

2006 Annual Report



2006 Annual Report



ÉTABLISSEMENTS Maurel & Prom

Société Anonyme with Management Board and Supervisory Board

With a capital of €92,545,997.39

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Persons Responsible

Important notice:

We draw the attention of investors to the developments detailed in Section 43.1 of this Annual Report describing the terms for the sale by the Company, on May 29, 2007, of most of its Congolese assets, representing 45% of the Group's (proven and probable) reserves, to ENI Congo S.A.

1.1 Person responsible for the annual report and its updates

As chairman of the Management Board of Etablissements 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:

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Chairman of the Board
Maurel & Prom
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Fax: +33 1 53 83 16 04

1.2 Statement

"After taking all reasonable measures relating thereto, I certify that the information contained in this annual report is to the best of my knowledge a true reflection of the facts and contains no omission likely to alter the significance thereof.

I have obtained a letter from the statutory auditors stating that they have completed their assignment which included checking the information relating to the financial situation and the financial statements provided in this annual report and reading the entire document.

The historic financial data presented in the annual report have been checked by the statutory auditors, and reported in Appendix 2 of the said document, which includes comments below:

Without challenging the opinion expressed above, we draw your attention to the points below:

- *Note 27 of the Appendix to the financial statements, concerning post balance sheet events, which describes events with a material impact on the Group which occurred after December 31, 2007;*
- *Note 20 of the Appendix to the financial statements regarding the reclassifications made on the financial statements for the 2005 financial year.*

**Jean-François Hénin,
Chairman of the Management Board
Paris, May 30, 2007**

Statutory auditors

2.1 Persons responsible for auditing the accounts

Principals	Date of first appointment	Duration of current term	End of term
Michel Bousquet 46, rue du Général Foy 75008 Paris	Annual General Meeting of June 14, 2002	6 years from June 14, 2002	After the Annual General Meeting convened to approve the financial statements for the year ending December 31, 2007
Ernst & Young Audit Represented by François Carrega Tour Ernst & Young Faubourg de l'Arche 92037 Paris-la Défense Cedex	Annual General Meeting of June 27, 1996	6 years from June 14, 2002	After the Annual General Meeting convened to approve the financial statements for the year ending December 31, 2007

Deputies	Date of first appointment	Duration of current term	End of term
François Caillet 66, avenue de Buzenval 92500 Rueil-Malmaison	Annual General Meeting of June 14, 2002	6 years from June 14, 2002	After the Annual General Meeting convened to approve the financial statements for the year ending December 31, 2007
Jean-Louis Robic 24, boulevard du Général Ferrié 94100 Saint-Maur-des-Fossés	Annual General Meeting of November 21, 1989	6 years as from June 14, 2002	After the Annual General Meeting convened to approve the financial statements for the year ending December 31, 2007

2.2 Resignation/non-renewal of the statutory auditors

Not applicable.

Key figures

3.1 Results

The figures in this table are derived from the consolidated financial statements (except P1+P2 reserves net of royalties certified by DeGolyer and Mac Naughton).

	2006	2005	2004
Revenues	€M583.7	€M407.7	€M101.3
Operating income	€M272.1	€M161.3	€M46.6
Net income	€M180.7	€M100.2	€M46.6
Net income Group share	€M180.7	€M100.2	€M46.6
Net earnings per share	€1.55	€0.90	€0.59
Diluted net income per share	€1.47	€0.88	€0.54
Total non current assets	€M1,102.3	€M1,037.7	€M265.4
Total current assets	€M331.8	€M343.3	€M75.1
Shareholders' equity	€M569.3	€M458.8	€M224.4
Debt ratio	49.34%	51.38%	18.50%
Dividend paid per share	€1.20 or €2.50 (*)	€0.33	€0.15
P1+P2 reserves net of royalties certified by DeGolyer and Mac Naughton	112.6 Mboe on January 1, 2007	269.0 Mboe on January 1, 2006	Uncertified On January 1, 2005

(*) 2006 Dividend: subject to the approval by the Annual General Meeting of Shareholders of June 14, 2007, the payment of an ordinary dividend of €0.50 and an additional dividend of €0.70 or €2 per share will be proposed at the AGM, at the discretion of shareholders.

3.2 Sales

In the first quarter of 2007, sales were as follows:

€M	1 st quarter 2007	1 st quarter 2006	Change (%)
Oil production	38.6	152.8	-75
Congo	0.1	75.8	-100
South America	38.5	77.0	-50
Drilling	21.5	7.7	+179
Other activities	0.0	0.0	-
TOTAL	60.1	160.5	-63

Sales for the 1st quarter 2007 stood at €M60.1, compared to the €M160.5 earned at the same period in 2006. The 63% decline in sales was mainly (for approximately 50%) due to the disposal of

the M'Boundi and Kouakouala fields to ENI Congo S.A. as described in Section 4.3.1 of this Annual Report. The decline includes other changes to the basis of consolidation:

- retrocession of Tello in Colombia (an average 4,500 b/d in first quarter 2006);
- non incorporation of the sales from Venezuela; and
- reintegration into consolidation of the sales made by Caroil, the drilling subsidiary on the Congo fields with ENI Congo S.A. and its partners as from January 1, 2007.

The decline in sales due to the negative change in environmental parameters (€\$ +9% exchange rate, Brent -6%, WTI -8%).

As all the conditions precedent had not been met on May 15, 2007, assets disposed of in Congo have been classified under assets held for disposal and were not included in the calculation of sales for the first quarter 2007.

3.3 Individual company financial statements

Sales in 2006 totalled €M522.7, up by 47.61% over 2005 (€M354.1).

Operating income rose by 54% to €M298.1 compared to €M193.6 in 2005.

The Group posted net earnings of €M132.1 for fiscal 2006 up by 73% over 2005 (€M76.2).

3.4 Consolidated Financial Statements

Consolidated sales in 2006 totalled €M583.7, up by 43% compared to 2005 (€M407.7). At constant group structure, excluding the Hocol acquisitions, sales grew by 30%.

Sales of €M583.7 were mainly derived from the oil activity carried out in:

- Congo for €M287.1 (49%);
- Colombia for €M243.3 (42%); and
- Venezuela for €M6.6 (1.1%).

During the year 2006, the Group sold 11.3 million barrels at an average price of \$59.7/b.

Caroil, the drilling subsidiary, contributed €M43 (€M22 in 2005) to consolidated sales representing an increase of 95% compared to 2005). This increase was primarily due to the higher number of wells in operation (nine at the end of 2006, compared to five at the end of 2005). The contributive result does not reflect the Company's real activity given the removals from consolidation of the work carried out for Maurel & Prom in Congo, Tanzania and Gabon (corporate sales of Caroil of €M87).

Operating income was €M272.1 compared to €M161.3 for fiscal 2005 (+69%).

Net income, group share, increased by 80.3% to €M180.7 compared to 2005 (€M100.2).

The increase in earnings reflects principal changes in the basis of consolidation, namely:

- the acquisition of Hocol (Colombia, Venezuela) on August 4, 2005; but the disposal on February 14, 2006 of the Tello concession in Columbia is also taken into account;
- in the Congo, the disposal of 10% of the rights of Maurel & Prom held in M'Boundi to the SNPC, takes effect on January 1, 2006, which brings Maurel & Prom's stake in the field down from 54% to 48.6%; and

- the suspension of Venezuela's contribution as from April 1, 2006 while awaiting the result of ongoing negotiations for the conversion into an "Empresa Mixta".

Basic net earnings per share is €1.55 per share compared to €0.90 in 2005 (+72%).

3.5 Balance sheet

Group share of equity climbed from €M458.6 on December 31, 2005 (before allocation of income) to €M569.3 on December 31, 2006.

Property, plant and equipment stood at €M418.9 in 2006 versus €M357.2 in 2005. Inventories rose from €M6.9 in 2005 to €M9.7 in 2006.

Trade receivables jumped from €M50 in 2005 to €M71.2 in 2006.

Cash and cash equivalents (before bank loans of €M8.4 in 2006 and €M3.1 in 2005) totalled €M194.7 versus €M235.2 in 2005.

3.6 Cash flow

Cash flow before tax moved from €M270.3 to €M413.0 in 2006, representing a significant increase of 53%.

After payment of €M104 of tax mostly in South America and reduction of working capital requirement by €M2.3, the net cash flow generated by operational activity stood at €M311.7 in 2006 versus €M294.4 in 2005.

Net cash flow linked to investment operations fell from €M508.4 in 2005 to €M312.7 in 2006 realising that the year 2005 had been characterized by acquisitions of subsidiaries for €M348.

Net cash flow linked to investment operations fell from €M396.8 in 2005 to €M-25.4 realising that 2005 included financing by OCEANE bonds for €M370.

Change in net cash flow totalled €M -45.7 and the cash position at year end (net of bank loans) stood at €186.3 versus €M232.1 in 2005.

