# Annual Report 2007

MAUREL & PROM

# Annual Report 2007

MAUREL & PROM


Établissements Maurel & Prom

Société anonyme governed by a Board of Directors
with capital of €92,811,116.09

Head Office: 12 rue Volney – 75002 Paris
**Tel. : 01 53 83 16 00 – Fax : 01 53 83 16 04**
R.C.S. Paris B 457 202 331 – Siret 457 202 331 00064 – APE 111 Z


The French language version of this *document de référence* (Annual Report or Reference Document) was filed with the French Autorité des Marchés Financiers on 29 April 2008 pursuant to Article 212-13 of its General Regulations. It may be used for the purposes of a financial transaction only if it is completed by a prospectus registered with the Autorité des Marchés Financiers. This document was prepared by the issuer and under the responsibility of the signatories.

Incorporation by reference: Pursuant to Article 28 of EC Regulation 809/2004 of 29 April 2004, readers of this document are invited to refer to previous annual reports with respect to certain information:

1 – for financial year 2005: the management report, the consolidated financial statements and the annual financial statements, including the reports of the Auditors on those statements, provided respectively in Sections 26.2.2 and 26.2.4 of the reference document filed on 20 June 2006 with the Autorité des Marchés Financiers under number D. 06-604;

2 – for financial year 2006: the management report, the consolidated financial statements and the annual financial statements, including the reports of the Auditors on those statements, provided respectively in Sections 13.2.2 and 13.2.4 of the reference document filed on 31 May 2007 with the Autorité des Marchés Financiers under number D. 07-528;

Those documents are available on the website of the Company at www.maureletprom.com and the website of the Autorité des Marchés Financiers at www.amf-france.org.

## 11 - COMPANY MODE OF OPERATION 71



## 12 - OTHER 83

## 13 - APPENDICES TO THE ANNUAL REPORT 87

# 1 Responsible persons

## 1.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT AND UPDATE

As Chairman and Chief Executive Officer of Établissements Maurel & Prom (hereinafter “Maurel & Prom” or the “Company”), Jean–François Hénin is responsible for the financial information and the Annual Report.

His contact details are:


Jean–François Hénin
Chairman and Chief Executive Officer

Maurel & Prom
12, rue Volney
75002 Paris

Telephone: 01 53 83 16 00
Fax: 01 53 83 16 04


## 1.2 ATTESTATION

*"I hereby certify, after taking every reasonable measure for this purpose, that the information contained in this Annual Report does, to my knowledge, fairly represent reality and contains no omission that might alter the significance thereof.*

*I certify that, to my knowledge, the financial statements have been established in accordance with the applicable accounting standards and present a true and fair view of the assets, financial position, and earnings of the Company and of all the companies included in the consolidation, and that this Annual Report, including the management report, presents a true and fair view of the changes in the business, the results and the financial position of the Company and of all the companies included in the consolidation, and a description of the principal risks and uncertainties to which they are exposed.*

*I have obtained from the statutory auditors an end of engagement letter, in which they state that they have verified the information concerning the financial position and the financial statements provided in this document and that they have read the entire document.*

*The historical financial information presented in this Annual Report has been covered by reports from the statutory auditors. The auditors reports in respect of the year ended 31 December 2007 are presented in section 13 of the said document.*

*The auditors' report on the 2007 consolidated financial statements contains the following observations:*

> *“ Without qualifying our opinion stated above, we draw your attention to the change in accounting policy relating to transactions to finance oil investments on behalf of third parties as stated under notes 2.26 and 19 of the notes to the financial statements ”.*

*The auditors’ reports for financial year 2006 contain the following observations:*

> *“ Without qualifying our opinion stated above, we draw your attention to note 27 (post balance sheet events) of the notes to the financial statements relating to significant events for the Group that occurred after 31 December 2006, and note 20 relating to changes in presentation of the 2005 financial statements ”.*

*The auditors’ reports for financial year 2005 do not contain any observations.*

Jean–François Hénin,
Chairman and Chief Executive Officer

Paris, 28 April 2008

2

# Statutory Auditors

## 2.1 PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

| Name | Date of first appointment | Current term of office | Term expiration |
|---|---|---|---|
| **Michel Bousquet**<br>46, rue du Général Foy<br>75008 Paris | Shareholders' Meeting of 14 June 2002 | 6 years from 14 June 2002 | Following the Shareholders' Meeting called to approve the annual financial statements for the year ended 31 December 2007 |
| **Ernst & Young Audit**<br>Represented by François Carrega<br>Tour Ernst & Young<br>Faubourg de l'Arche<br>92037 Paris-la Défense Cedex | **Shareholders' Meeting** of 27 June 1996 | 6 years from 14 June 2002 | Following the Shareholders' Meeting called to approve the annual financial statements for the year ended 31 December 2007 |

| Name | Date of first appointment | Current term of office | Term expiration |
|---|---|---|---|
| **François Caillet**<br>66, avenue de Buzenval<br>92500 Rueil-Malmaison | Shareholders' Meeting of 14 June 2002 | 6 years as of 14 June 2002 | Following the Shareholders' Meeting called to approve the annual financial statements for the year ended 31 December 2007 |
| **Jean-Louis Robic**<br>24, boulevard du Général Ferrié<br>94100 Saint-Maur-des-Fossés | Shareholders' Meeting of 21 November 1989 | 6 years as of 14 June 2002 | Following the Shareholders' Meeting called to approve the annual financial statements for the year ended 31 December 2007 |

The Annual Shareholders' Meeting of 12 June 2008 will be asked to renew the appointment of one statutory auditor and replace the other statutory auditor and the two alternate auditors, pursuant to the resolutions presented in Section 13.9.

## 2.2 RESIGNATION / NON-RENEWAL OF THE STATUTORY AUDITORS

Not applicable.

# Key figures

## 3.1 KEY CONSOLIDATED DATA FOR YEAR ENDED 31 DECEMBER 2007

| €000 | 2007 | 2006[1] | 2006 | 2005[2] |
|---|---|---|---|---|
| Revenues | 289.5 | 325.9 | 583.7 | 407.7 |
| Operating income | 23.3 | 83.3 | 272.1 | 161.3 |
| Income before taxes | (33.4) | 50.5 | 229.2 | 115.5 |
| Income from discontinued operations following Eni sale | 816.5 | 178.6 | - | - |
| Net income | 765.8 | 180.7 | 180.7 | 100.3 |
| Net cash flow generated by operating activities | 97.4 | 186.7 | 311.7 | 294.4 |
| Closing cash | 694.7 | 186.3 | 186.3 | 232.1 |
| Net earnings per share (in €) | 6.78 | 1.55 | 1.55 | 0.90 |
| Net diluted earnings per share in € | 5.51 | 1.47 | 1.47 | - [3] |
| Total non-current assets | 999.0 | 1,108.4 | 1,102.3 | 1037.7 |
| Total current assets | 845.0 | 325.7 | 331.8 | 343.3 |
| Shareholders' equity | 1,057.8 | 569.3 | 569.3 | 458.8 |
| Maurel & Prom working interest production (b/d) | 14,552 | 16,507 | 45,449 | 35,498 |
| Net production (entitlement)[4] (b/d) | 12,365 | 14,227 | 30,883 | 25,558 |
| Dividend per share (in €) | 1.20[5] | 1.20 | n/a | 0.33 |

Taking into account 2007 production, the reserves renewal rate stands at 430%.

*[1] Restated for the assets sold to Eni in Congo and accounting policy changes.*
*[2] Restated for royalties in Venezuela (see Section 5.2).*
*[3] No dilution in accordance with accounting policies applicable in 2005.*
*[4] Production net of in-kind oil taxes = lifting right.*
*[5] The shareholders' meeting on 12 June 2008 will be asked to approve the payment of a dividend of €1.2/share.*

## 3.2 RESERVES CERTIFIED BY DEGOLYER & MACNAUGHTON (DMN) AT 1 JANUARY 2008

| M & P reserves (in-kind royalty deducted) in Mboe | P1 | P1+P2 | P3 estimated ** |
|---|---|---|---|
| Reserves (01/01/2007) * | 44 | 110 | 222 |
| 2007 Production | (5) | (5) | - |
| Revision | 10 | 21 | (85) |
| Reserves (01/01/2008) | 49 | 126 | 137 |

** restated for in-kind royalties in Venezuela (see Section 5.2).*
*** P3 01/01/2008: excluding new exploration targets.*
*P1 reserves are proven reserves.*
*P2 reserves are probable reserves.*
*P3 reserves define possible reserves.*

Reserves are detailed in Section 5.2 of this Annual Report.

## 3.3 MARKET

| | | |
|---|---|---|
| **Listing market:** | Euronext Paris (France). | |
| **Codes :** | ISIN: | FR 0000051070 |
| | MNEMO: | YMAU |
| | Reuters: | MAU.PA |
| | Bloomberg: | MAU FP |
| **Market:** | Euronext compartment A | |
| **Principal index:** | CAC AllShares | |
| **Other indices:** | CAC Mid, CAC Mid Small 190,<br>CAC Mid100, Next 150, NextPrime, SBF120 | |

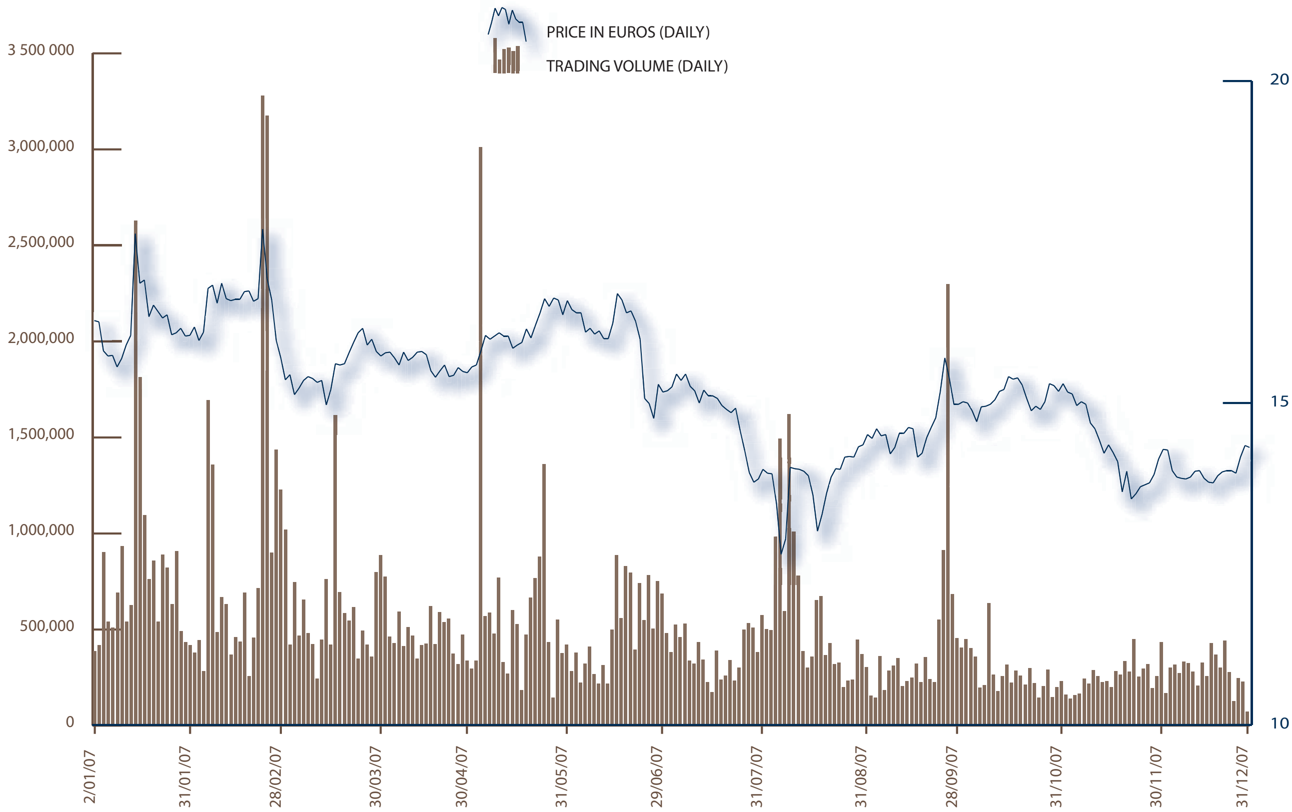
**Number of shares at 31 December 2007:**
120,533,917 shares

**Average daily volume:**
281,000 shares

**Market capitalisation at 16 April 2008:**
1,703,144 billion at a price of €14.13 per share (on the basis of 120,533,917 shares).

MARKET SHARE PRICE EVOLUTION IN 2007:

Over 2007, the lowest price was €12.61 and the highest price was €17.70. The closing price was €14.31 on 31 December.




MARKET PERFORMANCE OF THE SHARE FOR THE LAST THREE YEARS:

| Share price (in €) | 2007 | 2006 | 2005 |
|---|---|---|---|
| Low (mid session) | 12.61 | 13.75 | 14.51 |
| Low (mid session) | 17.70 | 20.56 | 21.50 |
| Last price of year (closing) | 14.31 | 16.11 | 15.84 |

# 4 Presentation of the Group

## 4.1 HISTORY

A trading company operating between Bordeaux and the French colonies of West Africa, Etablissements Maurel & Prom, founded in 1813, was a leading shipping company between France and Senegal, Ivory Coast, Cameroon, Gabon and Congo.

The decline of the shipping industry in the 1970's led the Group to refocus its activity on the food sector, then on the oil and gas, gold and forestry sectors. 76% controlled by Electricité et Eaux de Madagascar (EEM) until 2000, Maurel & Prom separated from EEM to focus on the oil business. Since that date, and under the leadership of the current Chairman and Chief Executive Officer Jean-François Hénin, Maurel & Prom has focused on the oil and gas exploration and production sector.

Maurel & Prom was the source of one of the largest onshore discoveries in Africa in the last ten years with the M'Boundi field, sold in the first half of 2007 to the Italian group Eni. This transaction was in line with the strategy of trading and creation of value defined by the Group.

As a result of an ambitious growth strategy, particularly in 2005 with the purchase of Hocol and mining permits in Gabon, Maurel & Prom today has a mining portfolio that is broadly diversified geographically.

## 4.2 DESCRIPTION OF THE GROUP AND BUSINESSES

### 4.2.1 - Assets of the Group

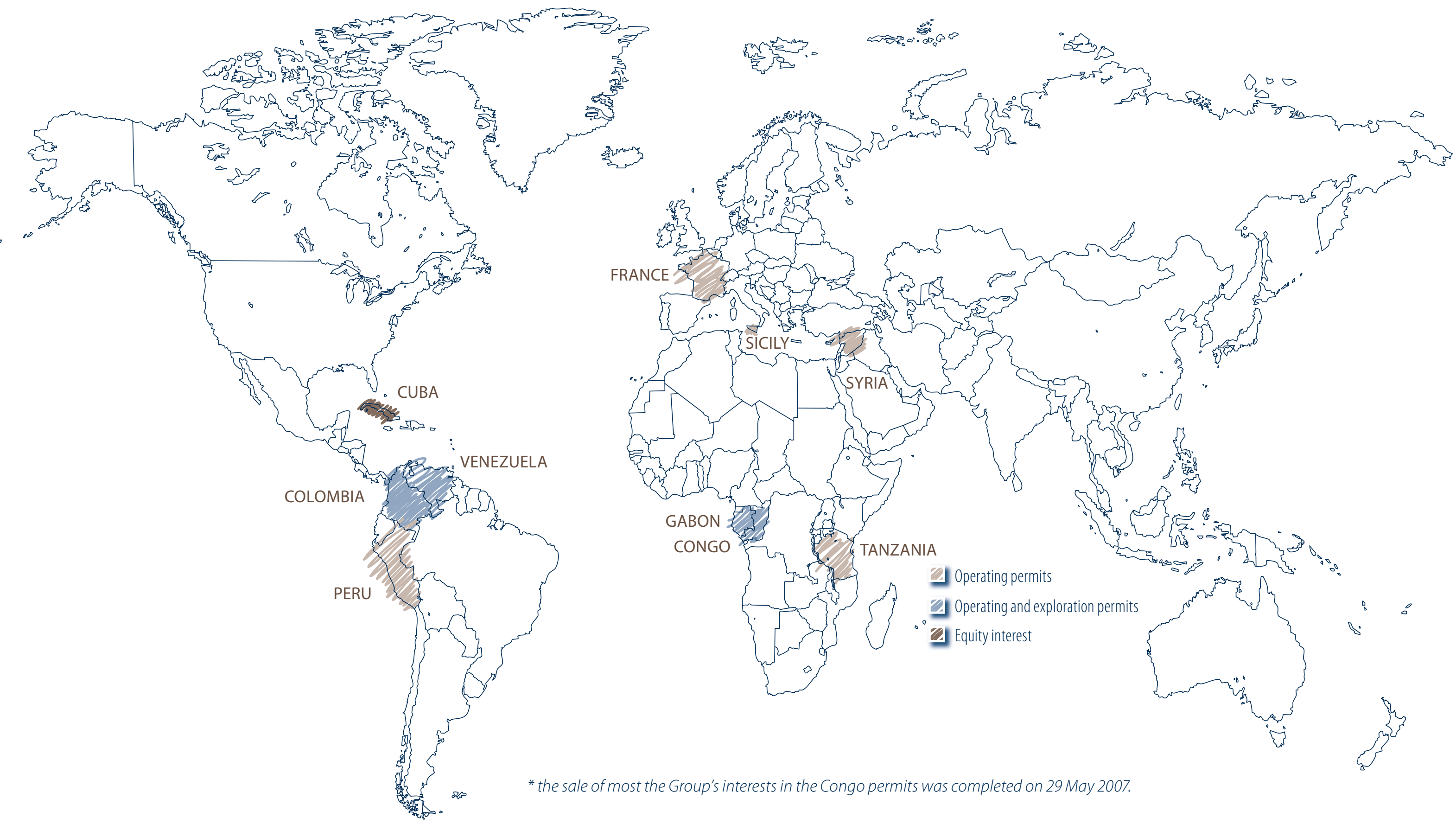
As of 31 December 2007 and to date, Maurel & Prom group operations are focused on the following two main businesses:

- hydrocarbon (oil and gas) exploration and production; and
- drilling and other related activities.

These operations are not subject to seasonal fluctuations or specific periods.

The geographic locations of the oil and gas operations at 31 December 2007 were as follows:

- Exploration: Congo, Gabon, Colombia, Tanzania, France, Italy, Peru, Syria;
- Production and development: Colombia, Venezuela, Gabon, Cuba, Congo.




** the sale of most the Group's interests in the Congo permits was completed on 29 May 2007.*

## 4.2.2 - List of permits at 31 December 2007

### OIL AND GAS ACTIVITIES

**COLOMBIA**

**Llanos**

| | |
|---|---|
| Casanare: | 12.96% |
| Cocli: | 100% |
| Corocora: | 31.72% |
| El Tigre: | 100% |
| Estero: | 31.72% |
| Garcero: | 31.72% |
| Guarrojo: | 100% |
| Guepardo: | 100% |
| Humadea: | 50% |
| Lince: | 100% |
| Mundo Nuevo: | 15% |
| Niscota: | 20% |
| Orocue: | 31.72% |
| Sabanero: | 100% |
| Saltarin: | 100% |
| Tangara: | 33% |

**COLOMBIA**

**Magdalena Valley**

| | |
|---|---|
| Achira: | 25.67% |
| Doima: | 100% |
| La Hocha: | 100% |
| Orquidea: | 60% |
| Ortega: | 69% |
| Palermo: | 50% |
| Rio Paez: | 36.67% |
| Saman: | 50% |
| San Jacinto: | 36.67% |
| Upar: | 35% |

**Eastern Cordillera**

| | |
|---|---|
| Muisca (TEA): | 100% |

**CONGO**

| | |
|---|---|
| Kouilou: | 15% |
| Marine III: | 20% |
| La Noumbi: | 49% |
| Tilapia: | 20% |

**GABON**

| | |
|---|---|
| Banio: | 100% |
| Etekamba: | 65% |
| Kari: | 100% |
| Nyanga-Mayombé: | 100% |
| Omoueyi: | 100% |
| Onal: | 85% |

**ITALY**

**Panther Eureka**

| | |
|---|---|
| M&P: | 30% |

**VENEZUELA**

**Bloc B2X 70/80**

| | |
|---|---|
| M&P : | 26.35% |

*(via Empresa Mixta Lagopetrol)*

**TANZANIA**

| | |
|---|---|
| Bigwa-Rufiji and Mafia Block: | 60% |

**SYRIA**

| | |
|---|---|
| Block XI, Alasi: | 75% |

**SENEGAL**

| | |
|---|---|
| Sebikhotane: | 90 % |

### GOLD

**New Gold Mali S.A. (NGM)**

| | |
|---|---|
| M&P: | 26% |

## 4.2.3 - Certification of reserves

The reserves of the Maurel & Prom group were certified on 1 January 2008 by an independent organisation, the US firm of DeGolyer & MacNaughton (DMN).

This firm specialises in the oil an gas sector. Its corporate headquarters are located at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244.

DMN is internationally known for studies conducted on oil fields and reserves. For more than sixty years, it has completed hundreds of thousands of studies on oil fields in over one hundred countries. DMN's clients include oil and gas companies, petroleum and chemical refining companies and financial institutions. More detailed information is available on the DMN website at www.demac.com.

The certification methods used are based on the international standards normally used in the oil and gas sector. The certified reserves are described in Section 5.2.

## 4.2.4 - Description of the businesses

### 4.2.4.1 - Exploration

The primary business of Maurel & Prom is exploration, to which a large percentage of its investments and a recognised team are allocated. Exploration includes geological studies, seismic acquisition and processing, geophysical analysis and drilling.

Today, the strategic oil exploration regions are in Africa, Latin America, Europe and, since the end of 2006, the Middle East. The start-up of operations in Tanzania, Italy (Sicily), Peru and Syria have ensured the geographic diversification of the Group.

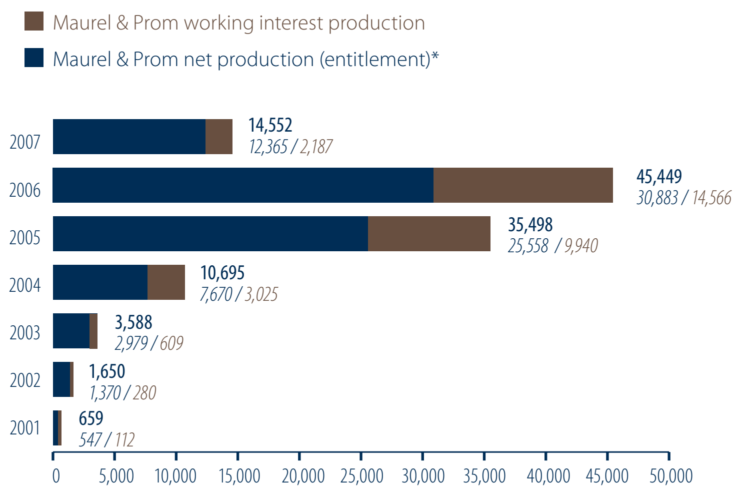
The Maurel & Prom technical teams are composed of geologists, geophysicists, and engineers from the petroleum world with proven expertise. Their experience and qualifications make them fundamental assets for the Group, which is intensifying its exploration efforts.

Today, this activity gives Maurel & Prom significant reserves and real growth potential.

### 4.2.4.2 - Production & Development

In 2007, the Group's production came essentially from the Colombian assets acquired in August 2005. The production of the Onal field in Gabon will not come on stream until the second half of 2008.

MAUREL & PROM PRODUCTION (b/d)




** Production net of oil tax in kind = entitlement.*

### 4.2.4.3 - Drilling

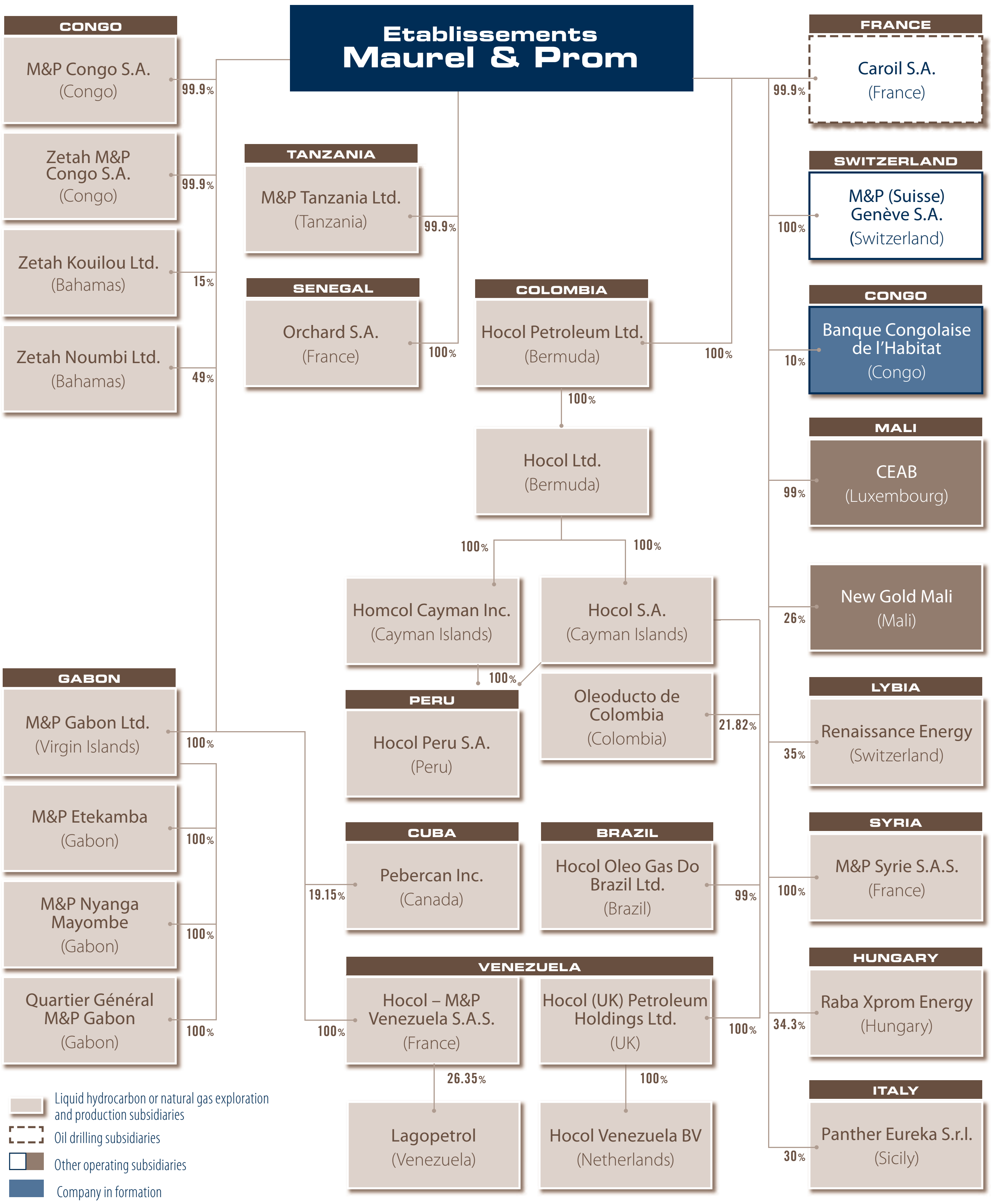
This business is performed by Caroil, a wholly owned subsidiary of the company, which is developing its business in the high-growth onshore segment.

Caroil's strategy is to expand its portfolio of orders with third party companies and develop its field of action, while maintaining its close links with Maurel & Prom.

At 31 December 2007 the Company managed 11 rigs in operation, 10 of which are owned and 1 is operated through a service agreement. At present, there are four rigs on order.

## 4.3 - Organisation of the Group

### 4.3.1 - Organisational chart





The organisational chart of the main subsidiaries of Maurel & Prom group (hereinafter “Maurel & Prom Group” or the “Group”) at 31 December 2007 shows the number of subsidiaries of the Group, their geographic locations and the geographic distribution of the Group’s operations.

Établissements Maurel & Prom, which conducts its own business activity, is also the holding company for the Maurel & Prom Group. At 31 December 2007, the Company held four French subsidiaries: Caroil S.A. (drilling company), Hocol – Maurel & Prom Venezuela S.A.S., Maurel & Prom Syrie S.A.S. and Orchard S.A.

The percentages indicated in this organisational chart represent equity holdings and voting rights.

### 4.3.2 - **Intra-group relations**

The table below shows the Group’s key figures and the breakdown between its principal subsidiaries.

| | Subsidiaries | | | | | |
|---|---|---|---|---|---|---|
| Consolidated amounts (ex. dividends) €000 | Hocol | Caroil | Gabon | Other | Holding company | Consol. total |
| Non-current assets (inc. goodwill) | 537,274 | 95,805 | 258,817 | 51,624 | 1,356 | 944,876 |
| Financial debt * | 26,229 | 0 | 36 | 0 | 350,022 | 376,287 |
| Net cash on balance sheet ** | 116,576 | - 1,489 | 11,344 | 2,771 | 565,104 | 694,306 |
| Cash flows from operating activities | 125,557 | 50,803 | 177,634 | 38,721 | - 295,328 | 97,387 |
| Dividends paid in the year, attributable to the listed company | - | - | - | - | NA | NA |

**excluding bank overdrafts presented in net cash.*

***cash net of bank overdrafts.*

Transactions between the company and its subsidiaries exist in various areas (services, current account agreements, etc.). The financial transactions governed by related-party agreements are presented in the special report of the auditors which is provided in Section 13.3 of this Annual Report.

Mr. Hénin, Chairman and Chief Executive Officer, also holds management positions within the Group’s subsidiaries. The offices held by Mr. Hénin within the subsidiaries are indicated in Section 6.1.2.

# 5 Businesses of the Company

## 5.1 GROUP EXPLORATION AND PRODUCTION ACTIVITY AND HIGHLIGHTS

### 5.1.1 - Change in scope of consolidation

On 28 May 2007, with retro-active effect as at to 1 January 2007, Maurel & Prom sold to Eni Congo S.A., subsidiary of Italian group Eni S.p.A, its interest in the Congolese operating permits of M'Boundi and Kouakouala, and a portion of its interest in the Kouilou exploration permit, which was reduced from 65% to 15%, for USD 1.434 billion (See Note 18 to the consolidated financial statements under section 13.2.1.).

Maurel & Prom continued to expand its exploration territory in Colombia by acquiring two exploration permits, Cocli and Saltarin (operator, 100%), and in Gabon, by signing an exploration and production sharing contract on the Kari study zone (operator, 100%) on 4 October 2007.

On 12 December 2007, Maurel & Prom signed a final agreement with PDVSA for the transfer of a service agreement from Hocol Venezuela to the Venezuelan public-private company Lagopetrol. Maurel & Prom holds a 26.35% stake In Lagopetrol. This agreement stipulates the payment by PDVSA of compensation of approximately USD 5 million for the activity for the last nine months of 2006.

### 5.1.2 - Financial summary of 2007

#### 5.1.2.1 – Consolidated financial statements

The results for 2007 essentially reflect the sale of certain Congolese assets, oil sales in Colombia, and the drilling business.

While the Group's oil activity in 2007 was driven by higher prices for Brent and WTI (+ 11% and +10%), the 9% fall in the EUR/USD exchange rate had a negative impact on the Group's earnings.

CHANGE IN ACCOUNTING METHOD

In order to match the practice in the oil sector, the Group decided to change its accounting method for the treatment of oil financing on behalf of third parties (see Notes 2.26 and 19 to the consolidated financial statements).

REVENUES

The Group in 2007 generated revenues of €289.5 million, compared with €326.0 million in 2006, down 11%.

The change in the business led to the following evolution in group activity:

- retrocession of the Tello concession in Colombia on 14 February 2006 (9,504 b/d average);
- exclusion of the production in Venezuela from 1 April 2006 to 31 December 2007;
- start of production on fields in Congo (Tilapia) and in Gabon (Banio);
- assumption by Eni, the operator on M'Boundi and Kouakouala, of the contracts for the five drilling rigs operating these permits sold;
- development of the Caroil drilling subsidiary.

The decline in revenues is also related to the drop in production in Colombia because of the problems encountered on the Balcon-21 well, which have since been solved, and to the unfavourable USD/EUR exchange rate.

The Group's total revenues, expressed in US dollars, were USD 397 million in 2007, down a slight 3% from USD 409 million in 2006.

For 2007, Caroil's contribution to revenues totalled €76.2 million, compared with €72.5 million in 2006, an increase of 5% (15% expressed in USD).

In 2007, Caroil's operations represented 26% of the Group's total revenues.

The geographic change in the revenues is relatively constant in terms of distribution, with 73% of the activity coming from Colombia and 23% from Congo.

OPERATING INCOME

Operating income was €23.31 million at 31 December 2007, down from €83.27 million at 31 December 2006. The Group's operating income reflects, in particular, operating expenses totalling €29.6 million, the depreciation of Tilapia and Banio (-€21.0 million and -€19.7 million respectively), and higher personnel costs following the restructuring in Colombia, and the revaluation of the Colombian peso. Group operating income can be analysed as follows:

- drilling operations: €10.8 million;
- oil operations: €41.8 million;
- holding company: €(29.2).

FINANCIAL RESULT

The Group recorded a financial loss of -€56.70 million at 31 December 2007 compared to a loss of €32.72 million at 31 December 2006. The financial result for 2007 includes the effects of net gains and loss on derivatives of €17,941 K and a net currency exchange loss related to the EUR/USD exchange rate over 2007.



The financial results reflect the following:

- interest expenses and cash income were balanced (€29.7 million versus €29.3 million);
- net gains and losses on derivative instruments were offset in the revenues generated in 2007 of €9.7 million and to be generated in 2008 of €8.9 million;
- the negative net currency translation adjustment of €(37.3) million corresponds essentially to a revaluation loss on USD-denominated cash at 31 December 2007 (€37.6 million).

## GAINS ON DISPOSALS

Gains on disposal of assets are described under note 18 to the consolidated financial statements under section 13.2.1.

## CONSOLIDATED NET INCOME

The consolidated net income for financial year 2007 was €765.8 million, up from €180.7 million for financial year 2006, after 2007 tax of €16.8 million.

Maurel & Prom's stake in Lagopetrol, which was formed in December 2007 in Venezuela, is not included in the results for 2007. For 2008, Maurel & Prom's interest in Venezuela should be proportionately consolidated.

## EARNINGS PER SHARE

Earnings per share: at 31 December 2007, the number of shares representing the share capital was 120,533,917 and the share capital totalled €92,811,116.09. The number of shares outstanding, taking into account stock buybacks, was 116.5 million. For 2007, net earnings per share equalled €6.78, up from €1.55 1for financial year 2006.

## BALANCE SHEET

The balance sheet total was €1,844 million at 31 December 2007 compared with €1,434 million at 31 December 2006.

The balance sheet at 31 December 2007 reflects the substantial disposal of assets completed in the Congo and shows the cash generated by this transaction.

The Group's shareholders' equity totalled €1,058 million at 31 December 2007 up from €569 million at 31 December 2006. This increase was due to gains on sale of operations in Congo.

Non-current liabilities were down 14.7% following the repayment of €75.3 million of the debt related to the assets sold.

## INVESTMENTS

Investments for 2007 amounted to €448.354 million versus €157.911 million.

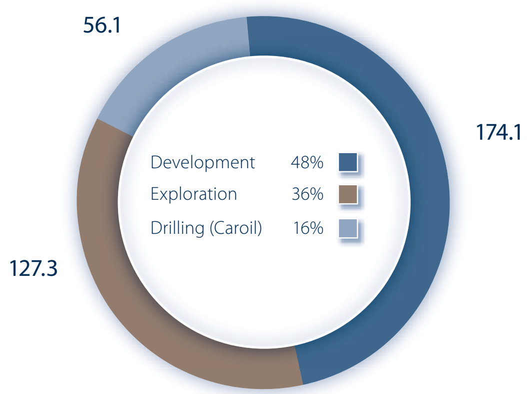
Investments in 2007 primarily reflected the investments made on the Onal development of €108.2 million, exploration expenditures (€127.3 million, including €46 million in Colombia and €51 million in Gabon) and investments in drilling rigs (€56 million).

The start of production of fields and additional developments on producing fields in Colombia represented €50.1 million. Investments totalled €174.1 million, including €19.5 million in financing for partners.

In order to enhance the visibility of the commitments and risks incurred by the Group, and in line with the practice in the sector, it was decided to reclassify the financing granted on behalf of partners as investments.

In 2007, exploration and appraisal expenses totalled €127.3 million, including €6.6 million on behalf of third parties. The main exploration zones were Colombia and Gabon. Seismic studies were conducted to determine the prospects to be drilled in 2008 and 2009. Exploration expensed amounted to €29.6 million and represents the drilling portion for abandoned wells.

Investments in € millions





### CASH FLOWS

The Group generated before tax cash flow of €101,199 K for the year ended 31 December 2007 compared to €182,744 K in 2006. The change was at the level of net cash flow generated by operating activities, which amounted to €97,386 K for the year ended 31 December 2007 compared to €186,729 K in 2006.

Maurel & Prom collected €1,020 million on the sale of assets in Congo. Prior to this payment, the Group repaid the loan intended to finance the development of those assets (€75 million). In addition, the company paid a dividend of €144 million on 25 June 2007, representing €1.20 per share.

Pursuant to the authority granted by the combined ordinary and extraordinary shareholders' meeting, a stock buyback programme was implemented. Under this programme, 3,274,710 shares were purchased in 2007 at an average price of €13.79.

The purchases made under the liquidity contract represented 4,185,707 shares in the same period, while 4,236,399 shares were sold.

At 31 December 2007, Maurel & Prom held cash net of bank overdrafts of €695 million.

Maurel & Prom declares that its cash at 31 December 2007 is invested with first-tier banking institutions and was not, therefore, affected by the recent financial crisis. There is no investment in collective undertakings.

### HEDGING

On 1 April 2007, the Group established hedging instruments on the Colombian production for 4,000 b/d at an average selling price of USD 64.10/b. At the end of 2007, Maurel & Prom bought those contracts, which expired in March 2008.

To continue this policy, with a dual objective to:

- facilitate the establishment of a credit facility that can be utilised at any time;
- and protect the operating income of the subsidiary in Colombia;

The following forward sale transactions were executed:

- for 2008: 8,000 b/d at a price for WTI of USD 88.22/b;
- for 2009: 5500 b/d at a price for WTI of USD 87.82 /b;
- for 2010, 3500 b/d at a price for WTI of USD 87.48 /b.

