



13.2.3 - Company financial statements for the year ended 31 December 2007

BALANCE SHEET ASSETS

<i>In euros</i>	Net at 31 Dec 2007	Notes	Net at 31 Dec 2006
Concessions, patents, licenses	5,261,866		69,274,697
Other intangible assets	36,819,466		39,222,521
Intangible assets	42,081,332	3.1	108,497,218
Technical facilities	85,822		169,721,628
Other tangible assets	943,911		954,807
Fixed assets In progress	-		37,505,191
Tangible assets	1,029,733	3.1	208,181,627
Equities	453,152,432		529,927,819
Other long-term investments	6,190,639		20,904,185
Long-term investments	459,343,071	3.2	550,832,004
Non-current assets	502,454,136		867,510,849
Inventories	842,681	3.3	2,374,869
Trade receivables	7,192,069	3.5/6	29,326,092
Other receivables	257,415,414	3.4/5/6	90,543,907
Treasury shares and other investment securities	53,834,518	3.7	43,010,241
Financial derivatives	3,566,723	3.7	0
Cash and cash equivalents	577,043,304	3.7	33,223,775
Pre-paid expenses	750,597		1,185,602
Current assets	900,645,306		199,664,487
Deferred expenditure	4,295,875	3.8	7,517,185
Foreign exchange gains	14,894,712	3.16	4,163,802
TOTAL	1,422,290,029		1,078,856,323

BALANCE SHEET LIABILITIES

<i>In euros</i>	31 Dec 2007	Notes	31 Dec 2006
Shareholders' equity	92,811,116		92,545,997
Share premiums and merger surpluses	182,176,522		179,537,858
Legal reserve	9,254,600		7,931,110
Other reserves	28,857		28,857
Retained earnings	45,124,917		62,998,127
Profit (loss) for the financial year	567,641,365		132,107,460
Shareholders' equity	897,037,377	3.9	475,149,409
Provisions for risks and charges	30,726,700	3.10	8,232,523
Convertible bonds	374,843,685	3.11/15	374,859,438
Loans and payables to credit institutions	-	3.12/15	80,551,550
Other borrowings and debt	65,872,302	3.13/15	76,781,142
Trade payables	10,034,973	3.14/15	33,537,317
Tax and social security payables	1,776,300	3.15	3,155,333
Payables to fixed asset suppliers	17,026,485	3.15	5,688,320
Other liabilities	11,929,916	3.14	16,611,678
Financial derivatives	238,361	3.7	0
Liabilities	481,722,022		591,184,778
Foreign exchange losses	12,803,930	3.16	4,289,614
TOTAL	1,422,290,029		1,078,856,323

INCOME STATEMENT

<i>In euros</i>	2007	Notes	2006
Sales	10,651,294	3.17	522,707,361
Transfers to inventory	5,976		- 563,008
Provision reversals and expense transfers	1,275,565		7,165,650
Other income	502,434		361,540
Operating income	12,435,269		529,671,543
Other external purchases and expenses	17,980,754		78,817,634
Change in inventory	-		-1,388,776
Taxes and duties	622,441		83,987,478
Salaries and social security expenses	9,559,730		15,278,920
Amortisation, depreciation and provisions:			
- on fixed assets: amortisation, depreciation and provisions	6,675,053		50,096,826
- on def. exp: amortisation and depreciation	2,147,937		3,419,737
- on receivables: provisions	21,467,952		621,058
- for liabilities and charges: provisions	13,477,992		
Other expenses	1,284,620		778,199
Operating expenses	73,216,479		231,611,076
Total operating income/loss	- 60,781,210		298,060,467
Financial income from other marketable securities	8,201,634		3,087,743
Extraordinary expenses on management transactions	49,635,265		16,029,652
Provision reversals and expense transfers	9,614,877		2,546,521
Foreign exchange gains	19,497,197		6,888,436
Gains on sale of investment securities	1,415,922		522,036
Interest income	88,364,895		29,074,388
Impairment and provision charges on investments	20,702,616		5,803,283
Interest and related expenses	22,774,759		23,726,339
Foreign exchange losses	82,388,740		12,155,271
Current interest expenses	125,866,115		41,684,893
Current financial income	- 37,501,220	3.18	- 12,610,505
Extraordinary financial provisions	134,583,289		0
Financial income	- 172,084,509	3.18	- 12,610,505
Current income before tax	- 232,865,719		285,449,962
Extraordinary expenses from management transactions	465,057		
Extraordinary income from capital transactions	1,092,480,322		122,296
Provision reversals and expense transfers	31,211,338		135,000
Extraordinary income	1,124,156,717		257,296
Extraordinary income from management transactions	593,720		470,071
Extraordinary expenses on capital transactions	321,055,258		314,016
Impairment and provision charges	1,966,905		1,015,000
Extraordinary expenses	323,615,883		1,799,087
Extraordinary income	800,540,834	3.19	- 1,541,791
Pre-tax income	567,675,115		283,908,171
Income tax	33,750	3.21	151,800,713
PROFIT (LOSS) FOR THE FINANCIAL YEAR	567,641,365		132,107,458

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 - SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 29 May 2007, Maurel & Prom and the oil company Eni, a subsidiary of the Italian group Eni S.p.A. completed the sale of Maurel & Prom's stake in Congo in the operating permits for M'Boundi and Kouakouala, and the decrease in its interest in the Kouilou exploration permit from 65% to 15% for the amount of \$1.434 billion.

Pursuant to the sale agreement, Maurel & Prom received \$1.394 billion corresponding to 95% of the sale price and \$32.3 million in interest on that sum (at a rate of 3-month \$ Libor + 0.5% since 1 January 2007).

The amount of \$55 million was received at end 2007 as final payment from Eni including the balance of 5% of the sale price, the assignment of the net income from five months operations (between 1 January 2007 and 29 May 2007) and the repayment by Eni of the working capital of the permits sold.

In addition, Maurel & Prom has in Gabon a subsidiary Maurel & Prom Gabon Ltd, registered in the British Virgin Islands which in turn holds:

- Maurel & Prom Gabon Ltd. for the Omoueyi permit;
- Maurel & Prom Etekamba S.A. for the Etekamba permit;
- Maurel & Prom Nyanga-Mayombé S.A. for the Nyanga-Mayombé permit;
- Quartier Général Maurel & Prom S.A., a management company.

These four entities are registered in Gabon.

It was decided to transfer, effective 1 January 2008, all the interest held by the operator companies in the production sharing contracts to the parent company Établissements Maurel et Prom and to dissolve the dormant companies as well as the management company.

Établissements Maurel et Prom will open a new subsidiary registered in Gabon to carry out the functions of operator.

This legal transaction was authorised by letter dated 20 September 2007 by the Ministry of hydrocarbons in Gabon; the transfer documents were signed on 27 December 2007 (see Note 3.18).

2 - ACCOUNTING POLICIES AND METHODS

The annual financial statements were prepared in accordance with French GAAP and in particular with the Chart of Accounts approved in April 1999 by regulation 99-03 of the French accounting standards board (Comité de la Réglementation Comptable).

The accounting rules applied were in compliance with the prudence principle and in accordance with the following underlying assumptions:

- going concern principle;
- consistency of accounting policies;
- matching or accruals principle.

They also comply with generally accepted principles for the preparation and presentation of annual financial statements.

The underlying method used to value the items recorded in the accounts is the historical cost method.

The main methods used are as follows:

2.1. - Intangible assets

Intangible assets are stated at cost. Amortisation is calculated using the straight-line method.

2.2. - Oil business

The methods used for the recognition of costs for this business are as follows:

MINING PERMITS

Costs relative to 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 at the amortisation rate for the oil production installations.

If the permit is withdrawn or the exploration fails, the remaining amortisation is written off immediately.

ACQUISITION OF RESERVES

The acquisitions of oil reserves are recorded as intangible assets and amortised according to the unit of production method based on proven and probable reserves.

The amortisation rate equals the ratio between the field's hydrocarbon production during the year and the hydrocarbon reserves at the beginning of the same year, re-estimated based on an independent expert report.



EXPLORATION EXPENDITURE

Exploration surveys and work, including the geological and geophysical expenditure, are recorded on the balance sheet as intangible assets.

At the time of discovery, the costs become operating costs, and a portion thereof is transferred to tangible assets, depending on their nature.

Expenses incurred after such date are capitalised and amortised as from the beginning of exploitation.

Exploration costs incurred for a permit that does not result in a commercial discovery and which leads to the decision to definitively stop work on a region or geological structure are expensed in the year the failure is recognised.

Impairment provisions are booked when the accumulated costs exceed the discounted future cash flow estimates or when technical difficulties are encountered. Impairments are assessed per exploration permit.

The amortisation of exploration expenditure is deferred until transfer under tangible assets.

OIL PRODUCTION FIXED ASSETS

Oil production fixed assets include all the exploration-related costs transferred to exploration costs following the discovery and those related to the development of fields (exploration drilling, surface facilities, oil evacuation systems, etc.)

Fixed assets that are not completed at the year-end are recorded under fixed assets in progress.

Completed fixed assets are amortised according to the unit of production method. The amortisation rate equals the ratio between the field's hydrocarbon production during the year and the hydrocarbon reserves at the beginning of the same year, re-estimated based on an independent expert report.

