https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements) and as published by the IASB.

The Group has applied the same accounting standards, interpretations, principles and methods at 30 June 2018 as in the 2017 consolidated financial statements, with the exception of the following mandatory changes under IFRS as of 1 January 2018:

IFRS 9 "Financial Instruments":

The provisions of IFRS 9 on the classification, measurement and impairment of financial assets are applied retrospectively by the Group at 1 January 2018, with no restatement of the comparative period. The application of the "impairment of financial assets" component had no material impact for the Group as at 1 January 2018, but the application of the "Classification and Measurement" component led the Group to reformulate the Fair Value table, as provided in the accompanying notes.

IFRS 16 "Leases"

IFRS 16, which will be mandatory as from 1 January 2019, has not been applied early by the Group. Analysis are currently undergoing with the perspective to apply the retrospective method on 2018.

IFRS 15 "Revenue from Contracts with Customers":

Maurel & Prom has adopted the new IFRS 15 standard in its financial statements as from 1 January 2018 and has elected to apply the cumulative catch-up transition and implementation method without restating comparative periods.

The impact of the transition to IFRS 15 on the Group's financial statements is essentially a reporting adjustment between sales and over- and underlift 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 presentation can differ significantly depending on whether the extracted oil is lifted onto a tanker (which corresponds to the sale of the oil) before or after the period-end.

Until 31 December 2017, sales were recognised on the basis of the Group's entitlements on the production delivered to the oil terminals ("entitlement method") and not on the actual liftings.

The entry into force of IFRS 15 from 1 January 2018 led to a change in sales recognition, which is now determined upon oil sold, i.e. oil lifted. The Group recognise now time lags between liftings and the theoretical entitlement in the cost of sales, through over- or underlift positions, valued at the market price, under other current assets (underlift position) or other current liabilities (overlift position). This change of method does not impact EBITDA.

The impacts on the financial statements are as follows:

In € thousands	30/06/2018 before IFRS 15	Impact of IFRS 15	30/06/2018 as reported
Sales	181,373	14,774	196,146
Other income from operations	2,060		2,060
Change in overlift/underlift position	0	(14,774)	(14,774)
Purchases and operating expenses	(37,834)		(37,834)
Taxes	(19,238)		(19,238)
Personnel expenses	(27,184)		(27,184)
EBITDA	**99,176**	**0**	**99,176**

ASSETS (in € thousands)	30/06/2018 before IFRS 15	Impact of IFRS 15	30/06/2018 as reported
NON-CURRENT ASSETS	**1,590,810**		**1,590,810**
Inventories (net)	6,852		6,852
Trade receivables and related accounts (net)	75,509	14,774	90,283
Other current financial assets	68,055		68,055
Other current assets	35,244		35,244
Current tax receivables	387		387
Current financial instruments	24		24
Cash and cash equivalents	269,019		269,019
CURRENT ASSETS	**455,090**	**14,774**	**469,864**
TOTAL ASSETS	**2,045,901**	**14,774**	**2,060,674**

EQUITY AND LIABILITIES (€ thousands)	30/06/2018 before IFRS 15	Impact of IFRS 15	30/06/2018 as reported
TOTAL EQUITY	**889,884**		**889,884**
NON-CURRENT LIABILITIES	**968,424**		**968,424**
Shareholder loans	0		0
Current bond borrowings	0		0
Other current borrowings and financial debt	8,201		8,201
Trade payables and related accounts	51,620		51,620
Current tax liabilities	9,010		9,010
Other creditors and miscellaneous liabilities	105,433	14,774	120,207
Current provisions	13,328		13,328
CURRENT LIABILITIES	**187,593**	**14,774**	**202,366**
TOTAL EQUITY AND LIABILITIES	**2,045,901**	**14,774**	**2,060,674**

Maurel & Prom has adopted the new IFRS 15 standard using the cumulative catch-up transition and implementation method, which has no impact on the opening balance sheet at 1 January 2018.