### 5.1.2.2 – **Company financial statements**

Following the sale to Eni, effective 1 January 2007, revenues in 2007 fell to €10.7 million from €522.7 million in 2006.

Likewise, the Group generated an operating loss of € 60.8 million in 2007, in comparison to income of €298.1 million in 2006.

Net income amounted to €567.6 million, up from €132.1 million in 2006, reflecting extraordinary income of €800.5 million as a result of the sale to Eni.

## 5.1.3 - Oil and gas activity

### EXPLORATION

The geology and geophysics revealed new prospects which the Group will drill in 2008 and 2009.

*Colombia*

Three of the five oil wells drilled in 2007 yielded positive results on the San Jacinto / Rio Paez, Guarrojo and Doima-Ortega permits. On the Guarrojo permit, the oil produced is currently evacuated by truck to the Vasconia station (pending the complete installation of the Rubiales-El Porvenir pipeline, which is expected in December 2009). As a result of these positive wells, Maurel & Prom drilled appraisal wells, the results of which were known in March 2008:

- The appraisal well Pacande Sur-2 found four levels impregnated with hydrocarbons in the Caballos formation. Three of the levels were perforated for the first time. The test produced 800 b/d of oil at 28.5° API.
- The appraisal wells La Canada Norte-2 and La Canada Norte-3 confirmed the discovery made early in 2007 by the exploration well LCN-1 ST which produces 850 b/d of an oil at 34° API in the Caballos formation. La Canada Norte-2 reached the Caballos formation and revealed a flow rate of 220 b/d of oil at 34° API. La Canada Norte-3 reached the water level. The upper zone showed a rate of 80 b/d of oil with 34° API.

The full 2007 seismic acquisition programme for the subsidiary included 675 km of 2D seismic and 165 km$^2$ of 3D seismic.

In 2007, the National Hydrocarbon Agency (ANH) and Maurel & Prom signed two new exploration contracts on Cocli and Saltarin, located in the Llanos basin in eastern Colombia, and operated by Hocol, which holds 100%.



At the end of 2007, Maurel & Prom began work on road access for the construction of the drilling platform for the Huron well on the Niscota (20%) permit, and initiated drilling of the wells La Canada Norte-2 and la Canada Norte-3.

On the Orquidea permit, Maurel & Prom signed a farmout agreement with Repsol, which reduces the Company's interest to 60%.

On the Doima-Ortega (100%) permit, following the discovery of natural gas in 2006, Maurel & Prom built 50% of the gas pipeline to the Saldana station. Production is scheduled to begin in the second quarter of 2008.

### *Gabon*

In 2007, Maurel & Prom's exploration activities in Gabon were devoted to continuing the seismic campaign and the aeromagnetic campaign on the Omoueyi and Etekamba permits.

In March 2007, the Gabonese authorities approved Maurel & Prom Gabon's purchase of 65% of the interests in the Etekamba permit operated by Transworld. The work programme provides for mixed "Gradient Gravimetry" and HRAM ("High Resolution Air Mag") work in order to define future prospects for drilling. On 18 March 2008, Maurel & Prom purchased the 35% held by Transworld for USD 2.5 million. As of the date of publication of this Annual Report, Maurel & Prom holds 100% of this exploration permit located east of the Kari exploration permit, in which Maurel & Prom also holds 100%.

On the Omoueyi permit (operator, 100%), vertical drilling of the Ezanga exploration well identified the reservoir over a total thickness of 171 metres, confirming the extension of the base sandstone outside the Onal field. No hydrocarbon show was revealed during drilling.

Maurel & Prom signed a production sharing agreement on the Kari exploration permit (operator, 100%) on 4 October 2007.

On the Nyanga-Mayombé permit, the construction work (production facilities and underwater evacuation pipeline) to allow a very long-term test of the Banio-2 well was completed in July. The well came on stream on 24 July 2007, and was then shut down in order to study the behaviour of the reservoir.

### *Congo*

In Congo, drilling on wells LFK-2, LFK-3, LFK-4 and LFK-5 defined the borders of the Loufika field. The long-term test of well LFK-1 was completed early in July. A request for a development permit is now being studied. Maurel & Prom retains 15% of the Kouilou permit in Congo.

The Doungou-1 well, located on the La Noumbi exploration permit, was abandoned without finding any oil. This well is the first well drilled on the La Noumbi permit in partnership with the companies Afren (14%) and Burren (37%). The well proved the existence of superimposed petroleum systems in an under-explored zone of Congo Brazzaville, encouraging future exploration. 2D seismic covering nearly 200 km near the Tié-Tié oil discovery was recently acquired in the northern section of the permit. The seismic acquired in 2006, the reprocessing of the existing lines and the interpretation of the studies made on Doungou will help to determine the prospects to be drilled in 2008 and 2009.

### *Tanzania*

Drilled at the end of 2006-early 2007, the Mkuranga-1 well found natural gas in the Ruaruke formation (upper Cretaceous). During isochronic tests, the well showed a stabilised flow of 19.2 million cubic feet per day, which is 3,300 barrels of oil equivalent per day.

The 2D seismic study programme was conducted from September to December 2007 on the Mkuranga zone. A total of 190 km of lines were acquired. This study is currently being analysed. At the same time, an aeromagnetic study began in November over the entire zone of the Tanzanian contract. The programme will take more than three months and more than 64,000 km will be covered and studied.

The seismic in the Ruffigi region with the Chinese company BGP began at the end of 2007.

In December, the exploration drilling project on the island of Mafia was launched in order to begin in April 2008.

### *Other*

In Italy (Sicily), delays due to the time required to obtain government approvals impacted the drilling programme. The start-up of an exploration well is planned for the end of the first half of 2008.

In Syria, Maurel & Prom appointed a Managing Director and began the preliminary studies for the 2008 seismic campaign.

## PRODUCTION /DEVELOPMENT

Production and development essentially includes the start of production on Onal in Gabon, well maintenance and the start of production of fields in Colombia.

*Colombia*

65% of Hocol's net output comes from fields operated by Hocol located in the upper valley of the Magdalena and in the department of Huila. The remaining 35% is located in the Llanos basin and comes from the Casanare, Estero, Garcero, Orocue, and Corocora contracts operated by Perenco.

The Maurel & Prom share of daily production in Colombia was 14,380 b/d in 2007 compared with 16,507 b/d in 2006, down 13%. The Balcon-21 well came back on stream on 16 September, adding 1,000 b/d to the Maurel & Prom share of production. The average selling price in 2007 was USD 62.79/b after the Group's hedging on the sale prices, as described in Section 5.1.2.1 of this document.

With 8 new wells, the development drilling campaign was primarily focused on the fields of San Francisco, Balcon and la Hocha. In the eastern region of Llanos, six new wells were drilled. This campaign limited the natural decline of these mature fields and, in some cases, boosted production. Early in 2008, the Don Pedro gas discovery will come on stream with 1,000 boe/d for the share of Maurel & Prom, which holds 61% of this permit. This production will be subject to a 9% royalty.

A proposal to modify the Estero, Garcero, Corocora & Orocue (EGOC) contracts was made by the operator Perenco in July 2007, and was officially accepted by Ecopetrol and the Colombian National Hydrocarbon Association early in 2008. The effective date of this amendment was 1 February 2008.

For several years, the Hocol subsidiary has developed a strategy for marketing third party oil. This programme maximises the volumes sold. This activity has allowed Hocol to reduce the internal costs for the ODC and OAM pipelines significantly.

*Venezuela*

In 2005, the Venezuelan government initiated a process to place the oil companies operating in the country under state control. This resulted in a change in 2006 from the status of private oil companies to public/private companies (Empresa mixta). The old rights to permits were replaced with a stake in a new partnership with PDVSA, the Venezuelan state-owned oil company, and other local private partners.

On 12 December 2007, Maurel & Prom signed a final agreement with PDVSA for the transfer of the Hocol Venezuela service agreement to the Venezuelan public/private company Lagopetrol. Maurel & Prom hold 26.35% of Lagopetrol. This agreement provides for payment by PDVSA of compensation of approximately USD 5 million for the last nine months of 2006.

Maurel & Prom is currently negotiating the possibility of raising its stake to 34%.

*Gabon*

In 2007, Maurel & Prom completed the basic engineering for the Onal project, placed orders for the main equipment and signed the contracts for the installation of the pipelines, erection of the storage tanks, and construction of the production centre. The 140 km export pipeline route from Onal to Coucal (a site operated by Total) was built.

At the same time, the drilling campaign for the development wells began in April 2007 with the drilling of 9 new producing wells. Work on the production centre and manifolds, along with the installation of the pipeline, began in the first quarter of 2008. Production is expected to begin in the second half of 2008.

In March 2008, the development well Onal-901, located south of the field, showed a much higher oil flow than those found on the wells tested to date. The roof of the base Sandstone reservoir is also about 60 metres higher than projected.

The two levels of the reservoir were tested separately: the lower base Sandstone produced flows at 1,100 b/d on a 32/64' choke with a head pressure of 16 bars, and the upper base Sandstone produced 2,300 b/d on a 48/64' choke with a head pressure of 17 bars.

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

Furthermore, Maurel & Prom purchased the back-in right on the Onal and Nyanga-Mayombé permits from the former owners for USD 55 million.

On the Banio permit located on Nyanga-Mayombé, construction work on the stations and the Banio-2 evacuation pipeline allowed production from the well for long-term production tests. Its total production in 2007 was nearly 35,200 barrels with an average selling price of USD 67.05/b in 2007. Early in 2008, this well will be equipped with a pump that will allow resumption of production.

*Congo*

In Congo, two wells were drilled during the first half of 2007 on the Tilapia permit (Maurel & Prom 20%), including one deviated well, showing evidence of oil. The deviated well came on stream on 3 May 2007 with a deliberately limited flow in order to study the behaviour of the well (55 b/d average over the year for Maurel & Prom share).

### 5.1.4 - Drilling operations: Caroil

For financial year 2007, revenues contributed by Caroil totalled €76.2 million, up 5% (15% expressed in USD) from €72.5 million in 2006.

The personnel employed directly by Caroil and/or its subsidiaries rose from 17 persons at 31 December 2006 to 133 employees at 31 December 2007. This growth was the result of the Colombian branch opened in April 2007.

In 2007 Caroil continued its development policy based on four priorities:

- stronger operational structures;
- geographic diversification;
- commercial diversification;
- expansion of the inventory of drilling rigs and implementation of a maintenance policy.

In addition, Caroil continued its drilling operations in three countries in Africa: Congo, Gabon and Tanzania.

At 31 December 2007, Caroil managed 11 drilling rigs, all in operation. Four rigs were on order. As of 15 March 2008, 13 were in operation.

Rigs in operation:

- Colombia: Caroil 12 was acquired and started up in 2007. Caroil 8 was moved from Congo and started on 8 February 2008. As of 1 March 2008, the rigs Caroil 11 and Caroil 15 were operating.
- Tanzania: the Caroil 6 rig was in operation the entire year in Tanzania.
- Gabon: Caroil's presence (Caroil 4) was expanded with the start of service of Caroil 9 in September.
- Congo: the Caroil 8 rig was transferred to Colombia. Caroil continues to operate five owned rigs, on behalf of Eni Congo, on the M'Boundi permit and manages the workover rig, owned by the partnership, under a management agreement.

Rigs in preparation or under construction:

- One rig is in maintenance (Caroil 10).

In 2007, Caroil operated rigs on behalf of four third-party companies in Colombia and Tanzania and on behalf of the Company in Gabon (two rigs) and in Colombia (two rigs).

Caroil plans to intensify its search for non-Group customers in order to establish its commercial name and expertise. This process should be facilitated by the presence of its rigs in countries which have planned major "obligation" well programmes without ensuring the availability of drilling rigs.

### 5.1.5 - Exceptional events

See 5.1.1.

### 5.1.6 - Supplier relations

See 7.3.3

### 5.1.7 - Customer relations

See 7.3.3

### 5.1.8 - Competitive position

See 7.3.4

## 5.2 OIL RESERVES

The reserves were certified on 1 January 2008 by DeGolyer & MacNaughton on the basis of economic conditions and the existing geological and engineering data to estimate the quantities of hydrocarbons that could be produced. The valuation process implies subjective judgments and may result in subsequent revaluations based on further knowledge of the fields.

The Group found an additional 20.987 Mboe of P1+P2 reserves net of royalties, compared with a production net of royalties of 4.88 Mboe. On this basis, the reserve replacement rate[1] is 430%.

*(1) Change in reserves not in production (i.e. revisions + discoveries, extensions + acquisitions – sales) / production for the period.*

| Regions | Permit | M&P reserves (minus royalty in kind) in Mboe* | P1 | P1+P2 | P3 estimated |
|---|---|---|---|---|---|
| **Congo** | | | | | |
| | Loufika | Reserves (01/01/2007) | - | 0.27 | 0.45 |
| | | Production 2007 | - 0.01 | - 0.01 | |
| | | Revision | 0.01 | - 0.06 | 0.06 |
| | | Reserves (01/01/2008) | - | 0.21 | 0.51 |
| | Tilapia | Reserves (01/01/2007) | - | - | - |
| | | Production 2007 | - 0.02 | - 0.02 | - |
| | | Revision | 0.03 | 0.03 | - |
| | | Reserves (01/01/2008) | 0.01 | 0.01 | - |
| **Gabon** | | | | | |
| | Onal | Reserves (01/01/2007) | 15.39 | 39.13 | 102.82 |
| | | Production 2007 | - | - | - |
| | | Revision | 0.11 | 11.08 | - 90.13 |
| | | Reserves (01/01/2008) | 15.50 | 50.22 | 12.70 |
| | Banio | Reserves (01/01/2007) | 1.06 | 3.79 | 9.18 |
| | | Production 2007 | - 0.03 | - 0.03 | - |
| | | Revision | - 0.96 | - 2.54 | - 6.15 |
| | | Reserves (01/01/2008) | 0.07 | 1.21 | 3.03 |
| **Italy (Sicily)** | | | | | |
| | Fiume Tellaro | Reserves (01/01/2007) | - | 9.33 | 88.94 |
| | | Production 2007 | - | - | - |
| | | Revision | - | - | - |
| | | Reserves (01/01/2008) | - | 9.33 | 88.94 |
| **Venezuela** | | | | | |
| | | Reserves (01/01/2007) ** | 4.21 | 6.90 | 0.04 |
| | | Production 2007 | - 0.36 | - 0.36 | - |
| | | Revision | 4.47 | 5.61 | 0.06 |
| | | Reserves (01/01/2008) | 8.33 | 12.16 | 0.10 |
| **Colombia** | | | | | |
| | | Reserves (01/01/2007) | 23.19 | 50.08 | 20.48 |
| | | Production 2007 | - 4.47 | - 4.47 | - |
| | | Revision | 6.74 | 6.84 | 11.43 |
| | | Reserves (01/01/2008) | 25.46 | 52.46 | 31.91 |
| TOTAL | | | | | |
| | | Reserves (01/01/2007) | 43.85 | 109.51 | 221.90 |
| | | Production 2007 | - 4.88 | - 4.88 | - |
| | | Revision | 10.40 | 20.97 | - 84.73 |
| | | Reserves (01/01/2008) | 49.38 | 125.60 | 137.17 |

*(*) Mboe = Millions of barrels of oil equivalent.*

*(**) Venezuela's reserves at 01/01/2007 have been restated for royalties.*

*For information, the agreement signed with PDVSA requires payment of royalties in kind, and no longer in currencies.*

P1 = proven reserves.

P2 = probable reserves.

P3 = possible reserves.

At 1 January 2008, proven reserves were 49.4 Mboe (P1) and proven and probable reserves were 125.6 Mboe (P1+P2). They represent the Company's share on each of the permits, minus royalties.

After deducting production, the Group's proven reserves rose 13%. Proven and probable reserves (P1+P2) were up 15% at 1 January 2008.

On the Loufika permit in Congo, no proven reserves have been certified because the operator Eni is waiting for a seismic campaign in order to evaluate the field. In 2008, Eni is expected to request a development permit. On the Tilapia permit (Maurel & Prom, 20%), as no well is on the 2008 programme, no probable reserves are certified.

In Gabon, where the Group is developing the Onal field, the P1+P2 reserves are up 28%. This increase is due to the number of wells drilled in 2007 in order to define the scope of the field and obtain a better understanding of the total structure of the Onal field.

In Venezuela, the agreement signed with PDVSA stipulates that Maurel & Prom is entitled to the natural gas present in the field, resulting in a 76% increase In P1+P2 reserves. The percentage of oil reserves (about 54%) is higher than the gas reserves. The agreement also stipulates that the royalties, which used to be payable in foreign currency, are now payable in kind, resulting in a restatement of the reserves at 1 January 2007.

In Colombia, the positive wells drilled early in 2007 increased reserves by about 5%. This revision also includes the revision of the reserves resulting from negotiations on the EGOC contracts.

The resources related to the discovery in Tanzania early in 2007 were not certified by DeGolyer & MacNaughton pending appraisal.

As of 1 January 2008, Maurel & Prom held a total of 10 years of P1 reserves and 25 years of P1+P2 reserves at the 2007 production rate of 14,000 b/d.

Finally, it should be noted that Maurel & Prom, under its production sharing contracts in Congo and Gabon, receives reimbursement of its expenses in the form of barrels. Therefore, an increase in the price of a barrel results in a decrease in the number of barrels allocated to Maurel & Prom to reimburse its expenses.

## 5.3 ANALYSIS OF THE ACTIVITY BY SECTOR AND GEOGRAPHIC ZONE

### 5.3.1 - Change in revenues and net income

#### 5.3.1.1 - Revenues by activity

| *€000* | 2007 | 2006* | 2006 | 2005 |
|---|---|---|---|---|
| Oil production | 209.9 | 249.9 | 537.2 | 383.5 |
| | *73%* | *77%* | *92%* | *94.1%* |
| Drilling | 76.2 | 72.5 | 43.0 | 22.1 |
| | *26%* | *22%* | *7%* | *5.4%* |
| Other | 3.5 | 3.6 | 3.6 | 2.1 |
| | *1%* | *1%* | *1%* | *0.5%* |
| TOTAL | 289.5 | 325.9 | 583.7 | 407.7% |

** restated for the operations sold to Eni and the change in accounting policy.*

Revenues in 2007 amounted to €289.5 million, down 11% from €325.9 million in 2006.

The changes in revenue are stated after the following evolution in group activity:

- retrocession of the Tello concession in Colombia on 14 February 2006 (9,504 b/d average);
- non-inclusion, from 1 April 2006 to 31 December 2007, of revenues in Venezuela;
- start of production of the fields in Congo (Tilapia) and in Gabon (Banio);
- assumption by Eni, the operator of M'Boundi and Kouakouala, of the contracts for the five drilling rigs operating on the permits sold;
- development of the Caroil drilling subsidiary.

The breakdown of revenues by activity is essentially the same as in 2006. The portion of oil production dropped significantly and represented 72% of the activity of Maurel & Prom in 2007.

### 5.3.1.2 - Revenues by region

| | 2007 | 2006* | 2006 | 2005 |
|---|---|---|---|---|
| Congo | 67.5 | 72.5 | 327.2 | 256.1 |
| | *23%* | *22%* | *56%* | *63%* |
| Gabon | 1.5 | 0.0 | 0.8 | - |
| | *1%* | *0%* | *0%* | *0%* |
| Tanzania | 6.2 | 0.0 | 2.1 | - |
| | *2%* | *0%* | *0%* | *0%* |
| Colombia | 210.8 | 243.3 | 243.3 | 135.1 |
| | *73%* | *75%* | *42%* | *33%* |
| Venezuela | - | 6.6 | 6.6 | 14.4 |
| | *0%* | *2%* | *1%* | *4%* |
| Paris | 3.5 | 3.6 | 3.6 | 2.1 |
| | *1%* | *1%* | *1%* | *1%* |
| TOTAL | 289.6 | 326.0 | 583.7 | 407.7 |

** restated for the operations sold to Eni and the change in accounting policy.*

### 5.3.2 - External factors with a significant influence on operations

The external factors most influential on the Group's results are the productivity of the fields, international oil prices expressed in dollars and the conversion into euros in the accounts. The average EUR/USD exchange rate over the year is taken from data from Banque de France.

| Environmental data | 2007 12 months | 2006 12 months | Change |
|---|---|---|---|
| Exchange rate (EUR/USD) | 0.73 | 0.80 | - 9% |
| Brent (US$/bbl) | 72.5 | 65.1 | 11% |
| WTI (US$/bbl) | 72.4 | 66.1 | 10% |

In 2007, the Group's oil activity was boosted by the increase in the prices for Brent and WTI (+ 11% and + 10%), while the decline in the US$/€ exchange rate (- 9%) had a negative impact on revenues.

The political risks that could directly or indirectly influence the Company's operations are described in Section 7.2.1.

### 5.3.3 - Breakdown of Group revenues and operating income

For the breakdown of the revenues and operating income by business segment and geographic segment, please refer to Note 25 "Segment information" to the consolidated financial statements under section 13.2.1.

## 5.4 OTHER INFORMATION ON THE INCOME STATEMENT

The following data comes from the consolidated financial statements.

| *€000* | 2007 | 2006 * | 2006 | 2005 |
|---|---|---|---|---|
| Operating income | 23,311 | 83,266 | 272,131 | 161,368 |
| Income before taxes | -33,393 | 50,545 | 229,182 | 115,514 |
| Income taxes | -16,763 | - 45,995 | -45,995 | - 17,266 |
| Net income/loss of consolidated companies | -50,156 | 4,550 | 183,187 | 98,248 |
| Share of income/loss of associates | - 571 | - 2,522** | - 2,522** | 2,033 |
| Net income from discontinued operations | 816,481 | 178,637 | 0 | - |
| Amortisation of goodwill | - | - | - | - |
| NET INCOME OF CONSOLIDATED ENTITY | 765,754 | 180,665 | 180,665 | 100,280 |

** Restated for operations sold to Eni and the change in accounting policy (see Note 18 to the consolidated financial statements) under IFRS 5.*
*** Share of Perbercan income accounted for as of 30 June 2006.*

The Group's operating income in 2007 includes impairment of Banio and Tilapia because of the unsatisfactory behaviour of the wells to date (of €21.0 million and €19.7 million respectively) and exploration expenses of €7.7 million (net of the reversal of a provision on the Colombian pipeline of €15.4 million).

The 2006 and 2007 tax charges largely relate to Colombia. The lower tax charge in 2007 arises from tax deductions on the investments authorised in Colombia and to the adjustment for a change in the rate from 34% to 33%.

The share of income/loss in associates rose from - €2.5 million in 2006 to €-0.5 million in 2007. Pebercan, which was accounted for using the equity method until 2006, is no longer accounted for using that method as of 1 January 2007 as the Company no longer exerts significant influence.

| | 31 Dec 2007 | 31 Dec 2006 |
|---|---|---|
| Pebercan | n/a | 1,484 |
| Panther Eureka Srl | - 461 | - 2,463 |
| Raba Xprom Energia Kft | - 77 | - 1,543 |
| Renaissance Energy | - 33 | n/a |
| TOTAL | -571 | -2,522 |

The net income of the consolidated entity in 2007 was €765,754K, and was heavily impacted by the gain realised on the sale of the Congolese assets to Eni for €816,481K.

## 5.5 OTHER ACTIVITIES

### 5.5.1 - Gold division

Under a Joint Venture Agreement (JVA) dated 5 September 2002 signed with New Gold Mali (hereinafter NGM), the company Afriore agreed to invest USD 2.5 million in a project to explore a gold permit in Mali and produce a feasibility study of the project. In consideration for this investment, Afriore obtained an option for a 60% ownership in the project.

In an agreement dated 4 September 2005, Afriore, after deciding to withdraw from the project, sold its rights and obligations under the JVA to Pacifico. S.A.

In 2007, Pacifico S.A., having met its contractual obligations, purchased a 60% equity stake in NGM from NGM shareholders, including CEAB, a subsidiary of the company.

A study to value this project is currently in progress and should be issued at the end of April 2008. Depending on the conclusions, a sale of the Company's residual interest may be made.

### 5.5.2 - Corporate offices

After the major acquisition of Hocol and the permits in Gabon, Maurel & Prom group had to modify and strengthen its organisation, particularly at its corporate offices located at 12, rue Volney in Paris, while maintaining control of overheads.

In the accounting department, the information system was reorganised in order to shorten the times required to process the Group's consolidated financial statements and improve the quality of the information.

A tax audit of Maurel & Prom covering the period from 1 January 2003 to 31 December 2005 was initiated in September 2006. The proposed corrections have been disputed by the Company. Current discussions cover the allocated country for expenses, the existence of permanent establishments abroad, and specific provisions and expenses. They have not resulted in any additional tax paid in view of the Company's tax losses brought forward.

### 5.5.3 - Maurel & Prom Suisse

Maurel & Prom Suisse manages some employees who work on International operations.

## 5.6 TRENDS

### 5.6.1 - Significant events since 31 December 2007

#### PURCHASE OF THE SHARES OF TRANSWORLD ON THE ETEKAMBA PERMIT IN GABON

On 18 March 2008, Maurel & Prom purchased a 35% interest held by the company Transworld in the Etekamba permit in Gabon for USD 2.5 million.

Maurel & Prom entered this permit on 21 December 2006, by purchasing a 65% interest in consideration for drilling three exploration wells.

On the date of publication of this document Maurel & Prom holds 100% of this exploration permit, which covers 773 km² and is located east of the Kari exploration permit also wholly owned by Maurel & Prom.

#### RESULTS OF TESTS ON ONAL IN GABON

The development well Onal-901, located south of the field, showed a much higher oil flow than those found on the wells tested to date. The roof of the base Sandstone reservoir is also about 60 metres higher than projected.

The two levels of the reservoir were tested separately: the lower base Sandstone produced flows of 1,100 b/d on a 32/64' choke with a head pressure of 16 bars and the upper base Sandstone produced 2,300 b/d on a 48/64' choke with a head pressure of 17 bars.

The Onal-901 well is the 17th well in the development project on the Onal field since Maurel & Prom began operations on this permit, and the first appraisal well since the drilling of Onal-302 in May 2007 north of the field.

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

#### RÉSULTS OF TESTS IN COLOMBIA

*Palermo association (Maurel & Prom operator, 50%)*

The Balcon-22 development well located on the Palermo association permit in the Upper Valley of the Magdalena was drilled in the northern section of the field. Drilling found an oil-impregnated level in the Caballos formation. The test revealed a flow of 950 b/d of oil at 31° API. The well was connected to the existing surface facilities. Maurel & Prom, the operator, holds 50% of this field in partnership with Ecopetrol. The associated royalties 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 Valley of the Magdalena 250 km southwest of Bogota, found four levels impregnated with hydrocarbons in the Caballos formation. Three of those levels were perforated for the first time. The test produced 800 b/d of oil with 28.5° API. Maurel & Prom holds 69% of this contract, which generates royalties of 8%. The well was connected to the existing surface facilities of Ecopetrol. 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 Valley of the Magdelena 300 km southwest of Bogota, confirmed the discovery made early in 2007 by the exploration well LCN-1 ST which produced 850 b/d of an oil at 34° API in the Caballos formation. La Canada Norte-2 reached the Caballos formation and revealed a flow rate of 220 b/d of oil at 34° API. La Canada Norte-3 reached the water level. The upper zone showed a rate of 80 b/d of oil with 34° API. Maurel & Prom is partnered as the operator with Cepcolsa (33.33%) and Petrobras (30%). State-owned Ecopetrol holds an option to purchase up to 50% when the field is declared commercially viable. Royalties are 8% of production.

#### NEGOTIATIONS OF THE EGOC CONTRACTS

A proposal to amend the Estero, Garcero, Corocora & Orocue (EGOC) production contracts was made by Perenco, the operator, in July of 2007. In December 2007, Maurel & Prom and Perenco reached a joint agreement with Ecopetrol concerning the extension and changes in stakes under the EGOC contracts. This agreement was officially approved by Ecopetrol and the National Association of Hydrocarbons early in 2008, effective as of 1 February 2008.

Ecopetrol increases its initial interest of 50% to:

- 89% in the Estero production contract,
- 76% in the Garcero production contract,
- 63% in the Orocue production contract,
- 56% in the Corocora production contract.



Hocol's old and new percentages are summarised in the following table:

| | Before extension | After extension |
|---|---|---|
| Estero | 31.71% | 6.98% |
| Garcero | 31.71% | 15.22% |
| Orocue | 31.71% | 23.47% |
| Corocora | 31.71% | 27.91% |

This change to the contracts demonstrates Ecopetrol's interest in continuing to develop mature fields within operations performed by foreign companies.

### 5.6.2 - Change in the Company's activity

The sale of the Congolese fields to Eni for USD1.434 billion gave the Group the resources to continue rapid development of its fields, particularly focusing on Onal, and expand its exploration programme to rapidly rebuild reserves, while focusing on high-impact targets such as Gabon, Colombia and Tanzania. This sale will also allow development investments and improvements to a new mining business.

### 5.6.3 - Known trends, uncertainties, commitments or events that could significantly influence the outlook for the current year

The beginning of financial year 2008 was marked by favourable results from the development and appraisal wells in Colombia (Balcon 22, Pacande, la Canada Norte) and on Onal in Gabon.

The drilling programme for the next 18 months is 24 firm wells and 20 optional or contingent wells. A major programme of geological and geophysical studies completes the schedule.

Exploration activity, which will represent a total investment of about €200 million in 2008 (firm and optional portion) and continuing in 2009, is expected to allow Maurel & Prom to achieve the objective to replace, before the end of 2009, the reserves sold to Eni at the time of the sale of M'Boundi and Kouakouala.

€191 million or over 80% of the 2008 development programme of €239 million is for the development of the Onal field in Gabon. In 2008, 10 oil producing wells, 4 water injection wells and 2 water producing wells will be drilled. Beginning in April, a drilling rig will lower pumps into the producing wells. The installation of the pipeline and the construction of four heating stations began in February. The work on the production centre and the related work (pipes and electricity) began in the first quarter of 2008 and the civil engineering is currently being completed.

The programme to bring Onal on stream is expected to conclude early in the fourth quarter of 2008. Production should rapidly reach more than 10,000 b/d (Maurel & Prom share). The level will be maintained through water injection that will begin at the end of this year.

The development investments in Colombia consist of a maintenance programme for production in the old fields and the start of gas production (Don Pedro).

## 5.7 OUTLOOK FOR THE COMPANY

### 5.7.1 - Production

For 2008, Maurel & Prom's net production (entitlement) is estimated at approximately 16,000 b/d on an annual average.

This 2008 estimate includes start-up of production from Onal in Gabon in the second half of 2008 and the reintegration of production from Venezuela as of 1 January 2008.

With its existing mining rights, the Company has set an objective to reach the level of net production (entitlement) for 2006 (30,000 b/d) as of 2009.

This objective is primarily based on the Group's assets in Colombia and Venezuela and the development launched in Gabon on the Onal field.

### 5.7.2 - Revenues

Since the beginning of 2008, the environment has evolved favourably for crude oil prices.

2008 revenues, with assumptions for a barrel of Brent at USD 70 and an annual average EUR/USD exchange rate of 1.40 is budgeted at €395 million. It should be noted that the average price for Brent in 2007 was USD 72.5.

Analysis of the sensitivity of revenues, budgeted for 2008, to the price of a barrel and the EUR/USD exchange rate are as follows:

- average EUR/USD exchange rate + 5% from 1.40, to 1.47: annual revenues of €376.7 million instead of €395.4 million, representing - €18.7 million or - 4.7% from budgeted revenues; and
- price of Brent + 15% from USD 70 to USD 80.5 per barrel and EUR/USD exchange rate of 1.40: annual revenues of €415.0 million, which is + €19.6 million or + 5.0% over revenues budgeted. This sensitivity calculation includes the impact of the hedging established on the price of a barrel.

### 5.7.3 - Investments

The dynamic exploration policy of Maurel & Prom will be continued in 2008.

In Tanzania, exploration will primarily focus on the island of Mafia and the Mkuranga zone where promising signs have already been found in 2007. West Africa remains a significant exploration zone for Maurel & Prom, both in Gabon on the Omoueyi permit and in Congo on the La Noumbi, Kouilou and Tilapia permits. Continued evaluation of the mining rights is also planned in Colombia, Italy (Sicily) and Syria. Maurel & Prom's exploration work in 2008 is valued at a total of €200 million (firm and optional portion).

The year 2008 will also be marked by significant development investments estimated at €239 million. These investments are scheduled primarily in Colombia and in Gabon on the Onal field.

The total cost of development of Onal is presently estimated at USD 500 million at 100% over the period from 2006 to 2009. The production from Onal (100%) is estimated at 14,000 b/d at start-up, with water injection.

After 2008, Maurel & Prom plans to continue an annual exploration programme of about €100 million, which will be adapted to the results and prospects for its mining portfolio.

## 6.1 ADMINISTRATIVE, EXECUTIVE AND SUPERVISORY BODIES AND MANAGEMENT

The transformation of the Company's governance into a *société anonyme* was the culmination of a change desired by the executives and shareholders who have seen the Company change from a *société en commandite* (at the beginning) to a *société anonyme* with management board and supervisory board in December 2004.

The Board of Directors at it meeting of 14 June 2007 elected Jean-François Hénin as Chairman of the Board and also appointed him Chief Executive Officer.

### 6.1.1 - Corporate governance bodies

#### 6.1.1.1 - Members of the Board of Directors as of 14 June 2007

On the date of this document, the following persons are members of the Board of Directors of the Company:

| Members of the Board | Date of election | Expiration of term | Positions |
|---|---|---|---|
| Jean-François Hénin | 14 June 2007 | Shareholders' Meeting called to approve the financial statements for 2009 | Chairman-CEO |
| Gérard Andreck | 14 June 2007 | Shareholders' Meeting called to approve the financial statements for 2008 | Vice Chairman |
| Christian Bellon de Chassy | 14 June 2007 | Shareholders' Meeting called to approve the financial statements for 2007 | |
| Fabien Chalandon | 14 June 2007 | Shareholders' Meeting called to approve the financial statements for 2007 | |
| Financière de Rosario, represented by Jean-François Michaud | 14 June 2007 | Shareholders' Meeting called to approve the financial statements for 2007 | |
| Alain Gomez | 14 June 2007 | Shareholders' Meeting called to approve the financial statements for 2008 | |
| Roland d'Hauteville | 14 June 2007 | Shareholders' Meeting called to approve to approve the financial statements for 2009 | |
| Emmanuel de Marion de Glatigny | 14 June 2007 | Shareholders' Meeting called to approve the financial statements for 2009 | |
| Alexandre Vilgrain | 14 June 2007 | Shareholders' Meeting called to approve the financial statements for 2008 | |
| **CENSEUR** | | | |
| Gilles Brac de la Perrière | 14 June 2007 | Shareholders' Meeting called to approve the financial statements for 2009 | |

**Jean-François Hénin, 64**

Maurel & Prom
12, rue Volney
75002 Paris

Mr. Hénin served as Chief Executive Officer of Thomson CSF Finance, then of Altus until May 1993. He then served as Chairman-Chief Executive Officer of Electricité et Eaux de Madagascar between 1994 and 2000. After that date, he served as manager of Maurel & Prom, then as Chairman of the Management Board since the transformation of the Company into a *société anonyme* at the end of 2004.

Mr. Hénin was elected Chairman of the Board of Directors on 14 June 2007 for a term of three years, until the shareholders' meeting called to approve the financial statements for the year ended 31 December 2009.

Prior to the change in the management structure of the Company, Jean-François Hénin served as Chairman of the Management Board since 28 December 2004.

Prior to the transformation of Maurel & Prom into a *société anonyme* with Management Board and Supervisory Board, Jean-François Hénin served as Manager of Maurel & Prom (in the form of a partnership since 2004) and Chairman and Chief Executive Officer of the company Aréopage, the managing partner of Maurel & Prom (in the form of a limited partnership).

Mr. Hénin also holds executive positions within the Group described in Section 6.1.2 of this document.

**Emmanuel de Marion de Glatigny, 61**

Address:
40, rue des Hauts Fresnays
92500 Rueil Malmaison

Mr. de Marion de Glatigny has been a member of the Board of Directors since the Shareholders' Meeting of 14 June 2007, for a term of three years, until the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2009.

Previously a member and Vice Chairman of the Supervisory Board of Maurel & Prom, he was first elected to the Maurel & Prom Supervisory Board on 19 June 2001 (then a limited partnership with shares).

Mr. de Marion de Glatigny has developed his management expertise as a director of an insurance company and also his service on the Supervisory Board and Board of Directors since 1984.

**Roland d'Hauteville, 65**

Address:
8, rue de Villersexel
75007 Paris

Mr. d'Hauteville has been a member of the Board of directors since the Shareholders' Meeting of 14 June 2007, for a term of three years, until the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2009.

Previously a member of the Supervisory Board of Maurel & Prom since May 2006, he was appointed to replace Mr. Guillaume Verspieren when he resigned. Mr. Guillaume Verspieren submitted his resignation from the Supervisory Board on 21 April 2006.

Mr. d'Hauteville has spent most of his career in banking and finance. After studies at the HEC (1964) and military service as a teacher in Madagascar, he joined First National City Bank in Paris, then Banque Commerciale de Paris which merged with Banque Vernes in 1971. He remained with this institution for 17 years, where he held the position of Chief Financial Officer. In 1985, he founded Banque de Financement et de Trésorerie (BFT) and was the Chief Executive Officer until 1990, the date on which it was taken over by Crédit Agricole. He then served as CEO of Banque Elkann, then of the Leven brokerage firm, before serving as censeur to the Chairman of Cyril Finance.

Today, he is Chairman of Compagnie Financière Internationale Privée (COFIP) and of Volney 12, a Director of Banque Michel Inchauspé, the Leseleuc group, and Panhard, as described in Section 6.1.2 of this Annual Report.

**Alexandre Vilgrain, 52**

Address:
SOMDIAA
39, rue Jean-Jacques Rousseau
75001 Paris

Mr. Vilgrain has been a member of the Board of Directors since the Shareholders' Meeting of 14 June 2007, for a term of two years, until the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2008.

Previously, Mr. Vilgrain was appointed to the Supervisory Board of Maurel & Prom by the Board on 18 August 2005 to replace Mr. Jean-Louis Chambon. His appointment was ratified by the Shareholders' Meeting on 20 June 2006.

Mr. Vilgrain began his professional career in 1979 in Jean-Louis Vilgrain, the family industrial group, in which he served in a variety of capacities in subsidiaries located in Africa, the Indian Ocean, Asia and France. In 1985, Mr. Vilgrain assumed the position of Chairman of Delifrance Asia Ltd. Under his direction, the company was floated on the Singapore stock exchange in 1996. Since 1995, Mr. Vilgrain, who succeeded his father, has served as Chairman and Chief Executive Officer of Somdiaa. Mr. Vilgrain has defined and implemented a strategy for the growth of the Group in Africa in the milling and sugar industry.

