

Financial statements – H1 2008

Maurel & Prom published its first half results report on 29 August 2008 based on the Group's consolidated financial statements for the period ended 30 June 2008.

Once the statutory auditors completed their review, the Board decided to make an adjustment to rebook a charge to the first half initially recorded in the second half. This adjustment in the amount of €3.7 million relates to derivative operations and has a negative impact on the financial result, as well as the net income as of 30 June 2008, reflecting a net profit of €17.3m (+25% compared to the H12007), instead of €21.1m initially disclosed.

The consolidated financial statements for the period ended 30 June 2008 together with the adjusted items are appended to this press release.

The Auditors' report underlines the following comments: *"Without qualifying the conclusion [of our report], we draw attention to the complex and structured operations carried out by your company during the first half-year and described in the notes 8 and 14 to the interim consolidated financial statements. These operations led your company to book a financial expense during the first half-year 2008, resulting from marked to market valuation of these financial instruments as of June 30, 2008. As mentioned in the notes to the interim consolidated financial statements, these financial instruments could lead to further financial expenses in the subsequent reporting periods."*

For your information, Maurel & Prom recorded in its accounts a charge of €14.8 million coming from a series of complex and structured operations initiated by a single individual and performed out of the Group's standards and procedures. Management's analysis confirms that the additional risk comes to €21m based on the EUR-USD exchange rate at end September 2008. This is in addition to the €14.8m in unrealised losses already recorded in the first half of 2008. Discussions are still ongoing to reduce the level of this risk.

Maurel & Prom's current activity report, its consolidated financial statements and their notes together with the complete statutory auditors' report on the interim financial report may be viewed on Maurel & Prom's website (www.maureletprom.fr).

Profit & Loss

<i>In €m</i>	29 August 2008	Adjustment	Final version	Change
Operating Income	86.4		86.4	
Gross cost of debt	-13.9		-13.9	
Income from cash	1.3		1.3	
Net gains or losses on derivative instruments	-33.1	-3.7	-36.8	11%
Net cost of debt	-45.7	-3.7	-49.4	8%
Other interest income and expenses	-3.0		-3.0	
Financial income	-48.7	-3.7	-52.4	8%
Income before tax	37.8	-3.7	34.0	-10%
Income taxes	-21.4		-21.4	
Net income of consolidated companies	16.3	-3.7	12.6	-23%
Total share in net income of equity-accounted companies	4.7		4.7	
Net income of consolidated group	21.1	-3.7	17.3	-18%

Balance Sheet

Shareholder'equity	643.6	-3.7	639.8	-1%
Non-current provisions	36.8		36.8	
Non-current derivative instruments	141.6		141.6	
Other non-current liabilities	499.8		499.8	
Non-current liabilities	678.1		678.1	
Current provisions	18.6		18.6	
Current derivative instruments	132.1	3.7	135.8	3%
Other current liabilities	193.0		193.0	
Current liabilities	343.6	3.7	347.4	1%
Total liabilities	1 665.3		1 665.3	

Balance Sheet

Assets

€000	Notes	30/06/2008	31/12/2007
Intangible assets	4	538,904	554,922
Tangible assets	5	514,940	389,954
Non-current financial assets	6	100,100	28,216
Investments accounted under the equity method	7	35,838	3,138
Deferred tax assets	15	36,623	22,786
Non-current assets		1,226,405	999,016
Inventories		16,624	7,389
Trade receivables		54,537	52,852
Other current financial assets	6	40,380	29,671
Other current assets		45,565	42,615
Income tax receivable	15	1,496	7,074
Derivative instruments	8	2,650	5,430
Cash and cash equivalents	10	277,662	699,939
Current assets		438,914	844,970
Total Assets		1,665,319	1,843,986

Liabilities

€000	Notes	30/06/2008	31/12/2007
Share capital		92,839	92,811
Issue, merger and acquisition premiums		201,174	201,139
Consolidated retained earnings		414,390	52,385
Treasury shares		(85,898)	(54,296)
Net income, Group share		17,320	766,096
Shareholders' equity, Group share		639,825	1,058,135
Minority interests		0	(342)
Total equity:		639,825	1,057,793
Non-current provisions	11	36,777	30,795
Non-current bonds	12	355,660	336,932
Other non-current loans and borrowings	12	14,016	15,754
Non-current trade payables		0	3,624
Non-current derivative instruments	8	141,565	-
Deferred tax liabilities	15	130,105	146,199
Non-current liabilities		678,123	533,304
Current bonds	12	6,542	13,089
Other current loans and borrowings	12	11,685	16,145
Trade payables		128,085	107,685
Income tax payable	15	3,986	121
Other payables and sundry liabilities		42,679	71,899
Current derivative instruments	8	135,800	22,274
Current provisions	11	18,594	21,676
Current liabilities		347,371	252,889
Total liabilities		1,665,319	1,843,986