3.7 Stock Market

Trading Market:

Euronext Paris (France)

Codes:

ISIN: FR 0000051070

MNEMO: YMAU

Reuters: MAU.PA

Bloomberg: MAU FP

Market:

Eurolist compartment A

Primary index:

CAC AllShares

Other indices:

CAC Mid, CAC Mid Small 190, CAC Mid100, Next 150, NextPrime, SBF120

Number of shares at December 31, 2006:

120,189,607 (136.9 million including the OCEANE bonds, and 137.9 million including stock options as well)

The potential dilution linked to the possible conversion of OCEANE bonds and stock options, could raise the number of shares to 137.8 million and share capital to €M106.2.

Average volume/day:

546,000 shares

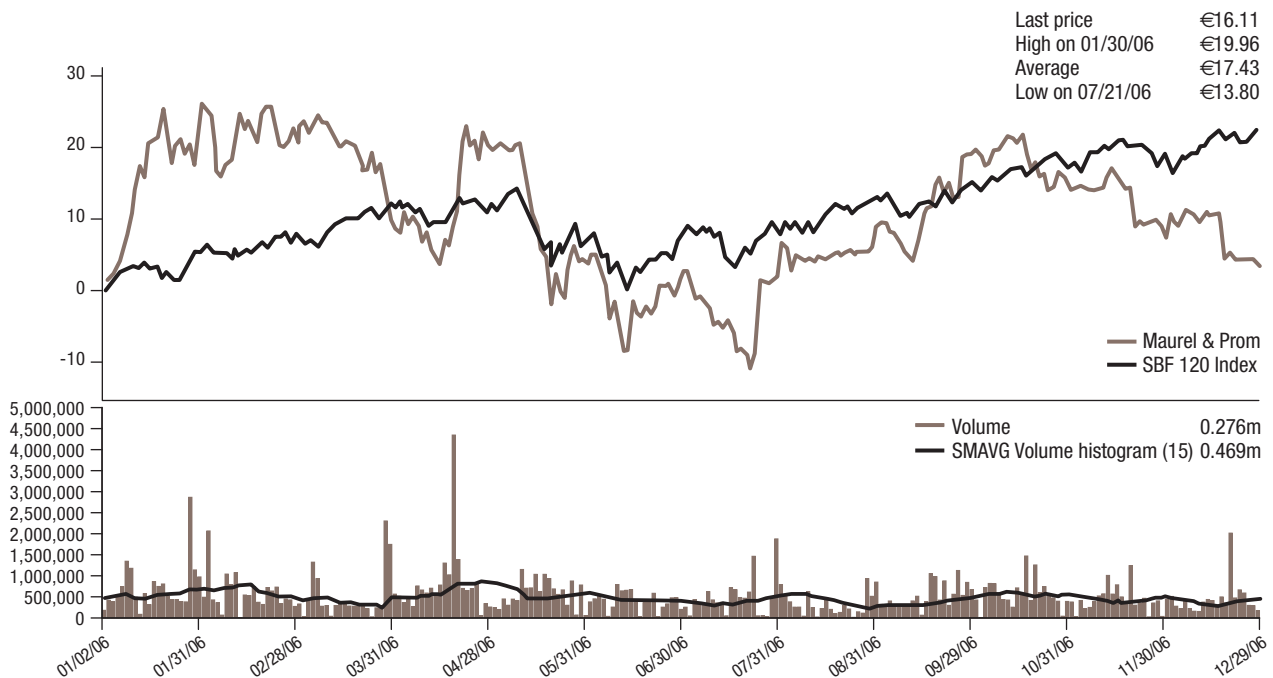
Market capitalization on May 23, 2007:

1,971 billion euros, at the price of €16.40 per share (on the basis of 120,189,607 million shares)

Float percentage:

62.77% (list finalized on February 26, 2007 by Euroclear)

STOCK MARKET PERFORMANCE IN 2006



Source Bloomberg.

For 2006, the share's record low was €13.80 and the record high €19.96. The share closed at €16.11 on December 29, 2006.

Share price performance over the last three financial years:

Share price (€)	2006	2005	2004
Record low (in session)	13.75	14.51	4.01
Record high (in session)	20.56	21.50	16.78
Last in the year (year end)	16.11	15.84	16.20

3.8 Production

On average, Maurel & Prom's production share was 45,449 b/d in 2006 versus 37,622 b/d in 2005, i.e., growth of more than 21%.

On average, the Group's available-for-sale production (after settling oil taxes) was 30,833 b/d in 2006 versus 27,611 b/d in 2005, representing a 12% increase.

The disposals of the M'Boundi and Kouakouala fields as well as 50% of interests in the Kouilou exploration permits to ENI Congo S.A, described in Section 4.3.1 herein will have an impact on 2007's annual production. We believe that the 2007 annual production, once the ENI transaction has been completed, would rise to 14,000 b/d on average.

3.9 Reserves

As of January 1, 2007, proven reserves amounted to 46 Mboe and proven and probable reserves to 112.6 Mboe.

If we exclude from the analysis the Congo reserves sold to ENI Congo S.A. in 2007 for 43.9 Mboe, the proven reserves fall in absolute value by 13.0 Mboe (-14.4 Mboe of production, +4.0 of adjustment, +0.1 of acquisition and -2.7 for the entry of the Gabonese State). Proven and probable reserves have fallen by 28 Mboe if we take into account 2006 production and the sale to ENI Congo S.A.

On January 1, 2007, the Company had roughly 9 years of P1 reserves and 22 years of P1+P2 reserves at the production speed of 14,000 b/d (production target for 2007) (Maurel & Prom's part deducted from the royalties on January 1, 2007 after sale of Congolese assets).

The table below summarizes the total on the reserves data certified by DeGolyer & MacNaughton (DMN) on 1 January 2007 (excluding M'Boundi and Kouakouala):

M&P reserves (deducted fee) Mboe	P1	P1+P2	P3 *
Reserves	102.9	269.0	222.2
2006 Production	-14.4	-14.4	0.0
Acquisition	0.1	0.4	0.5
Entry of the Gabonese State	-2.7	-6.9	
Sale	-43.9	-114.0	-63.0
Adjustment	4.0	-21.5	56.5
Reserves 01/01/2007	46.0	112.6	216.2

*P3 01/01/2007: excluding new exploration targets.

P1 reserves correspond to proven reserves.

P1 + P2 reserves cover, in addition to P1 reserves, probable P2 reserves.

P3 define possible reserves.

The reserves are detailed in Section 5.2 of this Annual Report.

Presentation of the Company and the Group

4.1 Background

Etablissements Maurel & Prom, created in 1813, were originally a trading company between Bordeaux and the West African French colonies. It was one of the leading shipping companies between France and Senegal, the Ivory Coast, Cameroon, Gabon and Congo until 1970, when the shipping sector began to decline.

After selling its real estate investments, the Company re-centred its activity on the agri-food sector (poultry farming, fisheries). Seventy-six percent controlled by Électricité et Eaux de Madagascar (“EEM”) at the beginning of 1996, the Company reduced its animal husbandry activity and gradually expanded into the maritime sectors, oil and gas services, gold and forest industries. The Company and EEM became two distinct legal entities in May 2000 (divestiture of EEM) to focus on its own activities.

Since 2000, under the momentum of its current chairman, Jean-François Hénin, Maurel & Prom has gradually focused on hydrocarbon exploration and production. Thus, the Company succeeded in gaining a reputation in this sector after a long track record in shipping and other sectors.

Early in 2001, Maurel & Prom was a start-up oil company, with Maurel & Prom’s production share amounting to 659 b/d and its workforce totalling 30 people. By the end of 2006, Maurel & Prom had become an oil company that had reached production, in Maurel & Prom share, of 45,449 b/d and employed 394 people. Maurel & Prom has become one of the very first independent oil companies to be listed in Europe in terms of reserves, production and consolidated net income.

Thanks to this ambitious growth strategy, Maurel & Prom now has a more balanced mining portfolio from a geographical view point as well as in terms of exploration/production.

On 21 February 2007, Maurel & Prom signed with the company ENI Congo S.A., an MOA providing for the transfer to ENI Congo S.A. of the Group’s equity interest in the operating permits of M’Boundi and Kouakouala in the Republic of Congo, as well as 50% of the 65% of interests in the Kouilou exploration permit held

by the Company. This transfer was carried out on 29 May 2007 with retroactive effect to 1 January 2007. A detailed description of this transaction is given in Section 4.3.1 of this Annual Report.