Mr. Vilgrain also holds various directorships, on the Boards of Directors of the Somdiaa subsidiaries, and represents Somdiaa on the Board of Directors of Proparco, as a non-voting director, and on the Conseil Français des Investisseurs en Afrique (CIAN). Mr. Vilgrain was elected Vice Chairman of the Supervisory Board of Les Fromentiers de France, then as Chairman of the Board of this company in 2005.

Mr. Vilgrain received his legal education at the Assas.

**Alain Gomez, 69**

Address:
Maurel & Prom
12, rue Volney
75002 Paris

Mr. Gomez has been a member of the Board of Directors since the Shareholders' Meeting of 14 June 2007, for a term of two years, until the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2008.

Previously, he was a member of the Supervisory Board of Maurel & Prom, after being elected for the first time on 28 December 2004.

Mr. Gomez has extensive management expertise. He has held the position of Chairman and Chief Executive Officer at a number of companies since 1973. In particular, he served as Chairman and Chief Executive Officer of the Thomson group from 1982-1996.

**Gérard Andreck, 63**

Address:
MACIF
2/4, rue de Pied de fond
79037 Niort Cedex

As Chairman of MACIF and the MACIF group, Mr. Andreck has experience and expertise in finance, strategy and corporate governance.

Mr. Andreck has been a member of the Board of Directors since the Shareholders' Meeting of 14 June 2007, for a period of two years, until the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2008.

He previously served on the Supervisory Board of Maurel & Prom, and was named Chairman of the Supervisory Board on 7 November 2005 to replace Mr. Pierre Jacquard.

He was named to the Board for the first time on 29 June 2005 as the permanent representative of MACIF, then served on the Supervisory Board as an individual board member as of 7 November 2005. The appointment of Mr. Gérard Andreck as an individual member of the Supervisory Board was ratified by the Shareholders' Meeting on 20 June 2006.

**Fabien Chalandon, 55**

Address:
The Chart Group
94, boulevard Flandrin
75116 Paris

Mr. Chalandon has been a member of the Board of Directors since the Shareholders' Meeting of 14 June 2007, serving for a term of one year until the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2007.

He previously served as a member of the Supervisory Board of Maurel & Prom, elected for the first time on 4 March 2004.

Mr. Chalandon has management expertise obtained as Chairman of five companies, including a listed company (Otor) and four unlisted companies (Terraillon, Sogeres, Madison/Chart Energy, New World Trust). Mr. Chalandon is also the managing partner and co-founder of an American merchant bank, and the director of several private equity funds (in France, Ireland and USA). Mr. Chalandon also has expertise in restructuring (Terraillon, New World Trust) and management in a difficult shareholding environment. (Sogeres, Otor, Madison/Chart Energy). He also founded an Internet company (Telnic).

**Christian Bellon de Chassy, 75**

Address:
194, route de l'Église
40390 Saint Barthélémy

Mr. Bellon de Chassy has been a member of the Board of Directors since the Shareholders' Meeting of 14 June 2007, serving for a term of one year until the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2007.

The Shareholders' Meeting of 12 June 2008 will be asked to renew his term on the Board of Directors for three years, until the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2010.

He previously served on the Supervisory Board of Maurel & Prom, and was appointed by the Board on 11 May 2006 to replace Mr. Laurent Lafond, who resigned. Mr. Christian Bellon de Chassy's appointment was ratified by the Shareholders' Meeting of 20 June 2006.

Mr. Bellon de Chassy is an expert in the judicial system and an international arbitrator. He holds a degree in sciences (chemistry and geology) and engineering from the Petroleum Institute (Ecole Nationale Supérieure du Pétrole et des Moteurs, ENSPM 1966: drilling - production).

As a director of Comex, then with Elf, he acquired extensive on-site experience in offshore drilling, production and construction, particularly in Norway. After forming his own oil consulting company Orcal Offshore, he completed more than 200 maritime and petroleum appraisals as a "loss adjuster" certified by Lloyds. At the request of the oil companies and their insurers, he served as censeur and certified work procedures in over thirty countries.

An censeur to the European Community, he has participated in defining energy research and, finally, he was responsible for the management of budgets for the World Bank.

**Financière de Rosario,
permanently represented by
Jean-François Michaud, 51,
Chairman and Chief Executive Officer**

Paris Trade Register 716 580 477
Corporate offices: 260, Boulevard Saint-Germain – 75007 Paris.

Financière de Rosario has been a member of the Board of Directors since the Shareholders' Meeting of 14 June 2007, serving for a period of one year until the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2007.

The Shareholders' Meeting of 12 June 2008 will be asked to renew the Board seat of Financière de Rosario for a term of three years, until the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2010.

Previously serving as a member of the Supervisory Board of Maurel & Prom, it was first elected on 14 June 2002.

### 6.1.1.2 - Members of the Management board and Supervisory Board prior to 14 June 2007

Until 14 June 2007, the Company was a *société anonyme* with a Management Board and Supervisory Board, with the following members.

**Management Board:**

- Jean-François Hénin, Chairman ;
- Roman Gozalo, Chief Executive Officer; and
- Daniel Pélerin, Vice President Exploration.

**Supervisory Board:**

- Gérard Andreck, Chairman;
- Emmanuel de Marion de Glatigny, Vice-Chairman;
- Christian Bellon de Chassy ;
- Financière de Rosario, represented by Jean-François Michaud ;
- Alain Gomez ;
- Roland d'Hauteville ; and
- Alexandre Vilgrain.

**Censeur:**

- Gilles Brac de la Perrière.

**Roman Gozalo, 61**
**Address** :
Maurel & Prom
12, rue Volney
75002 Paris

Mr. Gozalo developed his management expertise while serving as Chief Executive Officer of three subsidiaries of the Total group between 1979 and 2002 and as Chief Administrative Officer (Secretary) of the Elf group between 1995 and 1999.

Mr. Gozalo served on the Management Board from 24 October 2005 until 14 June 2007, and is no longer a corporate officer as of the date of publication of this document.

The Shareholders' Meeting of 12 June 2008 will be asked to elect Mr. Gozalo as a director of the Company.

Mr. Gozalo is also Chairman of the Supervisory Board of Caroil S.A., and a member of the Supervisory Board of Zetah M&P Congo S.A., subsidiaries of Maurel & Prom.

**Daniel Pélerin, 61**

Address:
Maurel & Prom
12, rue Volney
75002 Paris

After serving as head of the geophysics department of Elf Aquitaine in Congo, then as Director of Exploration for several Elf Aquitaine subsidiaries, Mr. Pélerin served as Director of an Exploration entity of Elf Aquitaine in the Latin American/ Caribbean zone.

Mr. Pélerin was a member of the Management Board from 22 April 2005 until 14 June 2007, and is no longer a corporate officer on the date of publication of this document.

Mr. Daniel Pélerin is an employee of Maurel & Prom, serving as Director of Exploration. He holds no corporate office.

### 6.1.1.3 - Other information

To the Company's knowledge, no member of the Board of Directors or a former member of the Management Board:

- has been convicted for fraud during at least the last five years;
- has been associated in any bankruptcy, receivership or liquidation;
- has been accused by statutory or regulatory authorities, with the exception of Mr. Jean-François Hénin, who was ordered by the Budget and Financial Discipline Court in the Altus Finance case to pay a fine (Judgment of 24 February 2006) and who, under the terms of the certification of a settlement in July 2006 in the Executive Life case (a US procedure which allows the defendant to maintain his innocence while agreeing, given the circumstances, to plead guilty to the facts in order to end the prosecution) had to pay a fine of USD 1 million and has been banned from US territory for a period of five years; and Altus Finance should reach its conclusion with the judgment expected on 14 May 2008 from the Paris District Court concerning acts dating from 1992; or
- has been prohibited by a court from serving as a member of an administrative, management or supervisory bond of an issuer or from acting in the management or conduct of an issuer's business during the last five years.

### 6.1.1.4 - Members of other corporate bodies

**Gilles Brac de la Perrière, 81**

Address:
8, rue de la Boétie
75008 Paris

Mr. Gilles Brac de la Perrière was appointed by the Board of Directors, at its meeting of 14 June 2007, as an censeur to the Company for a period of three years, until the end of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2009.

Mr. Brac de la Perrière has served as Bank Chairman, Inspector of Finance, and is a former member of the French Commission des Opérations de Bourse.

## 6.1.2 - Offices held and executive functions exercised for other companies by members of the Board of Directors over the last five years

**Jean-François Hénin**

Within Maurel & Prom group:

- Chairman/ Chief Executive Officer of Maurel & Prom Congo
- Chairman/ Chief Executive Officer of Zetah M&P Congo
- Director of Zetah Kouilou Ltd.
- Director of Zetah Noumbi Ltd.
- Director of M&P Gabon Ltd.
- Director of Hocol S.A.
- Director of Homcol Cayman Inc.
- Director of Hocol Peru S.A.
- Director of Compagnie Européenne et Africaine du Bois
- Director of Panther Eureka S.r.l.
- and Chairman of the Management Board of Caroil S.A.

Offices held in French companies:

- Chairman of the Management Board of Pacifico S.A.
- Chairman of the Management Board of Pacifico Forages

Offices held in foreign companies:

- Chairman/ Chief Executive Officer of Mines et Carriéres de Kitina (Congo)

**Emmanuel de Marion de Glatigny**

- Chairman of the Supervisory Board of Pacifico S.A.
- Director of Easydentic
- Director of SEREN
- Director of Pacifico Forages

**Roland d'Hauteville**

- Chairman of Compagnie Financière Internationale Privée (COFIP) S.A.S.
- Chairman of Volney 12 S.A.S.
- Member of the Supervisory Board of Banque Michel Inchauspé
- Director of the Leseleuc Group
- Director of Panhard General Defense

**Alexandre Vilgrain**

Offices held in French companies:

- Director of Cogedal
- Representative of Cogedal on the Board of Directors of Petrigel
- Chairman/ Chief Executive Officer of Somdiaa
- Director of Sominfor
- Permanent representative of Somdiaa on the Board of Directors of Sominfor
- Permanent representative of Somdiaa on the Board of Directors of Proparco (non-voting director "censeur")
- Director of Secria
- Chairman/ Chief Executive Officer of Conetrage
- Chairman of the board of directors of Fromentiers de France
- Director of Sonopros
- Manager of Fromimo
- Chairman/ Chief Executive Officer of Alexandre Vilgrain Hodling
- Representative of Somdiaa on the Board of Directors of CIAN (censeur)
- Chairman of the Board of Directors of Grand Moulin du Cameroun (SGMC)

Offices held in foreign companies:

- Director of Gabonaise SMAG
- Director of Sucrière du Cameroun (SOSUCAM)
- Director of Saris-Congo
- Director of Compagnie Sucrière du Tchad (C.S.T.)
- Chairman of the Board of Directors of SGMC (Cameroon)
- Director of the US company Food Research Corporation (FRC)
- Vice Chairman of the Supervisory Board of Fromentiers de France

**Alain Gomez**

- Director of Compagnie Générale de Santé

### Gérard Andreck

Offices held in French companies:
- Director of MACIF Participations S.A.
- Director of Compagnie Foncière de la Macif S.A.S.
- Director of DOMICOURS Holding S.A.S.
- Director of Foncière de Lutèce S.A.
- Director of MACIFILIA S.A.
- Director of OFIMALLIANCE
- Director of SEREN S.A.
- Chairman/ Chief Executive Officer of OFI INSTIT
- Chairman of the Board of Directors of MACIF SAM
- Chairman of the Board of Directors of MACIF Gestion
- Chairman of the Board of Directors of MACIF SGAM
- Chairman of the Board of Directors of SOCRAM S.A.
- Chairman of the supervisory board of CAPA Conseil S.A.S.
- Chairman of the Management Board of CEMM S.A.S.
- Chairman of SICAV OFI MIDCAP
- Member of the Board of SIIL (Société Immobilière d'investissement Locatif) S.A.S.
- Member of the Board of GPIM S.A.S.
- Member of the Board of MACIFIMO S.A.S.
- Member of the Board of OFI RES S.A.S.
- Member of the Supervisory Board of Mutavie S.A.
- Vice Chairman of the Board of Directors of OFI Asset Management S.A.
- Vice Chairman the management of the Supervisory Board of IMA S.A.
- Vice Chairman of GEMA (mutual insurance company grouping)
- Member of the Executive Committee of SIEM S.A.S.
- Censeur of Altima S.A.
- Censeur of SICAV OFI Tresor

Offices held in foreign companies:
- Director of Atlantis Seguro (Spain)
- Director of Atlantis Vida (Spain)
- Member of the Supervisory Board of MACIF Zycïe (Poland)
- Director of S.A. EURESA Holding (Luxembourg)

### Fabien Chalandon

Offices held in foreign companies:
- Member of the Supervisory Board of Access Capital Partners (France),
- Director, then Chairman of Otor S.A. (France)
- Member of the Supervisory Board then Chairman of Sogeres (France)
- Director, then Chairman of Terraillon Holding (Ireland)
- Director of the General Partner of Hibernia Capital Partners (Ireland)
- Manager of Madison / Chart Energy SCS (France)
- Member of the Consultative Board of Banexi Ventures (France)

Offices held in foreign companies:
- Deputy Director of New World Trust (Channel Islands)
- Vice-Chairman and Secretary of the Board of Telnic Ltd. (UK)
- Director of New Providence Fund (Bahamas)
- Associate Manager, Chairman of the Management Committee of The Chart Group (USA)

### Christian Bellon de Chassy

To the Company's knowledge, Mr. Bellon de Chassy holds no other office.

### Jean-François Michaud, representative of Financière de Rosario S.A.

- Chairman/ Chief Executive Officer of Financière de Rosario
- Chairman/ Chief Executive Officer of Financière Slota
- Chairman of DYB S.A.S.
- Chairman/ Chief Executive Officer of Slota.
- Deputy Director of Comcell Investissements
- Director of Copagno
- Director of Copagmont
- Director of Taxis Paris Ile-de-France
- Director of JDP Lux
- Director of Pacifico Forages
- Manager of Krizertax
- Manager of Lahire Taxis
- Manager of Lavi Taxis
- Manager of Loches Taxis
- Manager of Loire Taxis
- Manager of Micpol
- Manager of Montfort Taxis
- Manager of Orléans Taxis
- Manager of Patay
- Manager of Pierrefonds Taxis
- Manager of Polmic
- Manager of Ablis Taxis
- Manager of Amboise Taxis
- Manager of Apollonia Taxis
- Manager of Arras Taxis
- Manager of Atols Location
- Manager of Benyamin Taxis
- Manager of Blois Taxis
- Manager of Bréhat Taxis
- Manager of Caesara
- Manager of Chartres Taxis
- Manager of Chaumont Taxis
- Manager of Clisson Taxis
- Manager of Domremy Taxis
- Manager of Dyka
- Manager of Fredalex
- Manager of Joutred
- Manager of Kady

- Manager of Karam
- Manager of Kitax
- Manager of Pyrenées Taxis
- Manager of Reims Taxis
- Manager of Rochefort Taxis
- Manager of Saint-Cloud Taxis
- Manager of Seva
- Manager of Ste Nouvelle Atelier 60
- Manager of Splendid Taxis
- Manager of Taxis Alex
- Manager of Taxibis
- Manager of Taxicap
- Manager of Taxigar
- Manager of Taxipac
- Manager of Taxiray
- Manager of Taxivanes
- Manager of Tolbiac Taxis
- Manager of Valisa Taxis
- Manager of Vaucouleurs Taxis
- Manager of Vaucresson Taxis

Gilles Brac de la Perrière

- Vice Chairman of the Supervisory Board of Banque Robeco France
- Managing Director of GLP Conseil S.A.
- Director of RDI Gioia S.A., insurance brokerage
- Member of the supervisory committees of the Banque Postale Épargne Retraite.

### 6.1.3 - Potential conflicts of interest

To the Company's knowledge, there are no potential conflicts of interest between the private interests of the members of the Board of Directors and/or former members of the Management Board and their duties with respect to the Company, other than those listed below.

Under a service agreement between Maurel & Prom and Pacifico S.A. -- Mr. Hénin is a shareholder and Chairman of he Management Board of that company -- Pacifico S.A. received a total of €1.547 million including VAT.

On 10 March 2004 Maurel & Prom signed a commercial lease with Volney 12 S.A.S. -- Mr. d'Hauteville is the Chairman of that company -- for the registered offices of said Company, which resulted in the payment of annual rent until 18 June 2007 including VAT of €614,682, corresponding to the market price.

### 6.1.4 - Securities transactions

As at 20 April 2008, the securities transactions carried out by the corporate officers were as follows:

| Corporate Officer | Transaction | Date | Security | Unit price | Total amount |
|---|---|---|---|---|---|
| Jean-François Hénin | Sell | 12/07/07 | OCEANEs | €22.10 | €1,463,815.6 |
| Jean -François Hénin | Sell | 17/07/07 | OCEANEs | €22 | €1,320,000 |
| Jean -François Hénin | Buy | 12/07/07 | Shares | €15.171 | €1,004,866.36 |
| Jean -François Hénin | Buy | 17/07/07 | Shares | €15.096 | €905,760 |
| Christian Bellon de Chassy | Sell | 29/02/08 | Shares | €12.65 | €18,975 |
| Roland d'Hauteville | Buy | 18/01/08 | Shares | €12.37 | €123,806 |
| Roland d'Hauteville | Buy | 14/02/08 | Shares | €11.46 | €106,524 |

### 6.1.5 - Contracts with the issuer or its subsidiaries to grant benefits in accordance with such contracts

Except for the agreements described below, during the last three years, the member of the Board of Directors or former members of the Management Board have not entered into any contract with Maurel & Prom or its subsidiaries Involving benefits granted under such contracts.

Pacifico S.A. Service Agreement

A service agreement was signed on 21 June 2005 between Maurel & Prom and Pacifico S.A., for which Jean-François Hénin is shareholder and Chairman of the Management Board. A rider to this agreement was issued on 29 May 2007.

The services provided by Pacifico S.A. to Maurel & Prom are as follows:

- finding strategic partners in the oil and gas industry

• reviewing planned investments and divestments and establishing the criteria for target acquisitions;
• finding new markets and new growth opportunities;
• proposing ideas for purchase or sale of assets and establishing the financing policy;
• advising and following up on related negotiations (draft contracts, Group growth), particularly on technical cooperation projects; and
• technical, accounting, financial and administrative support for the drilling activities.

The financial terms of this agreement are as follows:

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

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

#### Sub-let agreement with Pacifico S.A.

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

This sub-let pertains to the offices located on the ground floor of the building located at 12 rue de Volney, 75002 Paris for a surface area of approximately 240 m$^2$.

This agreement was concluded for one year as from 11 June 2007 and will be automatically renewable thereafter.

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

#### Drilling rig sale agreement with Pacifico S.A.

An agreement was signed on 13 December 2007, between Caroil, a subsidiary of the Company and its largest shareholder, Pacifico S.A. Since the management bodies of the companies are represented by the same executives, it seemed desirable, for purposes of strong corporate governance, to submit said agreement to the Board of Directors of the company for approval at its meeting of 13 December 2007.

The disposal relates to a drilling rig and totals €12,051,000.

#### Sale of a portion of the shares of New Gold Mali to Pacifico S.A.

Through a Joint Venture Agreement (JVA) dated 5 September 2002 signed with New Gold Mali, Afriore had agreed to invest $2.5 million in a gold exploration permit projects in Mali and to produce a feasibility study for the project. In consideration for this investment, Afriore was supposed to be given the possibility to become a 60%-owner of the project.

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

Pacifico S.A., having fulfilled its contractual obligations, became the holder of 60% of the shares comprising the capital of New Gold Mali through acquisitions from New Gold Mali shareholders, including CEAB, a subsidiary of Établissements Maurel & Prom.

Since the management bodies of the companies are represented by the same executives, it seemed desirable, In view of the potential conflicts of interest and for purposes of strong corporate governance, to submit said agreement to the Board of Directors of the Company for approval at is meeting of 25 March 2008.

## 6.1.6 - Operation of the corporate bodies

By way of introduction, it is specified that there are no rules of procedures governing how the Board of Directors operates.

In addition, the legal and regulatory provisions concerning the restrictions or bans on actions relative to members of the Board of Directors or former members of the Management Board in relation to Company securities apply, as no special rule has been adopted by the company in relation to this matter.

### 6.1.6.1 - Operation of the Board of Directors since 14 June 2007

#### Powers of the Board of Directors

The Board of Directors determines the strategies of the business activities of the Company and sees to their implementation. Subject to the powers expressly granted by law to general meetings of shareholders and within the limit of the corporate purpose, the Board of Directors must be notified of any issues concerning the proper operation of the Company and it must settle any matters concerning it in its deliberations.

In the relationship with third parties, the Company shall be bound even if actions of the Board of Directors do not fall within the corporate purpose, unless it can prove that the third party was aware of the fact that such actions exceeded this purpose or that such third party could not have not been unaware of it considering the circumstances, it being ruled out that the sole publication of the articles of association would suffice to constitute such proof.

The Board of Directors shall perform any controls and audits it deems necessary.

#### Members

The Board of Directors shall comprise at least three and at most twelve members, appointed by the ordinary general meeting of shareholders, subject to the exception provided by law for mergers. The members of the Board of Directors shall be eligible for re-election.

As a temporary measure and in order to enable the partial renewal of the members of the Board of Directors, the Annual General Meeting of shareholders of 14 June 2007 instituted three categories of directors A, B, and C, each comprising from one to three directors named by said General Meeting for terms in office from one to three years.

At the expiration of the terms of office of directors from categories A, B, or C named by the General Meeting of Shareholders of 14 June 2007, the terms of the directors' offices shall be three years.

The number of Board of Directors members over seventy years of age may not exceed one third of the members in office.

Each director must own at least one share for the entire duration of such member's office.

The current composition of the Board of Directors is presented in section 6.1.1.1.

#### Compensation

The members of the Board of Directors may receive as director's fees, compensation for a total amount set out by the General Meeting of Shareholders and freely allocated by the Board of Directors. The amounts of directors' fees are noted in section 6.4.1.2.

#### Deliberations

The Board of Directors meets as often as the interests of the Company require, convened by its Chairman or when the Board of Directors has not met for more than two months, at least a third of the members of the Board of Directors may request the Chairman to convene it.

The Board of Directors may validly deliberate only if at least half of its members are present.

Decisions are made by majority vote if at least half of its members are present or represented. In the event of a tie, the Chairman of the meeting has a casting vote.

The deliberations of the Board of Directors are recorded in minutes in accordance with the law.

#### Chairman of the Board of Directors

The Board of Directors elects from among its members a Chairman who must be an individual and, if deemed appropriate, one or more Vice-Chairmen. It sets their terms in office which may not exceed the term in office of a Director, both being duties that a director may terminate at any time.

The age limit for the office of the Chairman of the Board of Directors is set at seventy (70) years. If in the performance of his duties, such age limit is reached, the Chairman of the Board of Directors shall be deemed having resigned ex officio.

The Chairman of the Board of Directors shall organise and direct the work of the Board of Directors and report thereon to the General Meeting of shareholders.

The Chairman shall ensure the proper operations of the Corporate bodies and in particular the Chairman shall ensure that the Directors can fulfil their duties.

#### Non-voting Director "Censeur"

The Board of Directors may appoint, to the company, up to four censeurs selected from among the shareholders who are individuals.

The term in office of such censeurs is set at three (3) years.

Censeurs attend the meetings of the Board of Directors as observers and the Board may consult with them; they may, on motions submitted thereto, and if they deem it appropriate, present their observations to the General Meetings of Shareholders. They must be invited to each meeting of the Board of Directors. The Board of Directors may entrust the censeurs with specific duties. They may participate in the committees created by the Board of Directors.

The censeurs must own at least one company share. The Board of Directors may decide to pay the censeurs a portion of the directors' fees allocated thereto by the General Meeting and to authorise reimbursement for expenses incurred by the censeurs in the interest of the Company.

### 6.1.6.2 - **Operations of the Management Board until 14 June 2007**

#### Powers of the Management Board

The Management Board was vested with the broadest powers to act in all circumstances on behalf of the Company, in accordance with the corporate purpose and subject to the powers expressly attributed by law to the Supervisory Board and the General Meetings of Shareholders.

In the relationships with third parties, the Company was bound even for Management Board actions that were inconsistent with the corporate purpose, unless it could prove that the third party was aware of the fact that such actions exceeded this purpose or that such third party could not have not been unaware of it considering the circumstances, it being excluded that the sole publication of the articles of association would suffice to constitute such proof.

The Management Board had the right to delegate any power it would deem appropriate.

### Members

The Management Board was composed of two to seven members, appointed for three-year terms. The members were eligible for re-election. No one could be named member of the Management Board past seventy (70) years of age. The members of the Management Board, including the Chairman, were appointed by the Supervisory Board and could be removed from office by the Ordinary General Meeting or the Supervisory Board. The membership of the Management Board prior to the General Meeting of Shareholders of 14 June 2007 is presented in Section 6.1.1.2 of this Annual Report.

### Compensation

The Supervisory Board fixed the method and the compensation of each Management Board member. The amounts of directors' fees are noted in section 6.3.

### Deliberations

The Management Board met as often as the interests of the Company required, convened by its Chairman or by at least half of its members. The decisions were taken by majority vote of the members of the Management Board, voting by proxy not being allowed. Those participating in the meeting by video-conference were deemed present for the calculation of quorum and majority of members of the Management Board. In the event of a tie, the Chairman had a casting vote.

Deliberations were recorded in minutes entered into a special register and signed by the meeting Chairman and a member of the Management Board attending the meeting.

## 6.2 CORPORATE GOVERNANCE/ REPORT OF THE CHAIRMAN ON INTERNAL CONTROL

It should first be noted that Maurel & Prom complies with corporate governance procedures currently applicable in France.

The information provided below reproduces in full the content of the report of the Chairman of the Board of Directors on the internal control procedures implemented by the Company and its subsidiaries included in the consolidated financial statements of the Company. The information contained in the report is derived primarily from the information provided by General Management and is based in particular on the work done by the Group's financial departments and general secretariat. This information in draft form was reviewed by the Audit Committee and by the Board of Directors at their meetings of 22 and 25 April 2008.

The objective of this report is to describe in a precise manner the circumstances in which the Company's corporate bodies fulfil their standing duties to guide, manage and control the activities of the Company.

Pursuant to this objective, it is particularly important to verify that the special committees of the Board of Directors fully satisfied their duties. Similarly, this report may have to provide an assessment of the quality of the information disclosed and the effectiveness of the Company's various departments with respect to the performance and optimisation of operations.

Lastly, this report is also designed to highlight any difficulties encountered by the Company and, if applicable, to recommend improvements and objectives.

### 6.2.1 - Preparation and organisation of the working sessions of the Board of Directors

#### 6.2.1.1 - Presentation of the Board of Directors

As from the General Meeting of the Shareholders of 14 June 2007, Maurel & Prom is organised as a *société anonyme* with a Board of Directors. Prior to that date, Maurel & Prom was organised as a *société anonyme* with a Management Board and a Supervisory Board. Since this change in management method, the Board of Directors has assumed the duties of the Supervisory Board in matters of corporate governance and internal control.

The membership of the Board of Directors is structured according to the rules presented in section 6.1.6.1.

The current composition of the Board of Directors is presented in section 6.1.1.1.

#### 6.2.1.2 - Chairmanship and convening Board of Directors meetings

The members of the Board elect among them a Chairman and Vice Chairman according to the rules presented in section 6.1.6.1 of this Annual Report.

Jean-François Hénin was appointed as chairman of the Board of Directors at Its meeting of 14 June 2007 which also named Gérard Andreck vice-chairman at the same meeting.

The convening of the Board of Directors Is presented in section 6.1.6.1 of this Annual Report.



### 6.2.1.3 - **Non-voting Director "Censeur"**

At the Board Meeting of 14 June 2007, it was decided to reappoint a non-voting director ("censeur") to the Board in an advisory capacity. The censeur, a reputable and thoroughly experienced person, participates in the Board's deliberations and gives advice on matters of governance and on finance and accounting matters.

Gilles Brac de la Perrière was appointed for this duty, as indicated in section 6.1.6.1 of this Annual Report.

### 6.2.1.4 - **Deliberations**

#### DELIBERATIONS OF THE BOARD OF DIRECTORS

The agenda is set by the Chairman of the Board of Directors and communicated to the members with reasonable notice prior to the meeting of the Board.

The Board of Directors deliberates In accordance with the procedures presented in section 6.1.6.1 of this Annual Report.

All members are informed of their responsibilities and the confidentiality of the information received at meetings of the Board of Directors attended.

The minutes of the meetings are recorded in a special register; the minutes of each meeting are expressly approved at the next Board of Directors meeting.

The Board of Directors met 8 times between 14 June 2007 and 25 March 2008 and the attendance rate of the members of the Board of Directors was 87.5%.

In accordance with legal requirements, the Statutory Auditors are called to meetings of the Board of Directors reviewing the half-yearly and annual financial statements. More generally, they were also called to attend most of the meetings of the Board of Directors.

| Board of Directors meeting | Attendance rate |
|---|---|
| 14 June 2007 | 80% |
| 30 August 2007 | 80% |
| 24 September 2007 | 100% |
| 9 October 2007 | 80% |
| 6 December 2007 | 90% |
| 13 December 2007 | 90% |
| 15 January 2008 | 90% |
| 25 March 2008 | 100% |
| Average attendance | 89% |

** Attendance rate does not take account of directors participating by telephone.*

At its meeting of 14 June 2007 the Board of Directors deliberated in particular on the following agenda items:

- appointment of the Chairman of the Board of Directors;
- selection of the procedures of general management, in compliance with the provisions of Article L. 225-51-1 of the French commercial code;
- powers of the Chairman/ Chief Executive Officer;
- remuneration of the Chairman/ Chief Executive Officer;
- appointment of a Vice-Chairman of the Board of Directors;
- appointment of a non-voting Director ("censeur");
- Audit Committee establishment;
- establishment of the Appointments and Compensation Committee;
- powers granted to the Chairman/ Chief Executive Officer to adjust the conversion rate of the OCEANE convertible bonds;
- powers granted to the Chairman/ Chief Executive Officer to take all decisions in matters of day-to-day management of cash held by the Company;
- powers granted to the Chairman/ Chief Executive Officer to enter into any security agreements in the context of the implementation of the Columbian production hedging agreement; and
- payment of dividend.

At its meeting of 30 August 2007, the Board of Directors deliberated in particular on the following agenda items:

- approval of the business report for the 1st half of 2007;
- recognition of the capital increase resulting from the exercise of stock options by Company employees; and
- other business (share buyback programme, cash management, negotiation of post-closing adjustments with Eni, status of the tax audit, litigation with Messier Partners, restructuring of the Company, etc.).

At its meeting of 24 September 2007, the Board of Directors deliberated in particular on the following agenda items:

- review of the draft approval of the financial statements for the 1st half of 2007;
- review of the draft press release relative to the results for the 1st half of 2007;
- approval of debt write-off in favour of Maurel & Prom International Shipping Ltd. and its subsidiaries, In compliance with Article L. 225-38 of the French Commercial Code.

At its meeting of 9 October 2007, the Board of Directors deliberated in particular on the following agenda items:

- approval of the draft business report for the 1st half of 2007;
- terms for the preparation of draft internal regulations for the Board of Directors; and
- other business (business developments in Gabon, opportunity to participate In an off-shore permit operated by Repsol in Sierra Leone, draft acquisition of a drilling rig).

At its meeting of 6 December 2007, the Board of Directors deliberated in particular on the following agenda items:

- asset arbitrage, current opportunities.

At its meeting of 13 December 2007, the Board of Directors deliberated in particular on the following agenda items:

- follow-up on projects presented to the Board of Directors on 6 December 2007;
- 2007 closing forecast;
- initial discussion of the 2008 budget;
- recommendations of the compensations committee;
- approval of the Company premises sub-letting contract to Pacifico S.A. and the drilling rig acquisition contract between Caroil, a subsidiary of the Company, and Pacifico Forage, largest shareholder of the Company, in accordance with Article L. 225-38 of the French Commercial Code;
- sub delegation of authority to the Chairman/ Chief Executive Officer for the purposes of the free allocation of existing or future shares to employees and/or corporate officers;
- recognition of the capital increase resulting from the exercise of stock options; and
- other business (approval of the winding up of Orchard, decision to open a subsidiary in Colombia).

At its meeting of 15 January 2008, the Board of Directors deliberated in particular on the following agenda items:

- follow-up on projects presented to the Board of Directors on 6 December 2007;
- budget estimate for 2008;
- other business (allocation of directors' fees);
- finalisation of the 2008 Board of Directors meetings and General Meetings of the Shareholders.

At its meeting of 25 March 2008, the Board of Directors deliberated in particular on the following agenda items:

- business development status;
- review and approval of the Company and consolidated financial statements for the financial year ended 31 December 2007
- other business (press release, financial analyst presentation, New Gold Mali issue, Board of Directors' rules of procedure);

## DELIBERATIONS OF THE SUPERVISORY BOARD

During 2007 until 14 June 2007, the Supervisory Board, which had the same structure and was operating in the same manner as at 31 December 2006, met six times with the following attendance rates :

| Supervisory Board meetings | Attendance rates |
|---|---|
| 15 January 2007 | 88.89% |
| 21 February 2007 | 100% |
| 28 March 2007 | 88.89% |
| 4 May 2007 | 77.78% |
| 9 May 2007 | 100% |
| 29 May 2007 | 66.67% |
| Average attendance rate | 87.03% |

At its meeting of 15 January 2007, the Supervisory Board deliberated in particular on the following agenda items:

- review of the draft transaction with Eni;
- review of the budget estimate for 2007;
- proposed rider to the services agreement between Maurel & Prom and Pacifico S.A.;
- proposed allocation of directors' fees; and
- timetable of the meetings of the Supervisory Board for 2007.

At its meeting of 21 February 2007, the Supervisory Board deliberated in particular on the following agenda items:

- review of the draft sale of assets to Eni.

At its meeting of 28 March 2007, the Supervisory Board deliberated in particular on the following agenda items:

- presentation by the Management Board of the business report for 2006; and
- review of the 2006 consolidated financial statements approved by the Management Board.

At its meeting of 9 May 2007, the Supervisory Board deliberated in particular on the following agenda items:

- business development status;
- review and approval of the 2006 Company and consolidated financial statements;
- review of the draft resolutions prepared by the Management Board to be submitted to the General Meeting of Shareholders of 14 June 2007; and
- approval and authority to grant the Chairman of the Management Board of the Company for the purpose to sign an IDSA Master Agreement and a confirmation act for the partial hedge of the WTI Columbian production.

At its meeting of 29 May 2007, the Supervisory Board deliberated in particular on the following agenda items:

- review of the draft report of the Chairman of the Supervisory Board on internal control;
- review of the draft Annual Report for 2006; and
- review of the rider to the services agreement with Pacifico S.A.

### 6.2.1.5 - **Duties of the Board of Directors**

(1) MANAGEMENT DUTIES

The Board of Directors establishes the Company's business strategy and supervises its execution. Subject to powers expressly granted to the General Meetings of Shareholders and in accordance with the corporate purpose, it handles all issues that relate to the proper operation of the Company and settles the issues that concern it.

(2) APPOINTMENT AND DISMISSAL OF THE CHAIRMAN, MANAGING DIRECTOR AND DEPUTY MANAGING DIRECTORS

The Board of Directors appoints the Managing Director and the Deputy Managing Directors, and designates from its individual members the Chairman of the Board of Directors. The Board of Directors determines the remuneration of the Chairman, Managing Director and Deputy Managing Directors, and can remove them from office. The Board of Directors may also delegate special assignments to one or more of its members, or to a third party, whether or not a shareholder, for one or more specific purposes.

(3) CHECKS AND CONTROLS

The Board of Directors conducts checks and controls as it deems appropriate. It specifically ensures that the standards of good management and prudence are followed in the preparation of the financial statements and that the risks arising from the Company's business are controlled, and provides management with assistance and advice in its growth and organisational strategy.

At any time, the Board is responsible for the checks and controls considered appropriate and may demand the documents considered necessary to perform its duties. Each director receives all the information required to perform his duties and may ask the Chairman or Managing Director for all documents required to that effect.

This control is independent from that of the Statutory Auditors because it relates not only to the truth and fairness of the financial statements, but also to the Company's management actions complying with the rules of good governance.

(4) SPECIAL COMMITTEES

The Board of Directors may decide to set up special committees. These committees, the composition and attributions of which are determined by the Board of Directors, carry out their activities under the responsibility of the Board. The operations and activity of the Special Committees created by the Board of Directors are described in Section 6.2.2.

(5) POWERS OF THE CHAIRMAN

At its meeting held on 14 June 2007, the Board of Directors decided that the Chairman and Chief Executive Officer would organise and oversee the work of the Board and that as such, and in accordance with the articles of association, he would call and chair the meetings of the Board of Directors and, more generally, would supervise the proper running of the Company. The Chairman and Chief Executive Officer is vested with full powers to act in the Company's name in all circumstances. He exercises such powers within the limit of the corporate purpose, without prejudice to the powers expressly granted to general meetings of shareholders.

In accordance with Articles L. 225-35 and R. 225-28 of the French Commercial Code, the Board of Directors has authorised the Chairman and Chief Executive Officer to grant any pledges, authorisations or guarantees in the Company's name, up to a limit of a unit amount of €50 million and total amount of €200 million, for a period of one year beginning 14 June 2007. No other limitation of powers of the Chairman and Chief Executive Officer, apart from legal limitations, is formally specified, either in the authorisations of the Board of Directors or in the Company's articles of association.

(6) ACTIVITY OF THE BOARD OF DIRECTORS DURING 2007

See Section 6.2.1.4 above.

## 6.2.2 - Special Committees

Based on the recommendations of the French financial regulator, the Autorité des Marchés Financiers, the Board had implemented special committees.

### 6.2.2.1 - **Audit Committee**

(1) MEMBERS OF THE AUDIT COMMITTEE

Following the change on 14 June 2007 to the way in which the Company is administered and managed, the current Audit Committee was reappointed as at 14 June 2007 and is continuing the work undertaken by the previous Audit Committee. The Audit Committee had three members:

- Gilles Brac de la Perrière, chairman of the Audit Committee and "censeur" of the Board of Directors;
- Fabien Chalandon, an independent director; and
- Roland d'Hauteville, an independent director.