7.5.1.4 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 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;*
- *recognition of deferred tax assets;*
- *estimates of proven and probable hydrocarbon reserves.*

When preparing these interim financial statements, the Management's main estimates and the Group's accounting standards are consistent with those applied for the consolidated financial statements for the fiscal year ended 31 December 2017.

7.5.1.5 Seasonality

The Group's business is affected by the consequences of seasonal trends and its full-year earnings largely depend on the performance levels achieved over the second half of the year. The upstream oil sector is therefore impacted by international demand and prices per barrel. As such, income for the first half of 2018 is not necessarily representative of the results to be expected for the full fiscal year in 2018.

7.5.1.6 Impact of the change in accounting method in 2017 on comparative periods presented in the half-year financial statements

Since the period ended 31/12/2017, the Group has been using the "successful efforts" method to recognise its exploration costs.
These costs had previously been recorded in the consolidated financial statements under intangible assets regardless of their type or nature and amortised commensurate with depletion as from the start of production in the case of discovery, or recorded as an expense if the project was unsuccessful and the decision was made to abandon exploration.
Under the "successful efforts" method, most of this expenditure is recorded immediately in expenses, with the exception of exploratory drilling and other expenditure incurred in connection with discovering or clarifying the presence of a hydrocarbon prospect.
The resulting negative impact on shareholders' equity amounted to -€119 million at 1 January 2016 (net of depletions already made), i.e. -€148 million on exploration assets net of a €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 immaterial and hence had little impact on the transition year. The impact on the comparative income statement of first-half 2017 is presented below.
In addition, in the first half of 2017, certain tax expenses charged back to partners were presented under "Purchases and other operating expenses" and amounted to €4.5 million. These have been reclassified as "Taxes".

In € thousands	30/06/2017 adjusted	change	30/06/2017 as reported
Sales	171,731		171,731
Other income from operations	266		266
Purchases and operating expenses	(48,516)	(4,545)	(43,971)
Taxes	(18,938)	4,545	(23,483)
Personnel expenses	(26,939)		(26,939)
EBITDA	**77,603**	**0**	**77,603**
Depreciation and amortisation, provisions related to production activities net of reversals	(55,100)	2,140	(57,241)
Depreciation and amortisation, provisions related to drilling activities net of reversals	2,355		2,355
Current Operating Income	**24,858**	**2,140**	**22,717**
Expenses and impairment of exploration assets net of reversals	(1,885)	(1,010)	(870)
Other non-current income and expenses	(4,030)		(4,030)
Income from asset disposals	5		5
Badwill	0		-0
Operating income	**18,953**	**1,130**	**17,818**
Cost of gross debt	*(26,708)*		*(26,708)*
Income from cash	*520*		*520*
Net gains on fair value of financial instruments	*5,767*		*5,767*
Net cost of financial debt	(20,422)		(20,422)
Net foreign exchange adjustment	(33,011)		(33,011)
Other financial income and expenses	(829)		(829)
Financial income	**(54,262)**	**0**	**(54,262)**
Income before tax	(35,309)	1,130	(36,439)
Income tax	(15,229)	(739)	(14,491)
Net income from consolidated companies	**(50,538)**	**391**	**(50,929)**
Share of income/loss of associates	(5,621)		(5,621)
Net consolidated income	**(56,159)**	**391**	**(56,550)**
Of which: - Net income, Group share	(56,360)	391	(56,752)
- Non-controlling interests	201		201

7.5.2 Basis for consolidation

7.5.2.1 List of consolidated entities

Excluding the dilution from the Seplat holding, the consolidation scope at 30 June 2018 was unchanged from 31 December 2017. Consolidated companies are as follows:

Company	Registered office	Consolidation method (*)	% control	
			30/06/2018	31/12/2017
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	20.46%	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