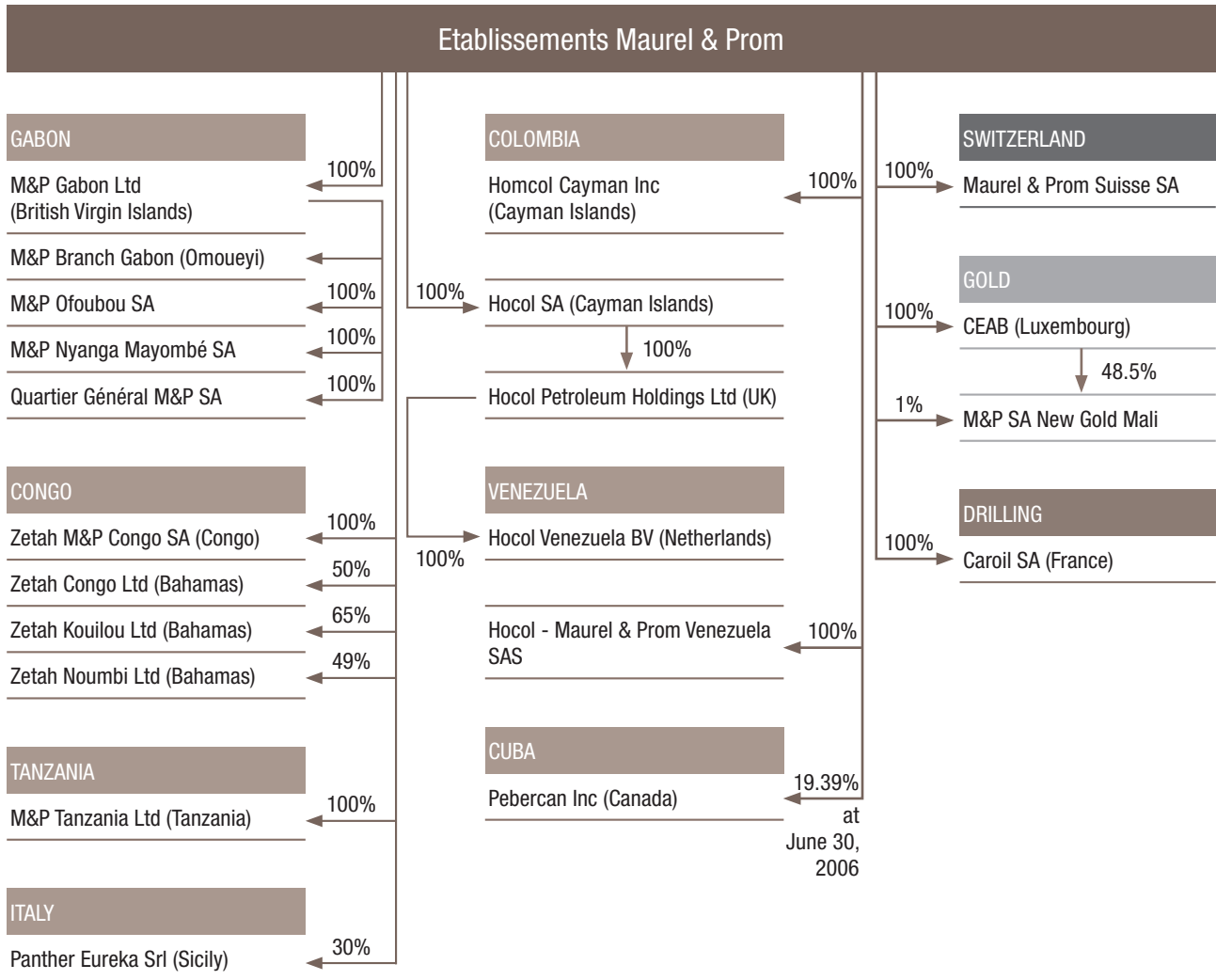
4.2 Description of the Group and its businesses

4.2.1 ORGANISATIONAL CHART OF SUBSIDIARIES

The organizational chart of the principal subsidiaries of the Maurel & Prom group (hereinafter the “**Maurel & Prom Group**” or the “**Group**”) on December 31, 2006 is given below.

Establishments Maurel & Prom is the holding company of the Maurel & Prom Group. As of December 31, 2006, the Company had an equity interest in two French companies, namely Caroil S.A. (drilling company) and Hocol–Maurel & Prom Venezuela SAS.

The percentages indicated in this organizational chart correspond to capital holding and voting rights (except for Zetah Kouilou Ltd (Bahamas) whose Articles stipulate that the Company only holds 54% of voting rights on certain subjects.



■ Subsidiaries involved in liquid and gas hydrocarbon exploration and production;
 ■ Subsidiary involved in the petroleum drilling business; and
 ■ Subsidiaries involved in various activities.

4.2.2 GROUP ASSETS

The assets of the Maurel & Prom group were, on December 31, 2006 and to date, distributed into two sectors:

- exploration, hydrocarbon production (oil and gas) and drilling; and
- various activities.

These activities are not dependent on seasonal constraints or specific periods.

Geographic location of oil and gas activities as of May 29, 2007:

Operation: Congo*, Colombia, Venezuela, Cuba.

Exploration: Congo, Gabon, Colombia, Tanzania, France, Italy, Peru, Syria.



* The sale of a sizeable part of the Group's interests in the Congo permits took place on May 29, 2007 (cf. description in Section 4.3.1 of this annual report).

The Gabonese permit Ofoubou Ankani, 95% owned by Maurel & Prom in 2005 was sold in July 2006.

4.2.3 LIST OF PERMITS AS OF DECEMBER 31, 2006

OIL AND GAS BUSINESSES				GOLD
CONGO	COLOMBIA	GABON	VENEZUELA	Cie Européenne & Africaine du Bois (CEAB)
Kouakouala * M&P: 66.67%	Palermo: 50% Rio Paez: 36.67% Casanare: 12.96%	Nyanga-Mayombé M&P: 100%	Bloc B2X 70/80 M&P: 26.35% (through La Empresa) Mixta Lagopetrol)	M&P: 100%
Kouilou * M&P: 65%	Corocora: 31.72% Estero: 31.72% Garcero: 31.72% Orocué: 31.72%	Omoueyi (Onal) M&P Gabon Ltd: 100%		New Gold Mali (NGM) CEAB: 49.5%
M'Boundi * M&P: 48.67%	Ortega: 69% San Jacinto: 36.67% Mundo Nuevo: 15%	Banio M&P: 50%	TANZANIA M&P 60%	
La Noumbi M&P: 49%	Tangara: 15% Doima: 100% Achira: 25.67% Upar: 35%	Etekamba M&P: 65%	SYRIA Block XI, Alasi M&P: 75%	
Tilapia M&P: 20%	Rio Cabrera: 65% Orquidea: 100% Saman: 50%			
Marine III M&P: 20%	Niscota: 20% Lince: 100% Guarrojo: 100% El Tigre: 100% Guepardo: 100% Humadea: 50% La Hocha: 100%	ITALY Panther Eureka M&P: 30%		

* The operating permits of M'Boundi and Kouakouala in the Republic of Congo, as well as 50% of the 65% of interests in the Kouilou operating permits held by the Company were sold on May 29, 2007 in the context of an MOA signed with ENI Congo S.A. A detailed description of this transaction can be found in Section 4.3.1 of this annual report.

The Gabonese Ofoubou Ankani permit, 95% owned by Maurel & Prom in 2005 was sold in July 2006.

4.2.4 CERTIFICATION OF RESERVES

The reserves of the Maurel & Prom Group were certified on January 1, 2007 (excluding M'Boundi and Kouakouala) by an independent agency, the American firm DeGolyer & MacNaughton (DMN).

This research firm is specialised in the petroleum industry. Its headquarters are located at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244.

DMN is known worldwide for the studies carried out on oil fields and reserves. For more than 60 years it has performed hundreds of thousands of studies on oil fields in more than a hundred countries. DMN's major clients are mostly oil companies, oil refining and chemicals companies, and financial institutions. More detailed information can be obtained from the DMN website, www.demac.com.

The certification methods used are based on the generally accepted international standards in the hydrocarbon sector. The certified reserves are described in paragraph 5.2 of this reference document.

4.2.5 DESCRIPTION OF BUSINESS LINES

4.2.5.1 Exploration

Maurel & Prom's primary business is exploration. Accordingly, a large portion of investments and a highly-qualified team are assigned to this business. Exploration first focused on the Congolese territories, then Maurel & Prom diversified its portfolio by entering into the permits located in other countries (Gabon, Italy, Syria, Tanzania, Colombia, Venezuela to name but a few). In fact, capital expenditure for exploration represented a total of €M113.1 in 2006.

Today, exploration has significantly refocused on Gabon and Colombia after the development of large discoveries in the Congo, especially on the M'Boundi permit.

4.2.5.2 Operation

Maurel & Prom develops fields on which discoveries are made and is responsible for transporting the crude oil drilled from the fields. The main fields developed until now are located in Congo, in particular the M'Boundi and Kouakouala fields (sold to ENI Congo S.A. in 2007, as indicated in Section 4.3.1 herein), in Venezuela and in Colombia. The operation of new fields could begin in 2007, including in particular Loufika in Congo and the Banio field in Gabon.

