



13.2 APPENDIX 2

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The data presented for financial year 2006 have been adjusted to include:

- the change in the accounting method that was made for processing the financing of petroleum costs on behalf of third parties (see Note 2 Accounting Method and Note 19 restatements of 2006 financial statements) pursuant to IAS 8,
- the activities sold following the sale of Congo assets to Eni (see Note 18 Income from assets disposal) pursuant to IFRS 5.

13.2.1 - Consolidated financial statements

BALANCE SHEET ASSETS

€000	Notes	31/12/2007	31/12/2006*
Intangible assets	4	554,922	621,207
Tangible assets	5	389,954	424,815
Non-current financial assets	6	28,216	13,792
Investments accounted under the equity method	7	3,138	24,750
Deferred tax assets	21	22,786	23,840
Non-current assets		999,016	1,108,404
Inventories	8	7,389	9,674
Trade receivables	9	52,852	71,227
Other current financial assets	9	29,671	32,681
Other current assets	9	42,615	17,114
Income tax receivable	21	7,074	316
Derivative instruments	10	5,430	0
Cash and cash equivalents	12	699,939	194,716
Current assets		844,970	325,728
TOTAL ASSETS		1,843,986	1,434,132

* Restated due to change in accounting method see Note 19.

BALANCE SHEET LIABILITIES

€000	Notes	31/12/2007	31/12/2006*
Share capital	13	92,811	92,546
Issue premiums, merger and acquisition	13	201,139	198,500
Consolidated retained earnings	13	52,385	108,089
Treasury shares	13	(54,296)	(10,483)
Net income, Group share		766,096	180,665
Shareholders' equity, Group share		1,058,135	569,317
Minority interests		(342)	0
Total equity		1,057,793	569,317
Non-current provisions	14	30,795	17,252
Non-current bonds	15	336,932	325,752
Other non-current loans and borrowings	15	15,754	90,468
Non-current trade payables	16	3,624	0
Deferred tax liabilities	21	146,199	191,712
Non-current liabilities		533,304	625,184
Current bonds	15	13,089	13,120
Other current loans and borrowings	15	16,145	46,290
Trade payables	16	107,685	101,424
Income tax payable	21	121	2,406
Other creditors and sundry liabilities	16	71,899	59,860
Derivative instruments	10	22,274	0
Current provisions	14	21,676	16,531
Current liabilities		252,889	239,631
TOTAL LIABILITIES		1,843,986	1,434,132

* Restated due to change in accounting method see Note 19.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€000	Share capital	Treasury shares	Premiums*	Retained earnings*	Exchange gain/loss	Net income for year	Shareholders equity Group share	Minority interests	Total shareholders equity
1 January 2006	89,502	(3,707)	166,461	85,881	20,204	100,233	458,574	198	458,772
Exchange gains/losses					(60,964)		(60,964)		(60,964)
OCEANEs									
Deferred taxes on OCEANEs									
Derivative instruments									
Net income posted directly as shareholders' equity					(60,964)		(60,964)		(60,964)
Appropriation of net income									
Dividends				61,959		(100,233)	(38,274)		(38,274)
Net income						180,665	180,665		180,665
Total income and expenses recorded for the year				61,959		80,432	142,391		142,391
Capital increase	3,044		32,039				35,083	(198)	34,885
Stock options				1,009			1,009		1,009
Movements on treasury shares		(6,776)					(6,776)		(6,776)
31 December 2006	92,546	(10,483)	198,500	148,849	(40,760)	180,665	569,317		569,317
1 January 2007	92,546	(10,483)	198,500	148,849	(40,760)	180,665	569,317		569,317
Exchange gains/losses					(81,202)		(81,202)		(81,202)
OCEANEs									
Deferred taxes on OCEANEs									
Derivative instruments***				(12,517)			(12,517)		(12,517)
Net income posted directly as shareholders' equity				(12,517)	(81,202)		(93,719)		(93,719)
Appropriation of net income - Dividends				20,802	16,125	(180,665)	(143,738)		(143,738)
Net income ***						766,096	766,096	(342)	765,754
Total income and expenses recorded for the year				20,802	16,125	585,431	622,358	(342)	622,016
Capital increase	265		2,639				2,904		2,904
Stock options - free shares				1,088			1,088		1,088
Movements on treasury shares		(43,813)					(43,813)		(43,813)
31 DECEMBER 2007	92,811	(54,296)	201,139	158,222	(105,837)	766,096	1,058,135	(342)	1,057,793

* Movements assigned to additional paid in capital in 2005 were reclassified under Retained earnings. Those amounts do not affect the amount of equity at 1 January 2006.

** A portion of 2006 net income corresponding to exchange differences was posted to Exchange gain/loss. These movements do not affect the amount of shareholders' equity.

*** See Note 10 Derivative instruments.

INCOME STATEMENT

€000	Notes	31/12/2007	31/12/2006 *
Sales		289,548	325,907
Other income		4,440	8,097
Purchases and change in inventory		(23,579)	(25,992)
Other purchases and operating expenses		(78,392)	(76,831)
Income and other taxes	21	(5,570)	(5,901)
Payroll	17	(29,000)	(20,399)
Amortisation		(70,526)	(86,073)
Impairment of exploration and production assets		(48,373)	(20,244)
Provisions and depreciation of current assets		(9,578)	(12,446)
Reversals of operating provisions		1,989	-
Gains on sale of assets		(110)	(370)
Other expenses		(7,538)	(2,481)
Operating income		23,311	83,266
Gross cost of debt		(29,677)	(28,249)
Income from cash		29,337	6,143
Net gains and losses on derivative instruments		- 17,941	-
NET COST OF DEBT		- 18,281	(22,106)
Other financial income and expenses		- 38,423	(10,616)
Financial income	20	(56,704)	(32,721)
INCOME BEFORE TAX		(33,393)	50,545
Income taxes	21	(16,763)	(45,995)
Net income of consolidated companies		(50,156)	4,550
Total share in net income of companies consolidated by equity method	7	(571)	(2,522)
Net income from retained activities		(50,727)	2,028
Net income from abandoned activities	18	816,481	178,637
NET INCOME OF CONSOLIDATED GROUP		765,754	180,665
NET INCOME – GROUP SHARE		766,096	180,665
Minority interests		(342)	-
EARNINGS PER SHARE	22		
Basic		6.58	1.55
Diluted		6.79	1.47
EARNINGS PER SHARE FROM ABANDONED ACTIVITIES			
Basic		7.01	1.53
Diluted		7.01	1.33
EARNINGS PER SHARE FROM RETAINED ACTIVITIES			
Basic		- 0.44	0.02
Diluted		- 0.22	0.02

*Restated from sold activities (see Note 18) and change in accounting method (see Note 19).

CASH FLOW STATEMENT

€000	Notes	31/12/2007	31/12/2006**
Consolidated income before tax		782,903	226,660
Consolidated income from sold activities before tax		816,481	178,637
CONSOLIDATED INCOME FROM RETAINED ACTIVITIES BEFORE TAX		(33,578)	48,023
- Net contributions (writebacks) of amortisation and provisions		78,721	98,232
- Unrealised gains and losses connected with variations in fair value		32,205	(3,767)
- Exploration posted as expense		21,199	23,688
- Calculated income and expenses connected with stock options and like items		1,088	1,009
- Other calculated income and expenses		24,487	(6,674)
- Gains and losses from sales of assets		(17)	309
- Share in income of companies consolidated by the equity method	7	571	2,522
- Income from cash	20	(28,904)	(6,144)
- Gross cost of debt		5,427	25,546
Cash flow before tax		101,199	182,744
Tax		(53,045)	(103,655)
Change in working capital from operations		49,232	107,640
- Trade receivables		(21,596)	(8,899)
- Trade payables		36,776	26,076
- Inventories		(790)	(3,763)
- Other		34,842	94,226
Net cash flow from operating activities		97,386	186,729
Disbursements for acquisitions of tangible and intangible assets		(384,930)	(157,911)
Receipts from sales of tangible and intangible assets		2,560	274
Disbursements for acquisitions of financial assets (unconsolidated securities)		(847)	-
Receipts from sales of financial assets (unconsolidated securities)		-	-
Business combination		-	(13,239)
Increase of stake in equity-method companies		-	(4,241)
Change in loans and advances granted		(5,615)	(13,516)
Other cash flows from investing activities transactions		-	;
Net cash flow from investing activities		(388,832)	(188,633)
Amounts received from shareholders during capital increases		2,904	35,082
Dividends paid		(143,738)	(38,274)
Receipts from new loans		437	15,428
Interest paid		(5,427)	(25,546)
Interest received		28,904	6,144
Loan repayments		(35,772)	(1,840)
Treasury share acquisitions		(43,812)	(6,776)
Net cash flow from financing activities		(196,504)	(15,782)
Impact of foreign-currency fluctuations		(23,544)	(17,196)
Net receipts from sold activities *		1,019,843	-
Net change in cash flow		508,349	(34,882)
Opening cash and cash equivalents		186,342	219,602
Cash and cash equivalents net at year end from sold activities		-	1,622
Closing net cash and cash equivalents	12	694,691	186,342
Closing net cash and cash equivalents from sold activities		-	(134,770)

* Net of cash flow from operations minus capital expenditure and repayment of RBL.

** Restated from sold activities, see Note 18.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - General.....	95
2 - Accounting methods.....	96
3 - Changes in composition of the Group.....	104
4 - Intangible assets.....	106
5 - Tangible assets.....	108
6 - Other non-current financial assets.....	110
7 - Investments accounted under the equity method.....	111
8 - Inventories.....	112
9 - Trade receivables and other current assets.....	112
10 - Derivative instruments.....	113
11 - Fair value.....	114
12 - Cash and cash equivalents.....	115
13 - Shareholders equity.....	115
14 - Provisions.....	119
15 - Bonds, other borrowings and financial debt.....	122
16 - Trade payables, sundry other financial liabilities and creditors.....	123
17 - Compensation expenses.....	124
18 - Gains on sale of assets.....	124
19 - Restatements of 2006 financial statements.....	125
20 - Financial income.....	125
21 - Income taxes.....	126
22 - Earnings per share.....	127
23 - Related parties.....	128
24 - Off-balance sheet commitments.....	129
25 - Segment information.....	131
26 - Post-balance sheet events.....	133
27 - Risks.....	134

NOTE 1: GENERAL

1.1 - General information and highlights

The sale of some Congo assets to Eni effective as of 1 January 2007 and the arbitrage that was done in managing the mining portfolio had a significant influence on the geographic distribution and the relative share of activities within Maurel & Prom.

Following that sale, the Group's production, as Maurel & Prom share, of 14,552 b/d on average over the financial year, comes essentially from Colombia (14,380 b/d).

In Congo, the residual production now comes from the Loufika (Kouilou) and Tilapia fields, which were put into production on 1 January and 3 May 2007, respectively.

During financial year 2007, the activities of Maurel & Prom in Gabon were devoted primarily to:

- continuing the seismic campaign and the aero-magnetic campaign on the Omoueyi permit (Maurel & Prom 100%);
- the work of putting the Banio well into production on the Nyanga-Mayombé permit (Maurel & Prom 100%);
- on ONAL, the campaign of drilling development wells began in April 2007 with the drilling of 9 new production wells. Initial production is expected in the second half of 2008.
- Maurel & Prom continued to expand its exploration territory in Gabon by signing on 5 October 2007 a production-sharing contract on the Kari exploration permit (operator, 100%).
- In Tanzania, the discovery in early 2007 showed gas potential for Maurel & Prom (60%) in that under-explored zone. A seismic and aero-magnetic campaign is currently underway.

Maurel & Prom intensified its exploration program, especially in Colombia where three discoveries were made in early 2007. Two exploration permits have been acquired (Cocli and Saltarin) and a proposal to expand the Estero, Garcero, Corocora & Orocue contracts (EGOC) was officially made to Ecopetrol, the Colombian national company, in early July of this year, which produced results in early 2008.

In Venezuela, following the negotiations begun in 2006 and concerning the status of all the oil contracts of foreign companies, Maurel & Prom signed a final agreement with PDVSA for transferring the service contract of Hocol Venezuela to the Lagopetrol joint venture. Maurel & Prom holds 26.35% of the rights of that venture. That agreement, which was signed on 12 December 2007, provides for PDVSA to repay compensation in a net amount on the order of \$5 million for 2006 activity. As a precautionary measure, Maurel & Prom suspended Venezuela's contribution to its accounting as of 1 April 2006.



Drilling activity is entirely carried out by our subsidiary, Caroil, which is active in the booming segment of land drilling. Caroil's strategy is to expand its portfolio of orders with third-party companies and expand its field of action, while maintaining its preferred relationship with Maurel & Prom. As at 31 December 2007 the company was managing 11 rigs in operations, 10 of which were owned outright and 1 was operated through a service contract. At this date, the number of rigs on order is 4. Caroil's contribution to the consolidated sales for the year is €76.1 million (i.e. an increase of 5% compared to financial year 2006 restated).

In February 2007, the drilling contract between Zetah M&P Congo and Caroil was renewed for a period of two years ending on 15 February 2009. It provides for the rental of 5 drilling rigs during that period. The contract was transferred in 2007 to Eni in connection with the sale of the assets sold in Congo.

The Company's governance method was changed at the Meeting of Shareholders on 24 June 2007. Now Maurel & Prom is a *société anonyme* with a board of directors.

During the financial year, a capital increase of €265 K occurred, corresponding to the exercise of 344,310 stock options generating the creation of 344,310 shares and the booking of a gross issue premium of €2,639 K.

The consolidated financial statements for financial year 2007 reflect the financial position of Maurel & Prom and its subsidiaries (hereinafter "the Group"), and the Group's interests in affiliated companies, in application of IFRS international accounting standards as adopted by the European Union on 31 December 2007.

1.2 - Accounting reference standards

In application of European Regulation 16/06/2002, the consolidated financial statements of Maurel & Prom as at 31 December 2007 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union on 31 December 2007.

These standards have been applied by the Group consistently for the entire period presented.

In order to prepare consolidated financial statements compliant with IFRS, the Group had to make accounting choices, undertake a certain number of estimates and select assumptions which affect the amount of assets and liabilities, the notes on the potential assets and liabilities at the end of the year, and the income and expenses recorded for the period.

Changes in facts and circumstances may lead the Group to review these estimates.

The results obtained may significantly differ from these estimates when different circumstances or assumptions are applied.

In addition, when a specific transaction is not covered by any standard or interpretation, the Group's Management uses its own discretion to define and apply the accounting policies used to supply relevant and reliable information to ensure that the financial statements are a true and sincere reflection of the Group's financial position, results and cash flows, and that they reflect the substance of transactions, are prepared in a prudential manner and are complete in all significant aspects.

Management's key accounting choices and estimates include:

- the preliminary, then final allocation of the acquisition price;
- impairment tests on oil reserves;
- provisions for site restoration;
- provisions for severance and retirement benefits;
- recognition of deferred tax assets; and
- accounting for financing of petroleum costs on behalf of third parties.

They are described in particular in Note 2 "Accounting Methods".

NOTE 2: ACCOUNTING METHODS

The consolidated financial statements are based on historical cost except for some categories of assets and liabilities according to the rules of the IFRS.

The categories concerned are mentioned in the following notes.