7.5.2.2 Investments in equity associates

In € thousands	Maurel & Prom Colombia BV	SEPLAT	Deep Well Oil	Total
INVESTMENTS IN EQUITY ASSOCIATES AT 31/12/2017	**714**	**124 921**	**(70)**	**125 564**
Income	(124)	9 140		9 017
Dilution reserves effect (2)		(5 308)		(5 308)
Value of shares diluted (2)		7 342		7 342
IFRS 9 transition		(983)		(983)
Dividends		(5 331)		(5 331)
Foreign currency translation reserves	37	3 894	(2)	3 929
INVESTMENTS IN EQUITY ASSOCIATES AT 30/06/2018	**627**	**133 675**	**(72)**	**134 230**

In € thousands	Maurel & Prom Colombia BV	SEPLAT	Deep Well Oil	Total
Location	Colombia	Nigéria	Canada	
	Joint-Venture	Associate	Associate	
Activity	Exploration	Production	Exploration	
% interest	50.001%	20.46%	19.67%	
Total non-current assets	972	1 ,416 ,097		
Other current assets	6 ,974	266 ,574		
Cash and cash equivalent	362	437 ,388		
Total Assets	**8 ,308**	**2 ,120 ,059**	**0**	
Total non-current liabilities	474	354 ,408	366	
Total current liabilities	6 ,580	464 ,947		
Total Liabilities (excl. equity)	**7 ,054**	**819 ,355**	**366**	
Reconciliation with balance sheet values				
Total shareholders' equity or net assets	**1 ,254**	**1 ,300 ,704**	**-366**	
Historical conversion adjustment		(19 ,089)		
Net assets	**1 ,254**	**1 ,281 ,615**	**(366)**	
Share held	627	262 ,227	(72)	
IFRS 3 fair value(1)		(135 ,874)		
Value of shares diluted (2)		7 ,322		
Balance Sheet value as at 30/06/2018	**627**	**133 ,675**	**(72)**	**134 ,230**
Sales		283 ,110		
Operating income	(436)	136 ,567		
Exchange loss		19		
Loss on derivatives on hydrocarbons		(5 ,745)		
Financial expenses	283	(30 ,629)		
Corporate income tax	(95)	(60 ,107)		
Net income from equity associates	**(247)**	**40 ,106**	**0**	
Share held	(124)	8 ,206	0	
Standardisation adjustment		934		
P&L value as at 30/06/2018	**(124)**	**9 ,140**	**0**	**9 ,017**

(1) Fair value adjustment for SEPLAT under IFRS 3 (consolidated at the stock market value) recorded in 2015 in connection with the merger with MPI.
(2) Seplat issued 25 million bonus shares which resulted in a 0.9% dilution of M&P's equity stake less the IFRS 3 fair value adjustment from 2015. Equity was thus reduced by €5 million. At the same time, diluted shares were valued at the market price of €7 million. On a net basis, the dilution gain on the equity share, recorded in "Other current income", was €2 million.

The Group's share of income from equity associates amounted to €9 million, reflecting the return of Seplat's hydrocarbon production to the levels achieved before a force majeure was declared on the export terminal and the stepping up of its gas production.

7.5.3 Operating activities

7.5.3.1 Segment reporting

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	Production in Gabon	Production in Tanzania	Seplat	Exploration	Drilling	Other	30/06/2018
Sales	175,655	15,296			5,196		196,146
Taxes	(19,029)	(136)		(17)	434	(492)	(19,238)
Royalties						(5,361)	(5,361)
Other operating expenses	(57,700)	1,638	2,014	(1,108)	(12,068)	(5,147)	(72,371)
EBITDA	**98,926**	**16,798**	**2,014**	**(1,125)**	**(6,438)**	**(10,053)**	**99,176**
Depreciation and amortisation, impairment loss & provisions for assets in production and drilling assets	(39,076)	(3,553)			(741)	(79)	(43,449)
Expenses and impairment of exploration assets net of reversals				(1,984)			(1,984)
Other non-recurring expenses						(893)	(893)
Gain (loss) on asset disposals					56		56
Operating income	**59,851**	**13,245**	**2,014**	**(3,109)**	**(7,123)**	**(11,971)**	**52,907**
Share of income of equity associates			**9,140**	**(124)**			**9,017**
Net cash flow generated from operating activities	**78,484**	**15,526**		**(40)**	**(6,718)**	**(10,680)**	**76,572**
Intangible investments	**806**			**3,049**	**2**		**3,857**
Intangible assets (net)	**117,780**	**16,159**		**3,445**	**25**		**137,408**
Investments in property, plant and equipment	**24,011**	**1,230**			**1,348**	**149**	**26,737**
Property, plant and equipment (net)	**1,186,127**	**43,967**		**1,671**	**16,587**	**508**	**1,248,859**