For assets relating to the entire field (pipelines, surface units, etc.), estimated reserves are the proven and probable "2P" reserves.

For assets relating to specific areas of a field, the estimated level of reserves corresponds to the area's developed proven reserves.

The reserves taken into account are those established on the basis of analyses carried out by independent entities provided that they are available as at the balance sheet date.

Impairment provisions are booked when the accumulated costs exceed the discounted future cash flow estimates or when technical difficulties are encountered. Impairments are assessed per exploration permit.

COSTS OF SITE RESTORATION

Where the Company is obliged to dismantle and restore the sites, provisions are set aside for site restoration under provisions for contingencies and losses at the same rate as amortisation on oil production installations. Estimates are made by country and by field.

2.3 - Tangible assets

Tangible assets are recorded at cost.

Depreciation is calculated over the estimated useful life of the individual assets according to the straight line (SL) or accelerated (A) method as follows:

- fixtures and fittings: SL over 5 to 10 years;
- office and computer equipment: SL or A, over 3 to 5 years;
- office furniture: SL over 10 years.

2.4 - Equity interest

Equity interests are carried on the balance sheet at cost.

A provision is recorded when the present value is lower than the acquisition cost. Present value is determined based on the shareholders' equity and profit outlook of the relevant companies.

Where the profit outlook is not certain, the receivables from subsidiaries and equity interests are written down for impairment up to the equity capital of the latter. When the losses exceed receivables, a provision for risks is recognised for that amount.

2.5 - Inventories

Hydrocarbon inventories are valued at production cost including the field and transport expenses and amortisation of equipment used in production.

Inventories are valued based on the FIFO (first in, first out) method.

A provision is recorded when the present value is lower than the gross value of inventories.

2.6 - Receivables

Receivables are recorded at face value. An impairment provision is booked if there is a risk of non-recovery.

2.7 - Marketable securities

Marketable securities are valued at the lower of cost or market value.

2.8 - Deferred expenditure

Repayment premiums on bond issues are amortised over the duration of the issue.

2.9 - Foreign exchange transactions

Expenditure and income in foreign currencies are stated at their equivalent value in euros on the date of the transaction.

Liabilities, borrowings, receivables and cash in foreign currencies are reported on the balance sheet at their equivalent value in euros at the year-end exchange rate. The difference resulting from the translation of payables and receivables in foreign currency into euros is recorded on the balance sheet under "Exchange gains/losses". Unrealised losses without offsetting entries are included in contingent liabilities.

Liquid assets in foreign currencies are translated at the closing rate and the unrealised foreign exchange losses are posted to the income statement. When cash in foreign currencies is solely allocated to future investments (specific contracts) and separated as such, it is considered that future inflows and outflows represent something similar to a natural hedge of the foreign exchange earnings.

2.10 - Provisions for risks and charges

Provisions for risks and charges are made to hedge various risks that may occur, in particular risks on subsidiaries, litigation and currency exchange losses.

In terms of retirement and related benefits, the Company only makes instalment payments to general mandatory schemes and the payment of retirement benefits defined in the applicable collective bargaining agreement.

These benefits correspond to defined-benefit schemes and are accrued as follows:

- the actuarial method used is the so-called projected unit credit method which stipulates that each period of service gives rise to the recognition of a benefit entitlement unit. These calculations imply assumptions on mortality, staff turnover and projected future salaries;

- the corridor method is applied. Thus, only actuarial differences representing more than 10% of the amount of the commitments or the market value of the investments are recorded and amortised on the employees average residual work time.

2.11 - Oil sales

Sales reflecting sale of the production of the oilfields operated by the Company pursuant to Production-Sharing Contracts include the delivery of crude oil pursuant to production royalties and taxes.

2.12 - Conversion of foreign currency annual financial statements of the entities

The autonomous entities of Maurel & Prom in Congo have been sold. The other entities cannot be considered as at the date hereof as autonomous entities. Their accounting transactions in which the dollar is the main currency for the transaction are translated according to the same rules as the transactions carried out by the French entity.

2.13 - Financial instruments

To hedge currency risk, Maurel & Prom uses cash flow hedges comprising primarily options, forward FX and currency swaps. These transactions are recognised as follows:

- Transactions whose hedging nature cannot be demonstrated:
 - initially, they are recorded at fair value;
 - at closing the changes in fair value (gains or losses) are recognised through profit and loss if the instrument is traded on a regulated market (or similar market with significant liquidity). In other cases (not very liquid OTC market) only losses are recognised.
- Transactions whose hedging nature can be demonstrated:
 - If the performance of the transaction is certain, the instrument remains stated at cost;
 - If the performance of the hedging transaction is not certain, the fair value of the instrument is sought; in case of unrealised loss a risk provision or impairment is recorded; in case of unrealised gain the latter is not recognised and the instrument remains stated at cost;
- The fair value of the instruments used by the Group is assessed by independent outside experts.

3 - ADDITIONAL INFORMATION REGARDING THE BALANCE SHEET AND THE INCOME STATEMENT

3.1 - Fixed assets

Changes in fixed assets, depreciation and amortisation are as follows:

€000	31 Dec 2006	Increase	Decrease	Other change*	31 Dec 2007
Intangible assets	155,777	22,705	(35,573)	(93,476)	49,433
Less: amortisation	(13,377)	(1,461)	656	10,336	(3,846)
Less: impairment	(33,903)	(100)	30,496	-	(3,507)
Net value	108,497	21,144	(4,420)	(83,140)	42,081
Tangible assets	280,077	4,102	(2)	(277,494)	6,683
Less: depreciation	(71,896)	(270)	3	71,357	(806)
Less: impairment	-	(4,847)			(4,847)
Net value	208,182	(1,015)	1	(206,137)	1,030
Total gross value	435,854	26,807	(35,575)	(370,970)	56,116
Less: amortisation and depreciation	(85,273)	(1,731)	659	81,693	(4,652)
Less: impairment	(33,903)	(4,947)	30,496	-	(8,353)
TOTAL NET VALUE	316,678	20,129	(4,419)	(289,277)	43,111

* values at the beginning of the period for the Congolese fixed assets sold as at 1 January 2007.

3.1.1 - Intangible assets

Intangible assets can be broken down as follows:

€000	31 Dec 2007		31 Dec 2006	
	Gross value	Net value	Gross value	Net value
Software	922	157	836	218
Mining Permits	6,702	5,106	3,676	550
Congo	-	-	3,393	550
Gabon	2,846	1,969	-	-
Hungary	283	0	283	-
Syria	2,761	2,508	-	-
Tanzania	812	629	-	-
Acquisition of reserves	-	-	76,655	68,506
Congo	-	-	73,794	65,645
Gabon	-	-	2,861	2,861
Oil exploration costs	41,810	36,819	74,608	39,223
Congo	18,714	18,714	29,420	29,420
France	168	168	168	168
Hungary	1,767	-	1,767	-
Vietnam	-	-	30,495	-
Syria	876	876	-	-
Tanzania	17,061	17,061	9,610	9,610
Other countries	3,223	-	3,148	25
Oil fixed assets	48,511	41,925	154,939	108,279
TOTAL	49,433	42,082	155,775	108,497

The principal changes in the net value of intangible assets were due to:

- the net book value of asset disposals of €(83,140) K;
- continued exploration in Congo on the La Noumbi permit (Doungou drilling) for €8,396 K and Kouilou for €2,061 K;
- the write off of the unsuccessful work on these same permits of €(4,955) K for La Noumbi and €(803) K for Kouilou;
- the write off of €(30,496)K in exploration without commercial results in Vietnam and the corresponding reversal of the impairment provision for the same amount;
- the end of the work on the Mkuranga well and the preparation of the next drillings in Tanzania for €8,266 K;
- the start of work in Syria for €3,598 K;
- the write down of a mining permit for €(126)K or €(783)K gross value less €657K impairment;
- and the amortisation of mining permits over a 10-year period for a total amount of €(1,313) K.

3.1.2 - Tangible assets

Tangible assets can be broken down as follows:

€000	2007	2006
Oil installations	4,934	278,585
Other	1,749	1,492
Gross value	6,683	280,077
Depreciation and provisions	(5,653)	(71,896)
NET VALUE	1,030	208,182

The change in the gross value of tangible assets is due to:

- the sale of the Congolese assets for a gross value of €(277,494) K;
- the development expenditures in Congo for €3,840 K;
- acquisitions of equipment, fixtures and fittings of €262 K;

The change in the write-off of tangible assets is due to:

- the sale of the Congolese assets for the amount of €71,357 K;
- impairment on the development expenditures in Congo for €4,848 K;
- depreciation of equipment, fixtures and fittings of €269 K.

3.2 - Long-term financial assets

CHANGES IN LONG-TERM FINANCIAL ASSETS

Details of securities are provided in the appended table of subsidiaries and equity investments.

€000	31 Dec 2006	Increase	Decrease	Other changes *	31 Dec 2007
Equity interests	530,470	40,765	(3,782)		567,453
Less: provisions	(542)	(114,118)	360		(114,300)
Net value	529,928	(73,353)	(3,422)		453,153
Other long-term investments	24,801	7	(1,174)	(10,765)	12,869
Less: provisions	(3,897)	(2,782)	0		(6,679)
Net value	20,904	(2,775)	(1,182)	(10,757)	6,190
Total gross value	555,271	39,615	(4,964)	(10,757)	579,165
Less: provisions	(4,439)	(115,743)	360	0	(119,822)
NET VALUE	550,832	(76,128)	(4,604)	(10,757)	459,343

* including the sale of operations in Congo €6,520 K.