2.1 - Consolidation methods

The companies controlled by Maurel & Prom are fully consolidated. Control is alleged when the percentage of voting rights is greater than 50% or is established when the company has effective control through agreements with the partners.

Intra-group balances, transactions, income and expenses are eliminated in the process of consolidation.

The companies in which Maurel & Prom has a significant influence are consolidated with the equity method. Significant influence is supposed when the percentage of voting rights is 20% or more, unless the absence of participation in the company's management shows the absence of significant influence. When the percentage is lower, consolidation with the equity method is applied in cases where significant influence can be proven.

Joint ventures are consolidated proportionally.

2.2 - Company consolidations and goodwill

Business combinations are recognised according to the acquisition method. When a company is taken over, assets and liabilities of the acquired company are valued at their fair value according to the IFRS requirements.

Purchase price discrepancies realised within such operations are recorded in the concerned assets and liabilities, including for the minority shareholders.

The difference between the purchase cost and the buyer's share in the net assets at their fair value, is recorded as goodwill.

If the cost of an acquisition is less than the fair value of the net assets of the acquired subsidiary, the identification and assessment of the identifiable asset and liability items are subject to an additional analysis.

Residual negative goodwill must be directly recorded as net operating income. Goodwill analysis is finalized within a period of one year as from the acquisition date.

Goodwill is not amortised but is subject to systematic impairment tests at each year-end; losses of value reported on goodwill are irreversible.

Goodwill relating to the companies consolidated using the equity method are recorded as investments on an equity basis.

When the loss of value criteria such as defined by IAS 39 "Financial instruments - recording and measurement" indicate that investments recorded on an equity basis have lost value, the amount of the loss is established according to the rules defined by IAS 36 "Impairment of assets".

Furthermore, acquisitions of minority interests are booked by using the "parent entity extension method" according to which the difference between the price paid and the book value of the share of the acquired net assets is booked under goodwill.

2.3 - Oil business assets

Maurel & Prom carries out its exploration and production business partly under production-sharing contracts (PSC). This type of contract, entered into with the host government, sets the rules of cooperation (in association with any partners), of production-sharing with the government or the national company representing it and defines how the business will be taxed.

Under these agreements, the company agrees, to the extent of its interests, to finance the exploration and production operations and receives in return a share of the production called cost oil; the sale of this share of production is expected

to compensate for the investments made and operating costs borne; the production balance (profit oil) is then shared in variable proportions with the government; in this way, the company pays in kind its tax on the income resulting from its business.

In these production sharing contracts (PSC), the company records its share of assets, revenue and income according to its share in the permit concerned.

The main methods of recording the costs of oil business are as follows:

OIL EXPLORATION AND EXPLOITATION RIGHTS

Mining permits

Expenditures for the acquisition and allocation of mining permits are recorded as intangible assets and, during the operation phase, amortised on a straight-line basis over the estimated duration of the permit, then during the development phase, at the amortisation rate for the oil production installations.

If the permit is withdrawn or the exploration fails, the remaining amortisation is reported all at once.

Acquisition of reserves

Acquisitions of oil reserves are recorded as intangible assets and amortised according to the unit-of-production method on the basis of proven and probable reserves.

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

EXPLORATION COSTS

The Group applies IFRS 6 to the recording of exploration costs. Oil production rights and assets are recorded according to the full costs method.

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

The expenses incurred prior to the exploration permit allocation are recorded as expenses.

The expenses incurred after this date are capitalized and amortised as of the beginning of the operations.

Exploration costs incurred for a permit that did not result in a commercial discovery and led to the decision to stop work on a region or geological structure are recorded as expenses in the year the failure is ascertained.



At the time of the discovery, these costs then become operating costs, part of which is transferred under intangible assets, according to their type.

As soon as a sign of loss of value is detected (maturity of a permit, subsequent unbudgeted expenses, etc.), an impairment test is carried out to check that the carrying value of the expenses incurred does not exceed the recoverable value. This test must be carried out at least once a year.

Apart from the signs of impairment, regarding exploration costs, the impairment tests are carried out as soon as Maurel & Prom Group has sufficient data (based on the result of the assessment wells or the seismic survey work, etc.) to establish technical feasibility and commercial viability; these tests are carried out on a field basis.

OIL PRODUCTION ASSETS

Oil production assets include all expenditure relating to exploration transferred to operating expenses following discoveries and those relating to field development (production drilling, surface installations, oil transport systems, etc.).

This asset appears in these assets are recorded under the Technical facilities heading (See Note 5).

Assets that are not completed at the year-end are recorded as fixed assets in progress.

Completed 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 re-estimated at the beginning of the same year by an independent appraiser.

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

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 on the year-end date.

Except for borrowing costs directly assignable to a fixed asset acquisition, the borrowing costs are not incorporated into the cost price of a fixed asset in a construction period.

SITE RESTORATION COSTS

Provisions for site restoration are constituted when the Group must dismantle and restore the sites (See Note 2.18). They are estimated for each field.

The discounted cost of sites restoration is capitalized and connected to the value of the underlying asset and amortised at the same rate as such asset.

FINANCING OF PETROLEUM COSTS ON BEHALF OF THIRD PARTIES

The financing of petroleum costs on behalf of third parties is a transaction that consists, in a petroleum partnership, of standing in for another member of the partnership to finance its share in the work cost.

When the contractual terms give it characteristics similar to those of other petroleum assets, financing of petroleum costs on behalf of third parties is treated as a petroleum asset.

Consequently and pursuant to paragraph 48 (d) of FAS 19 usually applied in the petroleum sector, the accounting rules are those applicable to expenses of the same nature as the Group's own share (fixed assets, amortisations, depreciation, operating costs as expenses):

- recording of financed exploration costs as intangible assets (Maurel and Prom share of financed partners' cost);
- in the case of research that did not result in production: recording all the costs as expenses;
- if it does result in production: transfer of costs recorded under intangible assets as tangible assets (technical facilities);
- the share of hydrocarbons that reverts to the financed partners and is used for reimbursement of the amount financed is considered as revenues for the financed partners;
- the reserves corresponding to the costs financed are added to the reserves of the partner who carries the costs;
- amortisation of technical facilities (including the share of the partners financed) according to the unit-of-production method by incorporating into the numerator the production of the period allocated to reimbursements of the costs financed and into the denominator the share of reserves used for reimbursing all of the costs financed.

2.4 - Other intangible assets

Other intangible assets are recorded at their purchase cost and appear on the balance sheet for such value, less the total of any amortisation and impairment.

Amortisation is calculated using the straight-line method and the amortisation period is based on the estimated service life of the various categories of intangible assets amortised over one to three years.

2.5 - Other tangible assets

The gross value of other tangible assets corresponds to their cost of acquisition or production. It is not revalued. The borrowing costs are excluded from the cost of the assets.

Amortisation is calculated with the straight-line method and the amortisation period is based on the estimated service life of the various categories of assets, the main ones being:

- buildings: 10 years;
- infrastructure works: 8 to 10 years;
- ships: 10 to 20 years;
- drilling rigs: 3 to 20 years;
- technical facilities: 3 to 10 years;
- fixtures and fittings: 4 to 10 years;
- vehicles: 3 to 8 years;
- office and computer equipment: 2 to 5 years; and
- office furniture: 3 to 10 years.

A finance lease is a lease that transfers almost all the risks and rewards inherent in the ownership of the assets from the lessor to the lessee. These agreements are recorded at their fair value under assets in the balance sheet, and if they are low, at the discounted value of the minimum lease payment defined by the finance lease agreement. The corresponding lease obligation is recorded on the consolidated balance sheet as a financial liability. These capitalisations are amortised to reflect the utility periods applied by the Group.

Lease agreements that are not finance lease agreements as defined above are recognised as operating leases.

2.6 - Assets impairment

When events are likely to cause a loss of value of tangible or intangible assets, and by default at least once a year, a detailed analysis is carried out on assets in order to establish whether their net carrying value is inferior to their recoverable value, the latter being defined as the highest of the fair value (minus the disposal costs) and the utility value. The utility value is established by discounting the future cash flow expected from the use or the disposal of the good.

Cash flow is established according to the identified reserves, the associated production profile and the expected selling price after taking into account the fiscal aspects applicable under the Production-Sharing Contracts.

The discount rate takes into account the risk relating to the business and its location.

The field is usually used as the cash generating unit. CGUs are homogenous groups of assets that generate cash flows from continuing use and that are largely independent of the cash flows from other asset groups.

If the recoverable amount is inferior to the net book value, a loss is recorded for an amount equal to the difference between these two amounts.

This loss of value may possibly be recorded, up to the limit of the net carrying value which the fixed asset would have on the same date if it had not been impaired. The observed loss of value on goodwill is irreversible.

2.7 - Other non-current financial assets

Financial loans and receivables are initially recorded at their fair value and appear on the balance sheet at their amortised cost. They are written down if there is an objective indication of loss of value. This impairment charge against earnings may subsequently be written back through the income statement if the conditions that caused the depreciation cease to exist.

Non-consolidated long-term securities holdings are classified in the category Financial Assets Available for Sale (see Note 6) and are valued initially and on the closing date at their fair value. For listed securities, the fair value is the stock market price representative of a liquid and open market; for unlisted securities, valuation models are used; if the fair value cannot be determined reliably, the securities are recorded at their cost.

Variations in fair value are directly recorded in shareholders' equity. If there is an objective indication of durable loss of value, a depreciation is recorded through the income statement. This depreciation is revised through the income statement only when such securities are sold.



2.8 - Inventories

Inventories are valued at the cost of acquisition or production. Production cost includes the items purchased and direct and indirect production costs.

Inventories are valued according to the FIFO method (First In First Out).

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

A provision is reported when the net realised value is lower than the gross value of the inventories.

2.9 - Trade receivables

Trade receivables are initially recorded at their fair value.

At the year-end, impairment charges are recorded if evident risk of irrecoverability is discovered.

2.10 - Foreign currency transactions

Expenditure and income in foreign currencies are reported at their euro value equivalent to the functional currency value for the entity concerned on the date of the transaction. Debts, external borrowings, receivables and cash in foreign currencies appear on the balance sheet at their euro value equivalent to the functional currency value for the entity concerned at the year-end exchange rate. The differences resulting from the conversion into foreign currencies at that final exchange rate are recorded in the income statement in "under other financial income" or "other financial expenses".

However, when the cash in foreign currency is only allocated to the financing of a foreign investment in the same currency, the impact of the revaluation of the investment concerned is posted to shareholders' equity.

2.11 - Conversion of annual financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries located outside the euro zone are converted at their year-end exchange rate.

The asset and liability items, including purchase price discrepancies and goodwill on foreign subsidiaries, are converted at the exchange rate applicable on the year-end date. Income and expenditure are converted at the average exchange rate for the period.

Conversion differences reported, either on the opening balance sheet or through the income statements, are recorded, for the share of the consolidating company, in its shareholders' equity under "exchange difference" and, for the minority shareholders, in "minority interests".

Conversion differences relating to a net investment in a foreign country are applied directly to shareholders' equity.

2.12 - Derivative instruments

In order to hedge the selling price of the oil or the exchange rate risk, Maurel & Prom uses forward cash flow hedging instruments mainly consisting of options. These transactions are recorded as follows:

- initially, the option is recorded at its fair value;
- at year-end, the fair value variance corresponding to the effective share (intrinsic value of the option) is recorded as recyclable shareholders' equity; the fair value variance corresponding to the ineffective part (the option's time value) is recorded under operating expenses and income; and
- the fair value variance recorded in shareholders' equity is recycled through the income statement (other operating expenses and income) either when the hedged item affects income when the contract matures.

The fair value of these instruments is established by independent experts.

2.13 - Cash and cash equivalents

Cash equivalents are short term investments of surplus cash.

Purchases and disposals of these assets are recorded on the date of their payment.

Money market funds accounted for a net asset value are stated at fair value by the result pursuant to the principles of following those assets under management.

Short-term bank certificates of deposit are classified as loans and receivables and are recorded at cost less impairment.

2.14 - Convertible bonds

Some financial instruments contain both a payables component and an equity component. Such is the case with the OCEANE convertible bonds issued by the Group in March 2005. According to IAS 32 "Financial instruments - disclosure and presentation", these two components are separately recorded and established as follows:

- the payables component corresponds to the value of contractual future cash flows (including coupons and redemption) discounted at the market rate (taking into account the credit risk upon issue) of a similar instrument having the same terms (maturity, cash flow) but without conversion option, plus the impact of the issue expenses (effective interest rate);
- the shareholders' equity component represents the value of the option to convert the bonds into shares. It is determined by the difference between the income resulting from the issue of the loan and the debt component calculated according to the methods described above; and

- a deferred tax liability is recorded as the difference between the book value and the tax value of the debt; this deferred tax is constituted by withdrawal from the shareholders' equity component.

The conversion of OCEANE bonds is reported in the accounts when the bonds are converted and the shares are granted in exchange.

2.15 - Other loans

Other loans are initially recorded at their fair value. Loans are recorded on the balance sheet for their amortised cost. This measure reports the issue expenses as a deduction from the initial fair value of the loan. Also, the financial expense is calculated based on the effective interest rate of the loan (that is the actuarial rate taking into account the issue expenses).

2.16 - Fair value

For the needs of presentation pursuant to IFRS 7 (see Note 11: fair value):

- the fair value of loans and receivables is determined by restating the expected cash flows at the market rate effective on the closing date; for receivables with a term of less than 6 months, the balance-sheet value is a good approximation of their fair value.
- the fair value of financial liabilities is determined by restating the cash flows yet to be received at the market rate, on the closing date, for a debt with the same residual maturity. For debts to suppliers, the balance-sheet value is a good approximation of their fair value.

2.17 - Treasury shares

The company's treasury shares are recorded as a reduction in shareholders' equity at their cost of acquisition.

The subsequent variations in fair value are not taken into account. Similarly, gains on sale of the company's treasury shares does not affect net income for the year.

2.18 - Provisions for risks and contingencies

According to the IAS 37 standard, "Provisions, contingent liabilities and contingent assets", provisions are recorded when, at the year-end, the Group is bound to a third party due to a past event; such payment should mean an outflow of resources constituting economic benefits.

The provisions are discounted when the effect of discounting is significant.

The site restoration obligation is recorded at the discounted value of the estimated dismantling cost; the impact of the

passage of time is measured by applying to the provision a risk-free interest rate.

The discounting effect is recorded in "Other financial expenses".

2.19 - Pensions and other post-employment benefits

The Group's obligations on pensions and similar benefits are limited to the payment of contributions to compulsory general schemes and to the payment of retirement benefits; these are defined either by the applicable collective bargaining agreements or on the basis of voluntary plans (Latin America).

Retirement benefits correspond to defined benefits plans. They are funded as follows:

- the actuarial method used is called the projected units of credit method, stating that for each period of service a unit of benefit entitlement is recorded. These calculations imply assumptions on mortality, staff turnover and projected future salaries; and
- the so-called corridor method is applied. Only the 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.

For the basic schemes and other defined contribution schemes, the Group records as expenses the contributions to be paid when they are due and no provision is recorded, since the Group has no commitment beyond the contributions that have been paid.