7.5.3.2 Intangible assets

In € thousands	31/12/2017	Currency translation adjustment	Investments	Impairment Operating expenses	Amort. & depr.	30/06/2018
Ezanga (Gabon)	117,242	3,265	806	(775)	(2,757)	117,780
Mnazi Bay (Tanzania)	16,917	440			(1,199)	16,159
Assets attached to producing permits	134,160	3,705	806	(775)	(3,956)	133,939
Kari (Gabon)		40	1,033			1,072
Nyanga Mayombe (Gabon)	1,518	46	751			2,315
Permits 44 & 45 (Namibia)			1,154	(1,154)		
Sawn Lake (Canada)			54	(54)		
Other	24	2	57		(25)	57
Assets attached to permits in exploration	1,542	87	3,049	(1,209)	(25)	3,445
Drilling	19	11	2		(3)	25
Intangible assets (net)	**135,720**	**3,804**	**3,857**	**(1,984)**	**(3,984)**	**137,408**

Exploration expenses in Namibia relating to the acquisition of seismic data and on Ezanga were incurred before the presence of a hydrocarbon prospect had been determined and consequently were expensed for the period under the "successful effort" method. In contrast, expenses on Kari and Nyanga were eligible for capitalisation.

7.5.3.3 Property, plant and equipment

In € thousands	31/12/2017	Currency translation adjustment	Investments	Impairment Operating expenses	Amort. & depr.	30/06/2018
Ezanga (Gabon)	1,165,416	33,018	24,011		(36,318)	1,186,127
Mnazi Bay (Tanzania)	43,873	1,218	1,230		(2,354)	43,967
Assets attached to producing permits	1,209,289	34,236	25,241	0	(38,672)	1,230,093
Nyanga Mayombe (Gabon)	1,624	47				1,671
Assets attached to permits in exploration	1,624	47	0	0	0	1,671
Drilling	15,137	474	1,348		(375)	16,587
Other	408	15	149		(63)	508
Property, plant and equipment (net)	**1,226,457**	**34,771**	**26,737**	**0**	**(39,111)**	**1,248,859**

Investments in property, plant and equipment during the period were primarily production investments on the Ezanga permit.
Pursuant to IFRS 6 and IAS 36 and in the absence of a trigger event or new factors calling into question the estimates applicable to assets as at 31 December 2017, the Group did not consider it necessary to analyse the assets' recoverable value as at 30 June 2018.

7.5.3.4 Trade receivables and related accounts

In € thousands	31/12/2017	Currency translation adjustment	Change	Transfer	Impairment / Reversals	30/06/2018
Ezanga (Gabon)	10,992	1,729	36,940			49,662
Mnazi Bay (Tanzania)	31,647	994	2,202			34,842
Drilling	6,558	143	(54)	(144)	(985)	5,519
Other	91		164			260
Trade receivables and related accounts (net)	**49,288**	**2,871**	**39,253**	**(144)**	**(985)**	**90,283**

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 trade receivables on Mnazi Bay for natural gas sales are mostly from the national company TPDC and Tanesco.
Trade receivables on drilling mainly correspond to receivables related to leading oil companies.