The Audit Committee is composed of three members chosen by the Board of Directors from its individual members or from third parties acknowledged for their expertise. Members appointed to the Audit Committee may not be employees of Maurel & Prom Group, nor one of its directors, nor have any association with the Group that may influence their decisions, which must be made free of any personal interest.

The chairman of the Audit Committee is elected by Its members.

The members of the Audit Committee are appointed for their term of office as members of the Board of Directors or for a term determined by the Board of Directors. They may, however, resign at any Board meeting without reason and without notice.

(2) DUTIES OF THE AUDIT COMMITTEE

The general role of the Audit Committee is to assist the Board of Directors so that It has the information and resources necessary to assure the quality of internal controls and the reliability of the financial information sent to shareholders and the financial markets.

The Audit Committee's main duties include:

- reviewing the Company and consolidated financial statements, as well as those of Maurel & Prom Group;
- verifying that the accounting policies adopted are appropriate and consistent In respect of (i) the Company and consolidated financial statements and (ii) all companies included in the consolidation;
- reviewing the internal and external auditing procedures implemented within Maurel & Prom Group;
- assessing the reliability, relevance, resources and independence of internal control;
- analysing, in collaboration with the Maurel & Prom project team, all IFRS accounting standards and in particular those likely to have an influence on the Group;
- reviewing the major transactions involving a risk of conflict of interest between the Company and corporate officers;
- verifying the independence and objectivity of the Statutory Auditors; and
- reviewing procedures and internal control.

The Audit Committee meets as often as it deems necessary or appropriate. Meetings may be convened by any member and are held at least twice a year and always before the Board of Directors approves the financial statements. For its deliberations to be valid, at least half of all members must be present.

Audit Committee resolutions are passed on a majority vote of the members attending the meeting. Each member has one vote. In the event of a tie, the Chairman shall have the casting vote.

The Audit Committee may make non-binding recommendations to the Board of Directors either verbally or in writing. Members of the Audit Committee may, in the course of performing their duties, consult the directors of Maurel & Prom Group, including the Chairman and Chief Executive Officer.

(3) ACTIVITY OF THE AUDIT COMMITTEEE DURING 2007

During 2007 the Audit Committee met on 13 occasions attended by the Administration and Finance Department and the Statutory Auditors.

During these meetings, the primary task of the Audit Committee was to prepare the 2007 budget and the annual and half-year financial statements.

### 6.2.2.2 - **Appointments and Compensation Committee**

(1) MEMBERS OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

Following the change on 14 June 2007 to the way in which the Company is administered and managed, the current Appointments and Compensation Committee was reappointed on 14 June 2007 and is continuing the work undertaken by the previous Appointments and Compensation Committee. The Appointments and Compensation Committee has three members:

- Fabien Chalandon, Chairman of the Appointments and Compensation Committee and an independent director;
- Alain Gomez, an independent director; and
- Christian Bellon de Chassy, an independent director.

The Appointments and Compensation Committee is composed of three members chosen by the Board of Directors from its individual members or from third parties to the Company acknowledged for their expertise. Members appointed to the Appointments and Compensation Committee may not be employees of Maurel & Prom Group, nor one of its directors, nor have any association with the Group that may influence their decisions, which must be made free of any personal interest.

The Chairman of the Appointments and Compensation Committee is elected by its members.

The members of the Appointments and Compensation Committee are appointed for their term of office as member of the Board of Directors. They may, however, resign at any Board meeting without reason and without notice.

(2) DUTIES OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

The main duty of the Committee is to make proposals regarding the remuneration of the Chairman, Managing Director and Deputy Managing Directors (amount of fixed remuneration and procedures for variable remuneration, if applicable).

With respect to the members of the Board of Directors, the Appointments and Compensation Committee is responsible for determining each year the overall amount of directors' fees that will be submitted for approval to the General Meeting of Shareholders and the allocation of these directors' fees between the members of the Board of Directors, taking into account in particular the members' attendance at Board and committee meetings.

The Appointments and Compensation Committee is also responsible for putting forward any exceptional remuneration proposals made by the Board of Directors regarding payment to one of its members charged with a mission or agency agreement In compliance with Article L. 225-84 of the French Commercial Code.

The Appointments and Compensation Committee also makes recommendations concerning retirement and life insurance schemes, benefits in kind, the financial entitlements of the corporate officers and their severance payments.

(3) ACTIVITY OF THE APPOINTMENTS AND COMPENSATION COMMITTEE DURING 2007

The Committee met five times during 2007. Its main activity was to decide on the remuneration of the corporate officers. It should be noted that the procedures for calculating the Management Board remuneration in 2006 and 2007 were established in 2005 following recommendations from the Committee, which were based at the time on a report from a reputable independent firm.

On this issue, the Committee sent to the Board of Directors its proposals relating to 2007 bonuses for the Chairman and Chief Executive Officer and for the 2008 basic pay.

Its recommendations were largely based on an analysis of the individual performances and contributions of the Chairman and Chief Executive Officer.

With respect to allocation of directors' fees among the Board members, for 2007 the Committee recommends applying the rules introduced in 2005. These rules were at the time based on the recommendations of a reputable firm. A major proportion (50%) of the fees is based on the regular attendance of members at meetings of the Board of Directors and their active participation in the work of the special committees.

(4) INDEPENDENT DIRECTORS

"A director is independent when he has no relationship of any kind with the company, its group or its management, that may compromise his ability to make unfettered decisions."

The criteria reviewed by the Appointments and Compensation Committee and the Board to qualify an independent director are:

- not to be a Company employee or corporate officer, or an employee or director of a consolidated company, or been such at any time during the previous five years;
- not to be a corporate officer of a company in which the Company directly or indirectly holds a directorship or in which an employee appointed as such or a corporate officer of the Company (currently or having been so for less than five years) holds a directorship;
- not to be a major customer, supplier, investment banker or financing banker of the Company or the Group;
- not to have close family ties with a corporate officer;
- not to have been an auditor of the Company; and
- not to have been a director of the Company for more than 12 years.

Directors representing majority Company shareholders may be considered independent provided that they do not control the Company. Beyond a threshold of 10% of the capital or voting rights, the Board must systematically make sure of his independence, taking into account the composition of the Company's capital and the existence of potential conflicts of interest.

On this basis, the Appointments and Compensation Committee judged at a meeting held on 25 April 2008 that at year end, five members of the Board of Directors should be considered independent:

- Christian Bellon de Chassy;
- Fabien Chalandon;
- Alain Gomez;
- Roland d'Hauteville;
- Alexandre Vilgrain.

## 6.2.3 - Information provided to members of the Board of Directors

### 6.2.3.1 - Information prior to each Board meeting

Detailed documentation containing information required for the analysis of the points on the Board's agenda is provided prior to each meeting to members of the Board.

In particular, it contains minutes of the previous meeting, key events since the previous Board meeting, and, if applicable, transactions planned or in progress. The Chairman and Chief Executive Officer usually comments upon these documents during the Board meetings.

Board members may also request further information and documents prior to or during Board meetings.

### 6.2.3.2 - Financial information and information on Company business

(1) FINANCIAL INFORMATION AND INFORMATION ON COMPANY BUSINESS

With the help of the Chief Financial Officer, the Chairman and Chief Executive Officer reports every quarter on the activity of the Group and its main subsidiaries for the quarter just ended.

At the end of each half-year or year, the Chief Financial Officer presents a detailed and summary income statement and balance sheet.

Within three months after the end of each financial year, the draft consolidated financial statements are submitted to the Board of Directors for verification. The Board then provides the general meeting of shareholders with its report on the activity and financial statements for the year.

(2) INFORMATION ON SPECIFIC TRANSACTIONS

With regard to mergers and acquisitions or asset sales, the Board of Directors analyses the data provided by the Chairman and Chief Executive Officer on transactions and strategy, gives its opinion on the accuracy of the documentation, and, where applicable, authorises the Chairman and Chief Executive Officer to proceed with the transactions.

(3) ONGOING INFORMATION

Whenever necessary, the Board of Directors may also ask the Chairman and Chief Executive Officer and management to provide any information or analysis it considers appropriate or to give a presentation on a given subject.

Furthermore, between meetings, Board members are regularly informed of events or transactions likely to be of significance to the Company.

## 6.2.4 - Internal Controls System

### 6.2.4.1 - Definition of internal controls

Internal controls are defined as the entire range of controls and procedures introduced by Management and Company and Group staff designed to ensure the following:

- reliability and accuracy of financial and accounting information;
- accounting records' accuracy and completeness;
- Group's efficiency in carrying out its business operations;
- acts of managing and carrying out the transactions as well as the behaviour of employees comply with the Group's corporate guidelines and the Group's values, policies and rules;
- compliance with applicable local laws and regulations; and
- safeguarding the Group's assets by preventing and controlling in particular risks resulting from the Group's business, and, among others, the risks specified in Chapter 7 of this Annual Report.

The purpose of internal controls is to ensure compliance with these rules and regulations, safeguarding assets and operational efficiency. It cannot, however, provide an absolute guarantee that these risks are totally eliminated.

### 6.2.4.2 - Key elements of the internal controls system

(1) ORGANISATION AND SUPERVISION OF INTERNAL CONTROLS

The Company's Management establishes internal control rules and ensures their proper implementation. Management organises and sets up methods and procedures for the Company's activities in order to ensure that they are controlled and supervised. Management also sets company policies of operation, management and risk prevention relating to business activities.

The Company's aim is to make all employees aware of their individual responsibility towards internal control procedures. To this end, and as the major figures involved in internal controls, Senior Management and the Administration and Finance Department, in conjunction with the Board of Directors and more particularly the Board's audit committee, define internal control priorities. On the basis of these priorities and to achieve their objective, employees share the responsibility for procedure implementation.

Management meets on a regular basis to discuss management issues related and unrelated to the normal course of business. The members of the management committee (the Chairman, Managing Director, Production Director, Exploration Director and Chief Financial Officer) meet every two weeks to deal with the Company's management issues and to analyse the results of the action taken. If necessary, between meetings, each management committee member may call an extraordinary meeting.

An expanded management committee meets quarterly and includes the Director of Health, Safety and Environment and the key figures in operational and functional management in addition to the members of the management committee.

The purpose of the Committee is to analyse weaknesses and problems as well as risk factors and to guard against possible consequences. As such, it makes recommendations to the various managers concerned and ensures these recommendations are carried out in an effective manner.



### (2) OPERATIONAL IMPLEMENTATION OF INTERNAL CONTROLS

Maurel & Prom is made up of a holding company, and operating companies and subsidiaries, each of which is locally managed and reports to Group Senior Management. The local managers coordinate the Group's activities according to country or geographic region.

With the exception of certain projects such as in Italy or Cuba, Maurel & Prom directly or indirectly holds almost the entire capital of its subsidiaries. In countries where the Group's operations are more developed, the operating subsidiaries have their own finance, accounting and legal departments in addition to their own technical divisions. For subsidiaries that do not have their own administration departments, the functional departments of the holding company offer support for such operations.

Corporate offices and legal representation of the subsidiaries is provided by members who have been designated by Group Senior Management. Operational and chief financial officers of companies and subsidiaries are granted the necessary powers individually.

Business operations are run by the various managers with Group-level responsibility for exploration, production, drilling, HSE and finance/administration/human resources. Accordingly, major decisions are discussed with and validated by the functional managers concerned before being submitted to Group Senior Management for approval. The legal department centralises the preparation and approval of the major legal documents within the Group's subsidiaries.

The oil business is such that the host countries impose specific legal constraints and often act as partners. The joint-operating procedures normally practised involve partner participation and requires very formal procedures to be followed, namely:

- drafting and approval of work programmes and initial and reviewed budgets for each permit, discussed with the partners and submitted to the relevant country authorities for approval;
- preparation of specific work applications for partners' approval in respect of major expenditure, particularly for drilling wells, building new installations or seismic surveys; and
- calls for funds, as verified with partners, to finance regularly the progress of work performed.

The partners must be informed of any expenditure exceeding 10% of these authorisations. Monthly budget spending reports prepared by the local financial controller are provided to the Administration and Finance Department and to the partners once approved by the head office financial controller.

Actual expenditure is officially presented to the local authorities within the management committees for approval as "oil costs" (or recoverable expenses: all investments and operating expenses that can be deducted for tax purposes). The remainder of unrecovered oil costs is carried over from one year to the next until it is completely recovered, the recovery rate being specific to each permit. Oil costs are audited in arrears by the governments concerned.

Accordingly, any investment or expenditure must figure in an approved budget and/or is approved by all parties involved in the various partnership agreements.

This implies operational internal control procedures that involve the cost centre managers' systematic approval of expenditure at each operating stage (i.e. exploration, drilling, extraction).

Management has implemented and is progressively completing an internal control structure aimed at controlling operations and preventing the various types of operational risks. The major objective of such auditing and prevention structure is to identify, prevent and potentially control risks that could lead to the potential deterioration or disappearance of assets, accounting or any other kind of errors, irregular expenditure or fraud.

### (3) FINANCIAL CONTROL

With respect to internal accounting and financial controls, Senior Management and Administrative and Financial Management, who are responsible for publishing financial and accounting information, rely on the various Company departments that help produce and communicate this information, and ensure in particular that it is accurate and compliant with legal and regulatory requirements. Working closely with the statutory auditors, the Group's accounting department constantly monitors the changes in accounting regulations, particularly international accounting standards.

The consolidated financial statements are prepared twice a year. The accounting data of the operating subsidiaries is reviewed by head office in Paris prior to consolidation. The financial reports are drafted by the Company's accounting department before being assessed and reviewed by Management, the Audit Committee and the Board of Directors.

The financial control department of the parent company analyses the differences between budgeted and actual expenses and carries out a general review of costs. Reconciliations are made, if necessary, with the financial controller responsible for each region, who also carries out budget/actual reconciliations with the local managers of the various operating centres.

With respect to information systems, the Group uses standard tools for financial and cost accounting, consolidation, treasury and employee management.

The Administration and Finance Department controls and manages the risks relating to treasury activities and financial instruments, particularly exchange rate risks. Cash, positions and management of financial instruments are systematically

coordinated by the Administration and Finance Department in order to optimise the Group's cash flow management.

With respect to external financial communication, all procedures are under the responsibility of Senior Management and the Chief Financial Officer. Each quarter, the Company reports its sales to the financial markets, and In the months following the end of the half year, provides an income statement, balance sheet and consolidated cash flow statement for that half year. The communication schedule is issued at the beginning of the financial year in accordance with the requirements of Euronext. The accounting and financial control departments provide the information required to prepare the documentation used in financial communication. This information is then submitted to the Board of Directors for approval. The Administration and Finance Department ensures that the information provided to the stock market complies with the Group's results, the recommendations of the Board of Directors and legal and regulatory obligations. The Statutory Auditors approve the half-yearly and annual financial documents prior to their issue.

(4) AUDIT COMMITTEE

The Audit Committee is described in Section 6.2.2.1 above.

(5) RISK MANAGEMENT - INSURANCE

The main external risks are the price of oil and the legal and political risks related to the Group's exploration and production regions, as described in Chapter 7, "Risk Factors". Senior Management, in conjunction with the subsidiary managers, and the Board of Directors identify and analyse the risks likely to have a significant impact on the Group's activity or assets. The Group has taken out insurance covering several types of risk and, in addition to basic coverage, insurance policies specific to the oil business as well as the nature and location of its assets which, among others, cover the potential risk of oil installation damage, losses of assets and pollution risks. This coverage is described in Section 7.4.

### 6.2.4.3 - **External audit**

The Company has two principal Statutory Auditors (Mr Michel Bousquet and Ernst & Young Audit, represented by Mr François Carrega) and two deputy Statutory Auditors (Mr François Caillet and Mr Jean-Louis Robic). The French and foreign subsidiaries appoint Statutory Auditors in accordance with local legislation.

The Statutory Auditors, through their various audits, carry out procedures specific to their profession.

They are informed in advance of the procedure for preparing the financial statements and present their comments to the Finance Department and to Senior Management, as well as to the Audit Committee and Board of Directors.

### 6.2.4.4 - **Analysis, actions and mesures under consideration**

To bring about improvements and reduce the time involved in preparing and reporting the accounting and financial information, Senior Management and the Administration and Finance Department implemented a number of measures which led to:

- reorganising and regrouping the administrative and financial functions within the Administration and Finance Department;
- adapting the way in which accounting data is handled;
- significantly reinforcing the level of control over accounting and consolidation practices through the internal recruitment of the skills required;
- introducing ongoing procedures to improve the organisation's current weak points in order to bring about the required corrections consistent with the Company's development strategy;
- implementing a plan to train employees in the use of onsite computer systems.

Scheduling policies governing the publication of the financial statements requires a review of the current structure and handling procedures and makes it necessary to adapt the systems in order to comply with requirements to meet the deadlines set.

To this end, measures have primarily been taken to improve procedures and to strengthen and adapt reporting.

Discussions are being held with the Production Department in order to improve the control and monitoring of operations, as well as the management and monitoring of projects in progress. Cost control and monitoring of expenditure are significantly enhanced, and emphasis is being placed on prevention and early management of variations.

At head office level, the cash flow coverage policy as decided by the Board of Directors requires the development of specific monitoring procedures.

Managing cash flow and treasury positions that resulted from the disposal of Congo-based assets brought about an increase in the level of control and adapting of systems used to analyse and monitor monetary assets. It also led to an aim for better forecasting of projected cash flow and currency management through increased information from the subsidiaries.

The priority given to implementing these measures and to bringing about change has led to most of the Administration and Finance Department's available internal resources being assigned to this purpose.



## 6.3 EMPLOYEES

### 6.3.1 - Employees

A key feature of 2007 was a decrease in the oil business workforce following the transfer of most affected personnel to Congo-based operations at Eni and an increase In employees in the drilling business.

| Breakdown by activity | 2007 | 2006 | 2005 |
|---|---|---|---|
| Oil and gas activities | 216 | 304 | 236 |
| Oil drilling | 133 | 19 | 8 |
| Gold activity | 15 | 15 | 13 |
| Maurel & Prom Holding | 54 | 56 | 45 |
| TOTAL | 418 | 394 | 302 |

| Geographic breakdown | 2007 | 2006 | 2005 |
|---|---|---|---|
| Africa | 76 | 172 | 90 |
| Asia | 0 | - | 0 |
| Latin America | 253 | 165 | 167 |
| Europe | 89 | 57 | 45 |
| TOTAL | 418 | 394 | 302 |

#### 6.3.1.1 - Parent company employees at 20 April 2008

As at 20 April 2008, the parent company had a total of 54 employees.

It had 45 employees at 31 December 2005, and 56 employees at 31 December 2006.

The total 2007 payroll charge amounted to €5,532,965 (down from €6,408,245 in 2006). Social Security contributions for the year amounted to €4,026,765 (up from €3,245,864 in 2006).

In 2007 temporary workers and external services (excluding Pacifico S.A. employees under the services agreement stated under section 6.1.3) represented a total expense for the parent company of €520,254 (down from €568,805 in 2006).

#### 6.3.1.2 - 2007 Recruitment

The parent company hired 5 new staff during 2007, broken down as follows:

- 4 people were recruited under open-ended contracts;
- 1 person was recruited under a fixed-term contract; and
- no apprentices were recruited.

In addition, 3 training agreements were signed in 2007.

#### 6.3.1.3 - Redundancies throughout 2007

Within the parent company 4 staff were dismissed in 2007 due largely to disagreements with their management.

#### 6.3.1.4 - Other

The Company has been under the oil industries collective labour agreement since 1 March 2004.

An agreement relating to the adjustment and reduction in working hours has been in force since 19 May 2003. Pursuant to this agreement, the 35-hour working week is applied in the Company.

The Company runs a supplementary pension scheme which is a collective insurance agreement with Generali. This scheme applies to all personnel, and employer contributions are 8% for categories A, B and C.

The sums paid into this scheme by the Company were €386,535 in 2006 and €431,226 in 2007.

### 6.3.2 - Profit Sharing and stock options for the corporate officers

#### 6.3.2.1 - Executives' shareholdings in the Company's equity

At 31 December 2007, and to the Company's knowledge, the Company's corporate officers together held 30,655,537 Company shares, representing 24.43% of the capital and 26.24% of the voting rights.

To the Company's knowledge, the interests held in the Company and the securities issued by Maurel & Prom and held by the corporate officers at 31 December 2007 are as follows:

| | Shares | OCEANEs |
|---|---|---|
| Jean-François Hénin [1] | 28,750,246 | 0 |
| Gérard Andreck [2] | 1 | 0 |
| Emmanuel de Marion de Glatigny [3] | 135,465 | 0 |
| Fabien Chalandon | 20 | 0 |
| Financière de Rosario | 1,684,530 | 0 |
| Alain Gomez | 50 | 0 |
| Alexandre Vilgrain | 1 | 0 |
| Christian Bellon de Chassy [4] | 13,693 | 0 |
| Roland d'Hauteville [5] | 71,531 | 0 |

*(1) Through Pacifico S.A., controlled by Mr Jean-François Hénin and the members of his family.*
*(2) Mr Gérard Andreck is also chairman of MACIF, the Company's second largest shareholder with 8,324,204 shares held at 31 December 2007.*
*(3) Mr de Marion de Glatigny holds 111,996 shares directly and 23,469 shares indirectly via a PEA (personal equity plan) held by his wife.*
*(4) Directly and indirectly with the members of his family.*
*(5) Mr d'Hauteville holds 16,281 Company shares directly. He is a 55% shareholder of COFIP, holding 55,250 shares.*

Mr Brac de la Perrière, "censeur" for the Board of Directors, holds directly and indirectly with his family 5,825 Maurel & Prom shares (of which 3,575 held directly and 2,250 indirectly through GLP Conseil).

Each member of the Board of Directors therefore holds the minimum number of shares required by law (one share), while the Company's articles of association has no particular requirement.

The members of the Board of Directors must comply with the legal and regulatory requirements concerning insider trading.

Messrs Roman Gozalo and Daniel Pélerin, former members of the Management Board, held 15,000 and 121,800 shares respectively.

### 6.3.2.2 - **Stock options granted to corporate officers and options exercised**

The information below is updated as of the issue date of the Annual Report.

The table below lists the options granted to officers and not yet exercised In the last three financial years.

| Plan | Date of grant | Price exercise | Start of the exercise period | Expiry date | Number of options granted | Number of options exercised | Number of options remaining |
|---|---|---|---|---|---|---|---|
| **Mr Roman Gozalo (member of the Management Board until 14 June 2007)** | | | | | | | |
| Plan n° 3 | 21 Dec 2005 | €12.91 | 22 Dec 2005 | 21 Dec 2010 | 100,000 | 0 | 100,000 |

No other stock option was granted to the Company's corporate officers by the Company or by Maurel & Prom Group companies in 2007. Furthermore, no corporate officer exercised any stock options in 2007.

#### 6.3.2.3 - Bonus shares granted to each corporate officer

A programme to give bonus shares to Company employees was implemented by the Management Board at its meeting held on 21 December 2005, according to the authorisation granted by the General Meeting of Shareholders held on 29 June 2005 (18th resolution).

To date, Roman Gozalo, Managing Director and member of the Management Board until 14 June 2007, has received 15,000 bonus shares, which were granted to him on 21 December 2005, and Mr Pélerin, Exploration Director and member of the Management Board, has received 50,000 bonus shares, which were granted to him on 3 October 2006.

| | Plan n°1 | Plan n°1 b |
|---|---|---|
| | Roman Gozalo (member of the Management Board until 14 June 2007) | Daniel Pélerin (member of the Management Board until 14 June 2007) |
| Date of grant | 21 Dec 2005 | 3 Oct 2006 |
| Acquisition period | 21 Dec 2007 | 3 Oct 2008 |
| Lock-in period | 21 Dec 2009 | 3 Oct 2010 |
| Number of bonus shares | 15,000 | 50,000 |

No other bonus shares were granted to the Company's corporate officers either by the Company or by Maurel & Prom Group companies.

### 6.3.3 - Employees interest

At 31 March 2008, two employees of the Group held 136,800 Company shares. Some employees hold Maurel & Prom shares through the corporate savings scheme that has been implemented.

#### 6.3.3.1 - Profit sharing and employee savings scheme

The Company pursues an ambitious policy of involving employees in the Company's performance and its equity, either by entering into a profit-sharing agreement or by implementing an employee savings plan.

(1) PROFIT-SHARING PLAN

A profit-sharing agreement was implemented on 1 January 2005, due to the termination of the first profit-sharing agreement concluded in 2002. This 3-year agreement remained in effect until 31 December 2007.

The profit-sharing plan was implemented for two reasons:

- to bring together the employees in order to build a dynamic Group spirit and respect each person's involvement in the effort to increase productivity; and
- to improve work organisation.

All employees (including trainees, fixed-term or part-time employees) with at least three months' service in the Company benefit from the profit-sharing scheme to the extent allowed by collective and individual limits.

Given that the profit share is calculated based on the Company's operating income, no profit share will be paid out for 2007 (versus €651,507 in 2006).

(2) EMPLOYEE SAVINGS

On 1 March 2002 the Company began an active employee savings policy by launching a Corporate Savings Plan and a Voluntary Salary Savings Partnership Plan for employees: all these schemes have been in force since 2003.

At 14 April 2008, 50 employees had an equity interest in Maurel & Prom amounting to 0.08% or 102,005 shares.

*(a) Corporate Savings Plan ("PEE")*

All Company employees with at least three months' service may join if they wish.

Investments into the PEE may come from all or part of any existing employee profit-sharing allocation, voluntary payments by the beneficiaries (within the limits stipulated by law), additional contributions from the Company and transfers from the beneficiary's savings into the plan, the Group savings plan or the profit-sharing agreement of a former employee when funds are available following redundancy.

Employee savings are encouraged through an incentive contribution that varies according to a rule that applies to all beneficiaries.

The plan, which took effect on 1 March 2002 for one year, can be tacitly renewed for one-year terms.

The Company's 2007 contribution to the Corporate Savings Plan (into the PEE for current employees) amounted to €179,400.

*(b) Voluntary Salary Savings Partnership Plan with rolling maturity date ("PPESV")*

The Company implemented a PPESV, a collective savings scheme allowing Company employees with at least three months' service the possibility of building an Investment portfolio, with the Company's support.

As required by the "Fillon Act" dated 21 August 2003, the PPESV scheme was withdrawn. The amount allocated to the PPESV may be transferred to a shorter-term savings plan.

#### 6.3.3.2 - Stock options granted to employees and options exercised

tock options are granted to some Company employees. The main characteristics of these Maurel & Prom stock options are stated in the table below.

## MAUREL & PROM STOCK OPTIONS AS AT 18 APRIL 2008

| Plan | Date of decision of the AGM | Date of grant | Beneficiaries | Number of options granted | Initial of exercise price | Initial exercise date |
|---|---|---|---|---|---|---|
| 1 | 11 September 2001 | 25 October 2001 | 12 people | 154,000 | 12.15 € | 26 October 2004 |
| | | | *- 1 corporate officer (1), and* | *8,000* | | |
| | | | *- 11 employee non-officers (2)* | *146,000* | | |
| 1 a | 11 September 2001 | 16 June 2003 | 1 employee (3) | 26,000 | 19.98 € | 23 May 2005 |
| 2 | 26 June 2003 | 29 July 2003 | 5 employee non-corporate officers (4) | 123,000 | 17.82 € | 30 July 2003 |
| 2 a | 26 June 2003 | 22 June 2004 | 3 employee non-corporate officers | 13,500 | 66.94 € | 23 June 2004 |
| 3 | 28 December 2004 | 16 March 2005 | 1 employee (5) | 220,000 | 13.59 € | 17 March 2005 |
| 3 a | 28 December 2004 | 6 April 2005 | 8 employee non-corporate officers | 480,000 | 13.44 € | 7 April 2005 |
| 3 b | 28 December 2004 | 21 December 2005 | 2 people | 170,000 | 12.91 € | 22 December 2005 |
| | | | *- 1 corporate officer (8), and* | *100,000* | | |
| | | | 1 employee non-corporate officer | *70,000* | | |
| 3 c | 28 December 2004 | 3 January 2006 | 1 employee non-corporate officer | 80,000 | 12.86 € | 4 January 2006 |
| 3 d | 28 December 2004 | 10 April 2006 | 1 employee non-corporate officer | 80 000 | 14,72 € | 11 avril 2006 |
| TOTAL | | | | | | |

*(1) Maurel & Prom subsidiaries.*

*(2) Of these options, (i) 410,130 were held by Frédéric Boulet, an employee of Maurel & Prom at the time, who became a member of the Management Board on 28 December 2004 and left the Company on 18 August 2005, and (ii) 153,800 were held by Daniel Pélerin, an employee of Maurel & Prom at the time, was a member of the Management Board from 22 April 2005 to 14 June 2007 and is now an employee.*

*(3) Relates to Frédéric Boulet, an employee at the time, who became a member of the Management Board on 28 December 2004 and left the Company on 18 August 2005.*

*(4) Of these options, 1,025,320 were held by Frédéric Boulet, an employee of Maurel & Prom at the time, who became a member of the Management Board on 28 December 2004 and left the Company on 18 August 2005.*

*(5) Relates to Marc Sengès, an employee at the time, who became a member of the Management Board on 22 April 2005 and left the Company on 23 September 2005.*

*(6) Option exercised before division of share nominal value by ten.*

*(7) Takes account of the exercise of 5,127 shares before the December 2004 adjustment.*

*(8) Relates to Roman Gozalo, Managing Director and member of the Company's Management Board from 24 October 2005 to 14 June 2007 and is now an employee.*



| Vesting date | Number of options after adjustment of July 2004 | Exercise price | Number of options after adjustment of December 2004 | Exercise price | Number of options exercised | Number of options remaining |
|---|---|---|---|---|---|---|
| no | 157,903 | 11.85 € | 1,579,030 | 1.185 € | 1,568,270 | 10,760 |
| | *8,203* | | *82,030* | | *8,030* | *0* |
| | *149,700* | | *1,497,000* [7] | | *1,421,700*<br>*5,127* [6] | *10,760* |
| 16 June 2008 | 26,654 | 19.49 € | 266,540 | 1.949 € | 266,540 | 0 |
| 29 July 2008 | 126,116 | 17.38 € | 1,261,160 | 1.738 € | 1,225,270 | 35,890 |
| 22 June 2009 | 13,842 | 65.29 € | 138,420 | 6.529 € | 138,420 | 0 |
| 16 March 2010 | N/A | N/A | N/A | N/A | 220,000 | 0 |
| 6 April 2010 | N/A | N/A | N/A | N/A | 200,000 | 280,000 |
| 21 December 2010 | N/A | N/A | N/A | N/A | 0 | 170,000 |
| | | | | | *0* | *100,000* |
| | | | | | *0* | *70,000* |
| 3 January 2011 | N/A | N/A | N/A | N/A | N/A | 80,000 |
| 10 avril 2011 | N/A | N/A | N/A | N/A | 0 | 80 000 |
| | | | | | | 1 000 960 |

**Notes:**

- Each existing option gives the right to subscribe for one Maurel & Prom share with a nominal value of €0.77.
- No option granted has been cancelled.
- For all options, no clause prohibiting immediate resale of all or part of the shares has been included, and no minimum period for keeping the shares after exercising the option has been laid down.

In 2007, five employees exercised 344,310 share subscription options.

### 6.3.3.3 - Bonus shares granted to employees

Certain Company staff receive Maurel & Prom bonus shares, for which the main terms are given in the following tables:

| | Plan No 1 b) | Plan No 1 c) | Plan 2007 |
|---|---|---|---|
| Date of grant | 3 Oct 2006 | 14 Dec 2006 | 21 Dec 2007 |
| Acquisition period | 3 Oct 2008 | 14 Dec 2008 | 21 Dec 2009 |
| Lock-in period | 3 Oct 2010 | 14 Dec 2010 | 21 Dec 2011 |
| Number of staff concerned | 4 * | 23 | 40 |
| Number of bonus shares | 70,000 | 66,800 | 116,524 |

** Including one employee who is an officer of the Company.*

During 2007, 116,524 bonus shares were awarded to 40 employees.

During 2006, 26 employees (two of whom were former employees and corporate officers) were awarded 136,800 bonus shares.

To the best of the Company's knowledge, no other securities are held by Company employees.

## 6.4 REMUNERATION AND BENEFITS

### 6.4.1 - Remuneration of any sort paid to each corporate officer

#### 6.4.1.1 - Managing Director and former members of the Management Board

The following table represents the gross remuneration of the Chairman and Chief Executive Officer and former members of the Management Board in connection with their corporate offices within Maurel & Prom and its subsidiaries for the first six months of 2007:

| Members of the Managment Board | Fixed remuneration in euros | Variable remuneration in euros * | Exceptional remuneration in euros |
|---|---|---|---|
| Jean-François Hénin | 250,000 | 25,000 | - |
| Daniel Pélerin | 135,000 | 52,500 | - |
| Roman Gozalo | 160,000 | 21,250 | - |

** This represents allowances for foreign travel (amounting to €1,250 per day) paid for corporate office within Maurel & Prom and its subsidiaries.*

There were no accruals or payments in respect of pensions or benefits.

It is stated that Jean-François Hénin received gross remuneration of €250,000 for the second half of 2007 for his duties as Chairman and Chief Executive Officier.

Mr Gozalo received an allowance of €3,998.40 for his company car, and Mr Pélerin received a mileage allowance of €7,209.38. Retirement payments of €60,085 for Mr Gozalo and €87,143 for Mr Pélerin are included in the accounts.

Messrs Pélerin and Gozalo are entitled to severance payments equal to two years' remuneration (including bonus) in the event of cessation of employment following a change in control of the Company as a result of a public tender offer for the Company's equity.

No other benefits in kind were granted in 2007.

The following table represents the gross remuneration allocated to the members of the Management Board in connection with their corporate offices within Maurel & Prom and its subsidiaries for 2006:

| Members of the Managment Board | Fixed remuneration in euros | Variable remuneration in euros * | Exceptional remuneration in euros |
|---|---|---|---|
| Jean-François Hénin | 500,000 | 16,254 | - |
| Daniel Pélerin | 215,004 | 112,500 | - |
| Roman Gozalo | 285,385 | 192,500 | - |

** Variable remuneration is calculated on achievement of objectives jointly agreed at the beginning of the year. Remuneration and allowances for foreign travel (amounting to €1,250 per day) paid for corporate office within Maurel & Prom and its subsidiaries are included.*

There were no accruals or payments in respect of pensions or benefits.

The following table represents the gross remuneration paid to members of the Management Board in connection with their corporate offices within Maurel & Prom and its subsidiaries for 2005:

| Members of the Managment Board | Fixed remuneration in euros | Variable remuneration in euros * | Exceptional remuneration in euros |
|---|---|---|---|
| Jean-François Hénin | 500,000 | 16,254 | - |
| Daniel Pélerin | 215,004 | 112,500 | 10,000 |
| Roman Gozalo | 285,385 | 92,500 | - |
| Frédéric Boulet ** | 2,055,535 ** | - | - |
| Marc Sengès ** | 186,024 ** | - | - |

** Variable remuneration is calculated on achievement of objectives jointly agreed at the beginning of the year. Remuneration and allowances for foreign travel (amounting to €1,250 per day) paid for corporate office within Maurel & Prom and its subsidiaries are included.*

*** Mr Sengès resigned from the Management Board on 19 September 2005 and Mr Boulet on 18 August 2005.*



### 6.4.1.2 - Board of Directors Supervisory Board

The members of the Board of Directors (and former members of the Supervisory Board prior to 14 June 2007) of Maurel & Prom were granted the following directors' fees (in €) for 2007, 2006 and 2005, which were paid in 2008, 2007 and 2006 respectively:

| | Fixed directors' fees | | | Variable directors' fees | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| Mr Hénin | 0 | - | - | 0 | - | - | 0 | - | - |
| Mr Andreck | 25,000 | 29,457 | 13,500 | 22,131 | 37,350 | 9,454 | 47,131 | 67,307 | 22,954 |
| Mr Chalandon | 25,000 | 29,457 | 27,000 | 46,475 | 46,262 | 37,815 | 71,475 | 75,718 | 64,815 |
| Mr Chambon | - | - | 13,500 | - | - | 20,798 | - | - | 34,298 |
| Mr de Marion de Glatigny | 25,000 | 29,457 | 27,000 | 16,230 | 27,336 | 20,798 | 41,230 | 56,793 | 47,798 |
| Mr Bellon de Chassy | 25,000 | 15,656 | - | 23,607 | 14,720 | - | 48,607 | 30,376 | - |
| Mr Gomez | 25,000 | 29,457 | 27,000 | 17,705 | 27,336 | 20,798 | 42,705 | 56,793 | 47,798 |
| Mr d'Hauteville | 25,000 | 15,656 | - | 32,459 | 18,925 | - | 57,459 | 34,582 | - |
| Mr Jacquard | - | - | 24,750 | - | - | 41,597 | - | - | 66,347 |
| Financière de Rosario | 25,000 | 29,457 | 27,000 | 8,852 | 21,028 | 13,235 | 33,852 | 50,485 | 40,235 |
| Mr Lafond | - | 8,877 | 27,000 | - | 12,617 | 30,252 | - | 21,494 | 57,252 |
| Mr Verspieren | - | 8,070 | 27,000 | - | 2,103 | 22,689 | - | 10,173 | 49,689 |
| Mr Vilgrain | 25,000 | 29,457 | 11,250 | 14,754 | 16,822 | 7,563 | 39,754 | 46,279 | 18,813 |
| Mr Brac de la Perrière (censeur) | 22,500 | - | - | 42,787 | - | - | 67,787 | - | - |
| TOTAL | 225,000 | 225,000 | 225,000 | 225,000 | 225,000 | 225,000 | 450,000 | 450,000 | 450,000 |

Mr Jean-François Hénin was elected to the Board of Directors at the General Meeting of Shareholders held on 14 June 2007. The Board of Directors accepted his request not to be granted directors' fees for his role on the Board. Mr Hénin receives a salary as the Company's Managing Director as described in Section 6.4.1.1.

Mr Chambon resigned from the Company's Supervisory Board on 6 July 2005.

Mr Jacquard resigned from the Company's Supervisory Board on 8 November 2005.

Mr Lafond resigned from the Company's Supervisory Board on 20 April 2006.

Mr Verspieren resigned from the Company's Supervisory Board on 10 April 2006.

The above distribution takes into account the respective term of each member of the Board of Directors (for fixed directors' fees) and attendance at meetings of the Board of Directors and Committees (for variable directors' fees).

Furthermore, Mr Brac de la Perrière received €71,916 in respect of 2006 directors' fees (€22,500 in fixed directors' fees and €49,416 in variable directors' fees).

Corporate officers do not have any special benefits in kind, apart from the Managing Director's company car and mileage allowance for the Exploration Director, both of whom are former members of the Management Board. There is no additional pension scheme for corporate officers.