Income statement

€000		30/06/2008	30/06/2007
	Notes		
Sales		176,477	137,052
Other income		7,870	15,911
Purchases and change in inventory		(11,381)	(12,055)
Other purchases and operating expenses		(29,486)	(48,105)
Other taxes		(5,100)	(2,963)
Payroll		(15,393)	(18,522)
Amortisation and depreciation		(42,436)	(35,064)
Impairment of exploration and production assets		(10,303)	(9,567)
Provisions and impairment on current assets		(621)	(2,930)
Reversals of operating provisions		1,498	2,012
Gains (losses) on sale of assets		16,200	(2,533)
Other expenses		(912)	(1,665)
Operating income		86,413	21,571
<i>Gross cost of debt</i>		<i>(13,948)</i>	<i>(14,894)</i>
<i>Income from cash</i>		<i>1,305</i>	<i>3,729</i>
<i>Net gains or losses on derivative instruments</i>		<i>(36,799)</i>	<i>(5,848)</i>
Net cost of debt		(49,442)	(17,013)
Other interest income and expenses		(2,950)	10,505
Financial income	14	(52,392)	(6,509)
Income before tax		34,021	15,062
Income taxes	15	(21,448)	(862)
Net income of consolidated companies		12,573	14,200
Total share in net income of equity-accounted companies	7	4,747	(341)
Net earnings from continuing operations		17,320	13,859
Net earnings from discontinued operations		0	798,247
Net income of consolidated group		17,320	812,106
<i>Net income -- Group share</i>		<i>17,320</i>	<i>812,106</i>
<i>Minority interests</i>		<i>0</i>	<i>0</i>
Earnings per share	16		
Basic		0.15	6.80
Diluted		0.13	5.93
Earnings per share from discontinued operations			
Basic		0.00	6.68
Diluted		0.00	5.83
Earnings per share from continuing operations			
Basic		0.15	0.12
Diluted		0.13	0.10

Cash flow statement

€000	Notes	30/06/2008	30/06/2007
Consolidated income from continuing operations before tax		42,502	14,721
Net amortisation, depreciation and provision charges (write backs)		47,548	36,554
Unrealised gains and losses related to changes in fair value		25,607	5,848
Exploration posted to expenses		10,859	9,567
Calculated income and expenses in relation to stock options and similar items		564	537
Other estimated income and expenses		10,669	1,123
Capital gains (losses) on disposals		(20,486)	2,533
Share in income of equity-accounted companies	7	(4,747)	341
Income from cash	14	(6,734)	(11,666)
Cost of gross financial debt		1,785	3,063
Cash flow before tax		103,832	62,621
Tax		(13,382)	(13,254)
Change in operating working capital		(9,383)	(33,989)
- Trade receivables		(9,368)	(5,123)
- Trade payables		24,361	(19,893)
- Inventories		(9,996)	(6,751)
- Other:		(14,380)	(2,222)
Net cash flow from operating activities		81 067	15,378
Disbursements for acquisitions of tangible and intangible assets		(243 102)	(130,008)
Receipts from sales of tangibles and intangible assets		591	21
Disbursements for acquisitions of financial assets (unconsolidated securities)		211	(762)
Receipts from sales of financial assets (unconsolidated securities)		0	0
Business combination		0	0
Investments in equity-accounted companies		0	0
Change in loans and advances granted		(72 290)	(5,846)
Other cash flows from investing activities		(76)	0
NET CASH FLOW FROM INVESTING ACTIVITIES		(314 666)	(136,595)
Amounts received from shareholders during capital increases		(98)	2,880
Dividends paid		(137 135)	(143,885)
Receipts from new loans		1 455	6,626
Interest paid		(1 785)	(3,063)
Interest received		6 734	11,666
Loan repayments		(4 810)	(4,299)
Treasury share acquisitions		(31 601)	(1,010)
NET CASH FLOW FROM INVESTING ACTIVITIES		(167 240)	(131,085)
Impact of foreign-currency fluctuations		(20 223)	(2,018)
Net receipts from activities sold*		0	961,820
Net change in cash		(421 062)	707,500
Opening cash and cash equivalents		694 307	186,342
Closing net cash and cash equivalents from sold activities		0	
Closing net cash and cash equivalents	10	273 245	893,842
Closing net cash and cash equivalents from sold activities		0	