7.5.3.5 Other assets

in € thousands	31/12/2017	Currency translation adjustment	Change	Transfer	Impairment / Reversals	30/06/2018
Advances	2,922	90	146			3,158
Prepaid expenses	961	116	2,402			3,479
Tax and social security receivables	70,933	2,099	(4,827)	(103)	(692)	67,412
Other assets (net)	**74,817**	**2,305**	**(2,279)**	**(103)**	**(692)**	**74,048**
Gross	78,771	2,305	(2,135)			78,940
Impairment	(3,954)		(144)	(103)	(692)	(4,892)
Non-current	38,829	1,490	(1,515)			38,804
Current	35,988	815	(764)	(103)	(692)	35,244

"Tax and social security receivables (excluding corporation tax)" primarily comprise VAT receivables from the Gabonese state, denominated in XAF, the portion under an MOU being classified as non-current.

7.5.3.6 Other current liabilities

In € thousands	31/12/2017	Currency translation adjustment	Change	Transfer	Impairment / Reversals	30/06/2018
Social security liabilities	9,720	292	1,112			11,124
Tax liabilities	31,496	914	295			32,706
Fixed asset liabilities	1,689	50	31			1,769
Advances	22,663	55	203			22,921
Overlift position liability	0	581	15,199			15,780
Miscellaneous liabilities	30,346	1,627	3,933			35,905
Other current liabilities	**95,915**	**3,519**	**20,772**	**0**	**0**	**120,207**

7.5.3.7 Trade payables and related accounts

In € thousands	31/12/2017	Currency translation adjustment	Change	Transfer	Impairment / Reversals	30/06/2018
Ezanga (Gabon)	36,311	1,169	3,289			40,769
Mnazi Bay (Tanzania)	561	(13)	(753)			(205)
Drilling	4,775	103	93	(1,069)		3,902
Other	5,700	144	1,310			7,154
Trade payables and related accounts	**47,347**	**1,403**	**3,939**	**(1,069)**	**0**	**51,620**

7.5.3.8 Provisions

in € thousands	31/12/2017	Currency translation adjustment	Increase/ Reversal	Reversal	Transfer	30/06/2018
Site remediation	35,818	967	679	(374)		37,090
Pension commitments	892	16	(174)			735
Other	17,536	336	(182)	(708)	823	17,805
Provisions	**54,247**	**1,319**	**323**	**(1,082)**	**823**	**55,629**
Non-current	41,062	1,108	505	(374)	(0)	42,301
Current	13,185	211	(182)	(708)	823	13,328

Site remediation provisions for sites in production are revised annually based on an appraisal and discounted using US Bloomberg Corporate AA rates to keep pace with the length of the commitment.

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

7.5.4 Financing activities

7.5.4.1 Other financial assets

in € thousands	31/12/2017	Currency translation adjustment	Change	Transfer	Impairment / Reversals	30/06/2018
Equity associate current accounts	2,724	46	269			3,039
Deposits	3,848	99	(8)			3,939
Dividends receivable		190	4,974			5,164
Carry receivables	67,019	2,305	(5,960)		(472)	62,891
Other financial assets (net)	**73,590**	**2,639**	**(725)**	**0**	**(472)**	**75,034**
Non-current	6,572	145	261	0	0	6,978
Current	67,019	2,495	(987)	0	(472)	68,055

Carry receivables correspond to costs advanced by the Group to its partners in application of oil contract mechanisms. They are recovered based on hydrocarbon sales. The pace of recovery of these carry receivables is based on the activity's regular operating cycle and may consequently exceed 12 months.

7.5.4.2 Cash and cash equivalents

in € thousands	30/06/2018	31/12/2017
Liquid assets, banks and savings banks	215,640	166,072
Short-term bank deposits	1,334	790
Investment securities	52,045	50,046
Cash and cash equivalents	**269,019**	**216,908**
Bank loans (*)	(4,399)	(653)
Net cash and cash equivalents	**264,620**	**216,255**