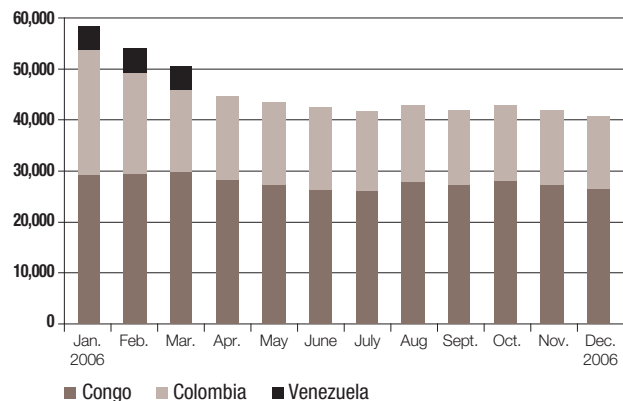
4.2.5.3 Drilling

Caroil's drilling operations are 100% owned by Maurel & Prom. They were initially dedicated to the Company's needs. Caroil operates nine drilling rigs and has currently diversified its client portfolio. Caroil seeks to relocate its rigs and enter into new agreements with third parties to supplement the drilling operations that it already carries out for the Company, for instance, on the Etekamba permit in Gabon.

4.2.5.4 Production

The year 2006 was marked by the full year consolidation of Hocol's production, and stabilization at a high level of M'Boundi's production in Congo. Despite the retrocession of the Tello concession in Colombia in February 2006; the provisional suspension of the contribution to Venezuela since April 1, 2006; and the reduction of interests from 54% to 48.6% on the M'Boundi field, due to the 10% disposal of rights to SNPC with effect from January 1, 2006; production in terms of Maurel & Prom's share increased by 21% to 45,449 b/d in 2006.

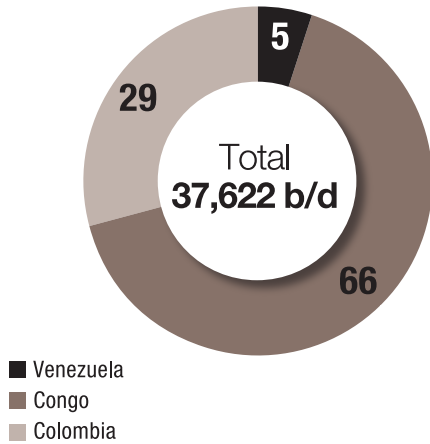
MAUREL & PROM'S SHARE OF PRODUCTION IN B/D



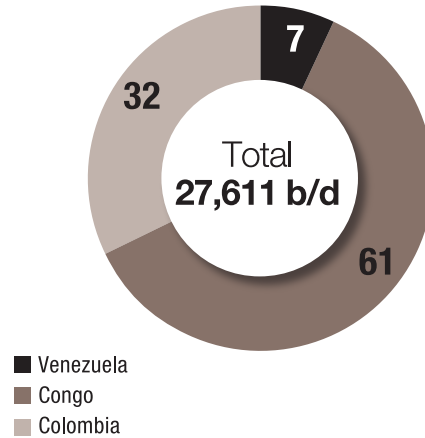
In January 2006, Maurel & Prom's share in the M'Boundi field fell from 54% to 48.6%. As from October 1, 2006, Maurel & Prom's share in the Kouakouala field rose from 50% to 66.67% following the acquisition of the interests of Heritage Oil and Gas. The figures below reflect the changes to the basis of consolidation.

Note that in 2005 Hocol Colombia's production was recognized in the accounts for 149 days, versus 365 in 2006 and Venezuela's production over 90 days in 2006 versus 149 days in 2005.

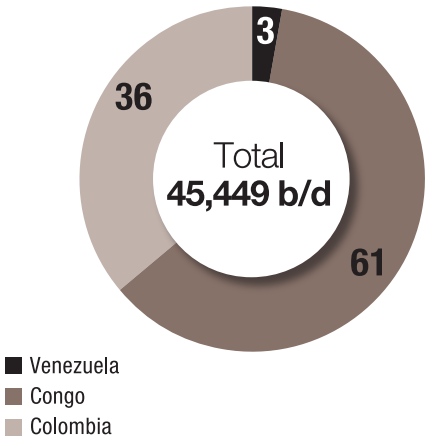
MAUREL & PROM'S PRODUCTION SHARE - 2005



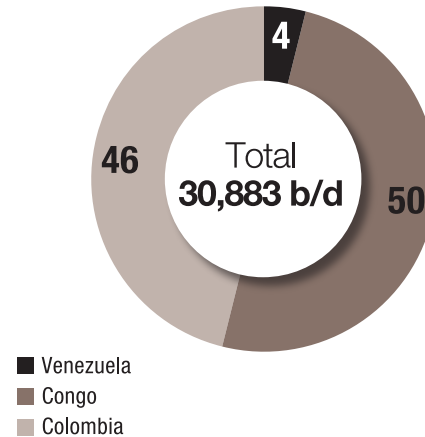
**AVAILABLE-FOR-SALE ASSETS - 2005
after petrol tax requirements**



MAUREL & PROM'S PRODUCTION SHARE - 2006



**AVAILABLE-FOR-SALE ASSETS - 2006
after petrol tax requirements**



On average, Maurel & Prom's production share was 45,449 b/d in 2006 versus 37,622 b/d in 2005, i.e., growth of 21%.

On average, the Group's production share was 30,883 b/d in 2006 versus 27,611 b/d in 2005, i.e., growth of more than 12%.

The Group's reduced production growth compared with that of Maurel & Prom was due to the higher taxes levied on the oil industry, especially in Congo, where taxes increased from 32.6% in 2005 to 43.9% in 2006 with the desaturation of the Cost Oil of the historic costs for M'Boundi's development.

In Congo, the Company has been selling its production to Socap (a wholly-owned subsidiary of Total) at N'Kossa grade prices since January 1, 2006). This grade, which is equivalent to a light oil, enjoys a significantly lower below-par rating (-\$2.4 on average per barrel sold over 2006 as a whole) on Brent than the Djeno grade, which, as a heavier oil, attracts a larger discount (- \$ 6.25 on average per barrel sold).

The increase in overall production reflects the principal changes in the basis of consolidation, namely:

- recognition of Hocol in the accounts for the whole of 2006 compared to 149 days in 2005 following the acquisition of Hocol assets (Colombia, Venezuela) on August 4, 2005;
- retrocession of the Tello concession in Colombia on February 14, 2006;
- in the Congo, the disposal of 10% of the rights in M'Boundi to the SNPC, with effect from January 1, 2006, reduced Maurel & Prom's stake in the field down from 54% to 48.6%;
- the suspension of Venezuela's contribution as from April 1, 2006 while awaiting the result of ongoing negotiations for the conversion into an "Empresa Mixta"; and
- acquisition of the rights of Heritage in Kouakouala up to 16.67% thereby raising Maurel & Prom's share in this permit to 66.67% as from October 1, 2006 until January 10, 2008.

4.2.5.5 Exceptional events

None.

4.2.5.6 Supplier relations

The Company has no major commercial relationship with any supplier since the cessation of business between Caroil and Romfor.

Note that, 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 and spare parts and construction of new drilling rigs. The termination date of this contract was set at September 30, 2007. The consideration for the services performed was satisfied, inter alia, by payment of a 25% equity stake in the profits earned on operating certain wells.

In January 2007, the arbitration action initiated by Romfor was settled by an amicable agreement, thereby finally concluding the

arbitration action in April 2007. The termination of this business relationship, effective as of December 31, 2006, will have no impact on 2007 results.

4.2.5.7 Customer relations

Maurel & Prom does not have a significant customer relationship with any company other than with Socap, a wholly-owned subsidiary of Total, in Congo, and in Colombia with companies specialized in the sale and trading of crude. Socap collects and sells the crude oil from the various fields operated by Maurel & Prom in Congo. Because of Socap's high credit worthiness, the Company considers that there is no customer risk. Completion of the asset sale to ENI Congo S.A., as described under Section 4.3.1 of this annual report, will help to reduce dependence on Socap in the sale and marketing of the Group's global production.

In Colombia, production is sold to traders such as Taurus and Glencore based on signed agreements following tender offers ranging from three to six months. Payment is guaranteed by letters of credit issued by international banks.

4.2.5.8 Competitive position

The Company's competitive position is described under Section 7.3.4 of this reference document.

4.3 Highlights in 2007

4.3.1 SALE TO ENI CONGO S.A.

4.3.1.1 Description of the transaction

On May 29, 2007 backdated to January 1, 2007, Maurel & Prom sold its equity stake in the M'Boundi and Kouakouala operating permits to the oil company ENI Congo S.A., a subsidiary of Italian group ENI S.p.A, and sold a portion of its interest in the operating permit thereby reducing it from 65% to 15%.