The allocation of stock options is specified in Section 6.3.2.2 and bonus shares in Section 6.3.2.3.

**2008**

It will be proposed at the General Meeting of Shareholders scheduled for 12 June 2008 that the total remuneration for directors' fees of the members of the Board of Directors, including the "censeur", be fixed at €450,000 for 2008.

## 7.1 MARKET RISKS

The Group's results are sensitive to various market risks, the most significant ones being 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 all denominated in that currency.

### 7.1.1 - Risk relating to the hydrocarbons market

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 for the portion of the production that is not hedged. Production after the sale to Eni originates in its Colombian subsidiary HOCOL and is of the order of 13,000 b/d, net of oil taxes.

The hedging policy is part of the management of bank credit lines available to the Group. In fact, the latter are increased if the price of the hedge exceeds the price used by the banks 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.

At the end of December 2007 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.

### 7.1.2 - Exchange rate and price risks

Even though the dollar is the operational currency of the Group, fluctuations in the euro-dollar exchange rate affect Company results when revaluation of liquidities held in that currency is undertaken in relation to the year-end closing of the accounts.

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

The projected capital expenditures in dollars are hedged by maintaining liquidities in that currency specifically for the purpose of such outlays.

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

| | $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 euro-dollar 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 €951 K 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 hedged with cash in the same currency.

### 7.1.3 - Interest rate and liquidity risks

The Group's loan terms and structure of financing are presented in detail in Note 8.2 of the consolidated accounts.

Those are:

- a bond issues (OCEANEs) of €375 million,
- a loan in Colombian pesos for a counter value of $29 million.

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

In addition, the liquidities which as of the account closing date were €695 million are all placed in bank deposits for periods of less than three months.

Total loans were €382 million and -- with available liquidities of €695 million -- the Company had a net surplus position of €318 million; since liquidities represent 170% of loans the Company is immune to any liquidity risk.



### 7.1.4 - Equity risks

The Company no longer exercises notable influence within Pebercan and therefore the latter is no longer equity accounted in the financial statements as at 30 June 2007. The value of Pebercan was frozen at its value of 30 June 2006 in the financial statements as at 31 December 2007 and the stocks held are listed under equity securities in the amount of €21,076 K.

Consequently, the Company's earnings would not be affected by a 10% drop in the value of the Pebercan stock provided that their recoverable value remains greater than their book value.

Successive own share buyback plans have been implemented since 12 January 2005. Under those share buyback programmes, 3,274,710 treasury shares were purchased in 2007. They are intended to be used under the authorisations issued by the General Meetings of Shareholders.

As at 31 December 2007, the number of treasury shares held by the Company was 3,865,756.

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

A 10% drop in the value of the shares held would have a negative impact of €5,400 K on the earnings of the Company.

Based on the foregoing, the Company does not consider itself exposed to equity risk and consequently does not use any specific hedging instrument.

### 7.1.5 - Counterparty risk

The Group is exposed to counterparty risk through:

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

Based on its method of operation, Maurel & Prom considers that it does not have counterparty risk exposure, as the Colombian production is sold on the market through traders who use letters of credit issued by first-rank international banks.

In Venezuela, as for any oil operator, the production of the subsidiary is sold to PVDSA, the Venezuelan National Oil Company.

Following Eni's acquisition of the Congolese fields, Caroil—the drilling company that until mid-2007 was only offering its services within the Group—has diversified its customer base. Following this transaction, Maurel & Prom only accounts for 22% of the revenues of its subsidiary. The other customers are international oil groups.

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

## 7.2 LEGAL RISKS

### 7.2.1 - Political risks

A significant part of the Group's activities and hydrocarbon reserves are in countries which may in some cases be considered to present the risk of political or economic instability. In one or more of these countries, the Group could in the future face risks such as the expropriation or nationalisation of its assets, the renegotiation of Production Sharing Contracts through amendments, exchange control restrictions, losses due to armed conflicts or terrorist action, or other problems arising from those countries' political or economic instability.

Since 2005, through the acquisition of the Hocol group and its Colombian and Venezuelan assets and due to the strengthening of its position in Gabon and its operations in Italy (Sicily) and Tanzania, the Group's business has diversified geographically and the political country risk for the entire Group has thereby been reduced.

### 7.2.2 - Risks relating to the regulatory procedure for obtaining some permits

The Group's business of oil and gas exploration and extraction must comply with various national regulations applicable in this regulated sector (oil industry code, law on the exploitation of hydrocarbons) in the countries in which the Group operates, particularly concerning the allocation of drilling rights or the obligations concerning minimum work programmes.

Within the oil and gas businesses, particularly for production sharing procedures, operational decisions, recording and limitation of oil costs, certain tax issues in connection with operations and the rules of cooperation between the Group and its partners who hold oil or gas exploration or exploitation permits on the one hand, and the host country, on the other hand, are usually defined in a "Production-Sharing Contract" (or "PSC") between these parties and the host country's Minister responsible for hydrocarbons. In addition, a "Joint Operating Agreement" (or "JOA") defines the relationships between the parties other than the host government.

In addition to the PSCs, permits are granted by the host government which authorises the Group to carry out its hydrocarbon exploration and production activities. The duration of these permits is limited in time with renewal periods and they Include obligations regarding surface area rehabilitation during the exploration period.

The impact on the PSCs (or more generally the ways of putting these permits into production) that might arise from a downturn in the political or economic situation in one or more of the countries in which the Group currently holds oil exploration or exploitation permits is a difficult risk to assess.

As Maurel & Prom Group has succeeded in achieving geographical diversification and is continuing its efforts in this area, the risk has and will continue to be spread among the various countries in which the Group operates.

As a result of changes in the legislation in Venezuela a memorandum of understanding was signed with PDVSA in March 2007 for the transfer of Hocol's oil activities under an "Empresa Mixta" in 2007, with 26.35% for Maurel & Prom. The agreement, which restored the economic interests of Maurel & Prom in that country, was approved by the Venezuelan authorities in December 2007.

### 7.2.3 - Risks related to current legal disputes

Except for what is mentioned in Section 12.3 of this Annual Report, Maurel & Prom Group is involved in various legal actions and claims during the normal course of its business activities. Risks have been assessed on the basis of the analysis of past experience by the Group's legal departments and counsels. At the date hereof, the Company has no knowledge, relative to the past twelve-month period, of any pending or threatened governmental, court or arbitration proceedings that could have or that recently has materially affected the financial position or profitability of the Company and/or of the Maurel & Prom group. The legal disputes are reviewed regularly, particularly when new facts arise and provisions are set aside, if required, on the basis of those assessments. The Group ensures that it has the legal resources to defend its interests.

The main current legal disputes or those that have occurred in financial year 2007 are the following:

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. Messier Partners partially won in these proceedings and the Company was ordered to pay Messier Partners the amount of €5.6 million. The Company has lodged an appeal against the ruling. A provision has been booked in the Company's accounts for this sum.

## 7.3 RISKS RELATED TO THE MAUREL & PROM GROUP'S BUSINESS ACTIVITY

### 7.3.1 - Risks related to the Maurel & Prom group's business sector

#### 7.3.1.1 - Reserves

The reserves presented in this document were certified as at 1 January 2007 (except M'Boundi and Kouakouala) and as at 1 January 2008 by DeGolyer & MacNaughton according to current economic conditions and using existing geological and engineering data to assess the quantities of hydrocarbons that can be produced. The valuation process involves subjective judgements and may lead to later revaluations as knowledge of the oilfields improves.

In addition, it is impossible to guarantee that new crude oil or natural gas resources will be discovered in sufficient quantities to replace the reserves that are currently being developed, produced and marketed by the Maurel & Prom Group.

The reserves presented in the Annual Report have been certified every year by DeGolyer & MacNaughton since 1 January 2006.

#### 7.3.1.2 - Capitaliser Production

The Group's oil production may be restricted, delayed or cancelled for many reasons, including production plant malfunctions, administrative delays, in particular with the development project approval procedures of host countries, shortages, and late deliveries of equipment or weather conditions. Such restrictions, delays or cancellations could have an impact on the Group's earnings.

#### 7.3.1.3 - Oil and gas exploration

This type of activity, which implies that the hydrocarbons can be discovered and extracted, requires the implementation of major preliminary operations. These operations of geological and seismic analysis are prior to exploration drilling. This type of operation is used to decide where to perform the exploration drilling, move on to the production stage or continue exploration when encountering a mediocre result as to the quality of the hydrocarbons and the uncertainty of being able to extract them.

Furthermore, once extraction has started, the knowledge of the reserves may sometimes be uncertain as it emerges only as extraction progresses. Finally, the practical conditions of extraction and its cost may vary while the reserves are being extracted.



### 7.3.2 - Risks related to the reconstitution of reserves

Following the completion of the disposal agreed in 2007 with Eni, Maurel & Prom Group sold 45% of the reserves certified as at 1 January 2006 as well as 50% of its production available for sale in financial year 2006.

In order to rebuild the reserves sold to Eni in 2007, the Company has decided to allocate a significant portion of the proceeds from this sale to boost the Group's development and exploration programmes, and to finance any mergers or acquisitions.

The Company cannot guarantee that such investments will be successful and that it will manage to rebuild its reserves and/or increase its production to a level comparable to the level prior to the sale.

### 7.3.3 - Risks related to the possible dependence of Maurel & Prom Group on customers, suppliers or subcontractors

Maurel & Prom has no major commercial relations which could result in a situation of dependence.

In Colombia, production is sold on the market through traders who provide a bank guarantee covering their commitments.

In Venezuela, as for any oil operator, the production is sold to PVDSA (the Venezuelan National Oil Company).

In Congo, following the disposal of a portion of the Congolese business activities to Eni, the role of Socap, a subsidiary of Total, in the marketing of the Group's production has decreased significantly.

New contracts will be signed with other partners during financial year 2008 for the marketing of the Group's production in other countries, such as Gabon in particular.

Matters regarding the personnel on the rigs operated by Caroil are handled by a company specialising in the supply of the technical skills required in the gas, oil and drilling industry. That personnel is interchangeable and may be seconded to similar companies in the industry.

Caroil is currently a service provider for Eni Congo S.A. as part of the contractual obligations that were transferred following the sale of its Congolese business activities by the Maurel & Prom group. This contract expires at the end of February 2009.

### 7.3.4 - Competition risks

The Group is in competition with other oil companies when acquiring rights on oil permits for the exploration and production of hydrocarbons.

Because of its positioning and financial resources, the Group's main competitors are "junior" or "mid-size" oil companies.

### 7.3.5 - Industrial and environmental risks

Within its oil business activities, Maurel & Prom Group pays constant attention to prevent industrial and environmental risks and takes the utmost care to respect the regulatory requirements of the countries in which it operates.

It also constantly monitors the legal and regulatory, national and international trends concerning industrial and environmental risks. Maurel & Prom is also constantly seeking to improve its safety, security and risk prevention resources on the production sites.

Nevertheless, there are environmental risks associated with the features of oil and gas fields. These risks include crude oil or natural gas blow-outs, well side collapses, seepage or leaks of hydrocarbons causing toxic, fire or explosion risks. All these are likely to damage or destroy the hydrocarbon wells in production and the surrounding installations, endanger human lives or goods, interrupt work and cause environmental damage with direct consequences on the surrounding populations' health and economic life.

#### Systematic impact studies

Pursuant to applicable regulations in the countries where the Group operates, Maurel & Prom carries out systematic impact studies before starting specific work, examines and assesses the safety risks and the impact on the environment. In order to identify, quantify and prevent the onset of risks, Maurel & Prom relies on its own expertise as well as on that of external experts.

The external experts are approved by the governments of the countries concerned:

- in Congo, Environnement Plus;
- in Gabon, Anviropass;
- in Colombia, Recuperam Ltda; and
- in Tanzania, Fredka International Ltd.

#### Approval of surface installations

Maurel & Prom seeks to obtain the competent ministry's approval relating to safety for the surface installations. Such approval may also be required by insurance policies taken out by Maurel & Prom and/or by the local government (civil security).

In Congo, inspections are regularly made by the hydrocarbons ministry and the ministry of the environment. Safety/environment audits commissioned by Maurel & Prom are carried out by the independent firm Antea.

### Approval and permission to install pipelines

In compliance with the host country's regulations, Maurel & Prom Group seeks to obtain the necessary authorisations and approvals to install pipelines to carry away the hydrocarbons that have been produced.

### Standards

In its drilling operations, Maurel & Prom applies API standards. The production installations are designed according to the recommendations of American insurance companies (GE GAP Guidelines) and systems and equipment comply with French or international standards for the field concerned (API, ISO, ASME, NF, etc.). Maurel & Prom must also respect standards in radio and satellite communication and takes out the appropriate authorisations depending on the host country.

### Safety procedures

Maurel & Prom has set up an integrated management system (HSE) to implement a Health, Safety and Environment policy based on rules recognised by the international Oil and Gas Producers Association (OGP). A manual of reference texts was developed throughout the Group to enable each subsidiary to set its own rules in the areas of health, safety and the environment. Maurel & Prom employees benefit from an HSE awareness and training policy involving constant improvement of safety and prevention of risks. The Group is constantly making improvements in terms of prevention of industrial and environmental hazards. It strives to develop its oil business while improving the management and operating rules concerning the safety of persons, facilities and intellectual property.

### Restoring sites

Maurel & Prom has a policy of restoring the exploration sites (drilling dry wells) to their original state when operations are completed. In addition, because of the nature of its business, Maurel & Prom Group will normally be required to bear the costs of operating sites and the oil transport equipment restoration. Every year, the Company records a provision to cover the future costs of the sites dismantling and restoration.

## 7.4 INSURANCE

The Group has taken out the following insurance:

- directors and officers liability;
- fire, storm, natural catastrophe, and water damage;
- theft and vandalism, glass breakage; and
- office public liability excluding business public liability, basic legal protection.

In addition to insurance for such basic risks, the Company has taken out insurance policies specific to its business and to the nature and location of its assets.

The insurance policies relating to the oil business cover:

- risk of any damage to the oil installations, including the pipeline system and the drilling rigs which are covered up to $5 million per claim, the risk of actual asset losses which are covered for the replacement value and the risks of pollution associated with the drilling operations;
- public liability risks for up to $50 million per claim;
- general pollution risks for up to $35 million per claim;

The total annual premiums paid by the Group are of the order of $3.2 million.

To date, the Company has decided not to take out insurance for business interruption losses.

Through its oil exploration, production and development work, the Maurel & Prom group may cause environmental damage due particularly to subsidence, blow-outs, leaks, fires, and explosions in oil wells and related installations. Such damage is covered by insurance policies as part of an "Energy Package".

Contracts entered into with subcontractors and services providers used by Maurel & Prom, require these subcontractors and services providers to take out sufficient insurance to cover their liabilities for such contracts.

# 8 Maurel & Prom and its shareholders

## 8.1 CURRENT SHAREHOLDING STRUCTURE

The changes in the capital of the Company over the last three financial years are shown in the tables below. The presentation of the tables below is different from that provided in the previous Annual Report with a view to achieving a clearer understanding of the shareholding structure.

At 31 December 2007, the breakdown of equity and voting rights was as follows:

| 31 December 2007 | | Number of shares | % of capital | Number of voting rights | % of voting rights |
|---|---|---|---|---|---|
| **Institutional shareholders** | | **47,059,428** | **39.04%** | **47,059,428** | **38.99%** |
| *including*: | Pacifico S.A. (*) | 8,644,326 | 7.17% | 8,644,326 | 7.16% |
| | MACIF | 8,324,204 | 6.91% | 8,324,204 | 6.90% |
| | Wyser-Pratt | 2,403,800 | 1.99% | 2,403,800 | 1.99% |
| | Wellington Management Company | 1,973,703 | 1.64% | 1,973,703 | 1.64% |
| | Financière de Rosario | 1,447,420 | 1.20% | 1,447,420 | 1.20% |
| | Fondation de la Maison de la Chasse | 1,881,000 | 1.56% | 1,881,000 | 1.56% |
| | Other | 22,384,975 | 18.57% | 22,384,975 | 18.55% |
| **Registered institutional shareholders** | | **22,730,146** | **18.86%** | **22,888,177** | **18.96%** |
| *including*: | Pacifico S.A. (*) | 20,105,290 | 16.68% | 20,105,290 | 16.66% |
| | *Note - double voting rights* | | | *158,031* | |
| **Company and employees** | | **4,573,365** | **3.79%** | **4,573,365** | **3.79%** |
| **Public** | | **46,170,978** | **38.31%** | **46,170,978** | **38.26%** |
| TOTAL | | 120,533,917 | 100.00% | 120,691,948 | 100.00% |

** Pacifico therefore holds a total of 28,749,616 shares, representing 23.82% of the equity and 23.85% of the voting rights.*

On 7 April 2008, the Company disclosed that it now held 5% of its capital through its share buy-back programme.

At 31 December 2006, the breakdown of equity and voting rights was as follows:

| 31 December 2006 | | Number of shares | % of capital | Number of voting rights | % of voting rights |
|---|---|---|---|---|---|
| **Institutional shareholders** | | **47,954,645** | **39.90%** | **47,954,645** | **39.84%** |
| *including*: | Pacifico S.A. (*) | 8,518,090 | 7.09% | 8,518,090 | 7.08% |
| | MACIF | 8,324,204 | 6.93% | 8,324,204 | 6.92% |
| | CM CIC | 3,502,830 | 2.91% | 3,502,830 | 2.91% |
| | Fondation de la Maison de la Chasse | 1,881,000 | 1.57% | 1,881,000 | 1.56% |
| | Financière de Rosario | 1,684,530 | 1.40% | 1,684,530 | 1.40% |
| | Other | 24,043,991 | 20.01% | 24,043,991 | 19.97% |
| **Registered institutional shareholders** | | **20,697,983** | **17.22%** | **20,879,304** | **17.35%** |
| *including*: | Pacifico S.A. (*) | 20,105,290 | 16.73% | 20,105,290 | 16.70% |
| | Note - double voting rights | | | 181,321 | |
| **Company and employees** | | **726,030** | **0.60%** | **726,030** | **0.60%** |
| **Public** | | **50,810,949** | **42.28%** | **50,810,949** | **42.21%** |
| TOTAL | | 120,189,607 | 100% | 120,370,928 | 100% |

** Pacifico S.A. therefore holds a total of 28,623,380 shares, representing 23.82% of the equity and 23.78% of the voting rights.*

At 30 March 2006, the breakdown of equity and voting rights was as follows:

| 30 March 2006 | Number of shares | % of capital | Number of voting rights | % of voting rights |
|---|---|---|---|---|
| **Institutional shareholders** | **46,211,977** | **39.75%** | **46,211,977** | **39.69%** |
| *including*: Pacifico S.A. (*) | 8,514,460 | 7.32% | 8,514,460 | 7.31% |
| MACIF | 7,811,054 | 6.72% | 7,811,054 | 6.71% |
| Halisol | 3,807,226 | 3.27% | 3,807,226 | 3.27% |
| Financière de Rosario | 1,684,530 | 1.45% | 1,684,530 | 1.45% |
| Fondation de la Maison de la Chasse | 1,910,000 | 1.64% | 1,910,000 | 1.64% |
| Other | 22,484,707 | 19.34% | 22,484,707 | 19.31% |
| **Registered institutional shareholders** | **22,845,447** | **19.65%** | **23,019,628** | **19.77%** |
| *including*: Pacifico S.A. (*) | 20,105,290 | 17.29% | 20,105,290 | 17.27% |
| *Note - double voting rights* | | | *174,181* | |
| **Company and employees** | **407,481** | **0.35%** | **407,481** | **0.35%** |
| **Public** | **46,797,612** | **40.25%** | **46,797,612** | **40.19%** |
| TOTAL | 116,262,517 | 100.00% | 116,436,698 | 100.00% |

** Pacifico therefore holds a total of 28,619,750 shares, representing 24.61% of the equity and 24.58% of the voting rights.*

### 8.1.1 - Number of shareholders

The information on the identity of holders of bearer shares requested from Euroclear and reported as at 31 December 2007 indicates that 61,615 shareholders held 97,803,771 bearer shares. The breakdown of these shares as a percentage of total shares outstanding, i.e., 120,533,917, is as follows:

1 - Strategic Shareholders: ........ 41.0%
- *I. Pacifico S.A;: ........ 23.9%*
- *II. Macif: ........ 6.9%*
- *III. Company: ........ 3.2%*
- *IV. Wyser-Pratt: ........ 2.0%*
- *V. Wellington Management Company: ........ 1.6%*
- *VI. Financière de Rosario: ........ 1.2%*
- *VII. Fondation de la Maison de la Chasse: ........ 1.6%*
- *VIII. Employees: ........ 0.6%*

2 - Other individual investors: ........ 38.3%

3 - Other institutional investors (excluding strategic shareholders): ........ 20.70%

As at 31 December 2007, the Company had 264 registered shareholders holding 22,730,146 shares (including Pacifico), representing 18.6% of equity based on the list of shareholders prepared by Natixis Banque Populaire.

### 8.1.2 - Shareholders holding more than 5% of the equity

To the knowledge of the Company, no shareholder other than Macif and Pacifico S.A. holds directly, indirectly, alone or in concert, more than 5% of the Company's capital and/or voting rights.

Note that Pacifico S.A. is controlled by Jean-François Hénin, Chairman and Chief Executive Officer, and his family (more than 99% of the equity and voting rights).

The Company crossed the 5% equity threshold under the share buyback programme on 7 April 2008.

### 8.1.3 - Voting rights of the main shareholders exceeding their share in the equity

To the Company's knowledge, the Company's main shareholders do not have different voting rights.



### 8.1.4 - Control exercised on the issuer by one or more shareholders

To the Company's knowledge, none of its shareholders, acting alone or in concert, controls the Company within the meaning of Article L. 233-3 of the French Commercial Code.

### 8.1.5 - Agreements known by the issuer that might cause a change in its control if implemented

To the Company's knowledge, there is no pact between the Company's shareholders or any clauses of an agreement specifying preferential terms for selling or buying Maurel & Prom shares relating to at least 0.5% of the Company's equity or voting rights that, if implemented, could cause the Company to be taken over.

## 8.2 DIVIDEND

The Annual Shareholders' Meeting of 29 June 2005, decided to pay a dividend of €0.15 per share for the year ended 31 December 2004. The dividends were paid on 5 September 2005 for a total amount of €16,626,528. This amount includes (i) the dividends paid on the 108,099,990 shares outstanding as at 31 December 2004 amounting to €16,214,998.50 and (ii) the dividends paid for the shares resulting from the exercise of Maurel & Prom stock options that occurred between 1 January 2005 and the payment date, i.e., 2,743,530 shares or €411,529.50 pursuant to the terms of the Company's stock options.

The Annual Shareholders' Meeting of 20 June 2006, decided to pay a dividend of €0.33 per share for the year ended 31 December 2005. The dividends were paid on 5 July 2006 for a total amount of €38,273,750. This amount includes dividends paid on the shares outstanding as at 5 July 2006, i.e., 115,981,062 shares.

The Annual Shareholders' Meeting of 14 June 2007, decided to pay an ordinary dividend of €0.5 per share and a supplementary dividend of €0.70 per share for the year ended 31 December 2006. The dividends were paid on 25 June 2007 for a total amount of €143,737,717. This amount includes dividends paid on the shares outstanding as at 25 June 2007, i.e., 120,189,607 shares.

The Board of Directors decided to recommend to the shareholders at the General Meeting of 12 June 2008 the distribution of a dividend of €1.20 per share for the year ended 31 December 2007.

# 9 Financial information

## 9.1 HISTORICAL FINANCIAL INFORMATION

The management report, consolidated financial statements and company financial statements for the years ended 31 December 2005 and 31 December 2006, including the reports of the Statutory Auditors on the latter, are provided respectively in the reference documents filed on 20 June 2006 with the Autorité des Marchés Financiers (AMF) under number D. 06-0604 and on 31 May 2007 under number D. 07-528 which are incorporated by reference in this reference document.

## 9.2 FINANCIAL STATEMENTS

### 9.2.1 - Consolidated financial statements

The consolidated financial statements are provided In Appendix 2, section 13.2.1.

### 9.2.2 - Company financial statements

The company financial statements are provided In Appendix 2, section 13.2.3.

## 9.3 BALANCE SHEET

The balance sheet is provided In Appendix 2, section 13.2.1.

## 9.4 AUDIT OF THE ANNUAL HISTORICAL FINANCIAL INFORMATION

### 9.4.1 - Audit of the annual historical financial information

For the audit of the historical financial information, refer to the reports of the Statutory Auditors on the company and consolidated financial statements included in the financial appendices to this Annual Report and previous reference documents detailed in section 9.1.

### 9.4.2 - Other information provided in the Annual Report and audited by the statutory auditors

The reports of the Statutory Auditors on the report of the Chairman of the Board of Directors regarding the internal audit and regulated agreements are provided respectively in the financial Appendices.

### 9.4.3 - Financial information provided in the Annual Report and not based on the issuer's certified financial statements

Not applicable.

## 9.5 DATE OF THE LATEST AUDITED FINANCIAL INFORMATION

The date of the latest audited financial information is 31 December 2007.

## 9.6 INTERIM AND OTHER INFORMATION

### 9.6.1 - Quarterly or half-yearly financial information provided after the date of the latest audited financial statements

Not applicable.

### 9.6.2 - Interim financial information for the first six months of the year following the end of the audited year

Not applicable.

## 9.7 INVESTMENTS

### 9.7.1 - Main investments over the last three years

The table below summarises the investments relating to the Group's fixed assets over the last three years:

| €000 | 2007 | 2006 | 2005 |
|---|---|---|---|
| **Oil business** | **391,371** | **240,377** | **150,618** |
| Congo | 76,275 | 107,481 | 90,036 |
| Gabon | 200,650 | 55,929 | 22,445 |
| Vietnam | - | - | 697 |
| France | - | - | 5 |
| Tanzania | 14,068 | 78 | 248 |
| Senegal | | | 1,312 |
| Colombia | 96,376 | 75,730 | 34,956 |
| Venezuela | - | 5 | 366 |
| Syria | 3,761 | - | - |
| Other | - | 1,154 | 553 |
| **Drilling activities** | **56,119** | **21,431** | **16,210** |
| **Other activities** | **1,105** | **12,276** | **28** |
| TOTAL | 448,354 | 274,084 | 166,856 |

It should be noted that the fixed assets acquired in Congo from 1 January 2007 to 29 May 2007 on permits sold to Eni were transferred back to that company on completion of the sale, which amounted to €51,072 K.



### 9.7.2 - Principal capital expenditure in progress

The capital expenditures in progress as at 31 December 2007 totalled €69.2 million. They pertain in particular to drilling and surface facilities in Gabon (€34.9 million) and to Caroil rigs and equipment acquisitions (€34.3 million). This capital expenditure in progress is self-financed by the Group.

### 9.7.3 - Principal investments planned

See 5.7.3.

## 9.8 LOANS AND FINANCING

### 9.8.1 - Borrowing terms and financing structure

On 9 March 2005, the Company issued 16,711,229 bonds with the option to convert and/or exchange them for new or existing shares (OCEANEs) for a total amount of €375 million. The bonds carry interest at 3.5% per annum (coupons payable on the first day of each year) and will be fully redeemed by repayment at par on 1 January 2010. The conversion or exchange may be exercised at any time at the rate of one share for one bond. All the bonds have been subscribed.

Following its expansion, the Company decided, in July 2006, to restructure its bank financing facilities to benefit from more favourable conditions in terms of interest rate and duration. At that date, a new credit facility of $350 million was negotiated with a bank consortium led by Natixis and BNP Paribas and secured upon of the Congolese and Colombian reserves of the Group ("Reserve Based Loan" or RBL).

Out of this credit facility, $200 million has been allocated to Congo and $150 million to Colombia, wherein the equivalent of $40 million has been lent in Colombian pesos to the subsidiary Hocol. The Colombian peso/US dollar exchange rate risk is hedged through a long-term currency swap.

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, i.e. 31 December 2009.

The Company also undertook to comply with the following main ratios:

- Working capital ratio > 1.1
- total Debt-to-EBITDA < 2.5; and
- EBITDA / interest expense > 5.

Maurel & Prom has also undertaken:

- not to give securities or guarantees on the assets of a member of Maurel & Prom Group worth more than $2 million;
- not to sell a Group asset other than at its full market value and in the context of ordinary management and with the exception of certain sales;
- not to take on additional financial debt, other than the current loans and up to a limit of $15 million for the whole Group; and
- not to grant third parties, except in the normal course of business relating to its activities, more than $1 million per loan or more than $6 million total for all loans.

Following the sale of the Congolese fields to Eni, the $200 million facility under the RBL for the financing of the Congolese reserves was cancelled. As a result, at 31 December 2007, the RBL facility was reduced to $150 million of which the equivalent value of $29 million was used by Hocol in Colombian pesos.

All the Group's loans are at fixed rates except for the cash lines of credit which only occur occasionally and are not material.

### 9.8.2 - Restrictions on the use of capital with a material influence on operations

There are no restrictions on the use of capital liable to have a material influence on operations.

### 9.8.3 - Expected sources of financing for the main capital expenditure planned

Upcoming capital expenditure will mainly be self-financed in 2008. Nevertheless, a restructuring of the banking facilities is envisaged.

| Type of pledge/mortgage | Start date of pledge | Expiration date of pledge | Amount of assets pledge (a) | Total of balance sheet item (b) | Corresponding % (a)/(b) |
|---|---|---|---|---|---|
| Intangible assets | | | | | |
| Tangible assets | | | | | |
| Non-current financial assets (1) | 17 November 2006 | 1 December 2009 | $150 million | € 388 million | 39% |
| TOTAL | | | $150 million | € 388 million | 39% |

(1) All capital and assets of the subsidiary Hocol have been pledged.

# 10 Sustainable development

Conscious of the change in the part role played by companies in today's society, Maurel & Prom undertook to implement a sustainable development strategy. This strategy is based on the concept of "Corporate Social Responsibility" which the Group endeavours to initiate, develop and maintain among its subsidiaries.

The "sustainable development" concept can be described as the voluntary integration of the company's social and environmental concerns with the whole of their activities and relations with the stakeholders. These new values do not apply solely to compliance with substantial legal obligations in the various countries where Maurel & Prom are established. They extend further and tend to place more emphasis on human resources, the environment and relations with beneficiaries.

What matters to Maurel & Prom is to implement on a daily basis the values developed by all their subsidiaries and to make due allowance for the future of the local population whilst performing their activities.

The Group's activities as well as the context in which it operates compel Maurel & Prom to conform to certain rules or a code of conduct. In every country where it is established, the Group carries out a large number of actions affecting the local population and nature in the areas of safety, health, integration, and environment. Progress has to be made in parallel with activities in the oil sector. The Group makes this its principal responsibility, internally as well as among the population outside the Group.

Realisation of these self-imposed Group objectives takes the form of three types of action:

- Safety of sites and the Group's workforce; safety of the population in the areas where the Group is active.
- Preservation of the environment.
- Support of the local population in countries where Maurel & Prom is established.

## 10.1 OUR POLICY, OUR RULES: CODE OF CONDUCT, RESPONSIBILITY, RESPECT

Conscious of the need for transparency and responsibility, Maurel & Prom have set themselves certain rules. In addition to respecting these rules, Maurel & Prom want to explain them and place them in context. To understand the activity is to understand the issues involved.

### 10.1.1 - Our businesses

Maurel & Prom's core business is the exploration of hydrocarbons. Most capital expenditure and a well known and experienced team have been allocated to it. Exploration activities comprise geological surveys, acquisition and seismic treatment, geophysical interpretation and drilling. The initial centre of interest in the field of exploration was Congo. Maurel & Prom subsequently diversified their portfolio over four continents. This activity nowadays enables Maurel & Prom to enjoy substantial reserves and a real growth potential.

The Group's development is the result of a dynamic strategy adopted since the 2000s. The progress made followed by the sale of the Congolese assets to Eni, as well as arbitrages effected in the management of the portfolio altered Maurel & Prom's geographic balance. In 2007, the Group's production originated chiefly from Colombian assets acquired in August 2005. Drilling is the responsibility of our wholly owned subsidiary Caroil which develops the blooming onshore drilling sector.

### 10.1.2 - Our geographical regions

The strategic oil exploration regions are now in Africa, Latin America, Europe and, since the end of 2006, the Middle East. The start-up of operations in Tanzania, Italy (Sicily), in Peru and Syria enabled the Group's geographic spread to be extended.

In Colombia, Hocol, a wholly owned subsidiary of Maurel & Prom, has been operating for more than 50 years as an oil exploration and production company. Over the last 5 years, Hocol largely strengthened its strategic positions on the South American continent through acquisitions in Venezuela, as a producer in rich oil fields, in Peru and Brazil with the aid of exploration permits. Hocol now holds interests in 15 exploration permits. After Ecopetrol (the Colombian national oil corporation), Hocol is the country's second largest mining company.

In Venezuela, Maurel & Prom's production activities are located on lake Maracaibo in the State of Zulia in Western Venezuela. A strategic agreement was signed in December 2007 enabling the Group to maintain its presence in Venezuela, an oil country of paramount importance.

In Gabon, based on their associates' experience, Maurel & Prom acquired four exploration permits in 2005. Gabon now represents a strategic interest for Maurel & Prom following the development of the Onal field and in view of the quality of the exploration area.

In Tanzania, Maurel & Prom have been present since 2005. In early 2007, following the discovery of gas at M'Kuranga, Maurel & Prom strengthened their structure and interest in a territory which is largely underexplored.

Following the sale of part of their interests in the Congo, Maurel & Prom remain present, particularly concerning the permit of La Noumbi (operator, 49%) where seismic surveys are being carried out.

In Syria, following acquisition of an exploration permit in 2006, Maurel & Prom created a structure and set up teams to follow up current projects.

Furthermore, Maurel & Prom hold interests in Cuba (non-consolidated, 19.15% of Pebercan), in Italy (Sicily) (30% of Panther Eureka) and in Venezuela (26.35% of Lagopetrol).

### 10.1.3 - Our code of conduct

The firm intent of the Group's management to promote values for all of its operations resulted in the drafting of a charter and the setting up of an HSE management system covering health, safety and the environment to manage its implementation in all fields. Whilst Hocol benefits from an extensive and in-depth experience in the matter thanks to its 50 years' activities and establishment in the country, Maurel & Prom have committed themselves to the same policy which witnesses the growth and importance of its achievements year after year.

The Group's charter sets out the objectives of all of its subsidiaries and affirms its ethics, its values and its priorities. Prevention is at the heart of this charter in order to avert all accident risks, damage to the environment and harm to health for oneself and others.

Therefore, everyone within the company has to ensure that all conditions are in place in order to conform to this essential principle.

The assessment of risks concerns health, safety and the environment, and applies to the company's workforce, as well as to its subcontractors and the local population liable to be affected by Maurel & Prom's activities.

Maurel & Prom's size, activities and management methods have made it possible to develop certain values over the past 10 years: responsibility, health, safety, protection, prevention, sharing, permanence and solidarity. What matters now is to understand and conform to these values.

### 10.1.4 - Our responsibilities

The Group's responsibilities are on two levels: internally, to enable the workforce and those working with the Group to do so under the best possible conditions, and externally, to enable the work to comply with ethics, safety, health and the environment of the local population.

#### 10.1.4.1 - Respecting and giving responsibility to our workforce

Internally, the company's social responsibility particularly concerns health and safety at work.

Employee health and safety are at the core of the concerns by the formulation of precise objectives: all employees have to act whilst duly allowing for the health and safety of their colleagues as well as themselves, whilst adopting the HSE standards to the best of their ability.

As regards safety at work, a special effort has been made with regard to two major causes of accidents: failure to comply with safety regulations at work and non-compliance with regulations governing the movement and driving of vehicles. In order to emphasize this effort, several internal rules have been set up covering both these aspects.

The Group is particularly keen on compliance with the rules and standards set out by the various authorities with whom its activities interact. The rules complied with are those of the Group, but equally those of its customers, the recommendations issued by professional bodies, such as IADC (Accident Prevention Reference Guide). Maurel & Prom also conform to the most stringent international regulations in force, such as those of API (American Petroleum Institute) and, particularly, the RP2D norm concerning safety of cranes. Based on this same aspect of responsibility, all employees are requested to submit their suggestions for the improvement of safety procedures.

As regards prevention, a strict policy to encourage wearing of protective equipment at the place of work has been conducted throughout the year chiefly at the drilling sites. Furthermore, the systematic analysis and evaluation of risks prior to any operation has been imposed. Controls and internal audits make it possible to ensure proper execution of the relevant directives and rules. However, the effort has to be sustained, increased and extended to all the Group's sites and activities.

The Group demands of everyone to consider anticipation and communication as the key to success of an operation. The managers assume responsibility for the safety of operations and therefore have to supply the necessary resources, to establish the safety plan and the organisation required for its implementation by adopting the Group's policies, especially those based on risk management, training regarding compliance with the HSE standards and personnel training.

In addition to prevention, the Group has introduced a certain number of measures aiming at complying with the priorities set by it, including a safety management system commensurate with the major issues facing every site, sites equipped with urgent medical facilities, full mastery of the emission of extremely polluting waste, etc. These measures have been adopted throughout the whole of the regions where Maurel & Prom are present.

#### 10.1.4.2 - **Respecting and giving responsibility to our partners and the local population**

The promotion of health and safety at work has been extended to all subcontractors, particularly by making these two points a criterion for the selection of subcontractors. When drafting the contracts, a specific appendix has to be dedicated to guarantee compliance with the rules defined by the Group for the sake of improved protection of the workforce against occupational diseases and the risks of accidents at work.

Furthermore, the Group's responsibility extends to local communities, by significantly contributing to the development and improvement of their living standards. Maurel & Prom pursue in this field an exemplary policy initiated several years ago with regard to the employment of the local and regional population at the level of prospecting and production, as well as at that of social programmes developed by them. Maurel & Prom have set themselves the objective closely to associate the ethnic communities and adjoining population with the study of research and prospecting projects with a view to improving the link between the company and the local environment.

As a result of their activities, Maurel & Prom's major concern is the preservation of the sites at which they are present. Their principal activities, exploration and production, place them at the head of companies assuming responsibility to the environment.

Maurel & Prom have thus placed at the heart of their concerns safety and the environment based on an HSE charter. This charter emphasises the question of the health of the workforce, subcontractors and all third parties liable to be affected by Maurel & Prom's activities. Everyone has to be conscious of the procedures set out by this charter.

## 10.2 OUR ACTION, OUR COMMITMENTS: PREVENTION, PROTECTION AND INFORMATION

The company places its emphasis on early identification of any irregularity to enable it to take immediately the necessary measures, thus putting the emphasis on prevention.