2.20 - Oil sales

HYDROCARBON SALES

Sales reflecting the sale of the production of the oilfields operated by the Company pursuant to Production-Sharing Contracts include only the Maurel & Prom share in the production sold and exclude production royalties and taxes.

An income is recorded in sales when the company has transferred to the buyer the risks and benefits inherent to the ownership of the goods, meaning when the oil has been picked up at the oil terminals.

DRILLING

Sales are recorded as the drilling progresses and progress is measured according to the drilling depth and elapsed time of mobilisation.



2.21 - Payments in shares

Stock options and free shares allotted by Maurel & Prom to its employees are recorded as expenses when they are granted and spread over the period of acquisition of the rights; the spreading method depends on the respective acquisition terms of each plan.

The estimated fair value of the stock options is established according to the Black & Scholes method.

The fair value of free shares is established according to the stock market price on the allotment day and a discount is applied to it according to the terms of the plan in order to take into account the unavailability due to the mandatory period for the share retention.

2.22 - Income taxes

The income tax expense reported in the income statement includes the current tax expense (or income) and the deferred income tax expense (or income).

Deferred taxes are recognised over the temporary differences between the carrying value of the assets and liabilities and their tax bases. Deferred taxes are not discounted. Deferred tax assets and liabilities are calculated at the voted tax rates on the closing date.

Deferred tax assets, particularly due to losses carried forward or deferred amortisations, are taken into account only if it is likely that they will be recovered.

To assess the Group's ability to recover these assets, the following items are mainly used:

- existence of sufficient taxable time differences with the same taxation authority and the same taxable entity, that will generate taxable amounts on which the unused tax losses and tax credits can be charged before they expire; and
- forecast of future taxable income allowing to charge earlier tax losses.

2.23 - Earnings per share

Two types of earnings per share are shown: the basic net earnings and diluted earnings. The number of shares used to calculate diluted earnings takes into account the conversion into shares of the instruments giving deferred access to the capital and having a dilutive effect. Diluted earnings are based on the Group share of net income minus the financial cost net of tax of the dilutive instruments giving deferred access to the capital.

The Group's treasury shares are not taken into account for the calculation.

2.24 - New principles applied

(I) IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES"

In August 2005, the IASB published IFRS 7 "Financial Instruments: Disclosures". The new standard replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and provides amendments to IAS 32 "Financial Instruments: Disclosures and Presentation".

According to IFRS 7, businesses must disclose qualitative and quantitative information on exposure to risks resulting from the use of financial instruments. It is applied by the Group for the first time under financial year 2007.

The necessary information will be indicated in the notes to each aspect addressed. However, the presentation of financial assets and liabilities at fair value will be incorporated into a specific IFRS 7 note, Note 11.

(II) IFRIC 9 "REASSESSMENT OF EMBEDDED DERIVATIVES"

In March 2006, the IFRIC published the IFRIC 9 interpretation "Reassessment of Embedded Derivatives". The interpretation deals with the reassessment of the embedded derivatives that are in the application field of the IAS 39 standard concerning financial instruments. IFRIC 9 requires an entity, when it first becomes party to a contract, to determine the existence of an embedded derivative and assess whether it must be recorded separately. The assessment is reviewed only if there is a material change in the contract clauses.

This interpretation is effective for annual periods beginning on or after 1 June 2006.

(III) IFRIC 10 "INTERIM FINANCIAL REPORTING AND IMPAIRMENT"

In July 2006, the IFRIC issued IFRIC 10 "Interim Financial Reporting and Impairment". According to IFRIC 10, where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment should not be reversed in subsequent interim financial statements nor in annual financial statements. This interpretation is effective for annual periods beginning on or after 1 November 2006.

2.25 - New principles that do not yet apply

The standards or interpretations published respectively by the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) that are not yet effective as of 31 December 2007 are:

IFRS 8 "OPERATING SEGMENTS"

In November 2006, the IASB published IFRS 8 "Operating Segments". The new standard replaces IAS 14 "Segment Reporting". It requires the use of an approach based on the internal data used by corporate management to determine the sectors that they report on, while IAS 14 focuses on segment risks and profitability. This standard is effective for annual periods beginning after 1 January 2009.

The company will soon analyse the impact of applying this new principle.

Standard IAS23 and the IFRIC 11, IFRIC 12, IFRIC 13 and IFRIC 14 interpretations will apply for financial years starting 1 January 2008, except for IAS23, which is applicable to financial years starting 1 January 2009.

2.26 - Changes in accounting methods

To conform to standard practice in the petroleum sector, the Group decided to change its accounting methods for handling petroleum financing on behalf of third parties.

Economic analysis of the contracts of carrying transactions indicates that those transactions had the characteristics of other petroleum assets: participation in the production process, accession to ownership of hydrocarbons and economic uncertainties as to the expected receipts.

When petroleum financing on behalf of third parties is treated as a petroleum asset, its method of accounting follows the method used for the Group's own share of exploration, development or exploitation expenses.

Consequently, since 1 January 2007 the group has applied the treatment of carrying transactions as described in Section 2.3. Oil business assets.

The impact of that change in methods is discussed in detail in Note 19.

NOTE 3:
CHANGES IN THE GROUP'S SHAREHOLDING

Company	Head Office	Consolidation Method	Control % 31 Dec 2007	31 Dec 2006
Établissements Maurel & Prom	Paris	Holding company	Holding company	
Multipurpose Ships				
Brooklyn Shipping Ltd	St Vincent & The Grenadines	Non-consolidated	-	100.00%
Maurel & Prom International Shipping Ltd (Mepis)	St Vincent & The Grenadines	Fully consolidated	100.00%	100.00%
Mepis Clémentine Ltd	St Vincent & The Grenadines	Fully consolidated	100.00%	100.00%
Mepis Marie Ltd	St Vincent & The Grenadines	Fully consolidated	100.00%	100.00%
Oil and gas activities				
Caroil	Paris	Fully consolidated	100.00%	100.00%
Panther Eureka Srl	Ragusa, Sicily	Equity method	30.00%	30.00%
Maurel & Prom Gabon Ltd (ex Rockover Oil and Gas)	British Virgin Islands	Fully consolidated	100.00%	100.00%
M&P Gabon Etekamba S.A. (ex Ofoubou)	Libreville	Fully consolidated	100.00%	100.00%
M&P Gabon Omoueyi S.A. (ONAL)	Libreville	Fully consolidated	100.00%	100.00%
M&P Gabon Nyanga-Mayombé S.A.	Libreville	Fully consolidated	100.00%	100.00%
M&P Gabon Quartier General S.A.	Libreville	Fully consolidated	100.00%	100.00%
Maurel & Prom Syrie S.A.S	France	Fully consolidated	100.00%	-
Hocol Petroleum Holdings Ltd	United Kingdom	Non-consolidated	-	100.00%
Hocol Petroleum Ltd	Bermuda	Fully consolidated	100.00%	100.00%
Hocol Ltd	Bermuda	Fully consolidated	100.00%	100.00%
Hocol S.A.	Cayman Islands	Fully consolidated	100.00%	100.00%
Homcol Cayman Inc	Cayman Islands	Fully consolidated	100.00%	100.00%
Hocol Peru	Peru	Fully consolidated	100.00%	0.00%
Hocol Maurel & Prom Venezuela S.A.S.	France	Fully consolidated	100.00%	100.00%
Hocol (UK) Petroleum Holdings Ltd	United Kingdom	Fully consolidated	100.00%	100.00%
Hocol Venezuela BV	The Netherlands	Fully consolidated	100.00%	100.00%
Oleoducto de Colombia S.A.	Colombia	Proportionately consolidated	21.82%	21.72%
Lagopetrol	Venezuela	Non-consolidated	26.35%	-
Pebercan Inc	Montreal, Canada	Non-consolidated	19.15%	19.19%
Zetah M&P Congo	Congo	Fully consolidated	100.00%	100.00%
Zetah Congo Ltd	Nassau, Bahamas	Non-consolidated	-	50.00%
Zetah Kouilou Ltd	Nassau, Bahamas	Proportionately consolidated	15.00%	65.00%
Zetah Noumbi Ltd	Nassau, Bahamas	Proportionately consolidated	49.00%	49.00%
Maurel & Prom Congo S.A.	Pointe Noire, Congo	Fully consolidated	100.00%	-
Maurel & Prom Tanzanie Ltd	Tanzania	Fully consolidated	100.00%	100.00%
Raba Xprom Energia Kft	Hungary	Equity method	34.30%	34.30%
Orchard S.A.	France	Fully consolidated	100.00%	100.00%
Renaissance Energy	Switzerland	Equity method	35.00%	0.00%
Miscellaneous activities				
Compagnie Européenne et Africaine du Bois	Luxembourg	Fully consolidated	100.00%	100.00%
New Gold Mali (NGM)	Bamako, Mali	Fully consolidated	26.00%	49.50%
Maurel & Prom (Suisse) Genève S.A.	Geneva, Switzerland	Fully consolidated	99.99%	99.99%

The main change in consolidation scope for 2007 comes from the folding of Zetah Congo Ltd following the sale of Congo-based assets to Eni. In the context of this asset sale, the holding percentage in Zetah Kouilou Ltd dropped from 65% to 15%.

Furthermore, Hocol Petroleum Holdings Ltd, the holding company of Hocol, went into liquidation. Établissements Maurel & Prom directly holds 100% of Hocol Petroleum Ltd, the new holding company of the Hocol Group.

Hocol Peru, which acquired an exploration licence in February 2007, is 100% held by Hocol S.A. and Hocol Cayman Inc, and as a result has been fully consolidated since that time.

Maurel & Prom Syrie S.A.S. was established during the first half year of 2007.

Hocol Maurel & Prom Venezuela, which was consolidated in 2006, is a holder of Lagopetrol shares following the agreement entered into with PDVSA on 12 December 2007 for the transfer of Hocol Venezuela's service contract to this mixed enterprise in which Maurel & Prom holds 26.35% of the voting rights.

Pebercan was removed from the consolidation scope in the 2007 accounts after the Group ceased having any noteworthy influence over it. Pebercan's value in the 2007 year-end accounts is based on its value at 30 June 2006 and shares held are included in the financial assets available for sale for €21,076 K (Note 6).

In Hungary, following the failure of a partner (the holder of a 29.3% interest), Raba's share of earnings retained in consolidation has been 63.6% since the second half of 2005.



NOTE 4: INTANGIBLE ASSETS

4.1 - Changes in intangible assets

€000	Goodwill	Oil search and exploitation rights	Exploration costs	Other	Total
GROSS VALUE AT 1 JANUARY 2006		617,295	45,938	7,070	670,303
Acquisitions		38,018	87,009	5,133	130,160
Disposals/Decreases		(796)			(796)
Write-offs	(70)	346	(23,964)		(23,688)
Acquisitions on changes in consolidation scope	70				70
Disposals on changes in consolidation scope		(2,065)			(2,065)
Exchange gains/losses		(59,822)	(2,933)	(116)	(62,871)
Transfers		13,362	(27,095)	1,870	(11,862)
GROSS VALUE AT 31 DECEMBER 2006		606,338	78,955	13,957	699,251
Acquisitions*		43,768	129,060	181	173,009
Disposals/Decreases			(1,792)		(1,792)
Write-offs			(34,501)		(34,501)
Acquisitions on changes in consolidation scope					
Disposals on changes in consolidation scope		(70,040)	(20,906)		(90,946)
Exchange gains/losses		(61,302)	(9,767)	(232)	(71,301)
Transfers		241	(10,501)	(546)	(10,806)
GROSS VALUE AT 31 DECEMBER 2007		519,005	130,548	13,360	662,914
CUMULATIVE AMORTISATION AND IMPAIRMENT AT 1 JANUARY 2006		34,037	11,319	764	46,120
Amortisation charges		41,400		2,305	43,705
Disposals/reversals		(717)			(717)
Exchange gains/losses		(5,788)		(1,579)	(7,367)
Disposals on changes in consolidation scope					
Transfers		(3,697)			(3,697)
CUMULATIVE AMORTISATION AND IMPAIRMENT AT 31 DECEMBER 2006		65,235	11,319	1,490	78,044
Amortisation charges		30,312	23,268	1,844	55,424
Disposals/Reversals				(274)	(274)
Write-offs			(8,448)		(8,448)
Exchange gains/losses		(7,824)	(1,601)	(212)	(9,637)
Disposals on changes in consolidation scope		(7,046)			(7,046)
Transfers				(71)	(71)
CUMULATIVE AMORTISATION AND IMPAIRMENT AT 31 DECEMBER 2007		80,677	24,538	2,777	107,992
NET BOOK VALUE AT 31 DECEMBER 2007		438,328	106,010	10,583	554,922
Net Book value at 31 December 2006		541,103	67,636	12,467	621,207

*including €5,835 K in acquisitions from discontinued operations in Congo.

ACQUISITIONS

The 2007 acquisitions in intangible assets amounting to €173,009 K relate primarily to:

- investments made in Gabon on the Nyanga Mayombé (Banio) licence for €15,378 K, on the Omoueyi licence for €16,040 K and on the Etekamba licence for €20,243 K;
- the introduction of new exploration wells in Colombia for €46,261 K;
- exploration costs in Congo on the La Noubi licence for €7,474 K and the Kouilou (Loufika) licence for €1,790 K;
- survey and drilling costs incurred in Tanzania on the Mkuranga 1 well for €14,067 K;
- the acquisition of intangible assets in Syria on the Alasi licence for €3,760 K;
- the Rockover earn-out which amounted to €39,907 K for the acquisition of mining reserves in Gabon.

The total of €173,009 K in acquisitions includes investments made in 2007 in Congo on licences that were sold for €5,835 K.

DISPOSALS ON CHANGES IN CONSOLIDATION SCOPE

Disposals on changes in consolidation scope correspond to the sale of Congo-based assets of M'Boundi, Kouakouala and Kouilou licences (for 50/65th) to Eni.

The assets disposed of are largely the acquisition bonuses relating to the M'Boundi licence.

This disposal operation is explained in "Note 18: Gain/loss on asset sales".

TRANSFERS

Transfers include the fixed asset exploration expenditure transferred into tangible assets on the ONAL project in the amount of €11,500 K.

WRITE-OFFS

The write-offs are broken down as follows:

- Colombia: €12,180 K;
- Etekamba: €9,803 K in respect of dry wells, of which a provision of €6,828 K was set aside in 2006;
- Omoueyi: €3,267 K in respect of the Ezanga dry well;
- Kouilou for €802 k.

Furthermore, the asset balance associated with the Vietnam project, which was fully depreciated in 2005, was booked as a write-off for an impact on gross value of €8,448 K. This write-off restatement has no impact on 2007 net income.

AMORTISATION AND IMPAIRMENT

These charges mainly include:

- the amortisation of the reserves acquired in Colombia for €28,866 K;
- the amortisation of mining rights;
- a provision for impairment of assets on the Noubi licence for €3,491 K; and
- an impairment provision based on the Nyanga Mayombé (Banio) licence for €19,678 K.

Impairment tests carried out on 31 December 2007 on Colombia and Venezuela did not show any loss in value on these assets.