EQUITY INTERESTS

Rockover Oil and Gas investments

On 13 July 2007, the Company signed an agreement with the former owners of Rockover Oil and Gas to acquire certain upstream options in the Gabonese permit and certain bonus clauses indexed to production levels.

In relation to this a payment of \$30 million or €21,767 K was made on 13 July 2007; a second payment of \$25 million or €18,140 K will be made when the production of the Onal field reaches 1,000 b/d over a 30-day period. The latter amount was recorded in addition to the gross value of the securities as a contra entry to the "fixed assets payables" account.

In addition the Company decided to combine the assets of its four Gabonese subsidiaries and sub-subsidiaries within a single entity of the parent company "Établissements Maurel et Prom"; this contribution effective at 1 January 2008, entails the transfer of oil mining permits costs previously covered by the subsidiaries to the new entity created in Gabon.

This contribution carried out at book value net of oil and mining permit costs recorded for the Gabonese subsidiaries does not allow recognition within the Gabonese entity's books of the value of the investment in the Maurel & Prom Gabon Ltd subsidiaries held by the parent company; which are therefore fully written off generating a financial charge of €114,007 K.

Other securities

The other acquisitions pertain to the purchase of stakes in the Banque Congolaise de l'Habitat for €762 K, Maurel & Prom Congo for €15 K and MP Syria for €80 K.

The decrease concerns mainly a capital reduction in MP Genève (Switzerland) for €3,781 K. The reversal of the impairment of securities of €360 K concerns the same subsidiary.

Other long-term investments

The principal changes in other long-term investments represent:

- a decrease of €1,182 K including €522K following the repayment of a long-term cash deposit and €660K following the repayment of a loan by an oil associate. The balance of this loan as at 31 December 2007 was €2,781 K including €78 K in accrued interest; it is fully written off considering the low profitability of the permit exploited.
- other changes including an outflow from the balance of a loan (i.e., €6,510 K) which was part of the Congolese assets sold and a reclassification to "other advance payments receivable" to an oil partner as part of exploration works in Congo for €3,687 K.

As at 31 December 2007, the net value of €6,190 K represents long-term cash deposits for building leases of €305 K and a bank deposit opened in 2006 as a guarantee for the work commitments made in relation to the exploration activities in Syria of €5,885 K.

3.3 - Inventories

Inventories comprise mainly drilling equipment (tubings and casings) for €843 K.

3.4 - Other receivables

Other receivables (gross value) include the following items:

€000	31 Dec 2007	31 Dec 2006
Loans to Group subsidiaries	277,250	82,278
Receivables from oil associates	25,181	6,110
Receivables from sale of multipurpose vessels	-	4,016
Receivables from sale of Stcpa Bois and Transagra securities	4,101	4,101
Advance payments to suppliers and receivables from subsidiaries	3,094	3,384
Other receivables	4,131	9,737
Gross Total	313,757	109,626
Impairment	56,343	19,082
TOTAL (NET)	257,414	90,544

The company granted cash loans to its new subsidiaries namely in Gabon of €189,335 K and in Italy (Sicily) €9,264 K to finance their oil and gas exploration operations.

It also supported the business growth and the continued investments of Caroil, its drilling subsidiary with loans for €57,147 K.

The "Receivables from oil associates" item includes receivables from oil partners in Congo for €13,521 K, Tanzania for €11,376 K and in Syria for €284 K.

3.5 - Provisions for impairment of trade receivables and other receivables

The changes in provisions for impairment of receivables were as follows:

€000	31 Dec 2006	Increase	Reversals	Foreign exchange gains (losses)	31 Dec 2007
Total on trade receivables	129	789			918
On loans to subsidiaries.	13,681	30,100	(5,247)		38,534
On other receivables	5,401	13,708	(1,005)	(295)	17,809
Total on other receivables	19,082	43,808	(6,252)	(295)	56,343

Provisions for trade receivables and loans to subsidiaries concern mainly:

- the balance of the loans to the management company Zetah Congo for €6,962 K; that company which was operating the sold Congolese permits no longer has a business and therefore will not be able to repay the loan to its parent company;
- loans to various other companies namely NGM (exploiting gold permits in Mali) for €2,376 K;
- a provision on the current account of the MP Gabon subsidiary for €20,576 K; this provision is intended to cover the loss caused by the winding up of the Gabonese subsidiaries after the transfer to the sole entity carrying permits and oil costs; it corresponds to the negative net assets of the subsidiaries concerned (see Note 3.2 on the impairment of investments).

The reversals of provisions for trade receivables and loans to subsidiaries concern mainly:

- a provision related to the Mepis group of €4,963 K due to writing off a receivable following the disposal of the multipurpose vessels and the amount of €283 K following the adjustment of the provision for the Hungarian subsidiary which is in liquidation.

Provisions for other receivables concern mainly:

- a provision for €12,624 K on receivables from an associate partner in the production sharing contracts;
- a provision for €946 K for Zetah Congo which no longer has a business (see above).

The reversal of provisions for other receivables concerns receivables from Iran for €754 K and Vietnam for €251 K which were fully written off.

The present value of the receivables from the subsidiaries is determined based on the shareholders' equity and profit outlook for their businesses.

3.6 - Statement of receivables maturity dates

Net receivables (€K)	Total amount	1 year max	More than 1 year	More than 5 years
RECEIVABLES FROM FIXED ASSETS				
Loans	-	-	-	-
Deposits and sureties	6,191	-	6,191	-
RECEIVABLES FROM CURRENT ASSETS				
Trade receivables	7,192	7,192	-	-
Other receivables	257,415	257,415	-	-
TOTAL	270,798	264,607	6,191	-

3.7 - Treasury shares, cash and cash equivalents

3.7.1 - Treasury shares

As at 31 December 2007, the number of treasury shares held by Maurel & Prom was 3,865,756 for a total cost of €54,296 K.

The average purchase cost was €14.0455 and the average price of the share for the month of December was €13.926; a provision for €462 K was therefore established bringing the net book value to €53,834 K.

3.7.2 - Financial derivatives

RECOGNISED ON THE BALANCE SHEET

They comprise the following instruments valued at market value and since they are EUR/USD foreign exchange instruments they are treated as instruments traded on an organised market.

Instruments recognised as at 31/12/2007					31 Dec 2007	31 Dec 2007
Position Type	- currency payable + currency receivable	Start date	End date	Nominal in \$K	Market value in €K	Market value in €K
					ASSETS	LIABILITIES
Long Call Eur 1.44		19/11/2007	15/01/2008	- 40,000	472	
Long Call Eur 1.44		19/11/2007	15/01/2008	- 60,000	688	
Long Call Eur 1.45				- 100,000	799	
Long Put Eur 1.455						
+ Short Put Eur 1.415		14/12/2007	16/01/2008	+ 100,000	621	238
Long Put Eur 1.46 rko 1.396		14/12/2007	16/01/2008	+100,000	476	
FX option				-	3,056	238
Currency derivatives				- 282,443	511	-
TOTAL RECOGNISED ON THE BALANCE SHEET					3,567	238

Currency hedges comprise a net forward sale for \$283 million against euros intended for the financing needs in Euros of the Group and FX options assumed in order to optimise the Group's overall FX position.

NOT RECOGNISED ON THE BALANCE SHEET

In addition the following instruments (traded on an OTC market) have unrealised gains that do not meet the conditions to be recognised (not sufficiently liquid market):

Instruments not recognised as at 31/12/2007					31 Dec 2007	31 Dec 2007
Position Type	- currency payable + currency receivable	Start date	End date	Nominal in \$K	Market value in €K	Market value in €K
					INCOME	EXPENSE
Rate + currency SWAP (USD/COP)		21/12/2006	15/12/2009	30,151	1,857	
Short call USD 65 + long put USD 58						
1,000 b/d WTI		20/12/2007	31/03/2008		245	

The USD/COP currency swap is intended to hedge a COP loan made by the Colombian subsidiary, which has dollar-denominated cash.

The instrument on oil is subscribed on behalf of the Colombian subsidiary; this position is extraordinary in the accounts of the parent company; the other hedges are listed in the accounts of the production subsidiary Hocol.

3.7.3 - Cash and cash equivalents

As at 31 December 2007, cash and cash equivalents comprised:

- €557,756 K in interest-bearing bank deposits including:
 1. USDM150 hedged against investments payable in USD planned by the Group mainly for the Onal field and exploration drilling in Tanzania. In accordance with the accounting policies and methods (see Section 2.9) this amount was converted at the dollar purchase rate, i.e., USD1.3505 for 1 euro (rate prevailing when the proceeds of the sale of the Congolese assets were received);
 2. USD deposits of USDM598 translated at the closing rate i.e. USD1.4721 for 1 euro;
 3. 40 million in euro-denominated deposits.
- €19,287 K in bank current account, interest and cash on hand.