Pursuant to the sale agreement dated February 21, 2007, Maurel & Prom received \$1.394 billion representing 95% of the sale price plus \$32.3 million in interest on this amount (based on the 3-month Libor rate of US\$ LIBOR 3 months + 0.5% since January 1, 2007).

The remaining 5% will be paid on the final settlement scheduled to take place by the end of August. This final settlement will also include a price adjustment that will be calculated on the balance of sales, funds called and working capital as of January 1, 2007.

The sale price will be adjusted such that as of the completion date of the transaction, Maurel & Prom will receive payment for current assets and will pay for current liabilities arising prior to January 1, 2007. Maurel & Prom will also be refunded for expenses incurred on behalf of ENI Congo S.A. with effect from January 1, 2007 and will repay all operating revenues received since January 1, 2007 to ENI Congo S.A. Maurel & Prom has also granted ENI Congo S.A. certain customary warranties and guarantees related thereto.

This transaction provides the Group a return for the value the Group has created in Congo over the last six years. It also illustrates Maurel & Prom's capacity to carry out major asset transactions as the opportunity arises provided they are in the interests of the Company and its shareholders.

The transaction covers 45% of the Group's proven and probable reserves as certified by DeGolyer & MacNaughton as of January 1, 2006 and represents €9.10 per share (based on €1 = \$1.31 and 120,189,607 shares).

Following this transaction, the Company will have to decide on the allocation of the sale proceeds with a view to paying a dividend, subject to the approval of the shareholders general meeting on June 14, 2007. An ordinary dividend of €0.50 and an additional dividend of €0.70 or €2 per share, as decided by the shareholders, will be recommended to shareholders at the general meeting. The sale proceeds may also be used to repay operational debt and to fund the potential repayment of the OCEANE convertible bonds, to step up development and exploration programs, or to fund any potential future M&A transactions.

4.3.1.2 IMPACT OF THE TRANSACTION

(1) ON THE COMPANY'S BUSINESS

Following this transaction, the Company remains present in Congo with equity stakes in various permits as follows:

- 20% stake in Tilapia alongside Société Nationale des Pétroles du Congo ("SNPC") with 35% and PrestOil (operator) with 45%; and
- 20% stake in Marine III alongside SNPC with 25% and PrestOil (operator) with 55%.

Maurel & Prom also retains a 15% interest in the Kouilou operating permit and a 49% interest in the Noumbi operating permit, which it operates.

The Group has already made operational investments in these permits that will continue in 2007.

(2) ON INVESTMENTS

In 2007, Maurel & Prom's dynamic operating policy will be pursued in Western Africa, both in Congo and Gabon. Maurel & Prom also plans to continue its evaluation of the drilling potential in Sicily, Syria, Tanzania, Colombia and Peru. Overall, the Company's 2007 exploration costs are estimated at €M86.

2007 will also see considerable investments in acquisitions estimated at €162m, principally in Colombia and Gabon with the Banio field and, above all, the Onal field, which alone accounts for over €80m of the total planned investment in 2007.

Note that the budgeted acquisition and exploration investment represents estimates of the Group's technical costs for these projects.

(3) ON THE COMPANY'S PRODUCTION

There will be a large impact on 2007 results due to the sale of the Group's equity stakes in the Congo-based M'Boundi et Kouakouala fields to ENI Congo S.A.

As of January 1, 2007, the Group's proven reserves (excluding M'Boundi and Kouakouala) amounted to 46.0 Mboe (P1) and its proven and probable reserves at 112.6 Mboe (P1+P2), as certified by DeGolyer & MacNaughton as of January 1, 2007 and stated in the table below. These represent the Company's interest in each permit minus royalties. The calculation is consistent with the terms of each joint production contract.

Excluding the Congo reserves of 43.9 Mboe sold to ENI Congo S.A. in 2007, the proven reserves fall by 13.0 Mboe in absolute terms but increase by 4.0 Mboe if we take account of the 14.4 Mboe of production. The proven and probable reserves fall by 28 Mboe taking account of the 2006 production and the sale to ENI Congo S.A.

In 2007 following this transaction, the Group's share of oil production for sale is estimated at around 14,000 b/d. This estimate includes 1,000 b/d for the start of production at Banio in Gabon during the second half year and 1,200 b/d for Venezuela over the full year.

The Company has set a target to achieve by 2009 the same level of oil production for sale as 2006, which was 30,000 b/d including 5,000 b/d on as yet unidentified projects, largely due to development of the Onal field, for which production is expected to start during the second half of 2008.

This transaction values a major portion of reserves that the Group has discovered in the last few years and confirms its strategy to add value in the Exploration & Production sector. Consequently, Maurel & Prom Group now has major funding at its disposal and will step up its exploration program for its entire present and

future mining activities, particularly in Colombia, Congo, Gabon, Sicily, Syria and Tanzania.

The transaction's impact on reserves is summarized in the table under Section 5.2 of this annual report.

4.3.1.3 Accounting treatment

Total assets and liabilities involved in the sale to ENI Congo S.A. amounted to €M314 on December 31, 2006, and can be broken down as follows:

Intangible assets	€M82
Tangible assets	€M196
Current assets	€M55
Current liabilities	€M19

The transaction has no impact on the Group's consolidated accounts for year ended December 31, 2006, since the conditions for inclusion were not satisfied as of the balance sheet date.

The 2007 sale of certain Congo-based assets is given in Note 27 "Post-balance sheet events" to the consolidated financial statements for the year ended December 31, 2006, and is subject to certain conditions that to date are still outstanding.

In the 2007 half-year financial statements, the permits sold to ENI Congo S.A. are treated as discontinued activities in accordance with Regulation IFRS 5, which requires the prior year's income statement to be adjusted.

Consequently, in respect of 2006 and 2007, the years presented, Maurel & Prom will provide:

- a single line in the income statement including (i) income, costs and income after tax of discontinued activities, and (ii) after-tax loss or profit recorded following adjustment to the fair

value less selling costs, or the loss or gain on sale of assets or group of assets that are being terminated included in the discontinued activities;

- an analysis of the income statement line in the notes, for example: (i) income, costs and income before tax of the discontinued activities; (ii) the related tax charge; and (iii) pre-tax loss or profit recorded following adjustment to the fair value less selling costs, or the loss or gain on sale of assets or group of assets that are being terminated included in the discontinued activities and the related tax charge; and
- the net cash flows relating to operating, financing and investing activities, of the discontinued activities (in the Appendix).

In accordance with Regulation IFRS 5, the 2007 opening balance sheet is not restated.

Had the sale taken place on January 1, 2006, sales would have amounted to €M328.6.

4.3.2 OTHER KEY EVENTS

4.3.2.1 Renegotiation of the Reserve Based Loan (RBL)

In view of the Group's growth, notably in South America, the Company decided to restructure its bank debt to take advantage of improved conditions both in terms of interest rates and duration. In July 2006, a new \$M350,000 overdraft facility secured on the Group's Congo-based and Colombia-based reserves was negotiated with a banking consortium jointly led by Natexis and BNP Paribas.

Furthermore, the lead banks for the RBL agreed to waive their lien over the Group's Congo-based assets to allow the sale to ENI Congo S.A. mentioned under Section 4.3.1 of this annual report.

Company activities

The year was marked by buoyant activity in terms of both production and exploration. Indeed, Maurel & Prom intensified its exploration programme and acquired numerous exploration permits. The Company chose to make an important arbitrage in its portfolio by selling part of its Congolese assets to ENI Congo S.A.

5.1 Group activities and year's highlights

5.1.1 COMPANY'S SITUATION OVER THE PAST FISCAL YEAR

5.1.1.1 Oil and gas activities

In 2006, Maurel & Prom Group once again enjoyed strong growth sustained by a buoyant situation in the oil industry. Sales increased 43% in comparison with the previous year (from €M407.7 in 2005 to €M583.7 in 2006) and net income increased 80.3% (from €M100.2 in 2005 to €M180.7 in 2006).

Growth primarily stemmed from extensive development in Congo, particularly on the M'Boundi oil field whose operated production increased from 44,408 b/d in 2005 to 56,106 b/d in 2006 (up 26.3%).

This growth was also attributable to the success of Maurel & Prom Group's diversification operations carried out in 2005 with the acquisition of Hocol in Colombia and Venezuela and the mining area held by Rockover Oil & Gas in Gabon. Thus, the Latin American division's contribution to Group production available for sale amounted to 15,400 b/d, i.e., 50% of the Group's total production available for sale in 2006 (30,883 b/d).

At the same time, the major exploration/evaluation campaign conducted in Gabon led to the launch of the Onal development project which will require over €M200 in capital expenditures for the whole of the project with the start-up of production expected in the second half of 2008 at an estimated output of 15,000 b/d, 100% upon start-up using water injection. Additional exploration/evaluation work will be conducted at Onal in 2007 and 2008 on this major new development of Maurel & Prom in Gabon.