NOTE 5: TANGIBLE ASSETS

5.1 - Change in tangible assets

€000	Land and buildings	Technical facilities	Down payments and construction in progress	Other assets	Total
GROSS VALUE AT 1 JANUARY 2006	2,322	384,886	27,185	3,835	418,229
Acquisitions	4,785	134,044	19,733	2,379	160,941
Disposals/Decreases	(7)	(1,366)		(1,643)	(3,016)
Acquisitions on changes in consolidation scope	11	6,710		1,098	7,819
Disposals on changes in consolidation scope		(15,230)	(1,855)		(17,085)
Exchange gains/losses	(543)	(49,188)	(3,132)	(317)	(53,180)
Transfers	1,969	34,675	(998)	2,971	38,617
GROSS VALUE AT 31 DECEMBER 2006	8,537	494,531	40,933	8,323	552,325
Acquisitions*	26	193,726	79,582	2,010	275,343
Disposals/Decreases	(303)	(1,509)	(126)	(2,254)	(4,191)
Write-offs		(1,516)	(1,094)		(2,610)
Acquisitions on changes in consolidation scope					
Disposals on changes in consolidation scope		(259,618)	(42,819)	(2)	(302,439)
Exchange gains/losses	(865)	(42,528)	(4,244)	(528)	(48,166)
Transfers	121	14,530	(2,988)	515	12,179
GROSS VALUE AT 31 December 2007	7,516	397,616	69,244	8,064	482,441
DEPRECIATION AND IMPAIRMENT AT 1 JANUARY 2006	338	59,261		1,317	60,916
Amortisation charges	496	82,959		1,376	84,831
Disposals/reversals		(145)		(1,585)	(1,730)
Exchange gains/losses	(137)	(29,404)		(204)	(29,745)
Acquisitions on changes in consolidation scope	6			1,320	1,326
Disposals on changes in consolidation scope					
Transfers	1,969	6,860		3,083	11,912
DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2006	2,672	119,531		5,307	127,510
Amortisation charges	267	58,985		1,407	60,659
Disposals/reversals	(20)	(16,819)		(1,115)	(17,954)
Write-offs		(1,466)			(1,466)
Exchange gains/losses	(286)	(8,751)		(392)	(9,429)
Acquisitions on changes in consolidation scope					
Disposals on changes in consolidation scope		(68,937)		299	(68,638)
Transfers	(77)	2,209		(326)	1,806
CUMULATIVE DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2007	2,557	84,752		5,179	92,488
NET BOOK VALUE AT 31 DECEMBER 2007	4,959	312,865	69,244	2,885	389,954
Net Book value at 31 December 2006	5,865	375,000	40,933	3,016	424,815

* including €45,237 K in acquisitions from discontinued operations in Congo.

ACQUISITIONS

Acquisitions of tangible assets totalling €275,343 K primarily concern:

- the development work performed on the ONAL field in Gabon for €108,153 K;
- the production investments made in Colombia for €50,114 K, particularly the Doima, Palermo and Rio Paez fields;
- the production set-up costs for the Tilapia field in Congo for €14,074 K;
- the new Caroil investments in drilling rigs and related installations for €56,065 K.

The investments made in 2007 in Congo on the M'Boundi and Kouakouala licences are included in the total figure for acquisitions for an amount of €45,237 K. These assets were ceded back to Eni at the time the sale was finalised.

DISPOSALS ON CHANGES IN CONSOLIDATION SCOPE

Disposals on changes in consolidation scope correspond to the disposal of Congo-based assets of licences M'Boundi, Kouakouala and Kouilou (for 50/65th) to Eni.

This disposal operation is explained in "Note 18: Gain/loss on asset sales".

DOWN PAYMENTS AND ASSETS IN PROGRESS

The down-payment and asset amounts at 31 December 2007 relate mainly to supplier advances booked on the ONAL project in Gabon for €37,525 K and the down payments made by Caroil for €31,324 K for future acquisition of rigs.

AMORTISATION AND DEPRECIATION

These charges mainly relate to:

- Hocol for €29,589 K.
- Caroil for €6,687 K.
- Tilapia for €20,976 K, corresponding to the amount of the impairment recognised.

PROVISION REVERSALS

Write-back provisions primarily concern a provision of €15,445 K made in 2003 by Hocol on Colombia S.A.'s Oleoducto pipelines.

CHANGE IN ACCOUNTING ESTIMATE

Caroil re-assessed the economic life expectancy of its drilling rigs and as a result adjusted the period of amortisation of its equipment to conform to the equipment's economic useful life.

Accordingly, the maximum amortisation period was reduced from 25 years to 20 years for new rigs and from 5 years to 10 years for second-hand rigs (depending on upgrades). The amortisation periods outlined in Section 2.5 of accounting methods take this change into account.

In accordance with IAS 8, the impact was booked as prospective and is included when establishing financial statements.

This change led to a reduction of Caroil's 2007 amortisation expense by €5,688 K when compared to the periods used in 2006 for the same assets, with a net book value at 31 December 2006 of €43,369 K.

5.2. - Assets held under finance leases

The Group has lease financing agreements. These agreements concern Colombia, primarily with the financing of the Hocol head office in Bogota and miscellaneous transport equipment.

These contracts include purchase option clauses.

AT 31 DECEMBER 2007

€000	Minimum payments	Discounted value of payments
< 1 year	1,046	489
from 1 to 5 years	3,927	2,944
> 5 years	1,391	1,128
Total minimum payments under the lease	6,365	4,561
Minus financial expenses	1,803	-
Discounted value of minimum payments under the lease	4,561	4,561

5.3 - Goods under operating leases

These payments mainly relate to real estate rentals and long-term rental contracts of office equipment. In France, leases are generally entered into on the basis of 3-6-9 leases with indexation on the cost of construction.

€000	31 Dec 2007	31 Dec 2006
Minimum payments for rentals booked during the period	-	1,212
Payments due at year end	6,031	7,278
< 1 year	1,312	1,247
from 1 to 5 years	3,363	4,675
> 5 years	1,356	1,356



NOTE 6: OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets are broken down as follows:

€000	Financial assets available for sale	Loans and receivables	Total
Value at 1 January 2006	-	4,389	4,389
Changes in consolidation scope	-	-	-
Increase	59	16,801	16,861
Decrease	-	(630)	(630)
Depreciation	-	-	-
Fair value	-	-	-
Depreciation write-backs	-	-	-
Exchange gains/losses	-	(360)	(360)
Transfers	-	(6,468)	(6,468)
Value at 31 December 2006	59	13,733	13,792
Changes in consolidation scope	21,076	(5,432)	15,644
Increase	847	1,095	1,942
Decrease	-	(1,211)	(1,211)
Depreciation	-	-	-
Fair value	-	-	-
Depreciation write-backs	-	-	-
Exchange gains/losses	-	(521)	(521)
Transfers	(59)	(1,371)	(1,431)
VALUE AT 31 DECEMBER 2007	21,924	6,292	28,216

6.1 - Financial assets available for sale

At 31 December 2007, total shares available for sale include primarily:

- Pebercan shares valued at €21,076 K.

As Maurel & Prom no longer has any major influence over Pebercan, these shares, accounted for using the equity method until 31 December 2006, have been reclassified as shares available for sale at their consolidated value at the date of transfer. At 31 December 2007, the shares were kept at their transfer price. Pebercan's value, which was not based on market value at 31 December 2007 since this was considered insufficiently liquid and too thin, was maintained due to the fact that the Company's financial results allowed steady growth of its business activity.

6.2 - Non-current loans and receivables

The changes in consolidation scope relate to the sale of Congo-based assets to Eni. The loan granted to Total to finance work (construction of a tank at the Djeno terminal) on Congolese licences was transferred as part of the transaction with Eni. The impact of this disposal is listed here for its non-current part.

NOTE 7:
SHARES ACCOUNTED FOR USING THE EQUITY METHOD

This section includes the shares of Panther, Eureka S.r.l., Raba XProm Energia Kft and Renaissance Energy. Pebercan was removed from the consolidation scope of the 2007 year-end accounts. See Notes 3 and 6 for clarification.

At 31 December 2006

€000	Share of shareholders equity	Goodwill	Total	Share of net income for the year
Pebercan Inc	20,656	420	21,076	1,484
Panther Eureka S.r.l.	(1,035)	6,402	5,367	(2,463)
Raba Xprom Energia Kft	(1,693)	-	(1,693)	(1,543)
TOTAL	17,928	6,822	24,750	(2,522)

At 31 December 2007

€000	Share of shareholders equity	Goodwill	Total	Share of net income the year
Panther Eureka S.r.l.	(1,497)	6,403	4,906	(461)
Raba Xprom Energia Kft	(1,756)	0	(1,756)	(77)
Renaissance Energy	(11)	0	(11)	(33)
TOTAL	(3,264)	6,403	3,138	(571)

Financial information at 31 December 2007

€000	Panther Eureka S.r.l.	Raba Xprom Energia Kft	Renaissance Energy
Assets	4,816	185	61
Liabilities	9,806	2,945	94
Sales	-	-	-
NET INCOME	(1,537)	(120)	(94)

**NOTE 8:
INVENTORIES**

€000	31 Dec 2007	31 Dec 2006
Hydrocarbon inventories	2,992	4,968
Work in progress	-	-
Consumables	6,570	7,274
Total	9,562	12,242
Depreciation to be deducted	(2,173)	(2,568)
NET VALUE	7,389	9,674

The depreciation relates to the consumable inventories.

**NOTE 9:
RECEIVABLES
AND OTHER CURRENT ASSETS**

Trade receivables are broken down by activity as follows:

€000	31 Dec 2007	31 Dec 2006
Oil and gas	34,096	62,750
Drilling	18,510	8,211
Other	632	395
Total	53,238	71,355
Depreciation to be deducted	(386)	(129)
NET VALUE	52,852	71,227

The main change in trade receivables for oil and gas activities is connected with the reduced activity resulting from the sale of Congolese fields to Eni.

At the end of the 2006 financial year, Congolese companies represented a total of €27,738 K, which represents 97% of this item's decrease in 2007.

The €10,299 K change in trade receivables for the drilling business is also the result of the sale of Congolese fields to Eni.

Lastly, the development of Caroil's activity in Tanzania explains the €2,587 K increase in trade receivables for the drilling business (through sales to Panafrican and Aminex).

Other current financial and non-financial assets are broken down as follows:

€000	31 Dec 2007	31 Dec 2006
OTHER CURRENT FINANCIAL ASSETS		
Receivable assets	182	668
Receivables on investments and associations	14,728	13,304
Loans and others	1,636	4,647
Other debtors	19,282	21,236
Gross value	35,828	39,855
Depreciation to be deducted	(6,157)	(7,174)
NET VALUE	29,671	32,681
OTHER CURRENT ASSETS		
Advances and down payments	1,371	9,123
Prepaid expenses	2,721	2,847
Fiscal and corporate receivables (excluding income taxes)	37,412	5,439
Other assets	1,111	-
Gross value	42,615	17,409
Depreciation to be deducted	-	(295)
NET VALUE	42,615	17,114

ADVANCES AND DOWN PAYMENTS

Advances and down payments decreased by €7,752 K, including €2,701 K related to the advances and down payments at 31 December 2006 from the M'Boundi field and €4,556 K on Etekamba, settled in 2007.

FISCAL AND CORPORATE RECEIVABLES

The fiscal and corporate receivables increased by €31,973 K, due in particular to the non-offsetting of debts of a receivable asset/liability and a tax debt of its transactions does not meet the criteria for hedge accounting under IFRS, it is nevertheless a hedge for economic purposes.

**NOTE 10:
DERIVATIVE INSTRUMENTS**

€000	Current	31 Dec 2007 Non current	Total	31 Dec 2006 Total
Derivatives (assets)	5,430	-	5,430	-
Interest rate derivative instruments	-	-	-	-
Currency derivative instruments	5,185	-	5,185	-
Oil and gas derivative instruments	245	-	245	-
Derivatives (liabilities)	-	22,274	22,274	-
Interest rate derivative instruments	-	-	-	-
Currency derivative instruments	-	-	-	-
Oil and gas derivative instruments	-	22,274	22,274	-
TOTAL	5,430	(22,274)	(16,844)	-

Details regarding the type of hedging are presented in the notes on each risk.

In the course of its activities, the Group uses derivative instruments to reduce its exposure to the risk of fluctuating oil prices and foreign exchange rates.

Various instruments are used, amongst which are contracts on organised markets or over-the-counter markets such as futures, forwards, swaps and options.

The derivative instruments fair value variance is recorded through the income statement or shareholders' equity in compliance with IFRS, specifically IAS 32 and 39.

During the 2007 financial year, the Group's Colombian subsidiary hedged part of its future production over a period of one year from 1 April 2007 by means of:

- a swap on 4,000 b/day at a sales price of \$64.1/b for 12 months beginning in April 2007. This operation is booked as a hedge in accordance with IFRS standards.
- a tunnel, whereby the sale of a call option at a strike price of \$65.22/b is linked to the purchase of a put option at a strike

price of \$59.22/b for quantities of 4,500 b/day for 12 months beginning in April 2007. While this transaction does not meet the criteria for hedge accounting under IFRS even if it is a hedge for economics purposes.

The Colombian subsidiary's hedge has been renewed. New swap transactions are therefore replacing the previous ones. This new programme began in December 2007 and continued throughout the first quarter of 2008. The transactions associated with this new programme have been recorded as hedging operations in compliance with IFRS standards.

At December 31, the reassessment of the market price of these various transactions had a negative impact of €22 million.

Forward exchange transactions and currency options have been carried out to protect against liquid assets held in dollars. At 31 December 2007, the re-measurement of these instruments at market price translated into a positive impact of €3.3 million.

The loan in Colombian pesos taken out by Hocol for an exchange value of \$40 million led to a currency risk linked to the fluctuation of the COP/USD rate. The Group hedged this risk with a long-term currency swap. The reassessment of the swap at year end generated a net profit of €1.9 million recorded as income.

NOTE 11: FAIR VALUE

FINANCIAL ASSETS MEASURED AT FAIR VALUE BY THROUGH THE INCOME STATEMENT

At 31 December 2006, the financial assets optionally measured at fair value corresponded to the OPCVM (French mutual funds) listed on the liquid markets. At 31 December 2007, no exposure was classified to this category.

AT 31 DECEMBER 2007

€000	Financial assets available for sale	Loans and receivables	Financial assets measured at fair value through income statement	Total balance sheet	Fair value
Other non-current financial assets	21,924	6,292	-	28,216	28,216
Trade receivables	-	52,852	-	52,852	52,852
Other current financial assets	-	29,671	-	29,671	29,671
Cash and cash equivalents	-	699,939	-	699,939	699,939
Total balance sheet value	21,924	788,754	-	810,678	810,678
TOTAL FAIR VALUE	21,924	788,754	-	810,678	810,678

AT 31 DECEMBER 2006

€000	Financial assets available for sale	Loans and receivables	Financial assets measured at fair value through profit/loss	Total balance sheet	Fair value
Other non-current financial assets	59	13,733	-	13,792	13,792
Trade receivables	-	71,227	-	71,227	71,227
Other current financial assets	-	32,681	-	32,681	32,681
Cash and cash equivalents	-	162,189	32,528	194,716	194,716
Total balance sheet value	59	279,830	32,528	312,416	312,416
TOTAL FAIR VALUE	59	279,830	32,528	312,416	312,416

FINANCIAL LIABILITIES (EXCLUDING DERIVATIVES AND FINANCE LEASE) AND FAIR VALUE

The various categories of financial liabilities (excluding derivatives) at 31 December 2007 and 31 December 2006 are as follows:

AT 31 DECEMBER 2007

€000	Current	Non current	Balance sheet total	Fair value
Bonds	13,089	336,932	350,021	344,600
Other current loans and financial debt	18,795	13,104	31,899	31,899
Trade payables	107,685	3,624	111,309	111,309
Other payables and sundry financial liabilities	37,413	-	37,413	37,413
TOTAL	176,982	353,660	530,642	525,221

AT 31 DECEMBER 2006

€000	Current	Non current	Balance sheet total	Fair value
Bonds	13,120	325,752	338,872	333,527
Other current loans and financial debt	46,290	90,468	136,758	136,758
Trade payables	101,425	-	101,425	101,425
Other payables and sundry financial liabilities	36,632	-	36,632	36,632
TOTAL	197,467	416,220	613,687	68,342

Other payables and sundry financial liabilities at 31 December 2007 consist of financial items for €37,412 K and non-financial items for €34,447 K.