3.9 - Shareholders' equity

Shareholders' equity changed as follows:

€000	31 Dec 2006	Appropriation of income (losses)	Income year	Foreign exchange gains (losses)	Capital increase	31 Dec 2007
Shareholders' equity	92,546				265	92,811
Share premium	179,538				2,638	182,176
Legal reserve	7,931	1,323				9,254
Regulated reserves	0					0
Other reserves	29					29
Retained earnings	62,998	(12,953)		(4,920)		45,125
Net income (loss)	132,107	(132,107)	567,641			567,641
TOTAL	475,149	(143,737)	567,641	(4,920)	2,903	897,037

Following the sale of most of the Congolese entities, €4,920 K in unrealised foreign exchange gains or losses were reversed through profit and loss. The Congolese interests that were not sold are no longer considered as forming an autonomous entity and therefore there are no longer unrealised foreign exchange gains or losses.

As at 31 December 2006, the share capital comprised 120,189,607 shares with a nominal value of €0.77 i.e., total capital of €92,545,997.39.

3.8 - Deferred charges and prepaid expenses

Deferred charges changed as follows:

€000	31 Dec 2007	31 Dec 2006
Deferred charges as at 1 January	7,517	11,143
Withdrawal from operations in Congo	(1,073)	
Unrealised foreign exchange gains and losses		(206)
Amortisation for the year	(2,147)	(3,420)
DEFERRED CHARGES AS AT 31/12	4,296	7,517

Deferred charges correspond to the various costs on bond issues and bank loans; they are amortised over the term of repayment of the principal.

As at 31 December 2007, the remaining amount to be deferred was €4,296 K and pertained to the costs related to the bond issue of March 2005.

INSTRUMENTS CONVERTIBLE INTO SHARES

Redeemable share warrants (BSAR)

Pursuant to the authority given by the Annual Shareholders' Meeting of 26 June 2003, the management of Maurel & Prom decided on 17 June 2004 to issue and allocate free Maurel & Prom redeemable new share warrants (BSAR) to all shareholders on the basis of one warrant per Maurel & Prom share.

A total of 8,317,638 BSARs were issued, with 20 warrants entitling the holder to subscribe for one new Maurel & Prom share at a nominal value of €7.70 for €89.65, the exercise period running from 29 July 2004 to 28 July 2006.



The Company may, at any time from 29 July 2005, redeem early the outstanding redeemable share warrants at €0.01 provided that an early redemption notice is published and the share price reaches an average of €115.26 for the ten days preceding the notice.

After the nominal value division by 10 decided by the Annual Shareholders' Meeting of 28 December 2004, 20 warrants provide entitlement to subscribe for ten new shares at a total price of €89.65 for the ten.

As at 31 December 2005, 574,580 warrants had been exercised and 157,726 new shares were issued, therefore 7,743,058 warrants were outstanding.

During 2006, 7,662,500 warrants were exercised and 3,831,250 new shares issued, generating a capital increase of €2,950 K and a gross share premium of €31,397 K (or €31,371 K net of fees).

As the exercise period ended on 28 July 2006, the 80,558 warrants that had not been exercised lost their value.

Stock options

The Extraordinary General Meeting of 11 September 2001 authorised Management to grant to its employees and officers Maurel & Prom stock subscription and stock purchase options.

Thus, on 25 October 2001, Management allotted 154,000 stock options at €12.15 each, exercisable from 26 October 2004 with no time limit to twelve people and, on 16 June 2003, to one employee, 26,000 stock options at €19.98 each; these figures became €1,579,030 and 266,540 respectively due to the adjustment subsequent to the issue of the BSARs and the division by ten of the nominal value, the new exercise prices have been changed to €1.185 and €1.949 per share respectively.

By amendment dated 23 May 2005 to the stock options terms and conditions dated 25 October 2001 and 16 June 2003, the corresponding stock options became exercisable immediately.

On the basis of the authorisation of the General Meeting of 26 June 2003, on 29 July 2003 the Management granted 123,000 stock options to five beneficiaries at the exercise price of €17.82; these were exercisable immediately within five years; this increased to 1,261,160 stock options exercisable at €1.738 after the adjustment caused by the issue of the BSARs and the division of the nominal value by 10.

On the basis of the authorisation of 26 June 2003, on 22 June 2004 the Management granted 13,500 stock options exercisable immediately and within five years at €66.94 to Company employees (three beneficiaries). This increased to 138,420 and the exercise price was reduced to €6.529 per share following the issue of the BSARs and the division of the nominal value by 10.

On the authority of the General Meeting of 28 December 2004, the Management Board, on 16 March 2005, granted 220,000 stock

options to one employee (subsequently becoming a corporate officer) at the exercise price of €13.59. Such stock options being exercisable immediately and within five years; pursuant to the same authorisation and exercisable under the same terms and conditions, on 6 April 2005, 480,000 stock options were granted to eight employees at an exercise price of €13.44 per option and on 21 December 2005, 170,000 stock options were granted at an exercise price of €12.91 to two people, one of whom was a corporate officer.

In 2006, 160,000 stock options were granted to two employees, i.e. 80,000 options granted on 3 January 2006 at the exercise price of €12.86 and €80,000 options granted on 10 April 2006 at the exercise price of €14.72.

Furthermore, 121,790 options were exercised, leading to the issue of 121,790 new shares, representing a capital increase of €94 K and a gross share premium of €668 K.

In 2007, 344,310 options were exercised, generating the issue of 344,310 shares, representing a capital increase of €265 K and a gross share premium of €2,638 K.

As at 31 December 2006, 656,650 stock options remained to be exercised that may lead to the issue of 656,650 new shares.

Shares reserved for employees and bonus shares

The General Meeting of 20 June 2006 gave the Management Board power, for a period of 38 months, to carry out, on one or more occasions, the free allotment to employees and/or corporate officers of existing ordinary shares or shares to be issued. The total number of freely allocated shares cannot exceed 0.5% of share capital on the day of said meeting, or the equivalent value of this amount. Where applicable, it is specified that the nominal amount of any capital increase carried out in application of the present authority by capitalisation of share premium, reserves or retained earnings to carry out a bonus share issue cannot exceed €1,000,000. The allotment of shares to their beneficiaries shall be final after a minimal vesting period of two years and the minimum share holding period by the beneficiaries is fixed at two years as from the final allotment of the said shares.

The Management Board used these authorisations and granted 70,000 bonus shares on 3 October 2006, and 66,800 on 14 December 2006. The vesting period is set at 2 years and is subject to the employee's presence within the Company. The holding period is set at 2 years as from the acquisition date.

The Combined Ordinary and Extraordinary Meeting of the Shareholders of 14 June 2007, granted the Board of Directors the prerogative, for a 26-month period, to issue new shares (up to a nominal amount of €2,000,000) reserved for employees of the Company with elimination of the preferential right and granted all powers to define the subscription terms.

The Board of Directors also received, at that same meeting, delegation of prerogatives to allot to the employees and/or corporate officers existing or future shares, for up to 1% of the capital as at the date of the meeting. The allotment of shares to their beneficiaries shall be final after a minimal vesting period of two years and the minimum share holding period by the beneficiaries is fixed at two years as from the final allotment of the said shares.

The Board of Directors used this authorisation and granted 116,524 bonus shares on 21 December 2007, the vesting period being set at 2 years and the holding period at 2 years as from the acquisition date.

Share buyback programme

Under the authorisation given by the Annual Shareholders' Meeting of 28 December 2004, the Management Board determined the conditions of a share buy-back programme on 12 January 2005: buy-back limited to 10% of the share capital and maximum buying and minimum selling prices of €17 and €11 respectively.

As part of this buyback plan, on 19 June 2006, 308,994 shares were purchased at an average price of €16.08; and 31,829 shares were sold for an average price of €15.98 and none were cancelled.

Subsequent to the authorisation given by the Annual Shareholders' Meeting on 20 June 2006, the Management Board amended the terms of the share buyback plan of 12 January 2005: buy-back limited to 10% of the share capital and maximum buying and minimum selling prices of €25 and €15 respectively.

As part of this buyback plan, on 20 June 2006, 756,333 shares were purchased at an average price of €16.97; and 615,702 shares were sold for an average price of €17.21 and none were cancelled.

Regarding the purchased shares, 794,064 were acquired under the liquidity agreement, 265,000 for distribution to employees and 6,263 were used to convert the OCEANE bonds.

Regarding the sold shares, 641,268 were acquired under the liquidity agreement, and 6,263 for the conversion of the OCEANE bonds.

As at 31 December 2006, the number of treasury shares held by Maurel & Prom was 657,477 at a total purchase cost of €10,483 K.

Under the authorisation granted by the Annual Shareholders' Meeting of 14 June 2007 for an 18-month duration, the Board of Directors may buy back Company shares under the following terms: buyback limited to 10% of the capital at a maximum purchase price per unit of €22 and minimum selling price of €12.

Under this buyback plan, 3,274,710 shares were purchased in 2007 at an average price of €13.79 and 15,739 shares were delivered (15,000 as bonus shares and 739 as OCEANE conversions); no share was cancelled.

Over the same period, under the liquidity agreement, 4,185,707 shares were purchased and 4,236,399 were sold.

As at 31 December 2007, the Company held 3,865,756 treasury shares (i.e., 3.22% of share capital for a value of €54.3 million at the end of 2007) of which 102,104 shares under the liquidity agreement.

As at 31 December 2007, according to the capital movements chart below, the number of the Company's shares was 120,533,917 and the share capital was €92,811,116.09.