This active intervention policy aiming at anticipating any extraordinary event or situation is realised as follows: action plans are drawn up and resources are allocated to the management of accidents and major incidents.

### 10.2.1 - Health

Maurel & Prom attach major importance to the health of their workforce, as well as of the population of the areas in which the company is present. For example, the company has initiated a fight against AIDS and malaria in Congo, by working hand in hand with the Congolese Red Cross. In order to make the population aware of these diseases and their means of prevention, campaigns have been organised consisting of displays, seminars and meetings.

Regular actions are carried out at the sites in the form of sanitation campaigns (disinfection, pest control, extermination of rats and snakes). Hygiene inspections are carried out regularly within the living space at the sites.

The company also collaborates with the OPC (Organisation for the Prevention of Blindness) by providing its support for training programmes, purchase of medicines and surgical operations.

In Tanzania, the Group's action focuses on a project to support the hospital at the town of Kilindoni on the island of Mafia.

### 10.2.2 - Safety

Maurel & Prom have made safety one of their major objectives.

In 2007, safety measures were strengthened. This included fitting platforms with appropriate fire fighting systems, and training was provided in the event of evacuation. Platforms are provided with specific equipment for the workforce (PPE, Personal Protective Equipment) and information meetings are held in order better to identify and react to the risk.

In order to ensure the workforce's safety, the effectiveness and coordination of work at the sites, special permits have to be obtained in all cases of specific tasks: contact with heat sources, work at heights/suspension, confined spaces, modifications or blockage of roads/passages, work on electric circuits, handling of explosives and, generally speaking, all work of a special nature.

Protective equipment is supplied to all personnel with a view to minimising all risks or exposure to danger of themselves, outsiders as well as the environment. Protective measures have been chosen for their maximum effectiveness and proper compliance with international standards.

The workforce is trained continuously in accordance with teaching programmes resulting in the issue of certificates. Nine disciplines for the improvement of safety have been laid down: control, first aid, advanced first aid, fire fighting, evaluation of risks, work at heights, scaffolding, observation files, special permits. The exercises are then analysed with a view to drawing the appropriate conclusions and improving safety.

The objective is to be able to determine precisely every failure to comply with safety regulations or, on the other hand, to emphasise good practices. Maurel & Prom have thus set up observation files. This system serves as a barometer to assess the processes and, if applicable, to optimise them.



## 10.2.3 - Protection of the environment

The Group has set itself a dual objective in favour of the environment which is to preserve the areas liable to be affected by oil activities, but also to promote awareness among the population, particularly with the help of training on the subject of the environment.

The Group's environmental policy consists in the first place of management of its energy consumption, its greenhouse gas emissions and the optimum management of waste emissions. The Group also attaches importance to the fact that its industrial installations are not contaminated and that the sites' original condition is re-established on completion of the work.

Strengthening of the management policy of HSE problems generally and environmental problems in particular has resulted in the drafting of internal regulations which the subsidiaries' managements have to develop, each for its own requirements, in the matter of:

- Making aware and informing the workforce;
- Waste management;
- Storage and handling of dangerous chemical products.

Compliance with the legislation and regulations in force in countries where the company is established implies the systematic organisation of impact studies before each new project is launched or impact evaluations during its development.

When developing exploration and production projects, certain activities are liable to cause environmental damage. This is covered by ad hoc insurance policies.

In addition to this insurance, a number of measures are taken to prevent deterioration of the environment or its rehabilitation. Therefore, in order to combat deterioration of the soil and mudslides in crop growing fields and rivers, particular attention is attached to sustained efforts made by services and civil engineering companies to consolidate the earthwork with regard to roads and site platforms. Stabilisation of fragile areas is ensured by providing a vegetation cover. Cleaning and flushing out of rivers, particularly after the rainy season, are performed systematically in order to return life to the water used by the local population in the course of their domestic or economic activities.

The Group also attaches importance to cleaning the drilling sites when all work has been completed and to rehabilitate the soil. Special instructions have been drawn up to this effect, particularly to ensure that contracts concluded with subcontractors mention the obligation to ensure cleanliness of the sites at the time of restitution.

Maurel & Prom's experience in the Congo is based on the principle of dialogue and cooperation with all officials at all levels. All activities are performed after prior consultation with the local representatives of the Congolese State who are responsible for the localities concerned, the representatives of the Village Committee, the land authorities and, if applicable, the various NGOs and other development partners operating in the area concerned. The parties draw up a report when starting work concerning the environment, rehabilitation of sites, as well as a report governing social conditions. The Group's guarantee of good faith most frequently materialises by the symbolic rehabilitation of a school or a primary health centre as a function of the population's priorities, the provision of drinking water by drilling and/or provision of the principal access track integrating the greatest number of villages up to the centre of the operational site.

On completion of the work, rehabilitation of the site takes place with the aid of civil engineering equipment most frequently assisted by a campaign of planting bamboo and the use of natural fertilizers to enable nature to recover its rights in record time. A conciliation report is drawn up by the parties to mark completion of the work.

It is worth noting that the villages are fully involved in the works campaigns, because they are employed by it as labourers, logistic and maintenance personnel. Some of them are well qualified and have had the opportunity to become members of technical teams. All of them have of course been made aware of the HSE standards.

In Tanzania, in order to conform fully to the Group's policy and to meet the high expectations of the officials and the local population, Maurel & Prom Tanzania chose to set up their sustained development programme on the basis of a fundamental principle: every oil project, whether of a seismic, drilling nature etc., is automatically linked to at least one important local action for the population's benefit. This is intended to provide actions in proportion to the size of the project, duly adjusted as a function of the nature and scale of the population's expectations and requirements.

In order also to ensure compliance with these principles by the subcontractors, directives have been drawn up to this effect in order contractually to impose the obligation to ensure cleanliness of the sites at the time of their restitution.

## 10.3 OUR MEANS, THEIR TERRITORY: RESOURCES, DEVELOPMENT, KNOWLEDGE

### 10.3.1 - Local development

Maurel & Prom and their teams make it their duty to contribute to the local population's welfare. Several subjects assume priority as regards our actions and interventions.

#### Food: assisting agricultural production and supporting local farming

Maurel & Prom are particularly conscious of the aid which they are able to provide in order to support cultivation and stock breeding. In the Congo, the breeding of Tilapia, a species similar to perch, is still in its infancy, but this fish is a real godsend for villages poor in natural resources.

As far as this is concerned, Maurel & Prom have been able to take part in the reconstruction and rehabilitation of fish farms in the Lake region. These had in fact been invaded by mud and presented a serious drainage problem. The company, which had sent a seismic team for exploration purposes, was thus able to take charge of the drainage of fish farms, enabling surrounding villages to have access to this important source of food.

#### A rare resource: water

In many countries in which Maurel & Prom are present, water is a rare resource. The earthwork on roads and site platforms is particularly intended to fight deterioration of the soil and mudslides in cultivations and rivers. Following the rainy season, Maurel & Prom systematically clean and flush the rivers to enable the water to be used by the local population for domestic as well as economic purposes.

In collaboration with the NGOs and local authorities, the company voluntarily takes part in the construction of water wells in a rural environment. This is the case, for example, of the "Comminges sans frontières" Association. This association works for access to water particularly in Congo with an extended campaign of drilling for village water. Maurel & Prom attend for this association to the logistics of the transport of water pumps from Holland to the Congo. Together with its geophysical work, water wells are drilled systematically and made available to the village authorities (Gabon, Syria). In Tanzania, the "Mafia" project provides in particular for the drilling of 3 water wells for the population of the villages of this island.

#### Sustained Education

Wishing to be involved in a sustained manner in local life and to provide useful, targeted help and committed to the long term, the company sets up teaching aid programmes from infant school up to university. Therefore, the company has voluntarily set up in Congo, in close collaboration with the Rector of the Academy, a geology and geophysics module at the Brazzaville Science University. Offered to last year students at Master level, this programme is already bearing fruit. At the end of the 2006/2007 school year, the Rector was able to confirm that all 24 students taking part in the programme had found employment, 4 of them having rejoined Maurel & Prom on completion of the programme. A computer room wholly equipped by the Group has been made available to the Rectorate to enable the students to have access to the most modern systems.

In Gabon, the company maintains 4 schools in the Lake region in the centre of the country in order to accompany and support them in their mission. In October, Maurel & Prom distributed school supplies to the four establishments in the presence of the local authorities. This action marked the beginning of a more global teaching aid programme in this region.

In Tanzania, the company initiated a project for the support of the population by a pro-active educational aid measure. This support took the form of reconstruction of a school in the Mkuranga region and of projects of reconstruction of schools and provision of school equipment (offices, supplies etc.) in the Ruffigi and Mkuranga regions, as well as on the island of Mafia.

#### Habitat Support

In order to promote the setting up and development of a residential property market in Congo, the government set up the Banque Congolese de l'Habitat with a capital of 5 billion CFA francs held by the Congolese State and various State corporations, the Banque de l'Habitat de Tunisie (operator of the establishment) and the Maurel & Prom Group holding 10% of the capital which has been fully paid-up. This institution is due to finance the Congolese property sector in order to develop accession to ownership by the population by funding all parties concerned in this sector: private individuals, property developers, construction companies, project managers and public works enterprises generally. Maurel & Prom take part in this project whose social dimensions promote the country's economic development. The conditions governing the success of this project are in place thanks to the presence of the Banque de l'Habitat de Tunisie in the capacity of technical operator. This bank enjoys an excellent reputation in this field following its success in similar projects in Africa.



Generally speaking, in order to conform fully to the Group's policy and to meet the high expectations of the officials and the local population, Maurel & Prom Tanzania chose to set up their sustained development programme on the basis of a fundamental principle: every oil project, whether of a seismic, drilling nature etc., is automatically linked to an important local action for the population's benefit. This is intended to provide actions in proportion to the size of the project, duly adjusted as a function of the nature and scale of the population's expectations and requirements.

### 10.3.2 - An illustration: the Hocol Foundation

The link between Maurel & Prom's teams and the local population is reflected in practice by a concrete example: the Hocol Foundation in Colombia.

In addition to its statutory obligations and measures set up within the framework of its activities, Hocol, a wholly owned subsidiary of Maurel & Prom since 2005, set up the Hocal Foundation in 1987 with a view to giving a framework to its relations and actions for the benefit of local communities. Maurel & Prom reaffirmed through this foundation their will to share these same values, to perpetuate them and to associate themselves fully with the life of the Colombian population.

The objectives of the Hocol Foundation are as follows:

- To create close links between the communities, the State and Maurel & Prom,
- To contribute to training and education,
- To promote protection of the environment,
- To support projects of a social, economic, cultural and ecologic nature,
- To contribute to the realisation of projects for the creation of enterprises providing an alternative to the oil industry,
- To assist local industry by the transfer of know-how.

These objectives are realised in the form of various actions. The most important ones are set out below.

#### 10.3.2.1 - Social actions for the benefit of the communities

Assisting the training of officials

Supporting the local school of democracy and development of the municipality of Neiva, training the community concerning participative budget planning, social control of public administration.

This programme has been recognised by the United Nations' programme for urban establishments which classifies the module "Urban management and participative governance – Case Commune 10 of Neiva – Colombia" among the world's 12 best practices for improvement of living standard in vulnerable communities.

Support of cultural activities

Hocol provided its support in 2007 to a school of artistic training which was able to take 300 students. It also supported a festival of rural music involving more than 500 organisers around 42 artists. Finally, it provided its aid to sporting activities in several communities, thus benefiting more than 650 persons in about 10 disciplines. As well as being an enjoyable and beneficial alternative for the use of leisure time, this involvement strengthened the links between the communities.

Support to education

This includes teaching children and young people in educational centres, organisation of seminars and workshops for teachers, and setting up an oil and development chair, etc.

Improvement of infrastructures

Co-financing of projects of community interest, such as the construction of sanitary and drainage units, aqueducts, ponds, improvement of access roads, the construction and optimisation of educational, sporting and community areas. In 2007, the projects headed by Maurel & Prom rendered possible the construction of 23 sanitary units intended for the population and set up in the vicinity of the production fields. 78 artificial lakes were dug: these reservoirs provide for the recovery of rainwater, thus constituting an alternative source of water available for agriculture and for the dry period. In addition to these, improvements of infrastructure projects involved 10 roads, houses, 6 centres of education, 3 aqueducts, one church, 3 parks, 2 cemeteries and one playing field, all of which benefited more than 8,000 inhabitants.

#### 10.3.2.2 - Involvement in and support of the local economy

Creation of enterprises

The Group also involves itself in the economy with a view to assisting the community to generate alternative income to oil revenue. For example, it provided management tools enabling enterprises to be created, consolidating existing enterprises and generating savings. The Foundation's measures arise systematically from a precise and detailed survey of the company and the market, as a function of which business opportunities are defined. The programmes comprise in particular the strengthening of and aid to development of existing enterprises, assessment of enterprises, aid to marketing and transfers of technology with the aid of theoretical training (creation of enterprises, savings management, marketing etc.), technical training or also the organisation of fairs, forums and conferences.

### Aid to agriculture

Maurel & Prom's objective is to support stock breeding activities and to improve productivity, whilst rendering them more environmentally friendly. In actual practice, this means a transfer of know-how to breeders located in the zone of influence. The Group also attempts to promote agriculture in an area which normally and culturally favours breeding. Favourite cultivation: mangoes, lemons, animal feed.

### Ecotourism

The Group's policy is also aimed at local and ecological tourism with a view to increasing the share of this activity of the economy as a whole. In close collaboration with local associations and town halls of villages located in Maurel & Prom's area of activity (Neiva, Aipe, Palermo), the Foundation supports projects such as "Parque Isla" and "Vive la Aventura Yuma", by offering tourists board trips on the rivers Magdalena and Aipe, and on the Camino Real (the Royal Road) which links Buenos Aires to Palermo.

## 10.3.2.3 - **Protection of the environment**

The Foundation has introduced many measures on the subject of the environment: reforestation and planting of trees with the aid of Guaduas timber (American bamboo) and native varieties, protection of wet areas and isolation of springs, construction of ponds, inducements to save water in particular. It has developed for example a programme of decontamination of surface water sources which had been contaminated by pig excrement and waste water, with the aid of a bio-digester installation. This installation also enables gas to be produced which is used as an alternative source of energy.

In addition to these measures, the Foundation organised campaigns for the protection of the environment, particularly by familiarising the population through radio advertisements and displays, prevention of forest fires, tree cutting technology, climatic changes and saving of water.

In collaboration with the Southern Colombian University, the Foundation also set up a centre of research and education for the environment, "La Tribuna", and built a nature trail for better knowledge and preservation of local flora and fauna.

Lastly, in order to raise awareness among even the youngest members of the population, the Foundation set up a children's competition for ecological tales in Colombia which resulted in the publication of a book subsequently distributed to local schools and libraries.

# 11 Company mode of operation

## 11.1 INFORMATION CONCERNING THE COMPANY

### 11.1.1 - Trade and company name

Company's name: "Etablissements Maurel & Prom"

The company is a *société anonyme* with a Board of Directors.

### 11.1.2 - Location and company registration number

The company is incorporated in the Paris Trade Register under no. 457 202 331. The company's NAF code (formerly APE code) is 7010Z (extraction of hydrocarbons).

### 11.1.3 - Company's date of incorporation and term

Company's date of incorporation: 10 December 1919.

Company's term: 99 years, i.e., until 1 November 2018 unless dissolved beforehand or extended.

### 11.1.4 - Registered office and legal status, legislation governing the activities, country of origin, address and telephone number of the registered office

The company has been set up in accordance with French law.

Maurel & Prom is a *société anonyme en commandite* with a Board of Directors, subject to the provisions of the Commercial Code (and, in particular, the provisions of Articles L. 225-75 et seq. of said Code), as well as to all other French legislative stipulations and regulations applicable to it.

Before 14 June 2007, Maurel & Prom was a *société anonyme* with a Management Board and Supervisory Board. On the occasion of the Ordinary and Extraordinary General Meetings of 14 June 2007, the shareholders decided to change the company's management method and to replace the Management Board and Supervisory Board by a Board of Directors.

Before 28 December 2004, Maurel & Prom assumed the form of a *société en commandite*. On the occasion of the Ordinary and Extraordinary General Meetings of 28 December 2004, the shareholders decided to have Maurel & Prom merge with and absorb the company Aréopage, its limited partner, and the subsequent conversion of Maurel & Prom into a *société anonyme*.

Registered Office:
12, rue Volney – 75002 Paris
Telephone: 01 53 83 16 00 - Fax: 01 53 83 16 04

## 11.2 INFORMATION CONCERNING THE COMPANY'S ARTICLES OF ASSOCIATION

### 11.2.1 - Corporate purpose

The corporate purpose is set out by Article 3 of the Articles of Association. The corporate purpose, in France as well as abroad, consists of:

- The management of shares and corporate rights and, for this purpose, the acquisition of interests in any company, group and association, particularly by way of purchase, subscription and contribution, as well as the sale in any form of the said shares or corporate rights.
- The prospecting and exploitation of all mineral deposits, particularly liquid or gaseous oil deposits and related product.
- Leasing, acquisition, transfer and sale of wells, land, deposits, concessions, exploitation permits and prospecting permits, either for its own personal account or for the account of third parties, or by participation or otherwise, transport, storage, treatment, transformation and marketing of all natural or synthetic oil, liquid or gaseous products or sub-products of the sub-soil, ores and metals.
- The acquisition of buildings, their management and sale.
- Dealing in all products and goods, and
- Generally speaking, the company's direct or indirect participation in all commercial, industrial, property, agricultural and financial transactions, in France or other countries, either by the setting up of new companies or by contribution, subscription, purchase of shares or corporate rights, merger, joint venture company or otherwise, and generally all transactions of any kind whatsoever directly or indirectly related to these activities and liable to facilitate their development or management.

### 11.2.2 - Summary of the statutory provisions concerning members of the board of directors

There are no internal regulations governing the Board of Director's activities.

Since the company has not adopted any specific rules limiting or preventing members of the Board of Directors from trading in the company's shares, the relevant statutory provisions and regulations apply.

### 11.2.3 - Conditions governing voting rights – entitlement to a double vote

At all General Meetings, every shareholder, member of these Meetings, has as many votes as he owns or represents shares, without any limitation other than those arising from statutory provisions.

Each share entitles its bearer to one vote. The right of double vote is conferred upon the owners of fully paid-up registered shares able to prove that their registration in the company's books dates back at least 4 years, without interruption. Furthermore, in the event of a capital increase by captialisation of reserves, profits or issue premiums, the right of double vote is conferred, immediately following their issue, upon registered shares allocated free of charge to a shareholder at the rate of old shares benefiting from this entitlement.

This right of double vote lapses automatically in respect of any shares having been the subject of conversion into bearer shares or a transfer, but this right can be reinstated when the new holder of the shares proves that his name has been registered for an uninterrupted period of at least 4 years.

Nevertheless, any transfer from registered share to registered share following an "ab intestat" succession or testamentary succession or division of jointly owned assets or joint acquisition between spouses, does not interrupt the above 4 year period or retains the acquired right. The same applies in the case of gifts between living persons in favour of a spouse or of a relative entitled to inherit.

Double voting rights are set out by the shareholding tables of Section 8.1.

### 11.2.4 - Sale and transfer of shares

The shares are freely negotiable, subject to the statutory provisions and regulations. They are the subject of registration in an account and are transmitted by way of transfer from account to account.

### 11.2.5 - Change of shareholders' rights procedure

Any change in the Articles of Association has to be decided or authorised by the General Shareholders' Meeting deliberating subject to the conditions of quorum and majority required by the statutory provisions or regulations in force concerning Extraordinary General Meetings.

### 11.2.6 - Convocation and admission to general shareholders' meetings

#### 11.2.6.1 - Convocation to general shareholders' meetings

The Board of Directors or, otherwise, the auditors or any other legally authorised person may convene General Meetings, subject to statutory conditions.

General Meetings are held at the Registered Office or any other venue stated in the convocation.

#### 11.2.6.2 - Shareholders' access to and participation in general meetings

The properly constituted General Meeting represents all shareholders. Its decisions are binding on all, even on those who are absent, who disagree or who are legally incompetent.

Every shareholder is entitled to attend General Meetings and to take part in its deliberations, in person or through a proxy, regardless of the number of shares held by him, by simple proof of his identity.

However, in order to be entitled to take part in General Meetings, in person or through a proxy, owners of registered shares have to prove, at least 5 days before the date of the Meeting, that their names appear in the company's books, and owners of bearer shares have to deposit, at least 5 days before the date of the Meeting, at the Registered Office or any other place stated in the convocation, a certificate issued by the authorised agent in charge of the account, stating that the shares cannot be obtained prior to the date of this Meeting.

The Board of Directors may reduce or cancel this period of 5 days by a general measure benefiting all shareholders.

Every shareholder may be represented by his spouse or another shareholder. For this purpose, the proxy has to prove his authority.

Every shareholder may also send a power of attorney to the company without indicating the name of his proxy. A power of attorney not stating the name of the proxy may be considered as a vote in favour of the resolutions submitted or approved by the Board of Directors at the Meeting.

Every shareholder may vote in writing by using a form made out and addressed to the company pursuant to the conditions laid down by the law and regulations. This form has to reach the company three (3) days before the day of the Meeting, failing which it is disallowed.

Following a decision made by the Board of Directors, shareholders may take part in Meetings by video conference or by means of telecommunication allowing for their identification subject to the conditions laid down by regulations in force.

### 11.2.7 - Provisions of the articles of association or any internal regulations liable to result in delaying change in the company's control

Any change in capital or voting rights attached to the shares which compose them is subject to the statutory provisions, the Articles of Association failing to provide any specific stipulations in the matter.

### 11.2.8 - Statutory thresholds

In addition to the thresholds pursuant to the legislative provisions and regulations applicable, any natural person or corporate body who, acting on his own or jointly, holds, directly or indirectly, a number of shares representing a proportion of the capital or voting rights in excess of or equal to 5%, followed by a tranche in excess of 5% of the capital or voting rights as long as he does not hold, on his own or jointly, a total number of shares representing more than two thirds of the company's capital and voting rights, has to inform the company of the total number of shares and securities owned by him granting access to the company's capital which he owns, by registered letter with receipt sent to the Registered Office, within 5 stock market trading days as from the date of crossing the said threshold(s).

Upon demand, recorded in the minutes of the General Meeting, by one or several shareholders owning at least 5% of the company's capital or voting rights, non-compliance with this disclosure duty is sanctioned, as regards the shares exceeding the fraction which should have been declared, by deprivation of voting rights at any General Meeting to be held pending expiry of a period of 2 years following the date of regularisation of the disclosure.

The identical disclosure requirement, within the same period and in accordance with the same procedure, is imposed every time the fraction of the capital or voting rights held by a shareholder drops below one of the above thresholds.

In order to identify the owner of bearer shares, the company is at all times entitled to request, in accordance with the conditions and the methods pursuant to the statutory provisions and regulations, the central depositary keeping the account for the issue of shares, to disclose the identity of the owners of shares conferring immediately or at a later date the voting right at Shareholders' Meetings, as well as the number of shares held by each of them and, if applicable, any restrictions relating to the shares.

### 11.2.9 - Provisions strengthening the statutory provisions governing changes of capital

The company's capital may only be changed in accordance with the conditions stipulated by the statutory provisions or regulations in force. No clause of the Articles of Association, a charter or internal regulations provides for more stringent conditions than the law in the field of changes of the company's capital.

#### 11.2.9.1 - Elements liable to have an effect in the case of a public offer

There is at present no element liable to generate an effect in the event of a public offer.

## 11.3 COMPANY'S SHARE CAPITAL

### 11.3.1 - Subscribed capital and authorised capital

#### 11.3.1.1 - Subscribed capital

Maurel & Prom's share capital on 31 December 2007 amounts to €92,811,116.09. It is divided into 120,533,917 shares of €0.77 nominal value each, fully paid-up. Every share entitles its holder to a proportional part of profits and the company's assets at the capital ratio represented by it. Maurel & Prom's capital may be increased, reduced or redeemed pursuant to the provisions stipulated by the law, the Articles of Association failing to state any specific stipulations in the matter.

For the purposes of information, on 1 January 2007 the company's capital amounted to €92,545,997.39 divided into 120,189,607 shares, and on 1 January 2006 share capital amounted to 89,502,156.59 divided into 116,236,567 shares.

The company is not aware of any pledging of the company's shares by its shareholders.

#### 11.3.1.2 - Authorised capital

The authorisations conferred by the General Meeting upon the Board of Directors in the matter of capital increases on the date of the present Annual Report, as well as the use made of these powers during the financial years 2006, 2007 and 2008 up to the date of the present Annual Report, are as follows:

| Type of authorisation | Ceiling | Use | Outstanding balance at date of reference document | Date of authorisation | Period of authorisation |
|---|---|---|---|---|---|
| ISSUES RETAINING THE PREFERENTIAL SUBSCRIPTION RIGHT | | | | | |
| Issue of capital shares and various securities giving access to capital | • 400 million (value of issue) [1]<br>• 100 million (nominal value of capital increase) [2] | - | • 400 million (value of issue) [1]<br>• 100 million (nominal value of capital increase) [2] | Meeting of 14 June 2007 | 26 months i.e. until 15 August 2009 |
| Capital increase by the incorporation of reserves profits or issue, merger or contribution premium | • 100 million (nominal value of capital increase) | - | • 100 million (nominal value of capital increase) | Meeting of 14 June 2007 | 26 months i.e until 15 August 2009 |
| ISSUES WITHOUT THE PREFERENTIAL RIGHT OF SUBSCRIPTION | | | | | |
| Company's capital increase by the issue of shares reserved for the workforce and/or subsidiaries | • 2 million (nominal value of capital increase) | | • 2 million (nominal value of capital increase) | Meeting of 14 June 2007 | 26 months i.e until 15 August 2009 |
| Issue of capital shares or securities giving access to the capital to remunerate contributions in kind composed of capital shares or movable assets giving access to the capital | • 10% of the company's capital [1] | - | • 10% of the company's capital [1] | Meeting of 14 June 2007 | 26 months i.e until 15 August 2009 |
| Free allocation of shares to the employees and/or the Company's agents | 1% of the company's capital on the meeting date June 29, 2005 | 116,524 | 808,935 | Meeting of 14 June 2007 | 38 months i.e until 14 August 2010 |
| Issue of shares reserved for the employees | 5% of the capital on the date of the Shareholders' General Meeting June 29, 2005 | - | | Meeting of 29 June 2005 | 38 months i.e until 29 August 2008 |

*(1) This amount is charged against the global ceiling of €450 million (nominal value of issue) applicable to the other issues.*
*(2) This amount is charged against the global ceiling of €300 million (nominal value of capital increase) applicable to the other issues.*
*(3) This amount is not charged against the global ceiling of €300 million (nominal value of capital increase) applicable to the other issues.*

A proposal will be submitted to the Shareholders' General Meeting of 12 June 2008 to authorise the Board of Directors as follow: (to be updated as a function of the resolutions passed):

| Type of authorisation | Ceiling (€) | Period of authorisation |
|---|---|---|
| Free allocation of existing shares to the workforce and/or the Company's agents | 1 % of the Company's capital on the date of the General Shareholders' Meeting | 38 months following the Shareholders' General Meeting approving this authorisation, i.e. until 15 August 2010. This authorisation puts an end to the authorisation of the identical object voted by the General Meeting of 14 June 2007. |
| Granting of stock options | 1 % of the share capital (on the date when the Management Board decides to grant the shares) | 38 months following the General Meeting approving this authorization, i.e. until 15 August 2010. |

### 11.3.2 – Shares not representing capital

Not applicable

### 11.3.3 - Company's acquisition of its treasury shares

#### 11.3.3.1 - Authorisation granted by the Joint General Meeting of 14 June 2007

The Joint Shareholders' General Meeting of 14 June 2007 authorised the Board of Directors for a period of 18 months to purchase or sell the company's shares within the scope of implementation of a share repurchase scheme, subject to a limit of 10% of the company's capital, if applicable this ceiling being adjusted in order to allow for the transactions affecting the company's capital after the General Meeting.

This authorisation is intended to enable the company to pursue the following objectives pursuant to the statutory provisions and regulations applicable.

- To retain the company's shares which have been purchased and to submit them subsequently for exchange or payment in conjunction with any future mergers or acquisitions.
- To allocate the repurchased shares to the workforce and/or company's agents having acquired purchase options, as well as to the company's workforce on account of their profit shares following expansion of the company or by virtue of a company savings plan.
- To hand over the Company's shares, following an issue of credit instruments giving access to the company's capital, to the bearers of the said shares.
- Coverage of the instruments referred to by the above 2 paragraphs will be guaranteed through the intermediary of an investment service provider acting independently.
- To stimulate the secondary market for the company's shares, this stimulation being realised by an investment service provider acting under a liquidity contract in accordance with the Code of Ethics of Association Française des Entreprises d'Investissement, and
- Cancel the repurchased shares.

The maximum purchase price payable by the Company for its treasury shares has been fixed at €22 per share and the minimum selling price at €12 per share.

Maurel & Prom made use of this scheme of repurchase of its treasury shares of 27 July 2007 on the date of publication of the present description. The negotiation charges amount to 0.01% of the total amount, i.e., €66,985 on 31 December 2007.

As a result of the previous repurchase schemes and that described above, on 31 December 2007, duly allowing for the liquidity contract, the company held 3,865,756 treasury shares of €0.77 nominal value each. Their value at purchase price amounted to €54,296,000.

Details of this utilisation on 31 March 2008 are as follows:

| Month of transaction | Number of Shares[1] | Transaction price (€) | Amount (€) |
|---|---|---|---|
| July 07 | 273,000 | 13.89 | 3,791,678 |
| August 07 | 1,897,361 | 13.49 | 25,597,778 |
| September 07 | 114,493 | 14.46 | 1,655,421 |
| November 07 | 521,296 | 13.88 | 7,236,625 |
| December 07 | 299,058 | 13.93 | 4,167,169 |
| January 08 | 999,543 | 12.54 | 11,909,650 |
| February 08 | 720,965 | 11.94 | 8,647,357 |
| March 08 | 160,000 | 12.44 | 1,991,713 |
| TOTAL | 4,985,716 | 13.24 | 66,010,880 |

*(1) Including shares acquired through the intermediary of a derivative instrument.*

As from 31 October 2006, Établissements Maurel & Prom entrusted to Natixis Bleichroeder the promotion of the share under of a liquidity contract compliant with the Code of Ethics of Association Française des Enterprises d'Investissement (AFEI recognised by the Financial Markets Authority [AMF]). The equivalent of €3,600,000 (shares and liquidity) is made available under this contract.

### 11.3.3.2 - Description of the share repurchase scheme pursuant to Article 241-1 et seq. of the General Regulations of the Financial Market Authority (AMF)

#### LEGAL FRAMEWORK

Implementation of this scheme which comes under the provisions of Article L. 225-29 et seq. of the Commercial Code, European Directive no. 2273/2003 dated 22 December 2003 and the General Regulations of the AMF, will be submitted to the company's General Shareholders' Meeting of 12 June 2008 for approval by virtue of resolution 6 worded as follows:

"The General Meeting, in accordance with the conditions of quorum and majority required for Ordinary General Meetings, having taken note of the Board of Director's report, authorises the Board of Directors pursuant to the provisions of Articles L. 225-209 et seq. of the Commercial Code, the General Regulations of the Financial Markets Authority and (EC) Directive no. 2273/2003 of the European Commission dated 22 December 2003, for a period of eighteen (18) months as from the date of the present Meeting, to purchase its treasury shares within the limit of 10% of the existing amount of the company's capital, subject to the following conditions:

The General Meeting decides that the maximum purchase price payable by the Company for its treasury shares may not exceed €24 per share and that the minimum selling price may not be less than €13 per share, with the understanding that, in the case of capital transactions, particularly by the incorporation of reserves and the free allocation of shares, and/or splitting or regrouping of the shares, this price will be adjusted accordingly.

The maximum amount of funds earmarked for the repurchase scheme is therefore €289,281,400, as computed on the basis of the company's capital on 31 December 2007. This maximum amount may be adjusted to allow for the amount of capital.

The maximum number of shares which may be repurchased by virtue of this authorisation may not exceed 10% of the total number of shares composing the Company's capital, with the understanding that (i) the number of shares acquired by the Company for its retention and subsequent use for payment or exchange in conjunction with a merger, demerger or contribution operation may not exceed 5% of its capital pursuant to the provisions of article L. 225-209, Paragraph 6 Commercial Code, and (ii) this limit applies to an amount of the Company's capital which, if applicable, will be adjusted to allow for the operations affecting the capital after the present General Meeting. The acquisitions realised by the Company may under no circumstances result in the Company holding, directly or indirectly, more than 10% of its share capital.

This authorisation is intended to enable the Company to pursue the following objectives in accordance with the statutory provisions and regulations applicable.

(i) To retain the purchased Company shares and use them subsequently for exchange or payment in conjunction with any mergers or acquisitions.

(ii) To allocate the repurchased shares to the workforce and/or Company's agents within the scope (i) of their profit shares, (ii) a purchase or free allocation of shares plan in favour of the workforce pursuant to the conditions laid down by the law, particularly Article L. 443-1 et seq. of the Industrial Code or (iii) of a purchase option plan or free allocation of shares in favour of the workforce and the Company's agents or some of them.

(iii) Following an issue of credit instruments giving access to the Company's capital, to hand the Company's shares to the bearers of the said shares, with the understanding that the cover of the instruments referred to by paragraphs (ii) and (iii) above will be guaranteed through the intermediary of an investment service provider acting independently.

(iv) To stimulate the secondary market for the Company's shares, this stimulation being performed by an investment service provider acting under a liquidity contract in accordance with the Code of Ethics of Association Française des Entreprises d'Investissement, and

(v) To cancel the repurchased shares and reduce the Company's capital in accordance with resolution 33 of the present Meeting subject to it being adopted.

These purchase, sale, exchange or transfer transactions may be performed by any means, in other words in the market or privately, including by acquisition or sale of blocks or by recourse to financial instruments, particularly derivative instruments negotiated in a regulated market or privately, such as purchase or sales options or any combination of these, excluding the purchase of purchase options or by recourse to bonds subject to the conditions authorised by the competent market authorities and at the times seen fit by the Company's Board of Directors. The maximum fraction of the Company's capital acquired or transferred in the form of blocks of shares may reach the total of the scheme.

These transactions may be effected at any time by compliance with the regulations in force, including during a public offer period, subject to the statutory provisions and regulations applicable in the matter.

The General Meeting confers upon the Board of Directors, in the event of a change in the shares' nominal value, the power to effect a capital increase by the incorporation of reserves, free allocation of shares, splitting or regrouping of shares, distribution of reserves or any other assets, redemption of capital or any other operation affecting the capital as such, the power to adjust the purchase and selling prices to allow for the impact of these operations on the value of the shares.

Furthermore, the General Meeting confers power upon the Board of Directors, subject to the right of delegation, in accordance with the conditions laid down by the law and regulations, to decide on and effect implementation of the present power, in order to clarify, if necessary, the terms and particularly to place all stock exchange orders, to conclude agreements, perform all formalities, including allocating or reallocating the acquired shares to the various objectives pursued, and all declarations to all institutions, particularly the Financial Markets Authority and, generally speaking, to do everything required to realise operations effected by virtue of the present authorisation.

The Board of Directors shall inform the General Meeting every year of the operations performed within the scope of the present resolution, in accordance with Article L. 225-209 of the Commercial Code.

This authorisation puts an end, with immediate effect, to all previous authorisations of an identical nature and, in particular, as regards the unused fraction, to the power granted by virtue of resolution 8 passed by the General Meeting of 14 June 2007."

Furthermore, it will be proposed to the Shareholders' General Meeting of 12 June 2008 to authorise the Board of Directors to reduce the Company's capital by the cancellation of shares within the limit of 10% of the capital per period of 24 months, by passing the following resolution:

"The General Meeting deliberating in accordance with the conditions of quorum and majority required for Extraordinary General Meetings, after having taken note of the Board of Director' report and the Auditors' special report and ruling in accordance with Article L. 225-209 of the Commercial Code:

1) Terminates, with immediate effect, as regards the unused fraction, the authorisation conferred by the Joint General Meeting of 14 June 2007 by resolution 33.
2) Confers upon the Board of Directors all powers with a view to cancelling, in one or several instalments, within the limit of 10% of the Company's capital per periods of 24 months, all or some of the Company's shares acquired under the share repurchase scheme authorised by resolution 16 submitted to the present Meeting or the share repurchase scheme authorised before or after the date of the present Meeting.
3) Decides that the surplus of the purchase price of ordinary shares over and above their nominal value is to be posted to the "Issue Premium" account or to any account of available provisions, including the statutory reserve.
4) Confers upon the Board of Directors all powers, with the right of assignment, in accordance with the conditions set out by the laws and regulations to reduce the capital as a result of the cancellation of ordinary shares and the above mentioned posting, as well as to amend Article 6 of the Articles of Association accordingly, and
5) Specifies that this authorisation covers a period of 18 months as from the date of the present Meeting."

### NUMBER OF SHARES AND PROPORTION OF CAPITAL DIRECTLY OR INDIRECTLY HELD BY THE ISSUER

On 31 March 2008, the company held 5,839,024 shares, i.e. 4.84% of the Company's capital, divided as follows:

- 194,865 shares under a liquidity contract, and
- 5,644,159 shares held by itself.

### DISTRIBUTION ACCORDING TO OBJECTS OF SHARES HELD BY THE COMPANY

As of 18 April 2008, 113,101 shares, i.e., 1.82% of shares held by the Company, are held within the scope of stimulation of the secondary market for the Company's shares, and 6,094,159 shares, i.e., 98.18% of shares held by the company, are held with the object of retaining the Company's shares with a view to handing them over subsequently for exchange or payment within the scope of potential external growth operations.

### OBJECTS OF THE NEW REPURCHASE SCHEME

The objects of the present operation consist of:

(i) Retaining the Company's shares which have been purchased and handing them over subsequently for exchange or payment in conjunction with any mergers or acquisitions;

(ii) Allocating the repurchased shares to the workforce and/or Company's agents within the scope of (i) profit shares, (ii) plans for the purchase or free allocation of shares to the workforce pursuant to the conditions set out by the law, particularly by Articles L. 443-1 et seq. of the Labour Code, or (iii) plans concerning purchase options or free allocation of shares to the workforce and the Company's agents or some of them;

(iii) Handing over the Company's shares, following an issue of credit instruments giving access to the Company's capital, to the bearers of the said shares, with the understanding that the cover of the mechanisms referred to by paragraphs (ii) and (iii) above

will be guaranteed through the intermediary of an investment service provider acting independently;

(iv) Stimulating the secondary market for the Company's shares through the intermediary of an investment service provider acting by virtue of a liquidity contract in accordance with the Code of Ethics of Association Française des Entreprises d'Investissement, and

(v) Cancelling the repurchased shares and reducing the Company's capital.