At 31 December 2006 Other payables and sundry non-financial liabilities represented a total of €23,227 K.

All the Group's financial liabilities, apart from derivative instruments, are assessed at the balance sheet date at amortised cost based on the effective interest rate method.

ASSUMPTIONS

A fair value calculation was made for OCEANE bonds only. The fair value of the debt was recalculated by discounting interest rate and capital flows over the years left to run. The discount rates used are 7.76% for 2006 and 8.01% for 2007.

Regarding other liabilities at 31 December 2006 and 31 December 2007, the following procedure was adopted:

- given that the Natixis loan that repaid early in 2007, it was considered not appropriate to revalue it in 2006;
- for credit lines in Colombia that are based on variable interest rates, the book value was considered to represent fair value.
- leasing loans: these were not considered to have any significant impact on the Group's total debt.

**NOTE 12 :
 CASH AND
 CASH EQUIVALENTS**

Under assets, cash equivalents consist of liquid assets and short-term investments (less than 3-months).

€000	31 Dec 2007	31 Dec 2006
Liquidities - banks and other financial institutions	61,166	66,090
Short-term bank deposits	637,986	86,127
Short term investments	787	42,498
Total	699,939	194,716
Bank loans	5,633	8,374
Net flow and flow equivalents at year end	694,306	186,342

In the cash flow chart, the amount of cash and cash equivalents is net of bank loans.

**NOTE 13 :
 SHAREHOLDERS' EQUITY**

At 31 December 2006, the share capital was composed of 120,189,607 shares at a nominal value of €0.77, for a total capital of €92,545,997.39. As at 31 December 2007, the company had a total of 120,533,917 shares and its share capital amounted to €92,811,116.

INSTRUMENTS GIVING ACCESS TO THE SHARE CAPITAL

Redeemable share warrants (BSAR)

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



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, carry out an early redemption of the outstanding BSARs at €0.01 provided that an early redemption notice is published and the share price reaches at least €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 to 10 new shares at a total price of €89.65 for the 10.

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

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

Stock options

Through the Extraordinary General Meeting of 11 September 2001, Management was authorised to grant its employees and managers stock options.

Thus on 25 October 2001, Management allocated 154,000 stock options at €12.15 each, exercisable from 26 October 2004 without deadline, to the benefit of 12 people and on 16 June 2003, granted one employee 26,000 stock options at €19.98 each; these numbers respectively became €1,579,030 and 266,540 due to the adjustment subsequent to the issue of the BSARs and the division by ten of the nominal value, the new exercise prices having been changed, respectively, to €1.185 and €1.949 per share.

By an amendment dated 23 May 2005 to plan rules 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, the Management granted 123,000 stock options on 29 July 2003 to five beneficiaries at the exercise price €17.82,

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

As authorised by the General Meeting dated 28 December 2004, the Management Board, on 16 March 2005, granted 220,000 stock options to one employee (who subsequently became 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 170,000 stock options were granted on 21 December 2005 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 12 April 2006 at the exercise price of €14.72

In addition, 121,790 options were exercised, generating the creation of 121,790 shares, representing a capital increase of €94 K and a gross issue premium of €668 K.

At 31 December 2006, 1,000,960 stock options remained to be exercised, likely to cause the creation of 1,000,960 new shares.

During 2007, 344,310 stock options were exercised, thus generating the creation of 344,310 shares, representing a capital increase of €265 K and gross issue premium of €2,639 K.

At 31 December 2007, 656,650 stock options remained to be exercised, likely to cause the creation of 656,650 new shares.

MOVEMENT ON PLANS

	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Total
Allocation date	25/10/01	16/6/03	29/7/03	22/6/04	16/3/05	6/4/05	21/12/05	3/1/06	10/4/06	
Exercise price	1.185	1.949	1.738	6.529	13.59	13.44	12.91	12.86	14.72	
Expiry date	none	16/6/08	29/7/08	22/6/09	16/3/10	6/4/10	21/12/10	3/1/11	10/4/11	
2005 average										
exercise price	16.84	15.45	17.14	18.52	19.92	20.18				17.06
2006 average										
exercise price	15.95		17.04		19.20					17.75
2007 average										
exercise price	15.61			16.59		16.60				16.39
Number of options										
At 1 January 2006	95,300	-	97,410	123,040	47,000	43,000	17,000	-	-	962,750
Allocated in 2006								80,000	80,000	160,000
Cancelled in 2006										-
Exercised in 2006	13,270	-	61,520	-	47,000	-	-	-	-	121,790
Outstanding at 31 Dec 2006	82,030	-	35,890	123,040	-	430,000	170,000	80,000	80,000	1,000,960
Exercisable at 31 Dec 2006	82,030	-	35,890	123,040	-	430,000	170,000	80,000	80,000	1,000,960
Allocated in 2007										-
Cancelled in 2007										-
Exercised in 2007	71,270	-	-	123,040	-	150,000	-	-	-	344,310
Outstanding at 31 Dec 2007	10,760	-	35,890	-	-	280,000	170,000	80,000	80,000	656,650
Exercisable at 31 Dec 2007	10,760	-	35,890	-	-	280,000	170,000	80,000	80,000	656,650

The assumptions used to assess the fair value of the stock options in the application of the Black & Scholes model are as follows:

B&S ASSUMPTIONS	16/6/03	16/3/05	6/4/05	21/12/05	3/1/06	10/4/06
Exercise price	1.949	13.59	13.44	12.91	12.86	14.72
Volatility	41%	44%	42%	38%	38%	38%
Maturity	3 years	1 year	1 year	1 year	1 year	1 year
Interest rate	4%	4%	4%	4%	4%	4%
Reference price	22.98	16.52	17.28	16.14	16.08	18.40
Expected dividends	-	-	-	-	-	-



SHARES RESERVED FOR EMPLOYEES AND BONUS SHARES

The General Meeting of 29 June 2005 authorised the Management Board, for a period of 36 months, to issue new shares (up to the limit of a nominal value of €3 million) reserved for the Company's employees without preferential rights and gave the Management Board full powers to determine the subscription's terms.

At this same meeting, the Management Board was also authorised to grant employees and/or corporate officers bonus existing or future shares, up to a limit of 5% of the share capital on the date of the Meeting. The rights acquisition period and the minimum detention period of such rights were fixed at a minimum of two years.

On 21 December 2005, the Management Board used these authorisations to grant 15,000 bonus shares to one corporate officer. The rights acquisition period and holding period was set at two years from the acquisition date. These shares were allocated in 2007 at the end of the allocation period mentioned above.

At the General Meeting held on 20 June 2006, the Management Board was authorised, for a period of 38 months, to decide on the bonus allocation, in one or several issues, of existing or future ordinary shares to employees and/or corporate officers. The total number of freely allocated shares cannot exceed more than 0.5% of the share capital on the day of the meeting, or the equivalent value of this amount. Where applicable, it is specified that the nominal amount of any capital increase implemented under the current authority by incorporating additional paid-in capital, retained earnings or profits to carry out a bonus share issue cannot exceed €1 million. The allocation of shares to their beneficiaries will be definitive after a minimum rights acquisition period of two years. The minimum holding period by the beneficiaries is set at two years from the date such shares are definitively allocated.

The Management Board used these authorisations to allocate 70,000 bonus shares on 3 October 2006, and 66,800 on December 14, the rights acquisition period being set at two years and subject to the presence of the employee at the end of this period, and the holding period being two years from the acquisition date.

The Annual Shareholders' Meeting of 14 June 2007 authorised the Board of Directors, for a period of 26 months, to issue new shares (up to the limit of a nominal value of €2 million) reserved for the Company's employees without preferential rights and gave the Management Board full authority to determine the subscription's terms.

At this same meeting, the Board of Directors was also authorised to grant employees and/or corporate officers bonus existing or future shares, up to a limit of 1% of the share capital on the day of the meeting. The allocation of shares to their beneficiaries will be

definitive after a minimum rights acquisition period of two years. The minimum retention period by the beneficiaries remains set at two years from the date such shares are definitively allocated.

The Board of Directors used these authorisations to allocate 116,524 bonus shares on 21 December 2007, the rights acquisition period being set at two years and subject to the presence of the employee at the end of this period, and the holding period being two years from the acquisition date.

SHARE BUY-BACK PROGRAMME

Under the authority granted by the Annual Shareholders' Meeting of 28 December 2004, the Management Board determined the conditions of a share buy-back plan on 12 January 2005 as follows: buy-back limited to 10% of the share capital and maximum purchase and minimum sale prices of €17 and €11 respectively.

As part of this buy-back programme, 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. No shares were cancelled.

Under the authority granted by the Annual Shareholders' Meeting of 20 June 2006, the Management Board amended the conditions of a share buy-back programme on 12 January 2005 as follows: buy-back limited to 10% of the share capital and maximum purchase and minimum sale prices of €25 and €15 respectively.

As part of this buy-back programme, on 20 June 2006, 756,333 shares were purchased for an average price of €16.97 and 615,702 shares were sold for an average price of €17.21. No shares were cancelled.

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

With respect to shares sold, 641,268 were sold under the liquidity agreement and 6,263 were used for the conversion of OCEANE bonds.

At 31 December 2006, the number of treasury shares held by the Company therefore amounted to 657,477 for a total purchase value of €10,483 K.

Following the authorisation granted by the Annual Shareholders' Meeting of 14 June 2007, the Board of Directors is authorised for a period of 18 months to buy back Company shares on the following conditions: buy-back limited to 10% of the share capital and maximum purchase and minimum sale prices of €22 and €12 respectively.

Under this buy-back programme, 3,274,710 shares were purchased in 2007 at an average price of €13.79 and 15,739 shares were surrendered (15,000 as bonus shares and 739 for OCEANE bond conversions). No shares were cancelled.

During the same period, purchases in respect of the liquidity agreement represented 4,185,707 shares, and sales 4,236,399 shares.

At 31 December 2007, the Company held 3,865,756 of its treasury shares (representing 3.22% of the share capital for a value of €54.3 million at the end of 2007), of which 102,104 shares were part of the liquidity agreement.

At 31 December 2007, per the capital movement chart below, the number of Company shares was 120,533,917 and the share capital €92,811,116.09.

SUMMARY OF CAPITAL MOVEMENTS

	Number of shares	Treasury shares
AT 31 DECEMBER 2005	116,236,567	240,915
Issue by exercise of BSAR	3,831,250	
Issue by exercise of stock options	121,790	
Issue of reserved shares		
Buy-back of treasury shares		416,562
AT 31 DECEMBER 2006	120,189,607	657,477
Issue by exercise of stock options	344,310	
Buy-back of treasury shares		3,208,279
AT 31 DECEMBER 2007	120,533,917	3,865,756

DISTRIBUTION

The Annual Shareholders' Meeting of 14 June 2007 decided to pay a dividend of €0.50, to which would be added a supplementary dividend of €0.70, per share based on the number of shares existing at that date, excluding treasury shares, and giving entitlement to a dividend, i.e. €144,436,700.40. The total dividend payable on 25 June amounted to €143,737,717.20 due to the creation between 14 June and 25 June of new shares entitling to a dividend, namely an additional €180,000.00, and cancelling the dividend on treasury shares, namely €878,983.20.

NOTE 14: PROVISIONS

€000	Restoring sites	Employee benefits	Other	Total
Balance at 1 January 2006	11,410	12,328	1,955	25,693
Conversion gains/losses	(1,173)	(1,300)	(637)	(3,110)
Changes in consolidation scope	-	-	-	-
Allowance for the year	587	1,420	11,654	13,661
Utilisation	(392)	(1,395)	(584)	(2,371)
Reversal and reclassification	(1,075)	-	55	(1,020)
Discounting effect	450	480	-	930
Balance at 31 December 2006	9,807	11,533	12,443	33,783
Current part	1,976	3,545	11,010	16,531
Non-current part	7,831	7,988	1,433	17,252



€000	Restoring sites	Employee benefits	Other	Total
Balance at 1 January 2007	9,806	11,533	12,444	33,784
Exchange gains/losses	(869)	(1,125)	(1,986)	(3,981)
Changes in consolidation scope	(2,996)	-	31	(2,965)
Allowance for the year	(44)	4,141	18,788	22,885
Utilisation	(260)	(5,932)	(7,148)	(13,339)
Reversal and reclassification	559	-	14,086	14,645
Discounting effect	349	1,093	-	1,442
Balance at 31 december 2007	6,545	9,710	36,215	52,471
Current part	1,685	592	19,399	21,676
Non-current part	4,860	9,118	16,816	30,795

RESTORING SITES

The main change at 31 December 2007 came from the sale of Congolese assets to Eni (M'Boundi and Kouakouala fields and decrease from 65% to 15% in the interest in Kouilou). The change in consolidation scope on these provisions is part of the capital gain on this disposal, which is detailed in Note 18.

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Nearly all provisions for pensions and other post-employment benefits are related to the South American subsidiaries (€11,447 K at 31 December 2006 and €9,152 K at 31 December 2007). The other plans have no material impact on the Group and the corresponding amount of the provision at 31 December 2007 was €558 K.

€000	Hocol	Other	Total
CHANGE IN THE ACTUARIAL VALUE OF ACCUMULATED RIGHTS			
Actuarial value of accumulated rights at the beginning of the period	11,448	86	11,533
Accumulated rights during the year	2,782	457	3,239
Financial cost	1,979	15	1,995
Benefits paid	(5,932)		(5,932)
Assumption changes			0
Exchange rate adjustment (foreign plans)	(1,125)		(1,125)
Actuarial value of rights accumulated at 31 December 2007	9,152	558	9,710
At 31 DECEMBER 2007			
PENSION COMMITMENTS			
Actuarial value of accumulated rights	9,152	558	9,710
Current value of investments			0
(Surplus)/insufficient investments on accumulated rights	9,152	558	9,710
ESTIMATE OF FUTURE PAYMENTS			
2008	226	366	592
2009		64	64
2010	620	58	678
2011		217	217
2012		16	16
2013-2016	8,280	302	8,582
ASSUMPTIONS USED TO DETERMINE COMMITMENTS AT 31 DECEMBER 2007			
Discount rate	10.23%	5.00%	
Inflation	5.42%	2.00%	
Average rate of salary increases	7.42%	4.32%	
ANALYSIS OF EXPENSES FOR THE 2007 FINANCIAL YEAR:			
Rights accumulated during the year	2,782	457	3,239
Financial cost	1,979	15	1,995
Assumption changes	0	0	0
Net expense (income) of the consolidated entity	4,761	472	5,234

These calculations were taken from a report issued by an independent actuary.