SUMMARY OF CAPITAL MOVEMENTS

In euros	Number of shares	Treasury shares
AS AT 31 DEC 2004	108,099,990	
Issued by exercise of BSAR	135,790	
Issue by exercise of stock options	3,101,130	
Issuance of reserved shares	4,899,657	
Buy-back of treasury shares		240,915
AS AT 31 DEC 2005	116,236,567	240,915
Issued by exercise of BSAR	3,831,250	
Issue by exercise of stock options	121,790	
Buy-back of treasury shares		416,562
at 31 Dec 2006	120,189,607	657,477
Issue by exercise of stock options	344,310	
Buy-back of treasury shares		3,208,279
AT 31 DEC 2007	120,533,917	3,865,756

Distribution

The General Meeting of 14 June 2007 had decided to pay a total dividend of €1.20 per share on the basis of the number of shares existing on that date and entitling holders to a dividend, i.e., €144,436,700.40; the total dividend paid on June 25 was €143,737,717.20 due to the issuance between those two dates of new shares entitling holders to a dividend, or an additional €180,000.00 and the cancellation of the dividend on treasury shares or €878,983.20.



3.10 - Provisions for risks and charges

The changes in the provisions for risks and charges were as follows:

€000	31 Dec 2006	Provisions for the year	Reversals for the year <i>(provision used)</i>	Reversals for the year <i>(provision not used)</i>	Other change*	31 Dec 2007
Foreign exchange risk	4,011	14,785	(4,007)		105	14,895
Restoring sites	3,206	0	0		(3,119)	87
Legal disputes	1,015	6,050	(715)			6,350
Other	0	9,395				9,395
Total provisions	8,232	30,230	(4,722)		(3,014)	30,726
Net impact of expenses incurred						
Operating income		13,478				
Financial income/loss		14,785	(4,007)			
Extraordinary income/loss		1,967	(715)			

* withdrawal from operations in Congo €(3,119) K.

- the foreign exchange risk provision was €14,785 K and is related to the drop in the value of the US dollar which caused substantial unrealised losses namely for Maurel & Prom's receivables from its subsidiaries. The provision reversal concerns the cancellation of unrealised losses for 2006;
- the provision for dismantling and site restoration declined sharply as it now only concerns the Kouilou permit (of which M&P now only holds 15%);
- a contingencies provision for €6,050 K was booked for the trade disputes with Messier Partners; the €714 K reversal of the provision concerns these same legal disputes; the balance concerns a provision for €300 K for employment litigation brought in 2006;

- the other provisions concern a tax audit of the Company for €1,617 K, risks related to the Congolese operations for €7,234 K and the severance benefits provision, which was recognised in 2006 for the first time in the company financial statements, the expense for 2007 represents €193 K and the costs of past services is €350 K.

End-of employment indemnities	€000
ACTUARIAL LIABILITIES AS AT 31 DEC 2006	350
Cost of services 2007	179
Interest cost 2007	14
CHARGE FOR THE YEAR 2007	193
Impact of the change in the discount rate	(15)
New hires	5
ACTUARIAL LIABILITIES AS AT 31 DEC 2007	534

3.11 - Convertible bond issues

On 9 March 2005, the Company issued 16,711,229 bonds with the option to convert and/or exchange them for new or existing shares (OCEANEs) for a total amount of €374,999 K. The bonds carry an annual interest of 3.5% and will be fully amortised by repayment at par on 1 January 2010. The conversion or exchange may be exercised at any time on the basis of one share for one bond. The bond issue was fully subscribed.

As at 31 December 2007, 6,965 bonds had been converted, reducing the bond debt to €374,844 K. They were delivered by debiting treasury shares; the number of outstanding bonds as at 31 December 2006 was 16,704,264.

3.12 - Borrowings from credit institutions

Borrowings from credit institutions are broken down as follows:

€000	31 Dec 2007	31 Dec 2006
Natixis Banques Populaires	-	75,930
Accrued interest	-	6
Bank overdrafts	-	4,615
	-	80,551

In July 2006, a facility of \$350,000 K secured on the Group's Congolese and Colombian reserves was negotiated with a consortium of banks led jointly by Natixis and BNP Paribas.

The facility was granted for an amount of \$200,000 K to the Congolese companies and \$150,000 K to the Colombian subsidiaries.

The maturity date for this credit line was set at 31 December 2009. The Congolese facility bears interest at Libor +3.5%. In addition to the collateral securities given, the Group has undertaken to ensure that its balance sheet complies at all times with the three ratios below:

- Working capital ratio greater than 1.1;
- Total debt (including non-converted OCEANEs)/EBITDA greater than 2.5; and
- EBITDA / interest expense greater than 5.

On 14 May 2007, the Group repaid the USDM100 (€75,930 K) drawn on the Congolese facility and the remaining right to draw USDM100 for the Congolese reserves was terminated pursuant to the sale of all the reserves.

3.13 - Miscellaneous borrowings and financial debt

The miscellaneous borrowings and financial debt are broken down as follows:

€000	31 Dec 2007	31 Dec 2006
Hocol subsidiary loan	65,213	75,930
Accrued interest	643	845
Other	16	6
	65,872	76,781

Hocol S.A. lent \$100 million to Maurel & Prom for one year renewable (from 25 July 2006 to 25 July 2007) at Libor plus 1/8th.

This loan was renewed at maturity on 25 July 2007. In addition, the following movements were recorded in 2007:

- partial repayment by M&P of \$5 million;
- additional loan for \$1 million.

As at 31 December 2007, the balance was \$96 million. Interest is paid quarterly on the anniversary date.

3.14 - Trade payables and other liabilities

Following the withdrawal from the Congolese operations and therefore the financing due by the Company to its Congolese entities for exploration work carried out for Maurel & Prom up to the limit of its direct interest in the various permits, other liabilities consist largely of current account balances with certain subsidiaries.

The decrease in trade payables is also directly related to the withdrawal from the Congo operations.



3.15 - Statement of liability maturity dates

€000	Gross	1 year max	More than 1 year	More than 5 years
Bonds	374,844		374,844	
Miscellaneous borrowings and financial debt	65,872	65,872		
Trade notes and accounts payable	10,035	10,035		
Tax liabilities and staff benefits	1,776	1,776		
Payables to fixed asset suppliers and other payables	17,026	17,026		
Other liabilities	11,930	11,930		
TOTAL	481,483	106,639	374,844	-

3.16 - Exchange gains and losses

Exchange gains and losses correspond to the restatement of foreign currency payables and receivables at the closing rate, and concern the US dollar (2006: 1,3170 / 2007: 1.4721) (mainly for current accounts and loans with subsidiaries).

The unrealised exchange loss of €14,895 K (2006: € 4,164 K) was fully provisioned.

3.17 - Sales

Sales break down as follows:

€000	2007	2006
Oil sales Congo	836	516,749
Services rendered	9,815	5,958
TOTAL	10,651	522,707

Following the withdrawal from the Congo operation there has been no material sales of oil and most sales represent services rendered and research provided to the subsidiaries of the Company.

3.18 - Financial income/loss

For year ended 31 December 2007, the breakdown of financial income/loss of (€44,574) was as follows:

€000	31 Dec 2007	31 Dec 2006
Interest on subsidiaries' current accounts	8,050	3,088
Interest on OCEANES	(13,120)	(13,120)
Interest on other borrowings	(3,878)	(9,727)
Cost of gross debt	(8,948)	(19,759)
Income from cash	24,343	1,099
Net income/ (Net cost of debt)	15,395	(18,660)
Net exchange gains/losses (including provision for FX loss)	(53,611)	(5,267)
Net gains (losses) on derivatives	6,256	-
Net impact of the sale of the Congolese assets	(104)	-
Other net income (allowances)	(5,437)	(3,216)
Dividends		14,532
Other net financial income (expenses)	(52,896)	6,049
Underlying financial income (loss)	(37,501)	(12,611)
Impairment of securities and current accounts	(134,583)	-
TOTAL FINANCIAL INCOME (LOSS)	(172,084)	(12,611)

Interest on other loans is paid to Hocol as payment for its loan (USDM96 as at 31/12/2007).

Income from cash mainly comprises €22,334 K in investment income from time deposit accounts and €1,416 in gains on sales of marketable securities and €593 K in bank interest.

Net exchange gains/losses include:

1. €1,924 K in income from supplier payments and subsidiaries current accounts,
2. foreign exchange losses of €(44,757) K derived from cash in USD originating mainly from the difference in the euro/ USD exchange rate of USD1.35 for €1 when the USD proceeds from the sale of the Congolese assets were received and the closing rate at December 31 of USD1.4721 for €1 (see Note 3.7.3 regarding liquidities and Note 3.20 regarding risks),
3. the impact of the provision for foreign exchange differences on receivables (mainly current accounts with the subsidiaries) for € (10,778) K.

Net gains and losses on financial instruments comprise income from various currency derivatives for €6,256 K earned as part of optimising the Group's currency hedging.

The net impact of the sale of Congolese assets includes the foreign exchange loss between the exchange rate of USD 1.317 for €1 at 1 January 2007, the date of the sale, and the rate at the date of payment of USD1.35 for €1 or €(25,613) K offset by interest calculated between these two dates of €25,509 K.