The year 2006 was also marked by a sharp increase in exploration expenses, which went from €M45 in 2005 to €M113 in 2006 (up 152%) with the drilling of 18 exploration/evaluation wells and re-opening of two wells. The cost of this exploration effort was offset by positive results in Gabon at Onal and Etekamba, in Congo at upper Loufika, in Colombia at Doima/Ortega (gas) and in Tanzania at Mkurunga with a positive gas test. The discoveries made within the scope of the 2006 exploration programme will require evaluation and development in 2007 and 2008. On the other hand, disappointments were experienced in Hungary, in Senegal, in Congo at Kouilou for the Vandji objective with Loufika 1, in Colombia for Tangara and Rio Cabrera and in Gabon for two wells of the Etekamba permit.

On March 30, 2006, changes in Venezuelan law put an end to the service contract held by Hocol. Ongoing negotiations throughout 2006 led to the signing of a statement of agreement with PDVSA in March 2007 for the transformation of Hocol's oil activities into a mixed enterprise in 2007. This agreement is subject to approval by the Venezuelan National Assembly. Since April 1, 2006, the contribution of Venezuela has not been taken into account by Maurel & Prom.

5.1.1.2 Drilling activities

Further to the projects announced in 2005, the activities of Caroil—a fully owned subsidiary of Maurel & Prom—increased sharply. For 2006, Caroil's sales exceeded €M87 (up 74% over 2005) contributing €M43 to consolidated sales (up 95% over 2005).

In order to enable it to continue its commercial and geographic diversification and consolidate its orders, the Caroil subsidiary should remain within Maurel & Prom Group in 2007. It has thus been decided to defer the project to sell this company as envisaged in 2006 and increase its resources.

On December 31, 2006, the company had nine drilling rigs, eight of which were under operation. On that date, as in the previous year, three rigs were on order. In terms of geographical location, Caroil has seven oil rigs in Congo, one in Tanzania and one in Gabon.

5.1.1.3 Changes in the scope of consolidation in 2006

In the first quarter 2006, the Congolese Parliament approved the amendments to the production-sharing contracts concerning the Kouilou (M'Boundi) and Kouakouala permits:

- Maurel & Prom's rights in the M'Boundi (Kouilou) exploitation permit are extended until 2030, instead of 2017, in exchange for the transfer of 10% of Maurel & Prom's rights to Société Nationale des Pétroles du Congo (SNPC). On January 1, 2006, these rights thus went from 54% to 48.6%.
- Concerning Kouakouala, the exploitation permit will be extended from 2008 to 2023, while Maurel & Prom's rights will remain unchanged at 50% after January 10, 2008.

Lastly, the Parliament approved the bill ratifying the Noubi production-sharing contract (Maurel & Prom operator, 49%).

In accordance with the acquisition contract, in the first half-year, Maurel & Prom booked a price supplement on the acquisition of Rockover Oil & Gas, corresponding to an adjustment of \$0.90 per barrel on reserves exceeding 30 Mboe. As the amount of P1 + P2 reserves certified by DMN on January 1, 2006 totalled 54 Mboe, Maurel & Prom paid \$M20.2 to Rockover Oil & Gas at the end of September 2006.

Via its subsidiary Hocol, Maurel & Prom won a bid in September for the exploration of Colombia's Niscota block (623 km²) in the prolific Llanos area, in partnership with Total (50%), Talisman (30%) and Hocol operator (20%). Five other permits were obtained in Colombia during fiscal 2006: Humadea, Saman, Lince, Guarrojo and Guepardo.

Maurel & Prom bought 16.67% Heritage rights in Kouakouala, thereby increasing its share in that permit to 66.67% as from October 1, 2006 and until the termination of those rights in January 2008.

In October 2006, Maurel & Prom signed a farm-in contract with Prestoil Kouilou and SNPC (Société Nationale des Pétroles du Congo) in Congo to enter into the two permits of Tilapia (Prestoil operator, 45%) and Marine III (Prestoil operator, 55%). Under the terms of this contract, Maurel & Prom now has a 20% share in each permit.

In November 2006, Maurel & Prom (operator, 75%) moved into Syria with the signing of an exploration permit for block XI, Alasi (8,426 km²) located on the Lebanese border, with the Syrian Petroleum Company, the Oil Ministry and PetroQuest (25%).

Moreover, at the end of 2006, Maurel & Prom entered into negotiations for the signing of a farm-in contract with Transworld in Gabon on the Etekamba permit (773km²). The allocation process was approved on February 20, 2007.

The sale of Pointe Indienne to the African Oil & Gas Corporation for \$150,000 took effect on January 1, 2006.

5.2 Maurel & Prom Group's oil reserves

Maurel & Prom Group's reserves (excluding M'Boundi and Kouakouala) were certified on January 1, 2007 by an independent U.S. body, DeGolyer & MacNaughton (DMN).

The certification methods used are based on the generally accepted international standards applied in the hydrocarbon industry.

The chart below summarizes the reserve data (excluding M'Boundi and Kouakouala) certified by DMN on January 1, 2007 excluding the fields of M'Boundi and Kouakouala which were sold to ENI Congo S.A.:

Regions	M&P Reserves (royalties deducted) Mboe *	P1	P1+P2	P3 **
Congo	Reserves at 01/01/2006	52.4	122.2	62.5
	2006 production	-8.6	-8.6	-
	Purchase	0.1	0.4	0.5
	Sale	-43.9	-114.0	-63.0
	Revision	-	0.3	0.4
	Reserves at 01/01/2007	-	0.3	0.4
Gabon	Reserves at 01/01/2006	5.4	54.1	58.3
	2006 Production	-	-	-
	Gabonese government	-2.7	-6.9	-
	Revision	13.8	-4.3	53.7
	Reserves at 01/01/2007	16.5	42.9	112.0

Regions	M&P Reserves (royalties deducted) Mboe *	P1	P1+P2	P3 **
Europe	Reserves at 01/01/2006	-	8.7	83.2
	2006 production	-	-	-
	Revision	-	-	-
	Reserves at 01/01/2007	-	8.7	83.2
Latin America	Reserves at 01/01/2006	45.1	84.0	18.2
	2006 production	-5.8	-5.8	-
	Revision	-9.8	-17.5	2.4
	Reserves at 01/01/2007	29.5	60.7	20.6
Total	Reserves at 01/01/2006	102.9	269.0	222.2
	2006 production	-14.4	-14.4	0.0
	Purchase	0.1	0.4	0.5
	Gabonese government	-2.7	-6.9	-
	Sale	-43.9	-114.0	-63.0
	Revision	4.0	-21.5	56.5
	Reserves at 01/01/2007	46.0	112.6	216.2

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

(**) P3 01/01/2007: excluding new exploration targets.

P1 reserves correspond to proven reserves.

P1 + P2 reserves comprise P2 probable reserves in addition to P1 reserves.

P3 reserves refer to possible reserves.

On January 1, 2007, proven reserves amounted to 46.0 Mboe (P1) while proven and probable reserves (P1+P2) amounted to 112.6 Mboe. They represent the share of Company interests in each of the permits, after deduction of royalties. The reserves are calculated in accordance with the terms of each production-sharing contract.

If we exclude the Congolese reserves sold to ENI Congo S.A. in 2007 (43.9 Mboe), the value of proven reserves drops in absolute terms by 13.0 Mboe (down 14.4 for production, up 0.1 in purchases, down 2.7 for the share of the Gabonese government and up 4.0 in upward revision). Proven and probable reserves are down 28 Mboe if we take account of the 2006 production and the sale to ENI Congo S.A.

This change is essentially due to the advance booking of the Gabonese government's future share (15%) in the Onal field (down 6.9 Mboe), and the imposed renegotiation of the service contract into a mixed enterprise in Venezuela (down 17.5 Mboe).

On January 1, 2007, the Company had nine years of P1 reserves and 22 years of P1+P2 reserves at a production output of 14,000 b/d (Maurel & Prom's share after deduction of royalties on January 1, 2007 and after the sale of the Congolese assets). The Company is banking on the same production output target in 2007.

The reserve levels were assessed by DMN according to current economic conditions and using existing geological and engineering data in order to estimate the quantities of hydrocarbons that can be produced. The assessment process implies subjective judgements and may lead to later revaluations, as knowledge of the oilfields improves.

Lastly, under the terms of its production-sharing contracts in Congo and Gabon, Maurel & Prom has its expenses refunded in the form of barrels. A rise in the price of the barrel therefore implies a drop in the number of barrels attributable to Maurel & Prom against its expenses.