The change in the current part compared to 31 December 2006 is due to employee departures at Hocol's main subsidiary, Hocol S.A. In March 2007, 22 people left the company under a severance plan, thereby changing the structure of the provision's actuarial assessment.

In addition, the actuarial assumptions were revised in comparison to 2006 to take into account a significant increase of 1.42 points in the rate of inflation, a 1.42-point increase in average salary increases, and a 1.23-point adjustment of the discount rate.



OTHER PROVISIONS

Other provisions mainly correspond to:

- various litigations in Colombia and Venezuela for €4,100 K;
- a provision of €6,050 K in respect of the litigation with Messier Partners, including €350 K in legal costs;
- a provision of €7,234 K in respect of the risks associated with Congo-based operations;

- a provision of €1,314 K on Établissement Caroil Tanzanie in respect of a trade provision for risks;

- a reclassification of €14,905 K concerning the Colombian distribution tax.

The provision recorded in 2006 on the Etekamba licence in Gabon for dry wells was reversed, given that the corresponding asset and depreciation were expensed in 2007.

NOTE 15: BONDS, OTHER BORROWINGS AND FINANCIAL DEBT

At 31 December 2007 and 2006, bonds, other borrowings and financial debt broke down as follows:

€000	Currency	Current	31 Dec 2007 Non-current	Total	31 Dec 2006 Total
Bonds		13,089	336,932	350,021	338,872
BORROWINGS, DEBT AND BANK LOANS					
Natixis Banques Populaires / BNP Paribas (syndicated loan)	USD	-	-	-	75,930
Bancolombia (syndicated loan)	USD/COP	7,764	11,645	19,409	30,379
Bancolombia	USD/COP	2,259	-	2,259	17,100
Debts on lease financing	USD/COP	489	4,108	4,598	4,975
Bank loans		5,633	-	5,633	8,374
TOTAL OF OTHER BORROWINGS AND FINANCIAL DEBT		16,145	15,753	31,899	136,758

BONDS

On 9 March 2005 the Company issued 16,711,229 bonds with an option to convert into and/or exchange for new or existing shares (OCEANE bonds) for a total amount of €374,999 K. The bonds carry interest at 3.5% per year (coupons payable on the first day of each year) and will be fully amortised by repayment at par on 1 January 2010. Conversion or exchange may be exercised at any time at the rate of one share per bond. The bond issue was fully subscribed.

Initially, the bond issue was booked under financial liabilities at its amortised cost of €327,658 K. This amortised cost was determined by discounting contractual future cash flow at the effective interest rate of 7.17%.

Shareholders' equity was also credited with the value of the conversion option for €44,003 K, or €29,115 K net of deferred tax.

As at 31 December 2007 the bond issue had been posted to the balance sheet for €350,021 K (versus €338,872 K at 31 December 2006). In 2007, 702 bonds were converted. The delivery of those bonds had no impact on the net income as the treasury shares have been used as counterpart of this conversion; the number of outstanding bonds at 31 December 2007 totalled 16,704,264.

The fair value of OCEANE bonds at 31 December 2006 and 2007 was determined by discounting cash flows of interest and capital over the remaining years. The discount rates used were 7.76% at 31 December 2006 and 8.01% at 31 December 2007.

OTHER BORROWINGS AND FINANCIAL DEBT

In July 2006 a credit line of \$350,000 K, secured on the Group's Congolese and Colombian reserves, was negotiated in a club deal (a "Reserved Based Loan" or RBL) led by Natixis and BNP Paribas.

This credit line was granted for an amount of \$200,000 K to Congo and \$150,000 K to Colombia (part of which, corresponding to the equivalent value of \$40,000 K, was loaned in Colombian pesos to the Colombian subsidiary Hocol S.A.). The exchange risk on the Colombian peso in relation to the US dollar is hedged with a long-term currency swap.

Prior to the sale of Congolese-based assets to Eni, steps were taken to repay and permanently cancel the credit line associated with Congolese reserves (\$200,000 K).

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

The maturity date for this credit line is set at 31 December 2009 and bears interest at DTF + 3.25%. In addition to the pledges against the Colombian reserves, the Group has committed to ensuring that its financial structure is compliant at all times with the ratios below:

- working capital ratio greater than 1.1;
- total debt (including non-converted OCEANE bonds) / EBITDA less than 2.5;
- EBITDA / interest expenses greater than 5.

As of 31 December 2007, the credit line had been used by the Colombian subsidiary for an amount equivalent in pesos to \$26,667 K. In addition, at 31 December 2007, Hocol had borrowed from local banks the equivalent of \$3,326 K in Colombian pesos as part of very short-term cash operations.

The payment schedule for other borrowings and financial debt is as follows:

€000	December 2007	December 2006
Payment schedule		
From 1 to 5 years	14,589	86,205
More than 5 years	1,164	4,263
TOTAL	15,754	90,468

NOTE 16: TRADE PAYABLES, OTHER PAYABLES AND SUNDRY FINANCIAL LIABILITIES

€000	31 December 2007			31 December 2006		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Trade payables	107,685	3,624	111,309	101,424	-	101,424
Trade payables	95,539	3,378	98,917	84,735	-	84,735
Accrued expenses	12,146	246	12,392	16,690	-	16,690
Other debts and sundry liabilities	71,860	39	71,899	59,860	-	59,860
Social security liabilities	5,717	17	5,734	4,102	-	4,102
Tax liabilities	8,103	22	8,125	5,966	-	5,966
Suppliers of fixed assets	18,639	-	18,639	6,659	-	6,659
Sundry creditors	39,401	-	39,401	43,133	-	43,133

The increase in trade payables, other payables and sundry liabilities has little impact on the Group's business activity.

NOTE 17: COMPENSATION EXPENSES

These are broken down as follows:

€000	31 Dec 2007	31 Dec 2006 *
Salaries	15,320	12,731
Profit sharing	-	652
Stock options and bonus shares	1,088	1,009
Employment taxes and other compensation costs	12,592	6,007
TOTAL	29,000	20,399

* restated from discontinued operations.

The actual increase in expenses is primarily due to redundancy payments resulting from the reorganisation carried out in 2007 and to the anticipated implications of certain future contractual maturity dates in Colombia. The number of existing commitments honoured in terms of retirement led to an additional expense compared to the previous period.

NOTE 18: GAINS ON SALE OF ASSETS

APPLICATION OF IFRS 5 TO DISCONTINUED OPERATIONS

In accordance with the disposal agreement signed on 21 February 2007, Maurel & Prom transferred on 29 May 2007 to the oil company Eni, a subsidiary of the Italian group Eni S.p.A., its participating interest in the M'Boundi and Kouakouala operating licences in Congo, and part of its interest in the Kouilou exploration licence. Maurel & Prom's interest in this latter licence was reduced from 65% to 15%.

In accordance with disposal agreement stipulations, Maurel & Prom received \$1,394 million, corresponding to 95% of the disposal price, plus \$32.3 million in interest on this amount on 29 May 2007.

The final settlement consolidated a price adjustment calculated on the balance of sales, cash calls and working capital at 1 January 2007. The final sale price was thus adjusted so that at the closing date of the operation, Maurel & Prom received the amounts relating to the realisation of current assets and made payment for current liabilities incurred prior to 1 January 2007. Maurel & Prom was also reimbursed for amounts spent on behalf of Eni after 1 January 2007, and paid Eni for the sums received for production after 1 January 2007.

This disposal and its presentation have been restated in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations".

In accordance with this standard, the summary statements are presented so as to distinguish clearly net income from discontinued operations and cash flow.

- the consolidated income statement for 2006 and 2007 places on one line income, expenses, earnings on discontinued operations after tax and capital gain on assets disposed of;
- the 2006 cash flow statement lists separately all the net cash flows relating to discontinued transactions.

The following effects should be noted:

- from 1 January 2007, assets disposed of were no longer amortised.

Intra-group transactions with discontinued activities (particularly Caroil's sales) are stated as operations external to the Group and have therefore not been eliminated from the 2007 or restated 2006 financial years.

GAINS ON ASSET SALES

€000	
Sales price	1,112,587
Income from shortened period	77,684
Repayment of income from the shortened period	(77,684)
Interest on sales price	25,509
Book value of assets disposed of	(334,751)
Capital gain on asset disposal	803,345
Net exchange gains	9,388
Other gains on sale	3,748
INCOME FROM DISCONTINUED OPERATIONS	816,481

INCOME FOR THE PERIOD

€000	
INCOME STATEMENT FOR THE SHORTENED PERIOD 1 JANUARY 2007 TO 29 MAY 2007	
Sales net of deductions in kind	95,504
Operating expenses	(15,073)
Operating income	80,431
Financial expenses	(2,747)
INCOME FOR THE PERIOD (excluding depletion)	77,684

CASH FLOW STATEMENT FOR THE PERIOD

€000	
CASH FLOW STATEMENT FOR THE PERIOD	
1 JANUARY 2007 TO 29 MAY 2007	
Cash Inflow on disposal price	1,090,393
Net flows from operating activities	55,913
Net flows from investment activities	(51,072)
Net flows from leasing activities	(75,391)
NET CASH FLOWS	1,019,843

**NOTE 19:
RESTATEMENTS MADE ON
THE 2006 FINANCIAL STATEMENTS**
CHANGE IN ACCOUNTING METHOD

As indicated in Note 2 regarding accounting methods, the Group changed accounting methods with respect to the treatment of oil-cost financing on behalf of third parties in order to comply with industry practices.

In accordance with IAS 8, the retrospective impacts of this method change on the 2006 financial statements as a whole are listed below.

As this change impacts only the presentation of the balance sheet's assets and income statement, only these two items are presented below:

€000	2006	2006 Restated	Impact
ASSETS			
Intangible assets	614,525	621,207	6,682
Tangible assets	418,919	424,815	5,896
Non-current financial assets	20,260	13,792	(6,468)
Investments accounted for under the equity method	24,750	24,750	
Deferred taxes, assets	23,840	23,840	
NON-CURRENT ASSETS	1,102,294	1,108,404	6,110
Inventory	9,674	9,674	
Trade receivables	71,227	71,227	
Other assets	55,905	49,795	(6,110)
Income taxes receivable	316	316	
Derivative instruments	0	0	
Cash and cash equivalents	194,716	194,716	
CURRENT ASSETS	331,838	325,728	(6,110)
ASSETS AVAILABLE FOR SALE			
TOTAL ASSETS	1,434,132	1,434,132	0

This restatement relates mainly to the Tilapia licence for €5,896 K reclassified as tangible assets, and the Tanzania licence for €6,110 K, reclassified as intangible assets.

€000	2006*	2006 Restated**	Impact
Sales	330,755	325,907	(4,848)
Other income	8,097	8,097	0
Operating expenses	(255,586)	(250,738)	4,848
Operating income	83,266	83,266	0
NET INCOME	180,665	180,665	0

* restated from the income of discontinued operations in accordance with IFRS 5.

** restated from the change in accounting method presented.

This change in accounting method had an impact on the sales figure given that the Group restated the Caroil profit margin share on the drilling operations concerned in compliance with IAS 27. This led to a supplementary elimination of €4,848 K from the 2006 sales figure.

**NOTE 20 :
FINANCIAL INCOME**

€000	31 Dec 2007	31 Dec 2006*
Cost of debt		
Interest on overdrafts	(229)	(118)
Interest on OCEANES	(24,283)	(23,539)
Interest on other borrowings	(5,165)	(4,592)
GROSS COST OF DEBT	(29,677)	(28,249)
Income from cash	29,337	6,143
Net gains or losses on derivatives	(17,941)	0
NET COST OF DEBT	(18,281)	(22,106)
OTHER NET FINANCIAL INCOME	(38,423)	(10,615)
Net exchange differentials	(37,283)	(11,643)
Other	(1,140)	1,027

* Restated for business activities sold.

NET COST OF DEBT

Interest expenses relative to the OCEANES bonds on financial liabilities stated at the effective interest rate represented a total of €24,283 K in 2007 compared to €23,539 K in 2006.

Total interest income recognised on financial assets not revalued at fair value through profit and loss (financial assets available for sale and loans and receivables) was €1,509 K (compared to €2,532 K in 2006).

Total interest expense (equivalent value in euros) of €29,677 K was recognised in 2007 under financial income for the cost of financing compared to €28,249 K in 2006.

Cash income includes interest on loans and receivables of €27,921 K and positive fair value adjustments on UCITS of €1,416.

Net gains or losses on derivatives include mainly an expense of €18,641 K concerning the option collar on 4,500 b/d.

Since these instruments do not meet the requirements for hedge accounting under IAS 32 & 39, their revaluation is recorded under financial income (see Note relative to derivatives).

The amount resulting from the fair value valuation of the collar at closing was a loss of €8,936 K posted to income.

FOREIGN EXCHANGE DIFFERENTIAL

The foreign exchange differential of € - 37,283 K can be broken down into a foreign exchange gain of €51,274 K and a foreign exchange loss of €88,757 K.

The net foreign exchange differential can be explained as follows in K€:

• revaluation of cash in dollars at 31/12/2007 (holding)	(37,562)
• revaluation of receivables/payables in currency at 31/12/2007 (holding)	(10,778)
• gains on foreign exchange options (holding)	7,657
• other gains and losses realised in 2007	3,400
Total	(37,283)

The revaluation of cash in dollars at closing results mainly from the difference between the rate of 1.3509 EUR/USD as at 29 May 2007, the date on which certain assets in Congo were sold to Eni, and the closing rate of the dollar of 1.4721 EUR/USD.

OTHER

Other revenues and expenses at 31 December 2007 include:

- the discounting expense for dismantling provisions in the amount of €349 K;
- the discounting expense for retirement provisions in the amount of €1,093 K.

NOTE 21: INCOME TAXES

A tax group agreement was signed by Maurel & Prom and its French subsidiary, Caroil, effective from 1 January 2004.

Since 6 September 2006, the Group's parent company, Établissements Maurel & Prom, has undergone a tax audit for financial years 2002 to 2005. The Company has contested the proposed adjustments.

The discussions in progress concern the regional allocation of expenses, the existence of permanent establishments abroad, and some specific provisions and expenses. They do not entail additional tax payments due to the Company's losses brought-forward.

BREAKDOWN OF EXPENSES FOR THE YEAR

€000	2007	2006*
Corporate income tax due for the financial year	(28,144)	(53,347)
Recognition of prior tax losses in assets	-	-
Adjustment on the tax due for the year	-	-
	(28,144)	(53,347)
Deferred tax income or expense	7,953	3,611
Deferred tax adjustment due to change in tax rates	3,428	3,741
Prior loss deferred tax income	-	-
	11,381	7,352
TOTAL	(16,763)	(45,995)

* the restatement of the 2006 income statement for the business activities sold has no tax impact.

The tax expense decreases significantly due to tax deductions on investments in Colombia.

The adjustment due to change in tax rates concerns Colombia (down from 34% to 33%).