### MAXIMUM PROPORTION OF CAPITAL, MAXIMUM NUMBER AND FEATURES OF SHARES, MAXIMUM PURCHASE PRICE

*Shares concerned*

The present operation concerns the Company's shares (code ISIN FR0000051070) negotiated at Eurolist of Euronext Paris (compartment A).

*Maximum proportion of capital*

The maximum number of shares which may be purchased may not exceed 10% of the total number of shares composing the Company's capital, with the understanding that:

- The number of shares acquired by the company for its retention and subsequent handing over for payment or exchange within the scope of a merger, demerger or contribution operation may not exceed 5% of its capital pursuant to the provisions of Article L. 225-209, Paragraph 6 of the Commercial Code, i.e., 6,026,695 shares, on the date of publication of the present description; and
- This limit applies to an amount of the Company's capital which, if applicable, is due to be adjusted to take into account the operations affecting the Company's capital after the General Meeting of 12 June 2008. The purchases effected by the company may under no circumstances enable it to hold, directly or indirectly, more than 10% of its capital.

*Purchase price*

The maximum price for purchase by the company of its treasury shares may not exceed €24 per share and the minimum selling price may not be less than €13 per share.

*Repurchase procedure*

These purchase, sales, exchange or transfer operations may be effected by any means, in other words in the market or privately, including by the acquisition or sale of blocks of shares, or by making use of financial instruments, particularly derivative instruments negotiated in a regulated market or privately, such as purchase or sales options or any combination of these, excluding purchases of purchase options, or by the use of bonds in accordance with the conditions authorised by the competent market authorities and at the times laid down by the Board of Directors. The maximum proportion of the Company's capital acquired or transferred in the form of blocks of shares may reach the total of the scheme.

These operations may be effected at any time, provided they are compliant with the regulations in force, including during a public offer period, subject to the statutory provisions and regulations applicable in the matter.

### DURATION OF THE REPURCHASE SCHEME

The duration of this repurchase of shares scheme is 18 months as from the General Meeting of 12 June 2008, i.e., until 11 December 2009 (inclusive).

### RESULTS OF PREVIOUS SCHEMES

On 31 March 2008, the company made use of share repurchase schemes. The total number of repurchased shares was 5,839,024 for a total amount of €78,641,953. Details of these operations are as follows:

| Situation on 31 March 2008 | |
|---|---|
| Percentage of capital held by the company | 4.84% |
| Number of shares cancelled over the last 24 months | 0% |
| Number of shares held in the portfolio | 5,839,024 |
| Book value of the portfolio | €78,641,953 |
| Market value of the portfolio | |
| (based on the closing rate on 31 March 2008) | €75,907,312 |

Result of the implementation of previous schemes between 21 May 2007 and 31 March 2008

| | Cumulative gross cash flows (1) * | | "Open positions as of the publication date of the description of the scheme | | | |
|---|---|---|---|---|---|---|
| | Purchases | *Sales/ Transfers *** | *Open sales positions* | | *Open purchase positions* | |
| Number of shares | 8,579,830 | 3,414,875 | Positions opened for purchase | Forward purchases | Forward purchases sold | Forward sales options |
| Average maximum term (2) | | | | | | |
| Average transaction price (3) | 13.66 | 14.3183 | | | | |
| Average exercise price (4) | | | | | | |
| AMOUNTS | 117 200 478 | 48 895 204 | | | | |

*(1) The period concerned begins on the day following the date when the result of the previous repurchase scheme has been established and ends on the date of publication of the description of the scheme.*
*(2) Remaining term on the date of the present notice.*
*(3) Concerns cash transactions.*
*(4) Indicates the average price of exercised options and lapsed forward transactions.*
** The cumulative gross cash flows comprise the purchase and sales transactions in cash, as well as the optional and forward transactions exercised or lapsed.*
*** Of which 702 shares delivered following the conversion of 702 OCEANEs.*

According to the liquidity contract, 3,521,074 shares were purchased for €50,261,570, i.e., €14.2745 per share, and 3,414,875 were sold for €48,895,204, i.e., €14.3183 per share.

## 11.3.4 - Securities providing future access to the issuer's capital

### 11.3.4.1 - Bonds with the option of conversion and/or exchange for new or existing shares

On 9 March 2005, Maurel & Prom, pursuant to the decisions of the Management Board on 28 February and 1 March 2005, and of a member of the Board dated 1 March 2005, acting on the Management Board's authority, issued, with removal of preferential subscription rights, convertible bonds falling due on 1 January 2010, for a total nominal amount of €374,999,978.76, represented by 16,711,229 bonds with a unit value of €22.44 (the "OCEANEs").

Each OCEANE carries annual interest of 3.50% and gives the holder the right to request at any time from 9 March 2005, until the seventh working day preceding the normal or early redemption date, the allotment of Maurel & Prom shares, on the basis of one share per OCEANE, subject to adjustments provided in the event of financial transactions made by Maurel & Prom.

Maurel & Prom may, at its option, issue new shares or existing shares or a mix of the two. New Maurel & Prom shares issued following the conversion of the OCEANEs will become eligible for a dividend on the first day of the financial year during which the OCEANEs are converted. The existing shares delivered in exchange for the OCEANEs will become eligible for the current dividend (thus giving entitlement to all dividends payable from the date of delivery of such shares).

The OCEANEs are traded on the Eurolist market of Euronext Paris S.A., ISIN number FR0010173690.

A prospectus relating to the issue of OCEANE bonds was approved by the Autorité des marchés financiers on 1 March 2005, under number 05-122, and is available on the Autorité des marchés financiers website.

On 24 July 2007, Maurel & Prom informed the OCEANE holders that, as a result of the distribution on 25 June 2007 of a current dividend of €0.50 and an additional dividend of €0.70 per share, the share allotment ratio was automatically increased from 1 Maurel & Prom share to 1.05 shares per OCEANE. That change conforms to the prospectus.

In 2007, 702 OCEANEs were converted into or exchanged for shares. Consequently, on 31 March 2008, 16,704,264 OCEANE bonds were outstanding and were likely to cause a capital increase of €13,505,382.89 with the creation of 17,539,459 new shares at a nominal value of €0.77 each.

### 11.3.4.2 - Terms governing any right to buy and/or any obligation attached to subscribed capital not paid up, or to any capital increase

Not applicable.

### 11.3.4.3 - Capital of any member of Maurel & Prom Group subject to an option

Not applicable

### 11.3.4.4 - History of the share capital

The table below shows the changes in Maurel & Prom's share capital over the last five years up to 18 April 2008:

| Transactions and dates | | Change in capital: Amount of share capital (€) | Change in capital: Number of shares | Amount of share capital after transaction (€) | Cumulative number of shares in circulation |
|---|---|---|---|---|---|
| **2003** | 18 June 2003<br>Conversion by Heritage of convertible bonds (issued on 29 August 2002) | 1,986,692.40 | 258,012 | 48,657,401.10 | 6,319,143 |
| | 30 June 2003<br>Conversion by Financière de Rosario of convertible bonds (issued on 29 August 2002) | 1,918,478.10 | 249,153 | 50,575,879.20 | 6,568,296 |
| | 30 June 2003<br>Conversion of BSA (issued on 20 June 2001) | 16,970.80 | 2,204 | 50,592,850 | 6,570,500 |
| | 31 October 2003<br>Conversion of BSA (issued on 20 June 2001) | 220,913 | 28,690 | 50,813,763 | 6,599,190 |
| | 31 October 2003<br>Conversion of OCEANEs into new shares (issued in February 2002) | 304,519.60 | 39,548 | 51,118,282.60 | 6,638,738 |
| | 31 December 2003<br>Conversion of BSA (issued on 20 June 2001) | 4,231,604.30 | 549,559 | 55,349,886.90 | 7,188,297 |
| | 31 December 2003<br>Conversion of OCEANEs into new shares (issued in February 2002) | 555,839.90 | 72,187 | 55,905,726.80 | 7,260,484 |
| **2004** | 30 April 2004<br>Conversion of OCEANEs into new shares (issued in February 2002) | 1,379,763 | 179,190 | 57,285,489.80 | 7,439,674 |
| | 24 June 2004<br>Conversion of OCEANEs into new shares (issued in February 2002) | 2,471,353.50 | 320,955 | 59,756,843.30 | 7,760,629 |
| | 19 July 2004<br>Conversion of OCEANEs into new shares (issued in February 2002) | 4,288,969.30 | 557,099 | 64,045,812.60 | 8,317,638 |
| | 30 September 2004<br>Conversion of OCEANEs into new shares (issued in February 2002) | 191,452.80 | 24,864 | 64,237,265.40 | 8,342,502 |
| | 30 September 2004<br>Exercise of BSAR (issued in July 2004) | 60,506.60 | 7,858 | 64,297,772 | 8,350,360 |
| | 8 November 2004<br>Conversion of OCEANEs into new shares (issued in February 2002) | 2,429,095.90 | 315,467 | 66,726,867.90 | 8,665,827 |



| Transactions and dates | | Change in capital: Amount of share capital (€) | Change in capital: Number of shares | Amount of share capital after transaction (€) | Cumulative number of shares in circulation |
|---|---|---|---|---|---|
| | 8 November 2004<br>Exercise of BSAR (issued in July 2004) | 50,342.60 | 6,538 | 66,777,210.50 | 8,672,365 |
| | 10 November 2004<br>Exercise of options (October 2001) | 39,477.90 | 5,127 | 66,816,688.40 | 8,677,492 |
| | 28 December 2004<br>Merger absorption of Aréopage by Maurel & Prom | 16,414,498.10 | 2,131,753 | 83,231,186.50 | 10,809,245 |
| | 28 December 2004<br>Division by ten of the nominal value of the Maurel & Prom share | - | - | 83,231,186.50 | 108,092,450 |
| | 31 December 2004<br>Exercise of BSAR (issued in July 2004) | 5,805.80 | 7,540 | 83,236,992.30 | 108,099,990 |
| **2005** | 1 January 2005<br>Exercise of options (October 2001) | 181,589.10 | 235,830 | 83,418,581.40 | 108,335,820 |
| | 31 January 2005<br>Exercise of BSAR (issued in July 2004) | 16,300.90 | 21,170 | 83,434,882.30 | 108,356,990 |
| | 2 March 2005<br>Exercise of options (October 2001) | 10,010 | 13,000 | 83,444,892.30 | 108,369,990 |
| | 31 March 2005<br>Exercise of BSAR (issued in July 2004) | 17,047.80 | 22,140 | 83,461,940.10 | 108,392,130 |
| | 11 May 2005 exercise of BSAR | 3,642.10 | 4,730 | 83,465,582.20 | 108,396,860 |
| | 11 May 2005 exercise of options | 1,105,296.50 | 1,435,450 | 84,570,878.70 | 109,832,310 |
| | 1 June 2005 exercise of options | 205,235.80 | 266,540 | 84,776,114.50 | 110,098,850 |
| | 28 June 2005 exercise BSAR | 23,654.40 | 30,720 | 84,799,768.90 | 110,129,570 |
| | 28 June 2005 exercise of options | 197,381.80 | 256,340 | 84,977,150.70 | 110,385,910 |
| | 4 August 2005<br>Reserved Issue Knightsbridge Group | 3,772,735.89 | 4,899,657 | 88,769,886.59 | 115,285,567 |
| | 31 August 2005 exercise BSAR | 21,775.60 | 28,280 | 88,791,662.19 | 115,313,847 |
| | 31 August 2005 exercise of options | 126,780.50 | 164,650 | 88,918,442.69 | 115,478,497 |
| | 16 September 2005 exercise BSAR | 13,675.20 | 17,760 | 88,932,117.89 | 115,496,257 |
| | 16 September 2005 exercise of options | 305,474.40 | 396,720 | 89,237,592.29 | 115,892,977 |
| | 24 November 2005 exercise BSAR | 8,239 | 10,700 | 89,245,831.29 | 115,903,677 |
| | 21 December 2005 exercise BSAR | 223.30 | 290 | 89,246,054.59 | 115,903,967 |
| | 21 December 2005 exercise of options | 256,102 | 332,600 | 89,502,156.59 | 116,236,567 |
| **2006** | 16 February 2006 exercise BSAR | 3,665.20 | 4,760 | 89,505,821.79 | 116,241,327 |
| | 16 February 2006 exercise of options | 10,217.90 | 13,270 | 89,516,039.69 | 116,254,597 |
| | 16 February 2006 exercise BSAR | 716.10 | 930 | 89,516,755.79 | 116,255,527 |
| | 10 April 2006 exercise BSAR | 5,382.30 | 6,990 | 89,522,138.09 | 116,262,517 |
| | 20 June 2006 exercise of options | 36,190.00 | 47,000 | 89,558,328.09 | 116,302,527 |
| | 20 June 2006 conversion BSAR | 33,133.10 | 43,030 | 89,591,461.19 | 116,352,547 |
| | 4 September 2006 conversion BSAR | 2,907,165.80 | 3,775,540 | 92,498,626.99 | 120,128,087 |
| | 23 November 2006 exercise of options | 47,370.40 | 61,520 | 92,545,997.39 | 120,189,607 |
| **2007** | 30 August 2007 exercise of options | 249,718.70 | 324,310 | 92,795,716.09 | 120,513,917 |
| | 13 December 2007 exercise of options | 15,400 | 20,000 | 92,811,116.09 | 120,533,917 |

### 11.3.5 - Potential dilution of capital

The table below enables assessment of the maximum potential dilution of the Company's capital resulting from the conversion or exercise of all securities that give access to the Company's capital still existing on 31 December 2007 (stock options, OCEANEs, free shares):

| | Date of issue/allotment | Conversion term Begins | Ends | Number of securities | Number of shares Current | Potential | Dilution potential |
|---|---|---|---|---|---|---|---|
| CAPITAL AS OF 31 DEC 2007 | | | | | 120,533,917 | | |
| Stock options | 25/10/01 | 26/10/04 | no limit | 10,760 | | 10,760 | 0.01% |
| Stock options | 16/6/03 | 23/5/05 | 16/6/08 | 0 | | 0 | 0.00% |
| Stock options | 29/7/03 | 30/7/03 | 29/7/08 | 35,890 | | 35,890 | 0.03% |
| Stock options | 22/6/04 | 23/6/04 | 22/6/09 | 0 | | 0 | 0.00% |
| Stock options | 16/3/05 | 17/3/05 | 16/3/10 | 0 | | 0 | 0.00% |
| Stock options | 6/4/05 | 7/4/05 | 6/4/10 | 280,000 | | 280,000 | 0.23% |
| Stock options | 21/12/05 | 22/12/05 | 21/12/10 | 170,000 | | 170,000 | 0.14% |
| Stock options | 3/1/06 | 4/1/06 | 3/1/11 | 80,000 | | 80,000 | 0.07% |
| Stock options | 10/4/06 | 11/4/06 | 10/4/11 | 80,000 | | 80,000 | 0.07% |
| TOTAL STOCK OPTIONS | - | - | - | 1,000,960 | | 1,000,960 | 0.83% |
| Free shares | 21/12/05 | | | 15,000 | | 15,000 | 0.01% |
| Free shares | 3/10/06 | | | 70,000 | | 70,000 | 0.06% |
| Free shares | 14/12/06 | | | 66,800 | | 66,800 | 0.06% |
| Free shares | 21/12/07 | | | 116,524 | | 116,524 | 0.10% |
| TOTAL FREE SHARES | | | | | | 268,324 | 0.23% |
| OCEANEs | 1/3/05 | 9/3/05 | 31/12/09 | 16,704,966 | | 17,540,214 | 14.55% |
| TOTAL | - | | - | 19,349,624 | | 139,883,541 | 16.15% |

## 12.1 MAJOR CONTRACTS

On 21 February 2007, the Company signed a draft agreement with Eni to sell some of its Congo-based assets. The transaction was executed on 29 May 2007. The draft agreement is described under Section 5.1.1 and note 18 of the consolidated financial statements.

During financial year 2007, the Company did not enter into any significant contracts other than the contracts entered into in the normal course of business.

No contract was entered into (other than in the normal course of business), or concluded by any member of Maurel & Prom Group, containing terms imposing on any member of Maurel & Prom Group a significant obligation or commitment for Maurel & Prom Group.

During financial year 2006, the Company did not enter into any significant contracts other than the contracts entered into in the normal course of business.

## 12.2 TRANSACTIONS WITH RELATED PARTIES

In addition to its traditional holding activities, and for the last three years, Maurel & Prom has not performed specific services for its subsidiaries during financial year 2007, except for providing employees to its subsidiaries (Zetah M&P Congo S.A. in Congo, Hocol in Colombia and Venezuela, M&P Gabon S.A.). That service was invoiced at cost.

The special report of Maurel & Prom Statutory Auditors on the regulated agreements for 2007 is in Section 13.3.

Transactions with related companies are analysed in note 23 of the consolidated financial statements stated under Section 13.2. Furthermore, in 2004 Maurel & Prom signed a lease contract relating to the Company's head office with Volney 12 SAS, which is controlled by Mr Roland d'Hauteville, who has since become a member of the Supervisory Board. Volney 12 S.A.S. sold that building in June 2007 to GECINA, which took over the Company's lease.

The transactions concluded in 2005 with Gaïa, which only impacted the 2005 accounts and only concerned the remuneration of one former member of the Management Board (F. Boulet), were approved by the Supervisory Board with no amendment; The information on the amounts deriving from that agreement are stated under Section 6.4.1 "Remuneration paid for the last year, for whatever reason, to each member of the Management Board and Supervisory Board".

Aside from the transactions indicated in the first paragraph, no other transaction has been conducted with affiliates since the start of financial year 2008.

## 12.3 LEGAL AND ARBITRATION PROCEEDINGS

The main disputes in which the Company or its subsidiaries are involved are described below. For the period of the last twelve months, the Company has no knowledge of any administrative, judicial or arbitration proceedings, pending or threatened, that are likely to have, or have had in the recent past, a significant impact on the financial situation or profitability of the Company and/or the Maurel & Prom Group.

### 12.3.1 - Messier Partners dispute

Messier Partners decided to undertake legal action against the Company with a view to receiving a success commission following the conclusion of the sale agreement to Eni. All the claims made by Messier Partners in connection with this proceeding are in the amount of €14.7 million. The judge decided partially in favour of Messiers Partners and the Company was ordered to pay Messier Partners €5.6 million, for which it has set aside a provision. The Company appealed against that decision.

### 12.3.2 - Pacific Stratus Energy arbitration

Hocol SA (an indirect subsidiary of Maurel & Prom) and Stratus Oil & Gas (an indirect subsidiary of Pacific Stratus Energy Ltd) entered into an agreement on 17 August 2005, pursuant to which Hocol would sell 50% of the rights under the respective exploration contracts of Doima and Ortega in Colombia, subject to the approval of that sale by the Colombian authorities. Since those approvals were not obtained within the deadline specified in the agreement, the agreement was terminated by Hocol in accordance with its terms. On 13 February 2006, Stratus Oil & Gas decided to initiate arbitration proceedings against Hocol.

Hocol and Stratus signed an amicable agreement on 23 July 2007 thereby ending that dispute, with no impact on the Group's results.

### 12.3.3 - Other litigation

#### 12.3.3.1 - Caroil/Romfor arbitration

As part of its drilling business, Caroil signed a contract in January 2005 with Romfor relating to the provision of operating employees, drilling operational management, the supply of spare parts and construction of new drilling rigs. The termination date of this contract was set at 30 September 2007. The consideration

for the services performed was satisfied by payment of a 25% equity stake in the profits earned on operating certain wells.

Romfor initiated an arbitration proceeding against Caroil in late December 2006 concerning the termination of that contract. In January 2007, that proceeding resulted in the signing of an amicable agreement, thereby closing the arbitration proceeding permanently in April 2007. The cessation of that contractual relationship, effective as from 31 December 2006, had no impact on the 2007 financial statements.

#### 12.3.3.2 - **Agri Cher-Transagra litigation**

In 1996, Maurel & Prom was sued for liability in connection with the court-supervised bankruptcy restructuring of Transagra and in the insolvency of the Agricher cooperative. The Company considers that action to be unfounded and has not made any provision for it.

Maurel & Prom has also sued the individual executive officers of the cooperative group that owns Transagra, for liability for the losses incurred by Maurel & Prom through Pomagra.

To date, that litigation is still pending.

## 12.4 SALE OF OPERATIONS IN CONGO

On Thursday, 22 February 2007, Maurel & Prom announced that it had signed with the oil company Eni, a subsidiary of the Italian group Eni S.p.A, an agreement to sell its stake, in Congo, in the M'Boundi and Kouakouala operating permits, and a reduction in its interest in the Kouilou operating permit from 65% to 15% for an amount of $1.434 billion. Pursuant to the sale agreement, Maurel & Prom received $1.394 billion corresponding to 95% of the sale price and $32.3 million in interest on that amount (at the 3-month $ LIBOR rate + 0.5% since 1 January 2007).

A final payment of $55 million was received on 16 November 2007, which included the balance of 5% of the sale price, the transfer back to Eni of the operating flows from 1 January 2007 to 29 May 2007, the repayment by Eni of the working capital as of 1 January 2007 of the permits sold and the interest calculated since 1 January 2007.

## 12.5 PROPERTY, PLANT AND EQUIPMENT

Maurel & Prom Group companies do not own any real property. The head office is under a commercial lease.

Maurel & Prom Group is the co-owner with its partners of the equipment and installations needed for the production of hydrocarbons on the fields it operates throughout the duration of their extraction and of some of the oil pipelines used to carry the crude oil to the take-off point. The Group also owns, through its subsidiary Caroil, most of the equipment needed for its exploration and drilling activities, particularly the drilling rigs used in its operations in Africa.

## 12.6 RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

Maurel & Prom Group does not carry out any research and development activities and holds no patents or any significant licences.

## 12.7 INFORMATION FROM THIRD PARTIES, REPORTS BY EXPERTS, AND DECLARATIONS OF INTEREST

The Company requested the US firm DeGolyer & MacNaughton, an independent entity, to certify the Group's hydrocarbon reserves. The Company published the results of that assignment on 27 March 2008. All information relating to the Group's hydrocarbon reserves in this Annual Report is based on the independent certificate issued by DeGolyer & MacNaughton.

## 12.8 DOCUMENTS AVAILABLE FOR PUBLIC CONSULTATION

### 12.8.1 - Consultation of legal documents

Generally, the Articles of Association, minutes of General Meetings, Statutory Auditors' reports and other corporate documents relating to Maurel & Prom may be consulted at the Company's registered office: 12, rue Volney, 75002 Paris, France.

The nature of these documents and the terms under which they are transmitted or made available are determined by applicable laws and regulations.

Financial notices are regularly published in the business and financial press on release of sales, results and other important events for the Company or Maurel & Prom Group.

Information on the Company is available on the Internet at: www.maureletprom.fr so that shareholders, employees and the general public may view a general presentation of Maurel & Prom Group and key financial information, such as results, press releases, annual reports, presentations to analysts, share prices, key statistics, information on shareholders and corporate governance and any significant event regarding the Company and Maurel & Prom Group.

Financial PR agency:

Financial Dynamics
9, rue Scribe
75009 Paris

Investor contact:
MaureletProm@fd.com; Tel: +33 (0)1 47 03 68 10.

The Annual Report 2007, established pursuant to the terms of Article 222-7 of the general regulations of the Autorité des Marchés Financiers is attached in 13.7.

### 12.8.2 - Illustrative financial reporting timetable

| | |
|---|---|
| 7 February 2008 | 2007 annual sales |
| 27 March 2008 | 2007 annual results - SFAF presentation |
| 30 April 2008 | Sales first quarter 2008 |
| 12 June 2008 | 2008 meeting of shareholders |
| 4 August 2008 | Sales first six months 2008 |
| 29 August 2008 | Publication of results of the first six months of 2008 |
| 11 September 2008 | SFAF presentation |
| 4 November 2008 | Sales third quarter 2008 |

This timetable, available at: www.maureletprom.fr, is given as an illustration and may be changed.

## 12.9 INFORMATION ON EQUITY INTERESTS

The characteristic data as of 31 December 2007 on the main Maurel & Prom Group subsidiaries concerning its hydrocarbon exploration and extraction activity appear in the chart below. This presentation of the interests is not exhaustive and covers only the main subsidiaries.

| Company | Registered Office | Percentage interest 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2005 |
|---|---|---|---|---|
| **France Drilling** | | | | |
| Caroil S.A. | Paris | 100.00 | 100.00 | 97.14 |
| **Congo** | | | | |
| Zetah M&P Congo S.A. | Pointe Noire, Congo | 99.90 | 100.00 | 100.00 |
| Maurel & Prom Congo S.A. | Pointe Noire, Congo | 99.90 | | |
| Zetah Congo Ltd. | Nassau Bahamas | - | 50.00 | 50.00 |
| Zetah Kouilou Ltd. | Nassau Bahamas | 15.00 | 65.00* | 65.00 |
| Zetah Noumbi Ltd. | Nassau Bahamas | 49.00 | 49.00 | 49.00 |
| **Colombia and Venezuela** | | | | |
| Hocol S.A. | Cayman Islands | 100.00 | 100.00 | 100.00 |
| Homcol Cayman Inc. | Cayman Islands | 100.00 | 100.00 | 100.00 |
| Hocol (UK) Petroleum Holdings Ltd. | London, UK | 100.00 | 100.00 | 100.00 |
| Hocol Venezuela BV | Netherlands | 100.00 | 100.00 | 100.00 |
| Hocol - Maurel & Prom - Venezuela S.A.S. | Paris | 100.00 | 100.00 | |
| **Gabon** | | | | |
| Maurel & Prom Gabon Ltd. | British Virgin Islands | 100.00 | 100.00 | 100.00 |
| S.A. M&P Quartier Général S.A. | Libreville, Gabon | 100.00 | 100.00 | 100.00 |
| S.A. M&P Gabon Ofoubou S.A. | Libreville, Gabon | 100.00 | 100.00 | 100.00 |
| S.A. M&P Gabon Nyanga Mayombé S.A. | Libreville, Gabon | 100.00 | 100.00 | 100.00 |
| **Cuba** | | | | |
| Pébercan Inc. | Montreal, Canada | 19.15 | 19.39** | 19.65 |
| **Tanzania** | | | | |
| Maurel & Prom Tanzania Ltd. | Dar es Salaam, Tanzania | 100.00 | 100.00 | 100.00 |
| **Italy (Sicily)** | | | | |
| Panther Eureka S.r.l. | Ragusa, Italy | 30.00 | 30.00 | 25.00 |

** 54% voting rights on certain issues.*

*** As of 30 June 2006.*

# 13 Appendices to the Annual Report

## 13.1 APPENDIX 1 - GLOSSARY

Below is a list of the main terms, symbols and abbreviations used in the Annual Report:

| | |
|---|---|
| 2D/3D seismic | seismic surveying is one of the basic essential methods used in oil exploration.<br>it is the geophysical method consisting of transmitting sound waves through the sub-surface and recording their propagation in the sub-surface so as to obtain information on the earth's structure.<br>it can be 2 or 3-dimensional. |
| Anhydrous | containing no water. |
| b (barrel) | refers to the unit of volume measurement of crude oil, 159 litres (42 US gallons). A ton of oil is approximately 7.5 barrels. |
| b/d | barrels per day. |
| CAPEX | capital expenditures: tangible and intangible investments/development expenditure. |
| Certified reserves | Reserves certified by DeGolyer and MacNaughton correspond to Maurel & Prom's share of reserves after deduction of royalties in kind. |
| Choke | A calibrated orifice, expressed in inches, used to regulate the flow of a well during production trials and during production. |
| $ | US dollar. |
| $/b | dollars per barrel. |
| $m | millions of US dollars. |
| $000 | thousands of dollars. |
| Drilling | drilling involves creating a passage through the earth's crust to take samples from the sub-surface or extract fluid substances.<br>Originally, the boreholes were always vertical. But today, when this is not possible, diagonal holes are drilled, which may be pointed to specific points, as for off-line drilling. |
| € | euro |
| €m | millions of euros. |

| | |
|---|---|
| €000 | thousands of euros. |
| Eruptive | produced by eruption. |
| Farm-in | Equity interests in an oil permit. |
| HSE | Health, Safety and Environment. |
| Kboe | thousands of barrels of oil equivalent. |
| Lead | a pre-prospect (see below for the definition of "prospect"). |
| LTIF | lost time injured frequency |
| Maurel & Prom/own working interest production | operational production less partners' share. |
| Maurel & Prom/own working interest production net of royalties | Maurel & Prom/own working interest production less royalties. |
| Mboe | millions of barrels of oil equivalent. |
| MMSCFPD | billions of standard cubic feet per day |
| Multipurpose vessels | refers to multipurpose vessels |
| Net reserves | The Company's share of total reserves of the oil fields (based on its equity stake) and taking into account the production agreement for sharing oil profits and costs. |
| Operator | the company in charge of operations on an oil field. |
| OPEX | "operating expenses": operating expenses. |
| P1 reserves | proven reserves are the quantities of hydrocarbons contained in reservoirs and blocks with wells which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially viable at current market prices. A portion of proven reserves may not be developed and require additional investment to be produced. |



| | |
|---|---|
| P2 reserves | probable reserves are unproven reserves which analysis of geological and engineering data suggests are likely to be recoverable particularly (1) by extension drilling inside the perimeter defined by the oil-water contact, (2) and by putting in place secondary recovery methods. |
| P3 reserves | possible reserves are unproven reserves which, based on geological interpretations (1) could possibly exist beyond areas classified as probable, (2) appear to be separated from the proven area by major faults, (3) are located in an area structurally lower than the proven area but above the structural closure of the field. |
| Pipeline | a pipeline for conveying fluids. |
| Production entitled (after oil tax paid in cash) | net Maurel & Prom working interest production after royalties and oil tax paid in kind, equivalent to production sold before changes in inventories. |
| Production operated | total production of a field before production profit share. |
| Production-sharing contract (PSC) | the contract entered into between the State and the company exploiting the permit; this contract determines all the operator's rights and obligations, and particularly the percentage of cost oil (by which the operator recovers the exploration and development costs borne by the operating company) and the level of profit oil. |
| Prospect | the region in which, after surveys, the geologists believe hydrocarbons can be found. |
| Reserves net of royalties | total reserves of a field less royalties. |
| Rig | drilling rig. |
| Royalties | oil taxes in kind based on a percentage of the production of a field. |
| RRR | reserve replacement ratio |
| TEA | Technical Evaluation Agreement |
| Vasconia benchmark | benchmark on which the price of a barrel of oil is based in Colombia. |
| Vasconia differential | discount between Vasconia and WTI, depending on the oil quality. |
| Work over | an operation to reopen wells. |
| WTI | West Texas Intermediate, reference price with respect to oil quality in the USA. |

## 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 rectly 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



## 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 fianced 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 Noumbi 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 Noumbi 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 is transactions does not meet the criteria for hedge accounting under IFRS, it is nevertheless a hedge for economic purposes.

## NOTE 10:
## DERIVATIVE INSTRUMENTS

| €000 | 31 Dec 2007 Current | 31 Dec 2007 Non current | 31 Dec 2007 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 adpoted:

- 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 besed 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** | **43,0000** | **17,0000** | **-** | **-** | **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* Payment schedule | December 2007 | December 2006 |
|---|---|---|
| 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 < 1 year | > 1 year | Total | 31 December 2006 < 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 Cost of debt | 31 Dec 2007 | 31 Dec 2006* |
|---|---|---|
| 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 Oil and gas | Oil drilling | Other | Total |
|---|---|---|---|---|
| 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 $km^2$. 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 Cepcolsa (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 & Orocue (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, Orocue 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 Orocue,
- 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 % |
| Orocue | 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 Orocue 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, Orocue -- 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 Maximum exposure to credit risk | 31 Dec 2007 Outstanding balance sheet | 31 Dec 2006 Maximum exposure to credit risk | 31 Dec 2006 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 |
| Bancolombia Loan (syndicated loan) | 194 | 303 |
| Bancolombia 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 gnerally 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 fist part of this report..

### III - Specific verification

In accordance with gnerally 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

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

### BALANCE SHEET ASSETS

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

## BALANCE SHEET LIABILITIES

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

## INCOME STATEMENT

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

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 1 - SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

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

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

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

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

These four entities are registered in Gabon.

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

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

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

## 2 - ACCOUNTING POLICIES AND METHODS

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

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

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

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

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

The main methods used are as follows:

### 2.1. - Intangible assets

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

### 2.2. - Oil business

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

#### MINING PERMITS

Costs relative to the acquisition and allocation of mining permits are recorded as intangible assets and, during the exploration phase, amortised on a straight-line basis over the estimated duration of the permit or at the amortisation rate for the oil production installations.

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

#### ACQUISITION OF RESERVES

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

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

EXPLORATION EXPENDITURE

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

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

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

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

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

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

OIL PRODUCTION FIXED ASSETS

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

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

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

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

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

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

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

COSTS OF SITE RESTORATION

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

## 2.3 - Tangible assets

Tangible assets are recorded at cost.

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

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

## 2.4 - Equity interest

Equity interests are carried on the balance sheet at cost.

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

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

## 2.5 - Inventories

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

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

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

## 2.6 - Receivables

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

## 2.7 - Marketable securities

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

## 2.8 - Deferred expenditure

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

## 2.9 - Foreign exchange transactions

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

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

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

## 2.10 - Provisions for risks and charges

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

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

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

- the actuarial method used is the so-called projected unit credit method which stipulates that each period of service gives rise to the recognition of a benefit entitlement unit. These calculations imply assumptions on mortality, staff turnover and projected future salaries;
- the corridor method is applied. Thus, only actuarial differences representing more than 10% of the amount of the commitments or the market value of the investments are recorded and amortised on the employees average residual work time.

## 2.11 - Oil sales

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

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

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

## 2.13 - Financial instruments

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

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

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

### 3.1 - Fixed assets

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

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

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

#### 3.1.1 - Intangible assets

Intangible assets can be broken down as follows:

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



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

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

### 3.1.2 - **Tangible assets**

Tangible assets can be broken down as follows:

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

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

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

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

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

## 3.2 - Long-term financial assets

CHANGES IN LONG-TERM FINANCIAL ASSETS

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

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

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

EQUITY INTERESTS

*Rockover Oil and Gas investments*

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

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

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

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

*Other securities*

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

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

*Other long-term investments*

The principal changes in other long-term investments represent:

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

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

## 3.3 - Inventories

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

## 3.4 - Other receivables

Other receivables (gross value) include the following items:

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

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

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

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

## 3.5 - Provisions for impairment of trade receivables and other receivables

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

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

Provisions for trade receivables and loans to subsidiaries concern mainly:

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

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

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

Provisions for other receivables concern mainly:

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

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

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

## 3.6 - Statement of receivables maturity dates

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

## 3.7 - Treasury shares, cash and cash equivalents

### 3.7.1 - Treasury shares

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

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

### 3.7.2 - Financial derivatives

RECOGNISED ON THE BALANCE SHEET

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

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

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

NOT RECOGNISED ON THE BALANCE SHEET

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

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

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

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

### 3.7.3 - Cash and cash equivalents

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

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

## 3.8 - Deferred charges and prepaid expenses

Deferred charges changed as follows:

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

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

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

## 3.9 - Shareholders' equity

Shareholders' equity changed as follows:

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

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

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

### INSTRUMENTS CONVERTIBLE INTO SHARES

*Redeemable share warrants (BSAR)*

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

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

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

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

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

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

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

*Stock options*

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

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

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

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

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

On the authority of the General Meeting of 28 December 2004, the Management Board, on 16 March 2005, granted 220,000 stock options to one employee (subsequently becoming a corporate officer) at the exercise price of €13.59. Such stock options being exercisable immediately and within five years; pursuant to the same authorisation and exercisable under the same terms and conditions, on 6 April 2005, 480,000 stock options were granted to eight employees at an exercise price of €13.44 per option and on 21 December 2005, 170,000 stock options were granted at an exercise price of €12.91 to two people, one of whom was a corporate officer.

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

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

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

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

*Shares reserved for employees and bonus shares*

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

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

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

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

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

*Share buyback programme*

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

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

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

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

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

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

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

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

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

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

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

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

## SUMMARY OF CAPITAL MOVEMENTS

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

*Distribution*

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

### 3.10 - Provisions for risks and charges

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

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

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

- the foreign exchange risk provision was €14,785 K and is related to the drop in the value of the US dollar which caused substantial unrealised losses namely for Maurel & Prom's receivables from its subsidiaries. The provision reversal concerns the cancellation of unrealised losses for 2006;
- the provision for dismantling and site restoration declined sharply as it now only concerns the Kouilou permit (of which M&P now only holds 15%);
- a contingencies provision for €6,050 K was booked for the trade disputes with Messier Partners; the €714 K reversal of the provision concerns these same legal disputes; the balance concerns a provision for €300 K for employment litigation brought in 2006;
- the other provisions concern a tax audit of the Company for €1,617 K, risks related to the Congolese operations for €7,234 K and the severance benefits provision, which was recognised in 2006 for the first time in the company financial statements, the expense for 2007 represents €193 K and the costs of past services is €350 K.

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

### 3.11 - Convertible bond issues

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

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

### 3.12 - Borrowings from credit institutions

Borrowings from credit institutions are broken down as follows:

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

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

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

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

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

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

### 3.13 - Miscellaneous borrowings and financial debt

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

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

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

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

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

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

### 3.14 - Trade payables and other liabilities

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

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

## 3.15 - Statement of liability maturity dates

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

## 3.16 - Exchange gains and losses

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

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

## 3.17 - Sales

Sales break down as follows:

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

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

## 3.18 - Financial income/loss

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

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

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

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

Net exchange gains/losses include:

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

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

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

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

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

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

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

## 3.19 - Extraordinary items

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

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

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

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

The exploration costs posted to expenses concern:

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

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

## 3.20 - Exposure to exchange risk and crude oil price risks

### MARKET RISK

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

### RISK RELATING TO THE HYDROCARBONS MARKET

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

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

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

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

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

### EXCHANGE RATE AND PRICE RISKS

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

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

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

### INTEREST RATE AND LIQUIDITY RISKS

The financing of the company comprises:

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

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

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

### EQUITY RISKS

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

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

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

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

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

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

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

### COUNTERPARTY RISK

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

## 3.21 - Income taxes

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

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

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

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

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

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

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

## 3.22 - Off-balance sheet commitments

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

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

### CUSTOMS SURETY BONDS GIVEN

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

### GUARANTEES GIVEN ON LOANS

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

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

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

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

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

### WORK COMMITMENTS

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

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

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

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

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

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

FINANCIAL INSTRUMENTS

See Note 3.7.2.