The other net income (allowances) for € (5,437) K largely relate to impairment of the current account of the New Gold Mali subsidiaries (gold operation) and CEAB for €2,376 K and the impairment of a loan to an associate related to an operating permit in Congo.

The € (134,583) K impairment of current accounts includes mainly the impairment of the MP Gabon subsidiaries' shares following the decision to merge the assets of its four Gabonese subsidiaries and sub-subsidiaries within a single entity of the parent company "Établissements Maurel et Prom"; this transaction effective at 1 January 2008, entails the transfer of oil mining permits costs previously borne by the subsidiaries to the new entity created in Gabon.

This transfer carried out at book value net of oil and mining permit costs recorded for the Gabonese subsidiaries does not allow recognition within the Gabonese entity's books of the value of the investment in the Maurel & Prom Gabon Ltd subsidiaries held by the parent company, which are therefore fully written off generating a financial expense of €114,007 K.

In addition, a provision was booked on the current account of the MP Gabon subsidiary for €20,576 K; this provision is intended to cover the loss entailed by the winding up of the Gabonese subsidiaries after the transfer to the sole entity carrying permits and oil costs; it corresponds to the negative net assets of the subsidiaries concerned.

3.19 - Extraordinary items

As at 31 December 2007, the breakdown of the €800,541 K in extraordinary income was as follows:

Gain on the sale of the Congolese assets	805,504
Exploration costs expensed less provision reversals	(4,429)
Other income	785
Net loss on the sale of treasury shares	(67)
Reversal of the provision on the Messier Partners litigation	715
Provisions for risks	(1,967)
	800,541

The net gain on the sale of the Congolese assets is calculated as follows:

1. Sale price of USD1,434 million at the rate of USD 1.317 for €1 or €1,088,838 K at 1 January 2007,
2. Net book value of assets sold or €(286,130) K,
3. Other income related to the sale or €2,796 K.

The exploration costs posted to expenses concern:

- Vietnam (net of the provision reversal of €30,496 K) €(9) K
- the La Noumbi permit..... €(3,490) K
- the Kouilou permit..... €(930) K

Provisions for risks include mainly the provision for the tax audit of €1,617 K and legal fees for €350 K.

3.20 - Exposure to exchange risk and crude oil price risks

MARKET RISK

The Group's results are sensitive to various market risks. The most significant ones are the hydrocarbon price expressed in dollars and the EUR/USD exchange rate. Nevertheless, it should be noted that the operational currency of the Group is the dollar as its sales, a major portion of its operating expenses and a significant portion of its investments are denominated in that currency.



RISK RELATING TO THE HYDROCARBONS MARKET

The Company's policy is to hedge a portion of its future production and that of its subsidiaries against any decline in prices thereby taking advantage of any rise in the portion of the production that is not hedged. Since the sale of the MBoundi field to Eni, production in its Colombian subsidiary Hocol amounts to some 13,000 b/d.

Note also that that hedging policy is part of the management of bank credit facilities available to the Group, which are higher if the price of the hedge exceeds the price used by the institutions in determining the "Borrowing Base".

For the period from April 2007 to March 2008, the Colombian production was hedged for:

- 4,000 b/d at the WTI price of \$64.10/b through a forward sale,
- 4,500 b/d through a hedging strategy using options guaranteeing a WTI selling price between \$59.22 and \$65.22/b.

Between the end of December and during the 1st quarter of 2008, these hedges were unwound and a portion of them (1,000 b/d) was hedged directly within the parent company which explains the instrument specified under Note 3.7.2. New hedges replaced them at the beginning of 2008.

EXCHANGE RATE AND PRICE RISKS

Even though the dollar is the operational currency of the Company (through its subsidiaries), the EUR/USD rate fluctuations affect the results of the Company during the revaluation of USD cash at the year-end.

To minimise this risk, the Company employs hedging strategies through the use of derivatives (forward foreign exchange hedging and options).

The projected investment expenses in dollars are hedged by maintaining USD liquidities specifically for the purpose of these outlays.

INTEREST RATE AND LIQUIDITY RISKS

The financing of the company comprises:

- a bond issue for €375 million,
- a loan in USD for USD96 million .

The liquidities which as of the balance sheet date were €700 million are all placed in bank deposits for periods of less than three months. As a result, the risk exposure to interest rate fluctuations is an opportunity cost in case of a decline and an opportunity gain in case of a rise.

With loans totalling €440 million and available liquidities of €700 million, the Company had net cash of €260 million, with liquidities representing 160% of loans. The Company is therefore immune to any liquidity risk.

EQUITY RISKS

As at 31 December 2007, the market value of the equities held by Maurel & Prom in PEBERCAN amounted to €17.2 million representing 19.39% of the capital. The book value of this investment is €12 million.

Consequently, the Company's earnings would not be affected by a 10% drop in the value of Pebercan shares.

A plan to buy back treasury shares was implemented on 12 January 2005. In this share buyback programme, 3,208,279 treasury shares were purchased in 2007 and are intended to be used under the authorisations to grant stock options and bonus shares to Company employees and for the conversion of OCEANES.

No shares have been sold or cancelled and as at 31 December 2007, the number of treasury shares held by the Company was 3,865,756.

As at 31 December 2007, the book value of the treasury shares held was €54,296 K with a market value of €53,834 K.

A 10% drop in the value of the shares held would have a negative impact of €5,383 K on the earnings of the Company.

Based on the foregoing, the Company considers that it is not exposed to any equity risk and consequently does not use any specific hedging instrument.

COUNTERPARTY RISK

In 2007 the Company no longer had material receivables other than those from its operational subsidiaries and oil partners involved in the same operations as the Company carried out in the exploration and/or development phase of production infrastructures. There is therefore no counterparty risk as such, but rather risks inherent to production exploration.

3.21 - Income taxes

A tax group agreement was signed by Maurel & Prom and its French subsidiary, Caroil, with effect from 2004.

The 2007 taxable income of the tax group is negative and no corporate tax is due for 2007 by this tax group.

The tax losses of the consolidated group which as at 31 December 2007 can be carried forward indefinitely amount to €211,990 million.

Since 6 September 2006, Maurel & Prom has been subject to a tax audit covering the years 2002 to 2005. Adjustment proposals were received on 20 December 2006 and 21 August 2007. The Company has contested several of these adjustments within the required timeframe. A response from the tax authorities was received on 6 November 2007. A discussion procedure is in progress with the tax authorities.

The principal adjustments proposed concern the regional allocation of expenses, the existence of permanent establishments abroad, and some specific provisions and expenses.

Due to the Company's losses brought forward, the adjustments do not result in additional tax payments except for €0.4 million for the tax group and potential withholding tax of €1.3 million, which is contested. These amounts have been accrued in the Company's balance sheet.

Since the Company is contesting most adjustments, i.e. €30.2 million out of a total amount of €40.6 million, only the accepted adjustments were taken into account in the calculation of the remaining loss carry-forwards as at 31 December 2007.

3.22 - Off-balance sheet commitments

€000	2007	2006
Customs guarantees	1,126	762
Guarantees given on loans	101,895	151,860
Other commitments given	11,609	146,811
TOTAL	114,630	299,433

To Maurel & Prom's knowledge, there are no exceptional events, disputes, risks or off-balance-sheet commitments liable to affect the Group's financial situation, assets, results or business activities.

CUSTOMS SURETY BONDS GIVEN

Customs surety bonds are the guarantees given by the Group to comply with the requirements of local authorities for the import of equipment. They comprise the customs surety bonds issued in Gabon for CFAM500 or the equivalent of €762 K.

GUARANTEES GIVEN ON LOANS

As part of the Group's refinancing operations, in 2006 Maurel & Prom took out a Reserve Based Loan of \$350 million from a bank consortium comprising Natixis and BNP. This loan will be used to finance operations in Congo (\$200 million) and Colombia (\$150 million).

For this loan, Maurel & Prom pledged the oil reserves financed, as well as the shares of the companies holding the permits and products stemming from the exploitation of said permits until the loan maturity date at 31 December 2009.

In addition, Maurel & Prom undertook to comply with certain technical and financial covenants for the duration of the loan (cf. Note 3.12).

Prior to selling the Congolese assets to Eni, the outstanding amounts from this facility linked to the Congolese reserves were repaid and the facility itself was definitively cancelled (\$200,000 K).

As a result, only the line of credit assigned to the Colombian reserves, i.e., \$150,000 K, remains available.

WORK COMMITMENTS

As part of Maurel & Prom's normal operations and in keeping with common industry practices, the Company takes part in numerous agreements with third parties. These commitments are often made for commercial or regulatory purposes or for other operational contracts.

At 31 December 2007, the operational commitments, which include estimated oilfield work commitments directly or indirectly financed by the parent company, broke down as follows:

€000	2007	2006
Congo	-	134,515
Tanzania	10,190	5,319
Italy (Sicily)	90	3,940
Syria	-	3,037
Senegal	1,359	-
TOTAL	11,639	146,811

The assessment of oilfield work commitments is based on the budgets approved with the partners. They are subject to numerous revisions during the year depending in particular on the results of the oilfield work carried out.

The work commitments registered for Panther total €90 K corresponding to the penalty due in case of permit restitution. However, in case of drilling of 21 wells contractually stipulated, the amount of the commitment could be up to €31.9 million.