CHANGES IN CURRENT TAXES

€000	2007	2006
Current tax assets	7,074	316
Current tax liabilities	121	2,406

The balance of current tax assets is due to advance payments of income taxes paid by the entities from the Hocol tax group, exceeding the amount of the recognised tax charge.

ORIGIN OF DEFERRED TAX ASSETS AND LIABILITIES

€000	2007	2006
Tax losses	6,952	10,002
Provisions for dismantling	2,134	2,244
Retirement provisions	3,020	3,892
Deferred tax on financial instruments	2,303	-
Other	8,377	7,702
Total deferred tax assets	22,786	23,840
Goodwill on oil reserves valuation	119,551	146,821
Accelerated amortisation and depreciation	14,737	13,895
OCEANEs equity component	6,952	10,002
Distribution tax - Colombia	-	15,450
Other	4,959	5,544
Total deferred tax liabilities	146,199	191,712
NET	123,413	167,872

Only the deferred tax assets on financial instruments of €2,303 K is recognised under shareholders' equity.

RECONCILIATION OF TAX EXPENSE TO INCOME BEFORE TAX

	2007	2006
Income before tax from continuing operations	(32,822)	53,067
Net income of companies carried on an equity basis	(571)	(2,522)
INCOME BEFORE TAX EXCL. COMPANIES CARRIED ON AN EQUITY BASIS	(33,393)	50,545
Theoretical tax charge 33.33%	(11,130)	16,847
Reconciliation		
Taxes paid in kind		
Divergence of tax rates	(5,248)	(2,377)
Non capitalised loss	33,141	31,525
ACTUAL TAX EXPENSE	16,763	45,995

NOTE 22: EARNINGS PER SHARE

€000	31 Dec 2007	31 Dec 2006
Net income, Group share	766,096	180,665
Net earnings of business activities sold	816,481	178,637
Net earnings from continuing operations	(50,727)	2,028
Average number of shares outstanding	116,510,501	116,882,058
Stock options and bonus shares (weighted)	0	314,447
OCEANEs (weighted)	0	16,708,083
Average diluted number of shares	116,510,501	133,904,588

The potential ordinary shares are treated as dilutive if, and only if, their conversion into ordinary shares results in reducing the earnings per share of the ordinary activities pursued. As such, OCEANEs bonus shares and the stock options have an anti-dilutive impact and earnings per share are calculated exclusive of the impact of the OCEANEs.



NOTE 23: RELATED PARTIES

COMMERCIAL AND FINANCIAL TRANSACTIONS

As at 31 December 2006

€000	Income	Expenses	Amounts due by related parties	Amounts due to related parties
1) COMPANIES CARRIED ON AN EQUITY BASIS				
- Panther Eureka S.r.l.	564	-	564	-
- Raba Xprom Energia Kft	84	-	84	-
2) OTHER RELATED PARTIES				
- Pacifico S.A.	2	1,229	-	237

As at 31 December 2007

€000	Income	Expenses	Amounts due by related parties	Amounts due to related parties
1) COMPANIES CARRIED ON AN EQUITY BASIS				
- Panther Euréka S.r.l.	711	-	711	-
- Raba Xprom Energia Kft	103	-	103	-
2) OTHER RELATED PARTIES				
- Pacifico S.A.	58	1,547	31	503

Transactions with equity-accounted companies concern interest on interest-bearing advances granted to Panther Eureka Srl to fund its exploration work pursuant to contractual commitments agreed for this purpose at the time the Investments were acquired.

An advance was also granted to the Hungarian subsidiary Raba Xprom Energia Kft for exploration operations; given the failure of these operations, this deposit was written off.

With respect to related parties, arm's length transactions pertain to leasing services and to support services.

For example, as at 30 June 2007, Maurel & Prom had signed a sub-lease agreement with Pacifico S.A., a 23.82% shareholder. Since January 2005, Pacifico S.A. has been providing Maurel & Prom with support services in technical and financial matters. The service agreement with Pacifico was amended in a rider approved by the

Supervisory Board of Maurel & Prom on 29 May 2007 and signed on 11 June 2007 (effective 1 February 2007). This rider concerns primarily the adjustment of fees for services provided.

Pacifico Forages S.A., a leading shareholder of Maurel & Prom, sold to Caroil, a subsidiary of Maurel & Prom, drilling rigs for €12,051 K. Since the management bodies are represented by the same senior executives, this disposal was submitted to the approval of Maurel & Prom's Board of Directors at its meeting of 13 December 2007.

SENIOR EXECUTIVES' COMPENSATION

Principal senior executives refers first to the Directors (formerly members of the Management Board and Department Heads) and second to the members of the Board of Directors (formerly members of the Supervisory Board).

€000	31 Dec 2007	31 Dec 2006
Short-term benefits	3,409	3,897
Severance benefits	277	404
Post-employment benefits	353	
Share-based compensation	1,034	956
TOTAL	5,073	5,257

NOTE 24: OFF-BALANCE SHEET COMMITMENTS

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

€000	2007	2006
Customs surety bonds	1,126	762
Guarantees given on loans	101,895	265,755
Work commitments	126,163	402,144

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 €1,126 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 15).

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 its normal operations and in keeping with common industry practices, the Group 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, broke down as follows:

€000	31 Dec 2007	31 Dec 2006
Congo	-	134,515
Gabon	75,290	121,011
Colombia	39,264	107,712
Tanzania	10,190	-
Other	1,330	38,906
TOTAL	126,073	402,144

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.

COMMITMENTS GIVEN UNDER OTHER CONCESSIONS AND PRODUCTION SHARING CONTRACTS

The work commitments registered for Panther stipulate 21 wells for the duration of the concession. The amount of this commitment is estimated at €31.9 million. The penalty, in case of restitution of the permit and non-performance of this commitment would be €90 K.

Under the production sharing contract for 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.

OTHER COMMITMENTS GIVEN

Rockover

The February 2005 acquisition contract for Rockover stipulated 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. The contract also stipulated that Maurel & Prom would pay each of the two vendors a bonus of \$0.45 per barrel of 2P reserves in excess of 54 Mb and up to 80 Mb.

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 13 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 when the accumulated production would exceed 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 when the production accumulated on this field would exceed 3.9 Mb.

In addition the following commitments were continued:

- Maurel & Prom must pay to the sellers total royalty in the amount of 1.30\$/b 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 Mboe and 1.5% over that limit, on the production originating from the exploitation permits arising from the MT 2000-Nyanga Mayombé exploration permit.

Heritage

Maurel & Prom's commitments with respect to Heritage following the acquisition of the rights of the latter to the Kouakouala permit were transferred to Eni.

Zetah M&P Congo

The drilling contract between Zetah M&P Congo and Caroil was renewed for a period of two years ending on 15 February 2009. It provides for the firm lease of 5 rigs over that period. The contract was transferred to Eni in 2007 as part of the disposal of the Congolese assets.

Omoueyi exploration and production sharing contract

Since the start of production on the Onal field, the Gabonese government has an automatic 15% interest in the rights and obligations resulting from the Omoueyi exploration and production sharing contract, unless it expressly withdraws from the agreement within 120 days following the start of production on the permit. On 13 December 2006, an exclusive exploitation authorisation was granted for the Onal area located on this permit.

COMMITMENTS RECEIVED

Agricher litigation

The following are guaranteed by joint and several bond of the Agricher cooperative:

- the loan of €3.659 million, interest included, granted to the Transagra group; and
- the €1.528 million receivable from Transagra.

Because these two companies have filed for bankruptcy, Maurel & Prom claimed under its guarantee.

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 accounts for this sum.

Stratus

Hocol S.A. and Stratus Oil & Gas (an indirect subsidiary of Pacific Stratus Energy Ltd.) reached an amicable settlement in the second half of 2007 (23 July 2007) which ended this litigation without effect on the Group's earnings.

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 in progress.

**NOTE 25:
 SEGMENT INFORMATION**

According to the Group's internal reporting policies, the segment information is presented by geographic area (on the basis of the location of the Company's installations), and then by activity.

25.1 - Information by geographic region

2007	Congo	Gabon	Colombia	Venezuela	Tanzania	Syria	Other	Total
2007 INCOME STATEMENT								
Oil sales	800	1,539	207,515	-	-	-	-	209,854
Services rendered	66,689	-	3,268	-	6,218	-	4,216	80,391
Inter-region sales	-	-	-	-	-	-	(697)	(697)
Total sales	67,489	1,539	210,783	-	6,218	-	3,519	289,548
Current operating income	(16,493)	(27,934)	97,718	(476)	(4,091)	(414)	(24,889)	23,421
Operating income	(16,616)	(27,934)	97,731	(476)	(4,091)	(414)	(24,889)	23,311
Depreciation and amortisation	6,044	1,153	60,877	-	1,682	253	517	70,526
Impairment	25,270	26,359	(3,265)	-	-	-	9	48,373
Other non-cash expenses	1,332	258	406	401	-	-	928	3,325
Share in earnings from companies carried on an equity basis	0	-	-	-	-	-	(571)	(571)
2007 BALANCE SHEET								
Segment assets	124,502	261,097	603,174	31,848	36,994	9,146	43,842	1,110,603
Investments in companies carried on an equity basis	0	-	-	-	-	-	3,138	3,138
TOTAL SEGMENT ASSETS	124,502	261,097	603,174	31,848	36,994	9,146	46,980	1,113,741
Segment liabilities	14,490	20,489	159,714	15,945	8,308	-	39,007	257,953
TOTAL SEGMENT LIABILITIES	14,490	20,489	159,714	15,945	8,308	-	39,007	257,953
Acquisitions of tangible and intangible assets	120,161	200,656	108,603	-	14,068	3,761	1,105	448,354

In 2007, current and deferred tax assets were excluded from segment assets, in accordance with IAS 14. Current and deferred tax liabilities, as well as borrowings, were also excluded from segment liabilities.



2006	Congo	Gabon	Colombia	Venezuela	Tanzania	Syria	Other	Total
2006 INCOME STATEMENT								
Oil sales	-	-	243,288	6,610	-	-	-	249,898
Services rendered	72,458	-	-	-	-	-	4,023	76,481
Inter-region sales	-	-	-	-	-	-	(472)	(472)
Total sales	72,458	-	243,288	6,610	-	-	3,551	325,907
Current operating income	3,209	(6,252)	110,426	1,207	3,315	-	(28,275)	83,630
Operating income	3,226	(6,251)	110,053	1,207	3,315	-	(28,284)	83,266
Depreciation and amortisation	11,633	93	69,813	1,006	-	-	3,528	86,073
Impairment	3	7,392	6,410	499	-	-	1,337	15,641
Other non-cash expenses	449	68	1,788	-	-	-	435	2,740
Share in earnings from companies carried on an equity basis	-	-	-	-	-	-	(2,522)	(2,522)
2006 BALANCE SHEET								
Segment assets	413,067	122,548	599,883	39,965	9,749	6,509	22,887	1,214,608
Investments in companies carried on an equity basis	0	-	-	-	-	-	24,750	24,750
TOTAL SEGMENT ASSETS	413,067	122,548	599,883	39,965	9,749	6,509	47,637	1,239,358
Segment liabilities	123,268	12,857	302,414	50,084	897	-	27,915	517,435
TOTAL SEGMENT LIABILITIES	123,268	12,857	302,414	50,084	897	-	27,915	517,435
Acquisitions of tangible and intangible assets	13,893	55,929	75,730	5	78	-	12,276	157,911

To ensure comparability with the financial statements published for 2006, the line "current operating income" was retained.

25.2 - Information by activity

2007	Exploration / Production Oil and gas	Oil drilling	Other	Total
Sales	209,854	0	0	209,854
Services rendered	0	76,175	3,519	79,694
TOTAL SALES	209,854	76,175	3,519	289,548
Segment assets	944,526	122,407	43,670	1,110,603
Acquisitions of tangible and intangible assets	391,372	56,119	863	448,354

2006	Exploration / Production			Total
	Oil and gas	Oil drilling	Other	
Sales	249,898			249,898
Services rendered	0	72,458	3,551	76,009
TOTAL SALES	249,898	72,458	3,551	325,907
Segment assets	1,124,411	60,801	29,396	1,214,608
Acquisitions of tangible and intangible assets	124,204	21,431	12,276	157,911

NOTE 26 : POST-BALANCE SHEET EVENTS

26.1 - Acquisition of the Transworld shares in Etekamba in Gabon

On 18 March 2008, Maurel & Prom acquired, for 2.5 million dollars, the 35% stake held by Transworld in the Etekamba permit in Gabon.

As a reminder, Maurel & Prom acquired a 65% stake in this permit on 21 December 2006 by drilling three exploration wells.

Maurel & Prom thus holds 100% of this exploration permit covering 773 km². This permit is located to the East of the Kari exploration permit which is wholly owned by Maurel & Prom.

26.2 - Results from Onal tests in Gabon

The Onal-901 exploration well, located in the Southern part of the deposit showed a much greater oil output than those shown for the wells tested to date. The cap rock of the basal sandstone is located approximately 60 meters higher than expected.

The two levels of the reservoir rock were tested separately: the lower basal sandstones produced a flow of 1,100 b/d on a choke nozzle of 32/64" with head pressure of 16 bar, the upper basal sandstones produced 2,300 b/d on a choke nozzle of 48/64" with a head pressure of 17 bars.

The Onal-901 well is the 17th well in the Onal field development campaign since the beginning of the Maurel & Prom activities on this permit and the first appraisal well since the drilling of the Onal-302 well in May 2007 in the Northern part of the deposit.

From all the wells tested to date on the Onal field (overall 1 well per platform), Onal-901 is the well that shows the best productivity.

26.3 - Results from tests in Colombia

PALERMO ASSOCIATION (MAUREL & PROM OPERATOR, 50%)

The Balcon-22 development well, located on the Palermo association contract in the Upper Magdalena Valley, was drilled in the Northern part of the field. The drilling encountered an oil stained level in the Caballos formation. The test revealed an output of 950 b/d of oil with an API gravity of 31°. The well was hooked to existing surface installations. Maurel & Prom, which is the operator, holds 50% of this field, in association with Ecopetrol. The royalties associated with it are 20%.

CPI ORTEGA (ECOPETROL OPERATOR 31%, MAUREL & PROM 69%)

The Pacande Sur-2 appraisal well, drilled on the Ortega incremental production contract located in the Upper Magdalena Valley 250 km South-West of Bogota, encountered four hydrocarbon stained levels in the Caballos formation. Three of these levels were perforated for the first time. The test revealed an output of 800 b/d of oil with an API gravity of 28.5°. Maurel & Prom thus holds 69% of this exploration permit with 8% royalties. The well was hooked to the existing Ecopetrol surface installations. Two exploration wells will be drilled during the first half of 2008 in structures adjacent to the Pacande Sur-2 well.

SAN JACINTO & RIO PAEZ ASSOCIATION (MAUREL & PROM OPERATOR, 36.67%)

The appraisal wells La Canada Norte-2 and La Canada Norte-3, drilled by the association on the San Jacinto & Rio Paez permit, located in the Upper Magdalena Valley at 300 km South-West of Bogota, confirmed the discovery made at the beginning of 2007 in the exploration well LCN-1 ST having produced 850 b/d of oil with API gravity of 34° in the Caballos formation. La Canada Norte-2 met the Caballos formation and revealed an output of 220 b/d of oil with an API gravity of 34°. Canada Norte-3 met the lake water. The upper zone revealed an output of 80 b/d



of oil with an API gravity of 34°. Maurel & Prom is associated as an operator with Cepsolsa (33.33%) and Petrobras (30%). The national company Ecopetrol has an option to receive up to 50% when the marketability of the field is declared. Royalties are 8% of production.