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

7.5.4.3 Borrowings

In € thousands	31/12/2017	Currency translation adjustment	Repayment	Interest expense	Interest disbursements	Other	30/06/2018
Term Loan (600M$)	493,109	15,023					508,132
Shareholder loans	83,382	2,396					85,778
Lease financing liabilities	1,856	58				(4)	1,910
Non-current	578,347	17,477	0	0	0	(4)	595,819
ORNANE 2019	288		(288)				
ORNANE 2021	3		(3)				
Lease financing liabilities	343					(141)	203
Current bank loans	653			166		3,580	4,399
Accrued interest	656			10,957	(7,208)	(806)	3,599
\/ shareholder loan (100M$)	*79*			*1,477*	*(1,555)*	(1)	*0*
\/ Term loan (600M$)	*577*			*9,480*	*(5,652)*	(806)	*3,599*
Current	1,943	0	(290)	11,123	(7,208)	2,633	8,201
Borrowings	**580,290**	**17,477**	**(290)**	**11,123**	**(7,208)**	**2,629**	**604,021**

7.5.4.4 Derivative instruments

At the end of June 2018, the Group subscribed for interest-rate cap derivatives to limit the cost of debt in the event of a rise in interest rates. The hedge was then qualified as a "Cash flow hedge" under IFRS 9. Only the intrinsic value was designated as a hedging instrument. The time value was treated as a hedging cost and recognised as OCI then amortised in the income statement under the straight-line method. The fair value of these derivatives was not material at 30 June 2018.

7.5.4.5 Financial risk management

The Group's financial risk management (market risk, country risk, credit risk and liquidity risk) and the objectives and guidelines applied by the Group's Management are identical to those presented for the consolidated financial statements at 31 December 2017.

7.5.4.6 Fair value

Fair value positions according to IFRS 13 hierarchy are established based on the same assumptions as those presented in the consolidated financial statements at 31 December 2017.

The application of IFRS 9 led to a review of the presentation of financial asset and liability categories, and these are now presented as follows (no material changes compared to the presentation under IAS 39):

In € thousands	Categories	Level	30/06/2018 Balance sheet total	30/06/2018 Fair value	31/12/2017 Balance sheet total	31/12/2017 Fair value
Non-current financial assets	Amortised cost	Level 2	6,978	6,978	6,572	6,572
Trade receivables and related accounts	Amortised cost	Level 2	90,283	90,283	49,288	49,288
Other current financial assets	Amortised cost	Level 2	68,055	68,055	67,019	67,019
Derivative financial instruments	Fair value	Level 1	24	24	0	0
Cash and cash equivalents			269,019	269,019	216,908	216,908
Total assets			**434,360**	**434,360**	**339,786**	**339,786**
Other borrowings and financial debt	Amortised cost	Level 2	518,243	518,243	496,539	496,539
Bonds	Amortised cost	Level 2	0	0	290	290
Trade payables	Amortised cost	Level 2	51,620	51,620	47,347	47,347
Other creditors and sundry liabilities	Amortised cost	Level 2	120,207	120,207	95,915	95,915
Total liabilities			**690,070**	**690,070**	**640,091**	**640,091**

The net book value of financial assets and liabilities at the amortised cost is considered to correspond to a reasonable approximation of their fair value given their nature.
The net carrying value of the Group's cash corresponds to its fair value given that it is considered to be liquid.
The fair value of derivative financial instruments is based on the instrument's market value at period-end, as explained in Note 7.5.4.4.

7.5.4.7 Financial income

In € thousands	30/06/2018	30/06/2017
Interest on overdrafts	(166)	(7)
Interest on ORNANE bonds	(14)	(16,106)
Interest on shareholder loans	(1,477)	(1,198)
Interest on other borrowings	(9,480)	(9,397)
Gross borrowing costs	**(11,137)**	**(26,708)**
Income from cash	2,146	520
Net income from derivative instruments	(2)	5,767
Net borrowing costs	**(8,993)**	**(20,422)**
Net foreign exchange adjustment	956	(33,011)
Other	(151)	(829)
Other net financial income and expenses	**805**	**(33,840)**
Financial income	**(8,188)**	**(54,262)**

Gross borrowing costs use the effective interest rate of the loan (i.e. the actuarial rate which takes into account issuance fees).
Net foreign exchange adjustment variances are mainly due to the revaluation at the closing rate of the Group's foreign currency positions that are not in the Group's functional currency (US$). The exchange rate at 31/12/2017 was 1.199 versus 1.166 at 30/06/2018. Positions in transactional currencies that are not in the US$ functional currency used by all consolidated entities are limited. These are primarily tax receivables in XAF in Gabon. The 2.8% exchange rate fluctuation that applied to a non-current VAT receivable of €39.5 million (denominated in XAF) generated an exchange rate gain in the US$ functional currency of US$1.1 million or €0.9 million.