With respect to the Marine III permit, the firm oilfield work commitments pertain to 200 km of seismic work, 300 km of seismic treatment and the drilling of a well. The amount of this commitment could not be assessed.

FINANCIAL INSTRUMENTS

See Note 3.7.2.

OTHER COMMITMENTS

Rockover

The February 2005 acquisition contract for Rockover stipulated a bonus and a payment to the former shareholders of 10% in case of discovery in one of the permits transferred (Ofoubou/Ankani, Omoueyi, Nyanga-Mayombé, Kari) and 50% for the Banio permit.

At the initiative of Maurel & Prom, a buyback agreement for these clauses was signed on 13 July 2007. This agreement stipulates that Maurel & Prom would pay the former shareholders \$55 million (including \$30 million paid on 30 July and \$25 million, plus interest payable 5 days after the first production, i.e., 1,000 b/d for 30 days for the Onal field currently under development) with a 2% royalty if accumulated production exceeds 39Mb for all the fields sold to Maurel & Prom in 2005 (exclusive of Banio) as well as a 10% royalty for the production derived from the Banio field if accumulated production on this field exceeds 3.9 Mb.

In addition the following commitments were continued:

- Maurel & Prom will have to pay the vendors total royalty of \$1.30 per barrel produced as from the date on which the accumulated production in all the licence zones exceeds 80 Mb;
- Maurel & Prom must pay one of the two vendors a royalty equivalent to 2% of the total production available up to a limit of 30 Mb and 1.5% over that limit, on the production originating from the exploitation permits arising from the MT 2000-Nyanga Mayombé exploration permit.

3.23 - Legal disputes

MESSIER PARTNERS

Messier Partners brought legal proceedings against the Company for the payment of a success commission following the signing of the sale agreement with Eni. The claims put forward by Messier Partners in these proceedings totalled €14.7 million. The Court partially allowed Messier Partners' claim and the Company was ordered to pay Messier Partners the amount of €5.7 million. The Company has lodged an appeal against the ruling. A provision has been booked in the Company's account for this sum.

AGRICHER/TRANSAGRA

In 1996, an action was brought against Maurel & Prom' in relation to Transagra receivership proceedings and the insolvency of the Agricher cooperative. The Company considers this suit groundless and it has not recorded any provisions for it.

In addition, Maurel & Prom has also brought proceedings against the individuals who were the managers of the cooperative Group holding Transagra, for the losses incurred by Maurel & Prom through Promagra.

To date, this litigation is still outstanding.

3.24 - Environment

In accordance with its activities, currently largely oil and gas, Maurel & Prom Group takes care to comply with the administrative rules of the countries in which it is present and in particular to carry out systematic environmental impact studies before undertaking specific projects.

In the execution of its exploration, production and development, Maurel & Prom Group may cause environmental damage, which is covered by specific insurance policies.

Because of the nature of its business, the Group will bear the costs of the restoration of exploitation sites and of the evacuation arrangements. Provision for the costs of such restoration of its sites is accrued in the accounts.

3.25 - Number of employees

The Company employed 55 people as at 31 December 2007 compared to 56 as at 31 December 2006.

3.26 - Compensation allocated to senior executives and members of the Board of Directors

€000	31 Dec 2007	31 Dec 2006
Compensation allocated to senior executives *	2,315	2,549
Board of Directors (director's fees and remuneration of Committees)	450	522
TOTAL	2,765	3,071

* Executives include General Management and departmental directors amounting to 7 people.

3.27 - Transactions with related companies

Accounts (€000)	31 Dec 2007	31 Dec 2006
ASSETS		
Equity interests	566,296	530,470
Trade receivables	7,401	
Other receivables	280,344	86,295
LIABILITIES		
Trade payables	1,746	4,165
Fixed asset payables	44	1,939
Other liabilities	8,099	3,843
INCOME STATEMENT		
Share of joint-venture earnings	7,890	3,073
Financial income		14,532
Dividends received	21	21
Other income	4,028	
Financial expenses		



3.28 - Subsidiaries and equity interests

Amounts expressed in monetary units

Companies	% held	Shareholders' equity (foreign currency)	Shareholders' equity other than capital (foreign currency)	Book value of shares held (€)	
				Gross	Net
FRANCE :					
Caroil €	100%	42,253,330	4,793,607	42,285,825	42,285,825
OTHER COUNTRIES :					
Brooklyn Shipping Ltd. (Kingston) \$	100%	3,704	(976,120)	133,225	0
Zetah M&P Congo (Pointe Noire)	CFA 100%	10,000,000	0	15,245	0
Compagnie Européenne et Africaine du Bois (Luxembourg) €	100%	30,987	(6,602,325)	37,681	0
Mepis International (Kingston) \$	100%	10,000	(362,663)	11,170	0
Maurel & Prom (Suisse) Genève S.A. CHF	99.99%	300,000	50,714	194,263	194,263
Pebercan (Montréal) \$ (b)	19.39%	43,540,000	143,876,000	11,992,289	11,992,289
HPL (Bermudes) \$	100%	108,753,767	43,912	389,374,443	389,374,443
Maurel & Prom Gabon Ltd. \$	100%	150	(7,273,640)	114,007,289	0
Panther Eureka S.r.l. (Sicile) €	30%	128,752	1,722,204	8,379,099	8,379,099
OTHERS^(c) :				1,022,498	926,513
TOTAL				567,453,027	453,152,432

(a) Including accrued interest.

(b) Based on financial statements as at 30 September 2007 (nine months).

(c) Zetah Noumbi Ltd, M&P Syrie, NGM, Banque Congolaise de l'Habitat, M&P Congo, Raba Xprom, MP Tanzanie, Orchard, Hocol MP Vénézuéla and Renaissance Energy.

Current account advances written down for:

- 1 - advances intended mainly for New Gold Mali fully written off.
- 2 - written down by €20,576,000.

Loans and advances granted, gross (€) ^(a)	Guarantees and pledges given	Dividends received	Sales revenues of last financial year (foreign currency)	Income (loss) of last financial year (foreign currency)	Notes
57,146,902			97,457,245	5,436,800	
0			Nil	0	
6,962,188			Nil	(1,201,902,925)	
8,765,752			Nil	(36,427)	1
0			Nil	0	
30,000			1,291,714	44,476	
0			82,662,000	26,806,000	
0			Nil	2,850	
149,234,311			Nil	(7,001,748)	2
9,264,000			Nil	(885,520)	
2,021					
231,405,174					

CASH FLOW STATEMENT

€000	31 Dec 2007	31 Dec 2006
Net income for the year	567,641	132,107
Net charges (write-backs) of amortisation, depreciation and provisions	154,497	57,283
Impairment of operating assets	36,991	4,897
Other estimated income and expenses	(8,376)	984
Increase in deferred expenses		
Capital (gains), losses on disposals	(802,708)	192
CASH FLOW	(51,955)	195,463
CHANGE IN WORKING CAPITAL	(2,091)	18,256
I. Cash flow provided by / (used in) operating activities	(54,046)	213,719
Acquisition of intangible assets, net of transfers	(22,705)	(29,297)
Acquisition of tangible assets	(4,102)	(95,916)
Acquisition of long-term investments	(40,765)	(40,365)
Sale of tangible and intangible assets	1,074,563	2,044
Sale of long-term investments	21,983	0
Net increase in Group current accounts	(194,457)	(61,897)
NET INVESTMENTS	834,517	(221,787)
CHANGE IN WORKING CAPITAL ON CAPITAL EXPENDITURE	13,339	3,644
II. Net cash flow from investing activities	847,856	(221,787)
Capital increase, net of treasury shares	2,904	35,083
Dividends paid	(143,738)	(38,274)
Increase (decrease) in financial liabilities	(86,669)	66,972
Net decrease in Group current accounts		
III. Cash flow from financing activities	(227,503)	63,781
IV. Change in cash and cash equivalents	566,307	55,714
V. Opening net cash and cash equivalents	71,615	24,839
VI. Effect of exchange differences	(7,044)	(8,940)
VII. Closing net cash and cash equivalents	630,878	71,615

PROPOSED APPROPRIATION OF NET INCOME

(proposed net dividend: 1.20 euro per share)

Net Income for the year	567,641,365.00
Plus prior year retained earnings	45,124,917.00
Total available	612,766,282.00
Appropriation	
Dividend distribution	140,001,793.20
Retained earnings and legal reserve	472,764,488.80
TOTAL ALLOCATED	612,766,282.00

* Excluding treasury shares.

13.2.4 - Statutory Auditors' Report on the annual financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting, we hereby report to you for the year ended 31 December 2007 on:

- the audit of the accompanying annual financial statements of Etablissements Maurel & Prom;
- the justification of our assessments;
- the specific verifications and information required by law.

These annual financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements, based on our audit.

I. - Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements present fairly in all material respects, the financial position of the company for the year then ended, in accordance with the accounting rules and principles applicable in France.

II - Justification of assessments

In accordance with the requirements of Article L. 823-9 of the French company law (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As indicated in Note 2.2, your company amortises its intangible assets (exploration rights and capitalised exploration expenses) and, where applicable, recognises impairment of those assets

based on the economic value of the recoverable oil reserves. In this connection, our assessment of the valuation of the corresponding assets was based on the conclusions of the independent expert appointed by your company or, where there are no reserves, on the assumptions for continuing exploration work.