26.4 - Negotiations of the EGOC contracts

A proposal for the extension of the Estero, Garcero, Corocora & Orocué (EGOC) contracts was officially made by the operator Pèrenco at the beginning of July 2007. In December 2007, Maurel & Prom and Perenco reached a joint agreement with Ecopetrol regarding the extension of the EGOC (Estero, Garcero, Orocué and Corocora) contracts. This agreement was officially confirmed by Ecopetrol and the National Association of Hydrocarbons early in 2008. The effective date of this extension is 1 February 2008.

The main features are as follows:

Ecopetrol increases its 50% stake to:

- 89% in Estero,
- 76% in Gastero,
- 63% in Orocué,
- 56% in Corocora,

The previous and new percentages of Hocol are summarised in the table below:

	Prior to the extension	After the extension
Estero	31.71 %	6.98 %
Garcero	31.71 %	15.22 %
Orocué	31.71 %	23.47 %
Corocora	31.71 %	27.91 %

The extension contract also mentions a high price clause, similar to that included in the ANH concession contracts which will be applied at the effective date of renewal for the Estero and Garcero licences and the original expiration date for the Orocué and Corocora licences. Ecopetrol will assume 50% of the exploration expenses and will apply its respective percentages to development expenses. In consideration for this extension, Hocol holds these new percentages to the extent of the economic limit of the licences of the four contracts, or approximately until 2018. Note that the initial end of contract dates before the extension were as follows: Estero -- 31/01/08, Garcero -- 31/12/08, Orocué -- 28/09/11, Corocora -- 31/12/11. This contract extension shows the interest of Ecopetrol in continuing to develop mature fields in the context of a business operated by foreign companies.

NOTE 27: RISKS

CREDIT RISK

The Group is exposed to credit risk through:

- loans granted to third parties and third-party receivables in relation to its operating activities,
- short term deposits granted to banking institutions and derivatives with positive fair value.

€000	31 Dec 2007		31 Dec 2006	
	Maximum exposure to credit risk	Outstanding balance sheet	Maximum exposure to credit risk	Outstanding balance sheet
Other non-current financial assets	6,292	28,216	20,202	13,792
Trade receivables	52,852	52,852	71,227	71,227
Other current financial assets	29,671	29,671	32,681	32,681
Financial derivatives	5,430	5,430	-	-
Cash and cash equivalents	699,939	699,939	162,189	194,716
TOTAL	794,184	816,108	292,409	312,416

Due to the nature of its operating methods, Maurel & Prom considers that it does not have counterparty risk exposure, as the Colombian production is sold on the market through traders who settle with letters of credit issued by first-rank international banks.

In Venezuela, as for any oil operator, the production of the subsidiary is sold to PDVSA, the Venezuelan National Oil Company. Caroil, the drilling company that, until mid 2007, was providing services within the Group, has diversified its customer base following Eni's acquisition of the MBoundi fields in Congo. Maurel & Prom now only represents 22% of the revenues of its subsidiary; its other customers are major international oil groups.

RECEIVABLES DUE BUT NOT RESERVED

Only financial assets classified under loans and receivables include late payments at the balance sheet date.

As at 31 December 2007

€000	Assets due not reserved					Assets reserved	Assets neither due nor reserved	Total
	0-1 month	1-3 months	3-12 months	over > 1 year	Total	Total	Total	
Trade accounts receivable	33,214	4,830	1,338	4,329	43,711	37	9,104	52,852

As at 31 December 2006

€000	Assets due not reserved					Assets reserved	due nor reserved	Total
	0-1 month	1-3 months	3-12 months	over > 1 year	Total	Total	Total	
Trade accounts receivable	33,541	-	4,926	29	38,496	201	32,530	71,227

The Colombian receivables are payable in cash which explains the outstanding receivables due but not reserved at less than a month. There is no proven credit risk for these receivables.

The provisioned receivables outstanding represent a negligible amount of €386 K at 31 December 2007 (compared to €129 K at 31 December 2006).

LIQUIDITY RISK

The Group's liquidity is recorded in cash flow statements prepared weekly and reported to General Management.

These statements include the cash position (loans and surplus) of each entity by currency and the foreseeable change in such position at 7 and 30 days.

Actual results are compared to forecasts through these statements on which, in addition to liquidity, the foreign exchange position may be assessed and managed via an electronic quotation system.

These management systems were developed in-house for risks that do not require any special systems.

Cash is managed at head office with the support of managers from each entity. The corporate department is responsible for managing foreign exchange, interest rate and commodities risks.



At 31 December 2007 and 31 December 2006, the contractual cash flows of principal and interest that have not been discounted for financial liabilities outstanding, by maturity date, are as follows for variable rate loans, interest rates were estimated based on the latest rate known :

As at 31 December 2007

€000	2008	2009	2010	2011	2012	> 5 years	Total contractual flows	Total balance sheet value
BONDS	13,119	387,963					401,082	350,021
OTHER BORROWINGS AND FINANCIAL DEBT								
Natixis/BNP Paribas (syndicated loan)							0	0
Bancolombia (syndicated loan)	9,252	12,390					21,642	19,409
Bancolombia	2,259						2,259	2,259
FINANCIAL LEASE LOANS	1,046	982	982	982	982	1,391	6,365	4,598

As at 31 December 2006

€000	2008	2009	2010	2011	2012	> 5 years	Total contractual flows	Total balance sheet value ⁽³⁾
BONDS	13,119	13,119	387,963				414,201	338,872
OTHER BORROWINGS AND FINANCIAL DEBT								
Natixis/BNP Paribas (syndicated loan) ⁽¹⁾	75,930						75,930	75,930
Bancolombia (syndicated loan)	10,080	9,252	12,390				31,723	30,372
Bancolombia ⁽²⁾	17,100						17,100	17,100
FINANCIAL LEASE LOANS	1,058	1,251	1,251	1,251	1,251	988	7,050	4,975

(1) The Natixis BNP Paribas syndicated loan was repaid early in 2007 and was therefore presented as under one year in the comparison at 31/12/06 even though the loan was classified as non-current as at 31/12/06, since the early repayment had not yet been projected as at the date of the preparation of the 31/12/06 financial statements.

(2) Rollover credit line.

(3) Includes current and non-current outstandings.

The details of the Group's loan terms and structure of financing are as follows:

- a bond issue of €375 million,
- a loan in Colombian pesos for a dollar value of \$29 million.

All these loans are granted at a fixed interest rate to maturity.

In addition, the liquidities which as at 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.

Total loans were €404 million and with its available liquidities of €700 million, the Company had a net surplus position of €304 million, with liquidities representing 170% of loans. The Company is therefore immune to any liquidity risk.

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 euro-dollar 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 operational expenses and a significant portion of its investments are denominated in that currency.

Foreign exchange risk

Even though the dollar is the operational currency of the Group, the EUR/USD rate fluctuations affect the results of the Company during the revaluation of liquidities held in this currency for the year-end financial statements.

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 liquidities in this currency specifically for the purpose of these outlays.

The transactional position used to calculate the US dollar exchange rate risk as at the closing date is summarised in the chart below:

Balance sheet positions as at 31/12/2007

	\$000	€000
Assets	238,250	162,251
Liabilities	378,936	257,412
Net position before management	- 140,086	- 95,161
Off-balance sheet position	-	-
Net position after management	- 140,086	- 95,161

On 31 December 2007, the EUR/USD exchange rate was 1.4721.

In 2007, the Group sold \$511 million at an average rate of 1.35.

An unfavourable change of 1 US cent relative to the euro would have an impact of €951K on the net position in the currency.

In addition, with respect to the exposure to the exchange rate risk in Colombian pesos, the current loans are for the most part covered by cash in the same currency.

FOREIGN EXCHANGE DERIVATIVES

Foreign exchange derivatives are presented below:

Foreign exchange derivatives	31 Dec 2007	31 Dec 2006
€000	Total Fair value	Total Fair value
Derivatives not qualified as hedges	5,185	-
TOTAL	5,185	-

As at 31 December 2007, the commitments in foreign exchange derivatives included:

- a USD COP swap with an underlying loan in pesos of the Colombian subsidiary;
- a forward sale of \$283 million against euros; and
- Euro Dollars options.

INTEREST RATE RISK

Loans current as at 31 December 2007 within the Group as well as the available lines of credit are described in Note 15, which also describes any liquidity and interest rate risks.

Except for the OCEANE convertible bonds, the current loans taken out from financial institutions as at 31 December 2007 are at variable interest rates.

The liquidities held by the Group are placed in short-term deposit with a variable interest rate. Note that these liquidities as at 31 December 2007 were €699,939 K. In case of a 1% variation in the interest rates, the Company runs the risk of an opportunity cost of €7 million in case of a drop, which becomes an opportunity gain in case of a rise.

The financial investments portfolio covers the entire debt of the Group. In addition, the Group has confirmed and unused lines of credit amounting to \$95 million under its "Reserve Based Loan" facility linked to the pledge of the Colombian reserves.

DERIVATIVES EXPOSED TO INTEREST RATE RISK

As at 31 December 2007, the impact on financial liabilities and assets of the interest rate risk hedging derivatives was as follows:

Gross debt

The amounts below show the bond issues and other loans and financial liabilities:

€000	31 Dec 2007			31 Dec 2006		
	Before	Impact of derivatives hedging	After	Before	Impact of derivatives hedging	After
Variable	21,668		21,668	47,479		47,479
Fixed	354,619		354,619	419,778		419,778
TOTAL	376,287	-	376,287	467,257	-	467,257

Financial assets exposed to interest rate risk representing liabilities:

€000	31 Dec 2007			31 Dec 2006		
	Before	Impact of derivatives hedging	After	Before	Impact of derivatives hedging	After
Variable	699,939		699,939	194,716		194,716
Fixed						
TOTAL	699,939	-	699,939	194,716	-	194,716

The table below shows the impact of a 1% rise in the interest rate for variable rate borrowings:

€000	31 Dec 2007	31 Dec 2006
Natixis/BNP Paribas Loan	0	759
Bancolumbia Loan (syndicated loan)	194	303
Bancolumbia Loan	2	171
TOTAL	196	1,233

With respect to assets and based on constant outstanding amount at end 2007, a 100 basis point drop in rates would have led to recognising financial income for an amount below €6,920 K.

The Group's outstanding loans at 31 December 2007 as well as the available lines of credit are described in Note 15 of the consolidated financial statements in this Annual Report which also describes any liquidity and interest rate risks.

Except for the OCEANES bond issue, the current loans taken out from financial institutions as at 31 December 2007 are at variable rates.

The liquidities held by the Group are placed in short-term deposit with a variable interest rate. Note that these liquidities as at 31 December 2007 were €700 million. In case of a 1%

variation in the interest rates, the Company runs the risk of an opportunity cost of €7 million in case of a drop, which becomes an opportunity gain in case of a rise.

The financial investments portfolio covers 172% of the Group's debt. In addition, the Group has confirmed and unused lines of credit in the amount of \$95 million under its "Reserve Based Loan" facility linked to the pledge of the Colombian reserves.

Exposure to hydrocarbon risks

The Company's policy is to hedge a portion of its future production against any decline in prices thus taking advantage of a possible rise thereof in the portion of the production that is not hedged. Since the sale of the M'Boundi field to Eni, production from its Colombian subsidiary Hocol amounts to around 13,000 b/d.

Note also that this hedging policy is part of the management of bank credit lines available to the Group. In fact, the latter 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.
- 3,500 b/d through a cancellation strategy for some of the option hedges above: the WTI sale price is between \$59.22 and \$65/b.

At the end of December and during the first quarter of 2008,

these hedges were repurchased and replaced with the following hedges:

- 8,000 b/d at the WTI price of \$88.22/b through a forward sale for 2008,
- 5,500 b/d at the WTI price of \$87.82/b through a forward sale for 2009,
- 3,500 b/d at the WTI price of \$87.48/b through a forward sale for 2010.

Derivative instruments hedging hydrocarbon risk and sensitivity

As at 31 December 2007, the derivative instruments held as hedges against hydrocarbon risks are presented below:

Instrument type	Subscription Date	Strike price	Start Date	End Date	Qty b/d
WTI ASIAN COLLAR					
Short put	16/03/07	65.22	01/04/07	31/03/08	4,500
Long put	16/03/07	59.22	01/04/07	31/03/08	4,500
WTI SWAP					
SWAP sale	16/03/07	64.10	01/04/07	31/03/08	4,000
2008 SWAP sale	20/12/07	87.89	01/01/08	31/12/08	5,000
2009 SWAP sale	20/12/07	87.40	01/01/09	31/12/09	3,000
2010 SWAP sale	20/12/07	87.26	01/01/10	31/12/10	1,500

The valuation of these instruments was as follows as at 31 December 2007:

€000	31 Dec 2007	31 Dec 2006
Interest rate derivatives	Total Market value	Total Market value
Fair value hedge	0	
Cash flow hedge	(13,955)	
Derivatives not qualifying as hedges	(8,074)	
TOTAL	(22,029)	0



Additional information on cash flow hedges

The maturity of derivatives hedging hydrocarbon risks documented in a cash flow hedging relationship is for the most part under one year (March and December 2008 maturities).

As at 31 December 2007, the amount of unrealised gains or losses posted to equity over the period was €13,955 K excluding tax. No amount was posted to income over the period.

Only one third of the Colombian production is exposed to rate fluctuations in view of the hedges in place.

EQUITY RISK

Equity risk exposure and management

The only financial assets exposed to equity risk are securities available for sale which include mainly a 19.15% stake in Pebercan with a net book value of €21,076 K stated at cost as at 31 December 2007 in the absence of a quoted price on an active market.

COUNTERPARTY RISK

The Group is exposed to counterparty risk through:

- loans granted to third parties and third-party receivables in the context of its operating activities,
- short-term cash investments with banking institutions and transactions involving derivatives revalued at positive fair value.

Because of its cash surplus position and its operating method for the sale of crude paid for with letters of credit issued by first-rank international banks, the counterparty risk exposure of the Company is minimal.

13.2.2 - Report of the statutory auditors on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting, we have audited the accompanying consolidated financial statements of the company Établissements Maurel & Prom for the year ended 31 December 2007.

These consolidated 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 concerning the consolidated financial statements

We conducted our audit in accordance with generally accepted 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 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 financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group in accordance with IFRS, as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the change in accounting methods in respect of operations to finance petroleum investments on behalf of third parties as disclosed in Notes 2.26 and 19.

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 disclosed in Note 2.3 and Note 4, 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 expenses in accordance with the conditions and methods disclosed in Notes 2.18, 2.19 and 14. 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 Note 18. As this was a particularly significant transaction in 2007, we verified the accuracy of the calculation of the revenues from the sale of these assets and their presentation in the financial statements.

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

III - Specific verification

In accordance with generally accepted professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris, Paris-La Défense, 28 April 2008

The Auditors

Michel Bousquet

ERNST & YOUNG Audit

François Carrega