7.5.5 Other information

7.5.5.1 Income taxes & deferred taxes

In € thousands	Deferred tax	Current tax	Total
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)**
Tax expense	(15,434)	(18,296)	(33,730)
Payments		14,596	14,596
Currency translation adjustment	(8,684)	(276)	(8,960)
Assets at 30/06/2018	**24,530**	**387**	**24,917**
Liabilities at 30/06/2018	**(330,304)**	**(9,010)**	**(339,313)**
Net value at 30/06/2018	**(305,774)**	**(8,623)**	**(314,397)**

The deferred tax expense was primarily the result of 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.
The corporate income tax expense payable is largely income tax recognised for the state's share of profit oil on the Ezanga permits in Gabon and corporate income tax on the Mnazi Bay permit.

In € thousands	Gabon	Tanzania	Seplat	Exploration	Drilling	Other	30/06/2018
Operating income	59,851	12,299	2,014	(3,109)	(7,179)	(10,968)	52,907
Financial income						(8,188)	(8,188)
Income before tax	**59,851**	**12,299**	**2,014**	**(3,109)**	**(7,179)**	**(19,156)**	**44,719**
Theoretical tax rate	**35.00%**	**30.00%**	**0% (equity associates)**	**33.33%**	**33.3%**	**33.33%**	
Theoretical corporate income tax expense	**(20,948)**	**(3,690)**		**1,036**	**2,374**	**6,718**	**(14,792)**
Recognised corporate income tax expense	**(25,594)**	**(8,169)**	**0**	**458**	**(395)**	**(30)**	**(33,730)**
Apparent rate	**42.76%**	**66.42%**		**14.72%**	**-5.50%**	**-0.27%**	
Difference in corporate income tax due to:	**(4,646)**	**(4,479)**	**0**	**(579)**	**(2,7693)**	**(6,510)**	**(19,053)**
- basis difference (Profit Oil instead of Accounting Income for which amortisation is restated below)	7,566						7,566
- basis difference (amortisation on recoverable costs vs fixed asset NCA)	(12,213)	(3,222)					(15,434)
- rate difference (corporate income tax simplified in terms of sales and not income)					(2,769)		(2,769)
- delayed impact of tax rule application		(974)		458			(516)
- non-capitalised losses				(1,036)		(6,749)	(7,785)

7.5.5.2 Off-balance-sheet commitments - Contingent assets and liabilities

Off-balance-sheet commitments were consistent with those presented in the consolidated financial statements at 31 December 2017.

7.5.5.3 Events after the reporting period

None

8 STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

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GEA AUDIT
International Audit Company
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75008 Paris

To the Shareholders,

In compliance with the assignment entrusted to us by your General Assembly and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying half-yearly consolidated financial statements of Etablissements Maurel & Prom S.A., for the period from January 1 to June 30, 2018.
- the verification of the information presented in the half-yearly management report.

These half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at June 30, 2018 and of the results of its operations for the period then ended in accordance with IFRSs as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to the following matters:

- Note 5.1.6 to the consolidated half-year condensed financial statements, which describes the change in accounting method for exploration assets, resulting in transition from « full cost » method to « successful efforts » method.

- Note 5.1.3 to the consolidated half-year condensed financial statements regarding first-time application of IFRS 9 standard « Financial instruments », which concerns classification, evaluation and impairment of financial assets, and of IFRS 15 standard « Revenue from contracts with customers », whose application impacts the revenue presentation and the oil lifting positions.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the half-yearly consolidated financial statements.

Paris La Défense, on the 3'August'2018 Paris, on the 3'August'2018

KPMG Audit International Audit Company