5.3 Analysis of earnings by business segment and geographical zones

5.3.1 FINANCIAL SITUATION

5.3.1.1 Explanation of changes in net sales and net income

Sales by segment

<i>in €M</i>	Oil/gas production	Drilling	Other	Total
2006	537.2 (92.0%)	43.0 (7.4%)	3.5 (0.6%)	583.7
2005	383.5 (94.1%)	22.1 (5.4%)	2.1 (0.5%)	407.7
2004	80.9 (79.8%)	15.4 (15.2%)	5.0 (5.0%)	101.3

The overall increase in sales was primarily driven by the oil and gas production business which rose 40.1% between 2005 and 2006. Since 2004, sales have increased by nearly 480%.

Sales by geographical zone

<i>in €M</i>	Congo	Colombia Venezuela	Other	Total
2006	327.2 (56.1%)	249.9 (42.8%)	6.6 (1.1%)	583.7
2005	256.1 (62.8%)	149.5 (36.7%)	2.1 (0.5%)	407.7
2004	97.4 (96.1%)	n/a	3.9 (3.9%)	101.3

The geographical sales trend shows a steady decline in the weight of Congo (oil and gas production as well as drilling) from 96.1% in 2004 to 62.8% in 2005, and falling to 56.1% in 2006. This change corresponds to the geographical diversification carried out by the Group with the acquisition of Hocol, consolidated in the accounts since August 4, 2005.

5.3.1.2 External factors with significant influence on activities

The external factors with the greatest influence on the Group's results include the productivity of oil fields, international oil prices expressed in dollars and their conversion into euros in the accounts. The €/€ conversion rate is based on data obtained from Banque de France.

Le taux de conversion €/€ est tiré des données de la Banque de France.

	2006	2005	2004
Brent price (\$/b)	65.1	54.5	38.3
Price of WTI (\$/b)	66.1	56.6	41.5
€/€* paritu	1.26	1.24	1.24

* Average parity of the exchange rate used in financial year 2006.

Hocol's entry into the basis of consolidation had a material impact on earnings and the balance of balance sheet items for both assets and liabilities with the issue of OCEANE convertible bonds (for a total of €M375) in 2005.

Political risks that may directly or indirectly impact the Company's operations are described in Section 7.2.1 of this annual report.

5.3.2 BREAKDOWN OF 2004 SALES AND OPERATING INCOME FOR MAUREL & PROM GROUP BY BUSINESS LINE AND GEOGRAPHICAL MARKET

Concerning the breakdown of sales and operating income by business segment and geographical zone, please refer to Note 26 "Segment Reporting" in the consolidated financial statements, Section 13.21 of this annual report.

5.4 Other information on the income statement

The figures below come from the consolidated financial statements.

<i>In thousands of euros</i>	2006	2005	2004
Operating income	272,131	161,368	46,665
Income before tax	229,182	115,514	45,206
Tax on income	-45,995	-17,266	-196
Net income of consolidated companies	183,187	98,248	45,010
Share of companies consolidated on an equity basis	-2,522*	2,033	1,615
Goodwill amortisation	0	0	0
Net income of the total consolidation	180,665	100,280	46,625

* The share of Pebercan's income is included as of June 30, 2006

Whereas there was a major impact on 2005 operating income due to a €M20.9 impairment charge on the Vietnam gas assets, 2006 operating income was very close to 2006 current operating income.

The 2006 increase in the tax charge is largely due to the acquisition of Hocol group. The difference arises from consolidating Hocol's results for a full year rather than just for 5 months as in 2005.

The share of companies consolidated on an equity basis increased from €M1.5 in 2004 and €M2 in 2005 to a loss of €M2.5 in 2006. The earnings consolidated in 2006 break down as follows:

- €M1.5 income from Pebercan (19.39% as of June 30, 2006);
- €M2.5 loss from Raba Xprom Energia Kft (63.64%); and
- €M1.5 loss from Panther Eureka Srl (30%).

Lastly, net income of the total consolidation increased by 80.2% between 2005 and 2006 largely due to the 68% rise in current operating income.

5.5 Results of oil and gas activities by region

The Group's oil and gas activities are being developed in three main geographic regions: Africa, Latin America and Europe.

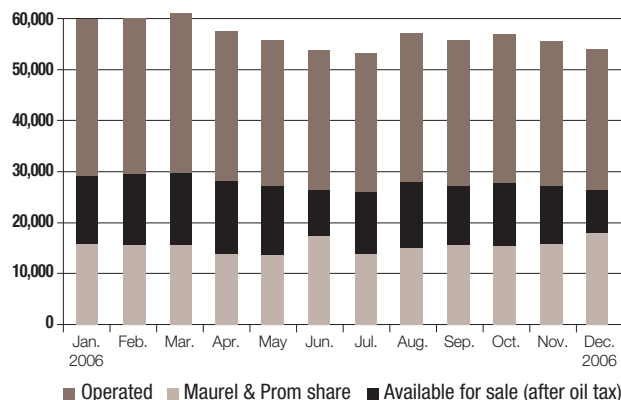
5.5.1 RESULTS/AFRICA

5.5.1.1 Congo

Congo sales arise from the M'Boundi (98%) and Kouakouala (2%) oil fields and came in at €M287.1, up 24% from €M231.7 in 2005, boosted by a 26% increase in the production operated by Maurel & Prom (45% increase in first half 2006), a reduced share from 54% to 48.6% on M'Boundi and a sharp rise in the crude oil price compared to 2005.

The average price per barrel sold in Congo was \$62.7/b in 2006, up 30% over 2005 (\$48.2/b) due to the rise in the benchmark price and because since January 1, 2006, the Company sells to Socap (a wholly-owned subsidiary of Total) at the price for N'Kossa quality. This quality representing light oil has a much lower discount vs. Brent (-\$2.4 per barrel on average throughout 2006) than Djeno quality, which, as a heavier oil, had a larger discount (-\$6.25 per barrel on average in 2005).

PRODUCTION OF THE M'BOUNDI AND KOUAKOUALA FIELDS in b/d



The daily production operated by Maurel & Prom increased from 46,079 b/d in 2005 to 57,041 b/d in 2006. Maurel & Prom's share of the production before royalties increased 12% from 24,839 b/d to 27,768 b/d, despite the sale of 10% of M'Boundi rights to SNPC.

In conjunction with transferring to N'Kossa quality, early in 2006 the Group took out a €M6.5 loan with interest at Libor + 3.5% to fund its share in the M'Boundi association for a new crude storage tank at the Djeno terminal. This loan is repayable in three equal annual instalments falling due on December 31 each year.

M'BOUNDI - MAUREL & PROM OPERATOR

SHARE 48.6%

The number of wells in production increased from 40 wells at January 1, 2006 to 56 wells at December 31, 2006. There were 21 wells at January 1, 2005.

The average operated production in 2006 amounted to 56,106 b/d up from 44,408 b/d in 2005.

The first phase of water injection was completed during the second half. Execution of this initial phase required \$M34 with an injection objective of 20,000 b/d of water. The second phase was started at the end of 2006 with an injection objective of 60,000 b/d of water.

A transfer agreement with ENI Congo S.A. was signed on February 21, 2007, under the terms of which the Company relinquished its share in the operating permit on May 29, 2007. The transfer is backdated to January 1, 2007. The transaction is described in Section 4.3.1 of this annual report.

KOUAKOUALA - MAUREL & PROM OPERATOR

SHARE 66.67%

On September 30, 2006, Maurel & Prom which held a 50% equity stake in the association purchased 16.67% of Heritage Oil (which held a 25% stake). This acquisition gives Maurel & Prom 66.67%

of the Kouakouala permit until January 2008. After that date, the Maurel & Prom holding will drop back to 50%.

In 2005, the number of wells in production rose from three to four. The number of wells in production remained at this figure in 2006.

Average annual production stood at 935 b/d in 2006 against 1,518 b/d in 2005 (during first half 2005, the figure was 1,764 b/d). The fall in production is linked to the natural decline of this field.

In addition, drilling at Boubissi showed hydrocarbon reserves that are too heavy to be brought into production using conventional techniques.

Following the asset sale to ENI Congo S.A., the Company relinquished its share in this production permit. This agreement is detailed in Section 4.3.1 of this annual report.

KOUILOU - MAUREL & PROM OPERATOR

SHARE 65%

In March 2006 the SNPC abandoned the acquisition of rights in the Kouilou exploration permit.

In the second half of 2006 the Loufika PF-1D exploration well, whose initial objective was to explore the Vandji sandstone from a structure located 35 km south-east of the Kouakouala field, showed a new type of reservoir of shallow depth (550 m). In this well the sandstone reservoir shows a thickness of 100 m of which the upper 50m are oil-bearing. In 2007 the association plans to drill several wells to assess the extent of the reservoir.

Two other exploration wells concerning the Vandji were drilled. The Loufika-1 exploration well had been drilled in August 2006, but had not hit the reservoir.

The Tioni-1 well was being drilled at the end of 2006. It was stopped on February 22, 2007 because of failure to find oil.