OTHER COMMITMENTS

*Rockover*

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

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

In addition the following commitments were continued:

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

## 3.23 - Legal disputes

MESSIER PARTNERS

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

AGRICHER/TRANSAGRA

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

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

To date, this litigation is still outstanding.

## 3.24 - Environment

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

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

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

## 3.25 - Number of employees

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

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

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

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

## 3.27 - Transactions with related companies

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

## 3.28 - Subsidiaries and equity interests

Amounts expressed in monetary units

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

*(a) Including accrued interest.*

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

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

Current account advances written down for:

1 - advances intended mainly for New Gold Mali fully written off.

2 - written down by €20,576,000.

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

## CASH FLOW STATEMENT

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

## PROPOSED APPROPRIATION OF NET INCOME

(proposed net dividend: 1.20 euro per share)

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

** Excluding treasury shares.*

## 13.2.4 - Statutory Auditors' Report on the annual financial statements

To the Shareholders,

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

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

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

### I. - Opinion on the annual financial statements

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

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

### II - Justification of assessments

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

- As indicated in Note 2.2, your company amortises its intangible assets (exploration rights and capitalised exploration expenses) and, where applicable, recognises impairment of those assets based on the economic value of the recoverable oil reserves. In this connection, our assessment of the valuation of the corresponding assets was based on the conclusions of the independent expert appointed by your company or, where there are no reserves, on the assumptions for continuing exploration work.
- Your company recognises provisions for risks and charges in accordance with the conditions and methods disclosed in Notes 2.10 and 3.10. As these estimating processes are sometimes complex, our assessments were based on a review of the reasonable nature of the assumptions made by the management of your company in those estimates.
- Your company disposed of its principal Congolese assets in the first half of 2007 in accordance with the terms and conditions disclosed in Notes 1 and 3.19 to the financial statements. As this was a particularly significant transaction in 2007, we verified the accuracy of the calculation of the gain on the sale of these assets and their presentation in the financial statements.

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

### III - Verifications and specific information

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

We have no matters to report regarding the following:

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

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

Paris and Paris-La Défense, 28 April 2008

The Statutory Auditors

| | |
|---|---|
| Michel Bousquet | ERNST & YOUNG AUDIT<br>François Carrega |

## 13.3 APPENDIX 3

### STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders,

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

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

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

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

### 1. With Pacifico S.A.

Person Concerned

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

#### a. Nature and purpose

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

TERMS

This amendment modified several articles in the agreement and in particular Article 1 in order to clarify the respective obligations of the parties and to remove any potentially ambiguous wording used. The services provided by Pacifico S.A. on behalf of your company are as follows:

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

The financial terms of this agreement are as follows:

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

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

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

#### b. Nature and purpose

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

TERMS

This sub-let pertains to a surface area of approximately 240 $m^2$ located on the ground floor of the building at 12 rue de Volney, 75002 Paris, France.

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

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

#### c. Nature and purpose

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

TERMS

Under the terms of a Joint Venture Agreement (JVA) dated 5 September 2002 signed with New Gold Mali, Afriore agreed to invest USDM2.5 in a gold exploration permit projects in Mali and to produce a feasibility study for that project. In consideration for this investment, Afriore was given the option to purchase a 60% stake in the project.

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

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

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

## 2. With Pacifico Forages

Person Concerned

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

### Nature and purpose

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

TERMS

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

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

Person Concerned

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

### Nature and purpose

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

TERMS

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

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

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

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

## 1. With Panther Eureka S.r.l

### Nature and purpose

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

TERMS

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

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

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

## 2. With Caroil, S.A.

### a. Nature and purpose

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

TERMS

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

### b. Nature and purpose

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

TERMS

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

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

### Nature and purpose

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

TERMS

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

## 4. With Pacifico S.A.

### a. Nature and purpose

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

TERMS

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

### b. Nature and purpose

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

TERMS

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

Paris and Paris-La Défense, 28 April 2008

The Statutory Auditors

Michel Bousquet

ERNST & YOUNG AUDIT
François Carrega

## 13.4 APPENDIX 4

### STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF FRENCH COMPANY LAW (CODE DE COMMERCE) ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

To the Shareholders,

In our capacity as statutory auditors of the company Établissements Maurel & Prom and in accordance with Article L. 225-235 of French company law (Code de Commerce), we hereby report t on the report prepared by the Chairman of your company in accordance with Article L. 225-37 of French company law (Code de Commerce) for the year ended 31 December 2007.

It is the Chairman's responsibility to describe in his report the preparation and organisation of the work of the Board of Directors' work and the internal control procedures implemented by the company. It is our responsibility to report to you on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information.

We conducted our work in accordance with the relevant French professional standard. This standard requires that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, and the existing documentation;
- obtaining information of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors, in accordance with Article L. 225-37 of French company law (Code de Commerce).

Paris and Paris-La Défense, 28 April 2008

The Statutory Auditors

Michel Bousquet

ERNST & YOUNG AUDIT

François Carrega

## 13.5 APPENDIX 5
## MAUREL & PROM'S FINANCIAL RESULTS FOR THE LAST FIVE YEARS

| *In euros* | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| **I – FINANCIAL POSITION AT THE END OF THE FINANCIAL YEAR** | | | | | |
| a) Share capital | 55,905,726 | 83,236,992 | 89,502,157 | 92,545,997 | 92,811,116 |
| b) Number of shares issued | 7,260,484 | 108,099,990 | 116,236,567 | 120,189,607 | 120,533,917 |
| **II – OVERALL INCOME FROM TRANSACTIONS CARRIED OUT** | | | | | |
| a) Sales excl. tax | 32,509,152 | 113,534,600 | 354,141,755 | 522,707,361 | 10,651,294 |
| b) Income before amortisation, depreciation and provisions | 25,561,190 | 86,924,766 | 203,198,825 | 340,921,361 | 726,595,079 |
| c) Income tax | 3,674,787 | 14,094,278 | 66,491,974 | 151,800,713 | 33,750 |
| d) Income after amortisation, depreciation and provisions | 14,825,418 | 54,668,040 | 76,214,850 | 132,107,460 | 567,641,365 |
| e) Amount of distributed profits | | | 16,626,528 | 38,273,750 | 143,737,717 |
| **III - EARNINGS PER SHARE** | | | | | |
| d) Income after tax, but before amotisation, depreciation and provisions | 3.01 | 0.674 | 1.176 | 1.574 | 6.02 |
| d) Income after tax, amortisation, depreciation and provisions | 2.04 | 0.506 | 0.656 | 1.099 | 4.71 |
| c) Net dividend paid for each share | - | - | 0.15 | 0.33 | 1.2 |
| **IV - EMPLOYEES** | | | | | |
| a) Number of employees | 21 | 34 | 44 | 54 | 55 |
| b) Total payroll expenses | 1,621,849 | 3,290,211 | 4,304,293 | 9,632,249 | 5,532,965 |
| c) Amounts of sums paid as social benefits (social security, company benefit schemes, etc.) | 837,143 | 1,466,743 | 7,176,726 | 5,646,671 | 4,026,765 |



## 13.6 APPENDIX 6
## COMPENSATION OF THE STATUTORY AUDITORS

| | ERNST & YOUNG | | | | Michel BOUSQUET | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount | | % | | Amount | | % | |
| *€000* | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Audit | | | | | | | | |
| • Statutory Auditors, certification, review of company and consolidated accounts: : | | | | | | | | |
| - Issuer(*) | 782 | 1,085 | 75% | 70% | 337 | 360 | 70% | 85% |
| - Fully consolidated subsidiaries | 184 | 210 | 18% | 13% | 110 | 65 | 23% | 15% |
| • Other work and services directly related to the engagement of the auditors : | | | | | | | | |
| - Issuer(*) | 76 | 89 | 7% | 6% | 36 | | 7 % | |
| - Fully consolidated subsidiaries | | 33 | | 2% | | | | |
| **Subtotal** | **1,042** | **1,417** | **100%** | **91%** | **483** | **425** | **100%** | **100%** |
| Other services rendered by the affiliated offices to the fully consolidated subsidiaries | | | | | | | | |
| • Legal, tax, social security | | | | | | | | |
| • Other (to be specified if > 10% of audit fees) | | 144 | 0 | 9 % | | | | |
| **Subtotal** | | **144** | | **9%** | | **0** | | **0** |
| TOTAL | 1,042 | 1,561 | 100% | 100% | 483 | 425 | | 100% |

** Amount including VAT, as the issuer has no taxable activity in France.*

## 13.7 APPENDIX 7
## ANNUAL INFORMATION DOCUMENT

MAUREL & PROM

**Établissements Maurel & Prom**

Société anonyme with Board of Directors
and capital of €92,811,116.09

Registered Office: 12 rue Volney – 75002 Paris
**Tel. : 01 53 83 16 00 – Fax : 01 53 83 16 04**
R.PARIS TRADE REGISTRY B 457 202 331
SIRET 457 202 331 00064 – APE 111 Z

ANNUAL INFORMATION DOCUMENT
prepared in compliance with the provisions of Article 222-7
of the General Regulations of the Autorité des marchés financiers

Photo copyright: Krista Boggs

## 13.8 INFORMATION

Pursuant to Article 222-7 of the General Regulations of the Autorité des marchés financiers, Établissements Maurel & Prom, a company listed on Eurolist, compartment B, of Euronext Paris, drafted this document mentioning the information that it has published or rendered public over the last twelve months in France, in order to meet its legal or regulatory obligations regarding financial instruments, issuers of financial instruments and financial instruments markets.

### 13.8.1 - Published Information

#### 13.8.1.1 - Financial Information

| Date of publication | Topic | Medium |
|---|---|---|
| 1 February 2007 | 2007 Financial reporting | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 15 February 2007 | • 2006 sales up 42% at €580.5 million<br>• Maurel & Prom's production share up 22% to 45,452 b/d in 2006 | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 21 February 2007 | • Sales for the 4th quarter of 2006 of €153.8 million | BALO (case 1854) |
| 29 March 2007 | • Maurel & Prom: 2006 Annual Earnings<br>Sharp rise in earnings<br>• Agreement to sell the Congolese fields to Eni for an amount of $bn1.434 backdated to 1 January 2007 | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 15 May 2007 | • Sales for the 1st quarter of 2007 of €60.1 million down 63% compared to the first quarter of 2006 after sale in progress of M'Boundi to Eni Congo S.A. | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P website |
| 16 May 2007 | • Sales of €60.1 million down 63% compared to the 1st quarter of 2006 after the sale in progress of M'Boundi to Eni Congo S.A. | BALO (case 6566) |
| 8 June 2007 | • 2006 annual financial statements | BALO (case 8376) |
| 30 July 2007 | • Report of the statutory auditors on the company and consolidated financial statements | BALO (case 11724) |
| 9 August 2007 | • First half of 2007 sales of €136.2 million<br>• Sustained exploration activity in Colombia and in Africa<br>• Current development of the Onal field in Gabon | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P website |
| 9 August 2007 | • Additional information on the drilling activity: Caroil | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P website |
| 15 August 2007 | • Sales for the 1st quarter of 2007 of €136.2 million | BALO (case 13198) |
| 26 September 2007 | • Earnings for the 1st quarter of 2007 of €812.1 million<br>• Sharp rise related to the sale of Congolese assets | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P website |
| 19 October 2007 | • Half-year financial statements<br>• Half-yearly financial report and report of the Statutory auditors on the 2007 half-year financial information | BALO (case 15651) |



| Date of publication | Topic | Medium |
|---|---|---|
| 7 November 2007 | • Sales and activities of the 3rd quarter of 2007<br>• Highlights of the 3rd quarter of 2007 | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P website |
| 14 November 2007 | • Activity and Sales in the 3rd quarter of 2007 of €77.3 million | BALO (case 17091) |
| 7 February 2008 | • Sales for the 4th quarter of 2007 of €75.1 million up 5%<br>• 3% increase in production in the 4th quarter of 2007<br>• 2007 sales down 11% to €289.5 million | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P website |
| 13 February 2008 | • Sales for the 4th quarter of 2007 of €75.1 million up 5%<br>• 3% increase in production in the 4th quarter of 2007<br>• 2007 sales down 11% to €289.5 million | BALO (case 1172) |
| 27 March 2008 | Activity and results for financial year 2007 | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P website |

### 13.8.1.2 - **Additional information on Company activities**

| Date of publication | Topic | Medium |
|---|---|---|
| 16 January 2007 | • Tanzania: Success of the Mkuranga-1 well<br>• Congo: Reservoir in Loufika-2 | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 23 January 2007 | • Congo: Water injection started on the M'Boundi field, Saturday 20 January 2007 | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 12 February 2007 | • Success of La Cañada Norte well (900b/d) in Colombia<br>• 7 Mb proven and probable reserves in Maurel & Prom share | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 15 February 2007 | • Maurel & Prom's production share up 22% to 45,452 b/d in 2006 | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 22 February 2007 | • Arbitrage within the Maurel & Prom portfolio<br>• Sale of Congolese assets to Eni for $1.434 billion | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 23 February 2007 | • Presentation of the transaction<br>• Sale of production assets in Congo to Eni | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 26 February 2007 | • Congo: No oil results for the Tioni-1 well | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 19 March 2007 | • Colombia: Oil discovery in the Ocelote-1 well, Llanos basin (600b/d)<br>Maurel & Prom's share of proven and probable reserves net of royalties estimated at 11.4 Mb | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 29 March 2007 | • Sharp rise in earnings<br>• Agreement to sell the Congolese fields to Eni for $1.434 billion backdated to 1 January 2007 | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |

| Date of publication | Topic | Medium |
|---|---|---|
| 15 May 2007 | • Sales for the 1st quarter of 2007 at €60.1 million down 63% compared to the first quarter of 2006 after sale in progress of M'Boundi to Eni Congo S.A. | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 30 May 2007 | • Completion of the sale of the Maurel & Prom assets in Congo to Eni | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 25 July 2007 | • Long duration test begins on the Banio field in Gabon | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 8 August 2007 | • Results of the Onal–703 development well in Gabon: 1,870 b/d pumping excluded | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 9 August 2007 | • Sales for the first half of 2007 of € 136.2 million<br>• Sustained exploration activity in Colombia and in Africa<br>• Current development of the Onal field in Gabon | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 9 August 2007 | • Additional information on the drilling activity: Caroil | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 26 September 2007 | • Earnings for the 1st quarter of 2007 of €812.1 million<br>• Sharp rise related to the sale of Congolese assets | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 4 October 2007 | • Congo: no oil results on Doungou | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 7 November 2007 | • Sales and activities of the 3rd quarter of 2007 | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 14 December 2007 | • Founding of the mixed enterprise in Venezuela | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 12 March 2008 | • Colombia:<br>Balcon-22 development well: output 950 b/d at 100%<br>Pacande Sur-2 appraisal well: output 800 b/d at 100%<br>La Canada Norte 2 and 3 appraisal wells: output 300 b/d at 100% | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 14 March 2008 | • Results of the tests of the Onal-901 development well in Gabon Output of 3,400 b/d on two levels, eruptive | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 27 March 2008 | • Activity and results for financial year 2007 | Press release (Reuters, Bloomberg, Boursorama) M&P website |
| 15 April 2008 | • Maurel & Prom exceeds 5% holding threshold | Press release M&P website |
| 16 April 2008 | • Colombia: exploration well Ocelote SW-1: output of 1,278 b/d at 100%, Exploration well Ocelote-2: output of 622 b/d at 100%. Exploration well Columbia: abandoned | Press release (Reuters, Bloomberg, Boursorama) M& P website |

### 13.8.1.3 - Corporate information

| Date of publication | Topic | Place of publication |
|---|---|---|
| 2 January 2007 | • Liquidity agreement with Natixis Bleichroeder | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 5 March 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 19 March 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 9 May 2007 | • Notice of General Meeting of the Shareholders | BALO (case 5833) |
| 9 May 2007 | • 2006 ordinary and special dividends<br>• Change in Corporate governance | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 30 May 2007 | • Notice of General Meeting of the Shareholders | BALO (case 7837) |
| 15 June 2007 | • Report of the combined shareholders' meeting of 14 June 2007 | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 11 July 2007 | Declaration of the number of voting rights | BALO (case 10523) |
| 24 July 2007 | • Memorandum on the OCEANEs:<br>change in the share allocation ratio<br>• Information relatives to the total number of voting rights<br>and shares compromising capital share | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 8 August 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 10 August 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 15 August 2007 | • Memorandum on the OCEANEs:<br>change in the share allocation ratio<br>• Information relatives to the total number of voting rights<br>and shares comprising share capital | BALO (case 13199) |
| 17 August 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 24 August 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 31 August 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 5 September 2007 | • Appointment of Paul-André Canel as<br>Chief Executive Officer of Hocol in Colombia<br>• Appointment of Michel Hochard as<br>Chief Financial Officer of Maurel & Prom | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P website |
| 7 September 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 13 September 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 16 November 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |

| Date of publication | Topic | Place of publication |
|---|---|---|
| 23 November 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 30 November 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 7 December 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 14 December 2007 | • Founding of the mixed enterprise in Venezuela | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 14 December 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 21 December 2007 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 4 January 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 10 January 2008 | • Liquidity agreement with Natixis Securities | Press release<br>(Reuters, Bloomberg, Boursorama)<br>M&P and AMF website |
| 11 January 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 18 January 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 25 January 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 1 February 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 11 February 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 18 February 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 25 February 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 3 March 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 10 March 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 7 April 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 14 April 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |
| 15 April 2008 | • Maurel & Prom exceeds 5% holding threshold | Press release<br>M&P website |
| 21 April 2008 | • Disclosure of trading in treasury shares | Press release<br>M&P and AMF website |

### 13.8.2 - Availability of the information

#### 13.8.2.1 - Electronic versions

All the press releases cited above are available on the Company's website: www.maureletprom.fr.

Press releases, statements, annual reports, statements from executives on their treasury shares and memorandums are available on the AMF website:

www.amf-france.org and
on the Euronext website: www.euronext.com.

The press releases can also be viewed on the Les Echos website: http://www.lesechos-comfi.fr.

BALO publications are available on the site of the Bulletin of Mandatory Legal Notices (Bulletin des Annonces Légales Obligatoires or BALO): http://www.balo.journal-officiel.gouv.fr

Annual financial statements are filed with the registrar of the Paris Commercial Court and can be viewed at http://www.infogreffe.fr.

#### 13.8.2.2 - Printed versions

All the documents mentioned in this annual information document are available at no cost upon request to the Company: 12 rue Volney – 75002 Paris, France, 12, rue Volney 75002 Paris.

## 13.9 APPENDIX 9 RESOLUTIONS

DRAFT RESOLUTIONS TO BE SUBMITTED
TO THE SHAREHOLDERS' MEETING of 12 JUNE 2008

### ITEMS TO BE SUBMITTED TO THE ORDINARY SHAREHOLDERS' MEETING

**First Resolution:** Approval of the company financial statements for the year ended 31 December 2007.

**Second Resolution:** Approval of the consolidated financial statements for the year ended 31 December 2007.

**Third Resolution:** Appropriation of net income for the year ended 31 December 2007 and dividend distribution (€1.20 per share).

**Fourth Resolution:** Approval of the related-party agreements pursuant to Article L. 225-38 of the French Commercial Code.

**Fifth Resolution:** Directors' fees allocated to the Board of Directors for financial year 2008.

**Sixth Resolution:** Authority to be granted to the Board of Directors to buy, hold or transfer Company shares.

**Seventh Resolution:** Renewal of the term of office of Financière de Rosario as member of the Board of Directors.

**Eighth Resolution:** Renewal of the term of office of Christian Bellon de Chassy as member of the Board of Directors.

**Ninth Resolution:** Appointment of Roman Gozalo to the Board of Directors.

**Tenth Resolution:** Appointment of Daniel de Beaurepaire as statutory auditor.

**Eleventh Resolution:** Renewal of the appointment of Ernst & Young as statutory auditor.

**Twelfth Resolution:** Appointment of IAC as alternate auditor.

**Thirteenth Resolution:** Appointment of AUDITEX as alternate auditor.

### ITEMS TO BE SUBMITTED TO THE EXTRAORDINARY GENERAL MEETING

**Fourteenth Resolution:** Delegation of authority to the Board of Directors to allot existing shares or new shares as bonus shares to employees and/or corporate officers.

**Fifteenth Resolution:** Delegation of authority to the Board of Directors to reduce the Company's capital through the cancellation of ordinary shares.

**Sixteenth Resolution:** Delegation of authority to the Board of Directors to grant stock options for new and/or existing shares.

**Seventeenth Resolution:** Powers to complete all formalities.

## ITEMS TO BE SUBMITTED TO THE ORDINARY SHAREHOLDERS' MEETING

### First Resolution

*(Approval of the company financial statements for the year ended 31 December 2007).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the Board of Directors' management report and the Auditors' report on the company financial statements, approves said financial statements for the year ended 31 December 2007, consisting of the Balance Sheet, Income Statement and Notes thereto, as presented to the Meeting, as well as the operations reflected in those financial statements and summarised in those reports.

The Shareholders' Meeting sets the profit for the year 2007 at €567,641,365.00.

The Shareholders' Meeting discharges the members of the Board of Directors for the performance of their duties for the year ended 31 December 2007.

It also discharges the Auditors for the completion of their mission.

### Second Resolution

*(Approval of the consolidated financial statements for the year ended 31 December 2007).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the the Board of Directors' management report and the Auditors' report on the consolidated financial statements, approves said financial statements for the year ended 31 December 2007, consisting of the Balance Sheet, Income Statement and Notes thereto, as presented to the Meeting, as well as the operations reflected in those financial statements and summarised in those reports.

### Third Resolution

*(Appropriation of net income for the year ended 31 December 2007 and dividend distribution).*

The Shareholder's Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the Board of Directors' management report, and the Auditors' report on the company financial statements for the year:

(I) resolves, pursuant to Article L. 232-10 of the Commercial Code, to allocate from the profit for 2007 amounting to €567,641,365.00 the sum of €26,511.60 to the legal reserve, bringing the amount of this reserve to €9,281,111.60;

(II) given prior retained earnings of €45,124,917.00, notes that the distributable income for financial year 2007, after the allocation to the legal reserve, amounts to €612,739,770.40; and

(III) resolves to pay shareholders, as dividend, taken from the distributable income for the year, the amount of €1.20 per share, i.e., a total of €140,001,793.20 and to allocate the balance of distributable profit, i.e., €472,737,977.20 to "Retained Earnings".

The Shareholders' Meeting gives all powers to the Board of Directors to determine the conditions for payment of this dividend and set the payment date.

In compliance with the law, the shares held by the Company as at the dividend payment date shall not entitle it to dividends. Consequently, the Shareholder's Meeting grants all powers to the Board of Directors to determine, based on the number of shares held by the Company on the date of payment of the dividend, the total amount of the dividend payable and, therefore, the balance of distributable income to be allocated to "Retained Earnings".

In addition, if new shares paying current dividend are issued between the date of this Meeting and the dividend payment date, the Shareholders' Meeting grants all powers to the Board of Directors to adjust the total amount of dividend payable accordingly within the maximum limit set forth in (iii) above and, consequently, the balance of distributable income to be allocated to "Retained Earnings".

The entire amount of the income thus distributed shall give the right to individuals who are tax residents of France to the 40% allowance set forth in item 2, paragraph 3 of Article 158 of the General Tax Code.

In accordance with the provisions of Article 243 bis of the General Tax Code, the Shareholders' Meeting notes that the amounts distributed as dividends over the previous three financial years were as follows:

| Financial year: | 2004[1] | 2005[2] | 2006[3] |
|---|---|---|---|
| Amount per share: | €0.15 | €0.33 | €1.20 |
| TOTAL | €16,626,528 | €38,359,637.91 | €60,094,803.50 |

*[1] For certain taxpayers, the dividend entitled the recipient to a dividend tax credit equivalent to 50% of the dividend.*
*[2] For certain taxpayers, the dividend was eligible for a 40% allowance pursuant to Article 158-3 of the General Tax Code.*
*[3] For certain taxpayers, the dividend was eligible for a 40% allowance pursuant to Article 158-3 of the General Tax Code.*

### Fourth Resolution

*(Approval of the related-party agreements referred to in Article L. 225-38 of the Commercial Code).*

The General Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the special report from the Auditors on the related-party agreements referred to in Article L. 225-38 of the Commercial Code for the year ended 31 December 2006, duly notes the conclusions of this report and approves the agreements referred to therein.

### Fifth Resolution

*(Directors' fees allocated to the Board of Directors for financial year 2008).*

The Shareholder's Meeting, deliberating with the quorum and majority required for Ordinary Shareholder's Meetings, after a reading of the Board of Directors' Management report, hereby sets the total amount of Directors' fees for financial year 2008 to be distributed to the members of the Board of Directors at €450,000.

### Sixth Resolution

*(Authorisation to be granted to the Board of Directors, to buy, hold or transfer Company shares).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the Board of Directors' Management report, authorises the Board of Directors, in accordance with Articles L. 225-209 et seq. of the French Commercial Code, the general regulations of the Autorité des marchés financiers and EC regulation 2273/2003 of 22 December 2003, for a period of eighteen (18) months starting on the date of this Meeting, to buy its treasury shares up to a maximum of 10% of the existing share capital on the date of this Meeting, under the following conditions:

The Shareholders' Meeting decides that the maximum price payable by the Company for the purchase of its treasury shares shall not exceed €24 per share and that the minimum selling price shall not be less than €13 per share, with the understanding that, in the event of capital transactions, including the capitalisation of reserves and allotment of bonus shares, and/or stock splits or reverse stock splits, these prices shall be adjusted accordingly.

The maximum amount to be used for the buyback programme is thus set at €289,281,400, calculated on the basis of the share capital at 31 December 2007; this cap may be adjusted to take account of total capital.

The maximum number of shares that may be purchased under this authority may not exceed 10% of the total number of shares that make up the Company's share capital; it is specified that (i) the number of shares acquired by the Company to be held and subsequently used for payment or exchange in a merger, split or spin-off transaction may not exceed 5% of its capital, pursuant to Article L. 225-209, paragraph 6 of the Commercial Code; and (ii) this limit applies to an amount of the Company's share capital which shall be adjusted as required to take into account capital transactions after the date of this Meeting; under no circumstances may the Company hold, either directly or indirectly, more than 10% of its own share capital.

This authority is intended to allow the Company to pursue the following objectives, in compliance with applicable laws and regulations:

(I) retain Company shares which have been purchased and subsequently remit those shares in exchange or payment for any future mergers or acquisitions;

(II) allot shares purchased to employees and/or corporate officers within the framework of (i) the profit-sharing scheme, (ii) any share purchase plan or bonus share allotment to employees under the conditions provided by law, particularly Articles L. 443-1 et seq. of the French Labour Code, or (iii) any stock option plan or bonus share allotment to some or all employees and corporate officers;

(III) remit Company shares, following an issue of debt securities giving rights to the Company's share capital, to the holders of such securities;

it is understood that the mechanisms described in paragraphs (ii) and (iii) shall be covered through an investment service provider acting independently;

(IV) stimulate the secondary market for the Company's shares through an investment service provider acting under a liquidity agreement that complies with the ethics charter of the Association française des entreprises d'investissement; and

(V) cancel the shares purchased and reduce the Company's capital pursuant to the 15th resolution of this Shareholders' Meeting, subject to adoption.

Such share purchases, sales, exchanges or transfers may be carried out by any means, i.e. on the stock market or over the counter, including through the acquisition or sale of blocks of shares, or through the use of financial instruments, particularly derivatives traded on a regulated or over the counter market, such as put or call options or any combination thereof, except for purchases of call options, or warrants, subject to the terms authorised by the competent market authorities and for the periods set by the Company's Board of Directors. The portion of the share capital acquired or transferred in blocks of shares may equal the total programme.

Such transactions may take place at any time, in compliance with legal requirements in force, including during a tender offer, subject to all legal and regulatory provisions applicable in such matters.

The Shareholders' Meeting grants the Board of Directors, in the event of a change in the nominal value of the share, a capital increase through the capitalisation of reserves, the allotment of bonus shares, a stock split or reverse stock split, the distribution of reserves or any other assets, the amortisation of capital or any other transaction on share capital, the power to adjust the aforementioned purchase or sale price to take into account the effect of such transactions on the value of the share.

In addition, the Shareholders' Meeting grants all powers to the Board of Directors, with the possibility of delegating such powers in accordance with legal requirements and regulations, to decide upon and implement this authority, specify the terms if necessary and, particularly, place orders on the stock market, sign any agreements, accomplish all formalities, including allocating or re-allocating the shares acquired for the various purposes sought, and make all declarations to the competent authorities, particularly the Autorité des marchés financiers and, generally, do everything required for the completion of the transactions carried out pursuant to this authorisation.

Every year, the Board of Directors shall inform the Ordinary Shareholders' Meeting of the transactions executed under this resolution as required by Article L. 225-209 of the French Commercial Code.

This authority ends, effective immediately, any previous authority of the same type and, in particular, the unused portion of the authority given by the Fourteenth Resolution of the Shareholders' Meeting of 14 June 2007.

### Seventh Resolution

*(Renewal of the term of office of Financière de Rosario as member of the Board of Directors).*

The Shareholder's Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the Board of Directors' Management report, renews the term of office of Société Financière de Rosario as member of the Board of Directors for a term of three years ending at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2010.

### Eighth Resolution

*(Appointment of the term of office of Christian Bellon de Chassy as member of the Board of Directors).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the Board of Directors' Management report, re-elects Christian Bellon de Chassy as a member of the Board of Directors for a term of three years ending at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2010.

### Ninth Resolution

*(Appointment of a new Director).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after noting the expiry of the term in office of Fabien Chalandon, hereby appoints as from this date Roman Gozalo as a member of the Board of Directors, for a term of three years, ending at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2010.

Mr Roman Gozalo has confirmed that he accepts the appointment to the Board and that he meets all applicable legal and regulatory requirements.

### Tenth Resolution

*(Appointment of Mr Daniel de Beaurepaire as statutory auditor).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after noting the expiry at the close of this Meeting of the appointment of Michel Bousquet as statutory auditor, hereby appoints Daniel de Beaurepaire as statutory auditor for a period of six years, ending at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2013.

Mr de Beaurepaire has stated that he accepts this appointment and that there is no conflict of interest or impediment that would prevent him from the performance of his duties.



### Eleventh Resolution

*(Renewal of the appointment of Ernst & Young as statutory auditor).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after noting the expiry at the close of this Meeting of the appointment of Ernst & Young as statutory auditor, renews the appointment of Ernst & Young as statutory auditor, for a period of six years, ending at the close of the Ordinary Shareholders' Meeting called to approve on the financial statements for the year ending 31 December 2013.

### Twelfth Resolution

*(Appointment of IAC as alternate auditor).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after noting the expiry at the close of this Meeting of the appointment of François Caillet as alternate auditor, hereby appoints IAC as alternate auditor, for a period of six years, ending at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2013.

IAC has stated that it accepts this appointment and that there is no conflict of interest or impediment that would prevent it from the performance of its duties.

### Thirteenth Resolution

*(Appointment of AUDITEX as alternate auditor).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Ordinary Shareholders' Meetings, after noting the expiry at the close of this Meeting of the appointment of Jean-Louis Robic as alternate auditor, hereby appoints AUDITEX as alternate auditor, for a period of six years, ending at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2013.

AUDITEX has stated that it accepts this appointment and that there is no conflict of interest or impediment that would prevent it from the performance of its duties.

## ITEMS TO BE SUBMITTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

### Fourteenth Resolution

*(Delegation of authority to the Board of Directors to allot existing shares or new shares as bonus shares to employees and/or corporate officers).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Extraordinary Shareholders' Meetings, after a reading of the Board of Directors's report and Auditors' special report, and pursuant to Article L. 225-197 of the Commercial Code hereby:

1°) terminates the unused portion, effective immediately, of the authority granted by the Shareholders' Meeting of 14 June 2007, in its Thirty-second Resolution;

2°) grants authority to the Board of Directors to decide, on one or more occasions, on a bonus share allotment of existing or future ordinary shares to the employees (or some of them) and/or corporate officers (or some of them) of the Company and/or affiliated companies and economic interest groups as defined by Article L. 225-197-2 of the French Commercial Code;

3°) resolves that the total number of bonus shares allotted under this authority may not exceed 1% of the share capital on this date;

4°) notes that this authority automatically implies a waiver by shareholders of the portion of the profits, reserves and share premiums which may be used for the issue of new shares; and

5°) resolves that the allotment of shares to the beneficiaries shall be final after a minimal vesting period of two years and the minimum period for which beneficiaries must hold the shares is fixed at two years as of the vesting date of said shares.

The Shareholders' Meeting duly notes that this decision carries, in accordance with current legal provisions, an automatic waiver by shareholders, in favour of the beneficiaries of the bonus shares, of the portion of the profits, reserves and share premiums that may be used for the issue, of new shares.

The Shareholder Meeting sets the validity of this delegation of authority to 38 months from the date of this Meeting.

The Shareholders' Meeting grants all powers to the Board of Directors, with the possibility of sub-delegation in accordance with applicable laws and regulations, to implement this authorisation and particularly to establish the list of beneficiaries of bonus shares, set the conditions and, if applicable, the criteria for allotment, set the ex-dividend dates of the shares, record the capital increase if applicable, amend the article of association accordingly and, generally, do everything necessary.

**Fifteenth Resolution**

*(Authority granted to the Board of Directors to reduce the Company's capital through the cancellation of ordinary shares).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Extraordinary Shareholders' Meetings, after a reading of the Board of Directors's report and Auditors' special report, and in accordance with Article L. 225-209 of the Commercial Code hereby:

1°) terminates the unused portion, effective immediately, of the authorisation granted by the Ordinary and Extraordinary Shareholders' Meeting of 14 June 2007, in its Thirty-third Resolution;

2°) grants all powers to the Board of Directors to cancel, on one or more occasions, within the limit of 10% of the Company's capital per 24-month-period, all or part of the Company shares acquired under the share buy-back programmes authorised by the Sixth Resolution submitted to this shareholders' meeting or share buy-back programmes authorised before or after the date of this Meeting;

3°) resolves that the portion of the purchase price of the ordinary shares exceeding their nominal value shall be charged to "Share Premiums" or any available reserve item;

4°) grants all powers to the Board of Directors, with the possibility of sub-delegation in accordance with legal and regulatory requirements, to reduce the capital resulting from the cancellation of shares and the aforementioned charge, and amend Article 6 of the article of association accordingly;

5°) sets the duration of this authorisation to 18 months as from the date of this Meeting.

**Sixteenth Resolution**

*(Authority granted to the Board of Directors to grant stock options for new and/or existing shares).*

The Shareholders' Meeting, deliberating with the quorum and majority required for Extraordinary Shareholders' Meetings, after a reading of the Board of Directors's report and Auditors' special report, and in accordance with Article L. 225-177 of the French Commercial Code:

1°) grants authority to the Board of Directors, for a period of 38 months as from the date of this Shareholders' Meeting, to decide to grant, on one or more occasions, to employees and corporate officers of the Company and of companies or groups affiliated with the Company as defined by Article L. 225-180 of the French Commercial Code, options which give the right:

- either to subscribe to new Company shares issued as part of a capital increase;
- or to purchase existing Company shares resulting from acquisitions made by the Company under the conditions set forth by law;

2°) notes, as applicable, that this authority carries the express waiver by shareholders, in favour of the option beneficiaries, of their pre-emptive subscription right to subscribe to the shares that will be issued as options are exercised;

3°) resolves that the total number of options granted under this authority may not give the right to subscribe or purchase a number of shares exceeding 1% of the share capital on the date on which the Board of Directors decides to grant such options, plus, if applicable, the nominal value of additional shares to be issued by the Board of Directors in order to protect, in compliance with legal and regulatory conditions, the rights of the option beneficiaries to subscribe to or purchase shares under this authority;

4°) resolves that the subscription or purchase price of the shares under options shall be set by the Board of Directors under the conditions and with the limits authorised by applicable laws on the date they are granted, but this price may not be less than (i) for all options, 80% of the average of the opening prices of the share for the twenty trading days prior to the day on which the Board of Directors grants such options and (ii) for existing shares, 80% of the average buyback price paid by the Company for the shares it holds on that same date;

5°) resolves that the period during which the options may be exercised by the beneficiaries shall be set by the Board of Directors under the conditions and within the limits authorised by applicable laws on the date such options are granted, but this period may not exceed, for any option granted, five (5) years from the date such options are granted; and

6°) grants all powers to the Board of Directors, with power of sub-delegation, within the limits and under the terms specified above in order to:

(I) define the features of the options: for new or existing shares;

(II) name the beneficiaries of the options and set the number of options to be granted to each one of them;

(III) define all the terms of the options, namely the conditions under which such options may be granted, set the time or times of execution and the dates, periods and terms of payment, acquisition and delivery of the shares subscribed or purchased under such options;

(IV) stipulate any ban on the immediate sale of all or some of the new [or] existing shares acquired from the exercise of such options, while the period required to hold the securities may not, for each option, exceed two (2) years from the exercise of such options;

(V) define the conditions under which the rights of the option holders will be preserved in the event of capital transactions of the Company in accordance with applicable legal and regulatory provisions;

(VI) provide for the possibility of suspending the exercise of the options, in the event of financial transactions on the capital of the Company, for a period in accordance with applicable legal and regulatory provisions;

(VII) adjust as needed the price and number of options granted in compliance with applicable legal provisions, in the event of financial transactions conducted by the Company;

(VIII) deduct, in accordance with applicable legal and regulatory provisions, all costs, duties and fees for any issue of equity or other securities from the amount of the related share premium, deduct from said share premium the amount needed to bring the legal reserve to the level required by the laws and regulations in effect;

(IX) generally, take all useful or necessary measures and namely accomplish all acts and formalities to record the capital increase or increases resulting from the exercise of options and amend the article of association accordingly.

**Seventeenth Resolution**

(Powers for legal formalities).

The Shareholders' Meeting hereby grants all powers to the bearer of the original minutes of this Meeting or a copy or excerpt thereof to complete all required disclosures, filings and other formalities.

## 13.10 APPENDIX 10
## TABLE OF CONCORDANCE

In order to facilitate the reading of this Annual Report, the following table of concordance identifies the information required under EC Regulation 809/2004 of the Commission of 24 April 2004 implementing Directive 2003/71/EC of the European Parliament and Council.

# NOTES

# NOTES

12, rue Volney - 75002 Paris
Tel: +33 1 53 83 16 00 - Fax: +33 1 53 83 16 04
www.maureletprom.com

Design and production: INCREA - www.increa.fr