* Net cash flow from operating activities less capital expenditure and repayment of RBL

Financial result

The financial result was a loss of €52.4 million broken down as follows:

- Interest expenses on OCEANE bonds of €12,187K for first half 2008 up from €11,832K for first half 2007;
- A net loss of €36.8m on derivative instruments :
 - A latent loss of €33.1 million including:
 - €10.4 million for swaps on crude corresponding to a hedge on 2,250b/d. Starting on April 1st, this hedge is allocated to the Colombian production;
 - €21.1 million on foreign exchange options broken down in €6.3 million on common cash management, and €14.8 million coming from a series of complex and structured operations initiated by a single individual and performed out of the Group's standards and procedures. Management's analysis confirms that the additional risk comes to €21m based on the EUR-USD exchange rate at end September 2008. This is in addition to the €14.8m in unrealised losses already recorded in the first half of 2008. Discussions are still ongoing to reduce the level of this risk.
 - A loss of €3.7m from derivatives transactions undertaken in the first half 2008 that were closed out in July 08.
- Exchange losses on foreign currency cash holdings totalled €17.2m owing to the unfavourable EUR-USD exchange rate and the fact that some of our suppliers have adapted their billing procedures to this new situation by no longer invoicing in USD.
- Cash investment income of €1.3 million and other income of €14.3 million which include:
 - interest income on term deposits of €8.7 million;
 - €3.2 million in gains related to oil trades.

Consolidated net income

Consolidated net income from continuing activities amounted to €17.3 million, up 25% over first half 2007.

This increase can be explained by:

- A rise in operating income;
- A deteriorated financial result;
- The first time consolidation under the equity method of Lagopetrol in Venezuela;
- Change in the income tax charge.

Caroil posted first half 2008 consolidated net income of €6.6 million.

Balance sheet

The balance sheet total was €1,665.3 million down from €1,844.0 million as at 31 December 2007.

The change in non-current assets can be explained by:

- Operating capital expenditures totalling €163 million, primarily intended for Onal (67%) and Ocelote (20%) fields, and for Caroil (8%);
- Exploration capital expenditures of €79.0 million;
- Partial relinquishment of EGOC of €(40.0) million;
- €20.8 million increase in assets due to accounting for Lagopetrol under the equity method;
- Exchange differences on tangible and intangible assets of €(71.2) million.

Group shareholders' equity totalled €639.8 million down from €1,057.8 million as at 31 December 2007 due to a €(207.7) million adjustment on derivative instruments as at 30 June 2008, a dividend amounting to €(137.1) million, the net income of the period, exchange losses of €(59.8) million and €(31.6) million of treasury shares bought back.

Cash flows

First half 2008 Group cash flow before tax in was €103.8 million.

Net cash flow from operating activities was €81.1 million.

At 30 June 2008, Maurel & Prom's net cash amounted to €273.2 million, excluding €72 million accounted in non-current assets, down €421.1 million compared to 31 December 2007. This change can be explained by:

- The activity of the period: increase in cash flow from operations for €81 million;
- A strong investment effort:
 - Exploration expenses of €79 million;
 - Development capex of €145 million;
 - Oil services investments of €18 million.
- The shareholder payback:
 - Dividend payment for €137 million;
 - Share buy back for €32 million
- €(72) million in outflows for margin calls on financial instruments paid temporarily to banks under the crude hedging transactions (based on the market value of those instruments as at 30 June 2008).

This press release may contain forward-looking statements with respect to the financial condition, results of operations, business, strategy and plans of Maurel & Prom. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. These forward-looking statements are based on assumptions which we believe are reasonable but that could ultimately prove inaccurate and are subject to a number of risk factors, including but not limited to price fluctuations in crude oil; exchange rate fluctuations; uncertainties inherent in estimating quantities of oil reserves; actual future production rates and associated costs; operational problems; political stability; changes in laws and governmental regulations; wars and acts of terrorism or sabotage.

Maurel & Prom is listed on Euronext Paris – compartment A - CAC mid 100 Index
Isin **FR0000051070** / Bloomberg **MAU.FP** / Reuters **MAUP.PA**

Agenda 2008

Tuesday November 4, 2008

Third Quarter Sales 2008

Press releases to be distributed on each of the abovementioned days before the markets open

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