- Your company recognises provisions for risks and charges in accordance with the conditions and methods disclosed in Notes 2.10 and 3.10. As these estimating processes are sometimes complex, our assessments were based on a review of the reasonable nature of the assumptions made by the management of your company in those estimates.
- Your company disposed of its principal Congolese assets in the first half of 2007 in accordance with the terms and conditions disclosed in Notes 1 and 3.19 to the financial statements. As this was a particularly significant transaction in 2007, we verified the accuracy of the calculation of the gain on the sale of these assets and their presentation in the financial statements.

The assessments were thus made in the context of the performance of our audit the annual financial statements taken as a whole and, therefore, contributed to the formation of our opinion expressed in the first part of this report.

III - Verifications and specific information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding the following:

- the fair presentation and the conformity with the financial statements of the information provided in the directors' report and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information provided in the directors' report in respect of remunerations and benefits granted to the relevant directors and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders has been properly disclosed in the directors' report.

Paris and Paris-La Défense, 28 April 2008

The Statutory Auditors

Michel Bousquet

ERNST & YOUNG AUDIT

François Carrega



13.3 APPENDIX 3

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on the agreements and commitments with related parties.

In accordance with Articles L. 225-88 and L. 225-40 of French company law (Code de Commerce), we have been advised of the agreements and commitments which were authorised by your Supervisory Board (agreements prior to 14 June 2007) or your Board of Directors (agreements after 14 June 2007).

We are not required to ascertain whether any other agreements and commitments exist but to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us. We are not required to comment as to whether they are beneficial or appropriate. It is your responsibility, in accordance with Articles R. 225-58 and R. 225-31 of French company law (Code de Commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

We conducted our work in accordance with French professional standards. These standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.

1. With Pacifico S.A.

Person Concerned

Mr Jean-François Hénin, Chairman of the Board of Directors of your company and Chairman of the Management Board of Pacifico S.A.

a. Nature and purpose

A service agreement was signed on 21 June 2005 between your company and Pacifico S.A. An amendment to this agreement was issued on 29 May 2007, with the prior authorisation by your Supervisory Board of 29 May 2007.

TERMS

This amendment modified several articles in the agreement and in particular Article 1 in order to clarify the respective obligations

of the parties and to remove any potentially ambiguous wording used. The services provided by Pacifico S.A. on behalf of your company are as follows:

- finding strategic partners in the oil and gas industry;
- reviewing investment and divestment projects, establishing the criteria for acquisition targets;
- finding new markets and new growth opportunities;
- proposing ideas for asset purchase or sale and establishing the financing policy;
- advising and following up on the negotiations entrusted therewith (contractual agreement projects, Group growth), particularly on technical cooperation projects; and
- technical, accounting, financial and administrative support for the drilling activities.

The financial terms of this agreement are as follows:

- payment of an annual fixed fee: €100,000 tax excluded for 2007;
- payment of additional fees calculated based on the services performed and the actual cost of the services in the financial consultancy and drilling projects of your company's subsidiary. For 2007, the additional fees amounted to €84,470, exclusive of tax, per month. This monthly amount is adjusted quarterly based on the number of actual service days rendered and the corresponding daily rate. These services correspond to projects carried out by the five consultants from Pacifico S.A.

This agreement may be terminated by the parties at any time with a two-month notice.

The expense for the financial year ended 31 December 2007 was €1,547,452, all tax included.

b. Nature and purpose

A sub-letting agreement dated 11 June 2007 was signed between your Company and Pacifico S.A. and authorised by your Company's Board of Directors at its meeting of 13 December 2007.

TERMS

This sub-let pertains to a surface area of approximately 240 m² located on the ground floor of the building at 12 rue de Volney, 75002 Paris, France.

The agreement was concluded for one year as from 11 June 2007 and may be renewed automatically thereafter.

The annual rent totals €170,000, exclusive of tax, and will be reviewed at the expiry of the first year of the agreement.

C. Nature and purpose

Your Board of Directors, at its meeting of 25 March 2008, authorised the agreement for the sale of shares of New Gold Mali, a company held by CEAB, to Pacifico S.A.

TERMS

Under the terms of a Joint Venture Agreement (JVA) dated 5 September 2002 signed with New Gold Mali, Afriore agreed to invest US\$2.5 million in a gold exploration permit project in Mali and to produce a feasibility study for that project. In consideration for this investment, Afriore was given the option to purchase a 60% stake in the project.

Through contract dated 4 September 2005, Afriore which had decided to withdraw from the project, transferred its rights and obligations under the JVA to Pacifico S.A.

Pacifico S.A., having fulfilled its contractual obligations, purchased 60% of New Gold Mali shares in June 2007 from New Gold Mali shareholders, including CEAB, a subsidiary of your company.

The management bodies of C.E.A.B. and those of your company are represented by the same officers. As a result, considering the potential conflict of interest and for reasons of good corporate governance, this transaction was submitted to and authorised by your Board of Directors at its meeting of 25 March 2008.

2. With Pacifico Forages

Person Concerned

Mr Jean-François Hénin, Chairman of the Board of Directors of your company and Chairman of the Management Board of Pacifico S.A. and Director of Pacifico Forages.

Nature and purpose

An agreement was signed on 13 December 2007 between Caroil, a subsidiary of your Company and its largest shareholder, Pacifico S.A., through its subsidiary Pacifico Forages. This agreement was authorised by your Board of Directors at its meeting of 13 December 2007.

TERMS

Pacifico Forages sold a drilling rig to Caroil. The Sale Price was €12,051,000, exclusive of tax.

3. With Maurel & Prom International Shipping Limited, Brooklyn Shipping Limited, Mepis Marie Limited and Mepis Clementine Limited.

Person Concerned

Mr Jean-François Hénin, Chairman of the Board of Directors of your company.

Nature and purpose

At its meeting of 24 September 2007, your Board of Directors authorised a receivables write-off agreement in favour of Maurel & Prom International Shipping Limited, Brooklyn Shipping Limited, Mepis Marie Limited and Mepis Clementine Limited.

TERMS

The amount of the receivables write-off in favour of each of the companies is as follows:

- Maurel & Prom International Shipping Limited: \$1,309
- Mepis Marie Limited: \$2,971,570
- Mepis Clementine Limited: \$3,881,343

In addition, Brooklyn Shipping Limited wrote off a receivable owed to your company in the amount of \$103,519.

Furthermore, in application of the French Commercial Code, we were informed that the performance of the following agreements and commitments, approved during prior years, continued during the last financial year.

1. With Panther Eureka S.r.l

Nature and purpose

As part of an agreement for the acquisition of Panther Eureka shares signed on 19 February 2005 and authorised by your Supervisory Board at its meeting of 22 April 2005, your Company opened an associate current account with Panther Eureka.

TERMS

The agreement stipulates an annual 8.30% interest rate paid on the account.

As at 31 December 2007, the current account was in the amount of €264,000 in favour of your company.

Interest income for financial year 2007 was €693,053.



2. With Caroil, S.A.

a. Nature and purpose

Your Supervisory Board at its meeting of 7 October 2003 authorised a cash agreement between Caroil and your company.

TERMS

This agreement, signed on 9 October 2003, entered into force on 1 January 2003 for a one-year period and is renewable by tacit agreement. The interest paid on advances from the current account is at the rate deductible for tax purposes. As at 31 December 2007, the current account (interest included) was in the amount of €56,150,134 in favour of your company. Interest income for financial year 2007 was €996,767.

b. Nature and purpose

Your Supervisory Board at its meeting of 15 April 2004 authorised a domiciliation agreement between Caroil and your company.

TERMS

This agreement, signed on 16 June 2004, entered into force on 21 June 2004. The amount invoiced for financial year 2007 was €20,919.

3. With Compagnie Européenne et Africaine du Bois (CEAB) and New Gold Mali S.A.

Nature and purpose

Your Supervisory Board at its meeting of 30 September 1999 authorised a cash agreement between CEAB, New Gold Mali, and your company.

TERMS

This agreement, signed on 5 October 2000, entered into force at 1 January 2000 for a one-year period and is renewable by tacit agreement for equivalent periods. The interest paid on advances from the current account is at the rate deductible for tax purposes. As at 31 December 2007, the current account (interest included) was in the amount of €8,497,143 in favour of your company. Interest income for financial year 2007 was €450,865.

4. With Pacifico S.A.

a. Nature and purpose

Your Supervisory Board at its meeting of 4 October 2000 authorised a treasury agreement between Caroil and your company. Your Board of Directors at its meeting of 25 April 2008 decided to terminate this agreement.

TERMS

The interest paid on advances from the current account is at a rate of 3-month EURIBOR +2%. There was no advance balance to be recorded as at 31 December 2007. No interest has been recognised for financial year 2007.

b. Nature and purpose

The Supervisory Board of your company at its meeting of 15 April 2004 authorised a domiciliation agreement between Pacifico and your company.

TERMS

This agreement, signed on 15 June 2004, entered into force on 21 June 2004. Over the financial year, the income invoiced in relation thereto was €865, it being specified that the agreement ended in June 2007.

Paris and Paris-La Défense, 28 April 2008
The Statutory Auditors

Michel Bousquet

ERNST & YOUNG AUDIT
François Carrega