Following the asset sale to ENI Congo S.A., Maurel & Prom's holding in this permit changes from 65% to 15%. The purchase agreement is described in Section 4.3.1 of this annual report.

TILAPIA - PRESTOIL OPERATOR - MAUREL & PROM

SHARE 20%

Maurel & Prom has acquired a 20% interest in the Tilapia liquid hydrocarbons operating permit, other interested parties being the Société Nationale des Pétroles Congolais (hereinafter "SNPC") and Prestoil, operator of the permit, holding 35% and 45% respectively.

MARINE III - PRESTOIL OPERATOR - MAUREL & PROM

SHARE 20%

Maurel & Prom has acquired a 20% interest in the Marine III liquid and gaseous hydrocarbon exploration permit, other interested

parties being the SNPC and Prestoil, operator of the permit, holding 25% and 55% respectively.

LA NOUMBI - MAUREL & PROM OPERATOR

SHARE 49%

During the ordinary session of March 4, 2006 the Congolese Parliament approved the terms of the Production Sharing Contract for La Noumbi. Of the 812 km of 2D seismic analyses covered by the permit, 560 km have been completed and are now being processed.

The Doungou exploration well is scheduled to be drilled during 2007.

5.5.1.2 Gabon

The activities of Maurel & Prom in Gabon are devoted to exploration and developments now under way on the permits Omoueyi (Onal field), Nyanga Mayombe (Banio 2 wells) and the Kari TEA.

Following a disappointing drilling campaign in 2005, Maurel & Prom decided to abandon exploration on the Ofoubou Ankani permit, which was surrendered at maturity on July 24, 2006.

OMOUEYI - MAUREL & PROM OPERATOR

SHARE 85%

(after the gabon government transfer as shown in section 5.8.1.5 of this annual report).

A drilling campaign lasting some 6 months was undertaken during the first half of 2006.

Five of the six wells drilled showed eruptive anhydrous product, with a paraffin-rich oil of 32 to 35 API.

Following these favourable results, Maurel & Prom asked for and obtained on December 13, 2006 an Authorisation for Exclusive Operation with a duration of 10 years, renewable once for the same duration.

On this basis studies and engineering work were begun. These concerned the drilling of development and assessment wells, production centre engineering, technical and financial studies for evacuation solutions, environmental impact studies and preparation for water injection.

In spite of the complexity of the project, due essentially to the characteristics of the oil and the natural environment, Maurel & Prom Gabon has scheduled work on the production and collection centres to start in April 2007, and pipe laying from September 2007. This should lead to the start of production in the second half of 2008.

In addition, an international invitation to tender for seismic data acquisition on the Omoueyi permit has resulted in the allocation of a 2D seismic campaign for more than 1000 km to

TNG International Gabon. An aerial magnetometry campaign has been started.

The results from these two campaigns are expected to provide specifications for the additional exploration work on the permit and to guide the development and assessment of the Onal field.

Former shareholders of Rockover Oil and Gas have the option of increasing their stake in the Omoueyi permit to 10%.

NYANGA MAYOMBE - MAUREL & PROM OPERATOR SHARE 100%

Maurel & Prom Gabon has received authorisation to proceed with a test of long duration (9 months) on the Banio 2 wells drilled by Elf Gabon in 1975. This production will be exported via the existing Perenco installations.

The technical and administrative authorisations (in particular as regards the environment) were negotiated during 2006 and work started in December of that year. A production of around 1,000 b/d is expected over the duration of this lengthy test, scheduled for the second half of 2007.

Former shareholders of Rockover Oil and Gas would have the option of participating in the Banio permit at up to 50% if an Authorisation for Exclusive Exploitation is received for this permit.

KARI TEA - MAUREL & PROM OPERATOR SHARE 100%

On the basis of information provided by the Gabon Hydrocarbons Directorate and by the previous operators, Maurel & Prom Gabon is preparing an overall study to be presented to the Gabon national authorities in June 2007. A Production Sharing Contract may be required in the event of a positive result from this study.

ETEKAMBA - MAUREL & PROM OPERATOR SHARE 65%

The signing of a Farm-in agreement for this exploration permit was confirmed by the Gabon authorities on February 20, 2007, with Maurel & Prom as operator with the obligation of financing three drilled wells by end 2006 and early 2007 and a 65% share, the American company Transworld holding the remaining 35%.

The three wells were drilled at end 2006 and early 2007. Two of them did not show the presence of hydrocarbons and the third, after gas testing, is being analysed.

5.5.1.3 Senegal

In spite of the success of well DN15 in April 2006 (gas at 400,000 cu.ft./day) which confirmed the interest of this exploration, Maurel & Prom has decided to abandon this financially marginal project and negotiate the sale of its active share in this permit.

5.5.1.4 Tanzania

The drilling of the Mkuranga-1 well (in which Maurel & Prom has a 60% interest) began on September 9, 2006 with a final objective of 3,200 m depth, and revealed gas in the Ruaruke formation (Upper Cretaceous) at a depth of 2,030 m. During isochronous tests the well showed a stabilised flow of 19.2 million cubic feet per day on a choke nozzle of 48/64" and a head pressure of 1,465 psi over a period of 4 hours. These parameters were confirmed by a 4 day production test followed by pressure restoration. The drilling site is 5 km from the gas pipeline to Dar-es-Salam.

Complementary oil operations are scheduled for 2007 to evaluate this gas discovery and continue the exploration of the permit zone.

5.5.2 RESULTS/LATIN AMERICA

The assets of Hocol S.A. are located in Colombia, Venezuela and Peru.

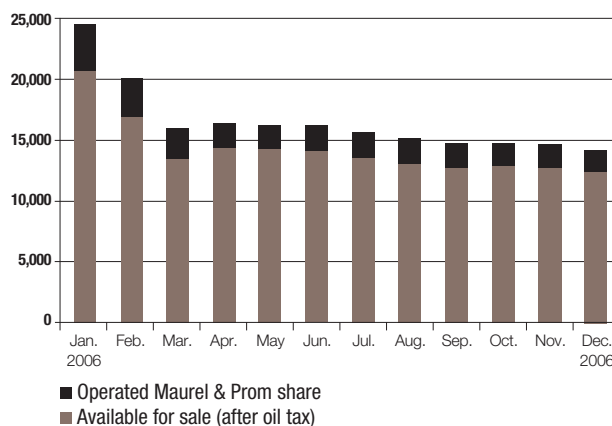
5.5.2.1 Colombia

During 2006 sales amounted to \$M305.5. This includes \$M17.7 for the sale of the Tello Concession (retro ceded to the Columbia National Hydrocarbons Association as of February 14, 2006 according to the initial agreements).

Other income (from sales of oil on behalf of third parties, pipeline transport and other associated activities) reached \$M7.4 (over a period of 365 days) as against \$M2.6 the previous year (over a period of 149 days in 2005).

The Colombian subsidiary continued to benefit from high prices for WTI. Average sale price reached \$58.44/b for the period (taking into account the Vasconia/WTI differential, an average annual discount of \$7.7/b).

PRODUCTION OF FIELDS IN COLOMBIA in b/d



The Hocol share of average daily production in 2006 net of royalties in kind was 14,226 b/d (excluding the Tello concession this production stood at 13,231 b/d). Hocal's total annual production net of royalties reached 5.2 Mboe (including the Tello concession's production of 0.360 Mboe over the period from January 1 to February 14, 2006).

The activities of Hocol (100% owned by Maurel & Prom) are principally located in two regions of Colombia, Huila and Llanos. Since January 1, 2006 Hocol has held positions in eleven oil contracts (concessions and associations) and produces oil from 37 oil and gas fields. Five contracts are operated directly by Hocol, and six are not in operation.

Two new gas fields have been discovered this year:

- the Don Pedro-1 well on the Doima permit; and
- the Monserrate reservoir on the Ortega permit.

The results of the Health and Safety department were excellent, with an LTIF (lost time injury frequency) of 1.16, which is an excellent performance compared to other oil companies operating in Columbia.

(1) EXPLORATION

Doima - Hocol Operator **Share 100%**

In January, Maurel & Prom, via Hocol, discovered gas on the Doima land permit. This permit is located in the Upper Magdalena Valley some 120 km from Bogotá. Drilling of the discovery well, Don Pedro-ST1, reached a total depth of 1,103 m and produced gas from upper cretaceous sandstone in the Monserrate formation. Stabilised flow from the well with a ½ inch choke nozzle was 5.9 million cubic feet of gas per day.

The discovery stretches into the adjacent block, named Ortega, which is also operated by Hocol under an association contract with Ecopetrol, the Colombian national oil and gas company.

Rio Cabrera - Hocol Operator **Share 65%**

The Rio Cabrera 1 well reached a final depth of 2,373 m without significant oil results.

Tangara - Hocol Operator **Share 15%**

The association of the companies Total (55%), Talisman (30%) and Hocol decided in May 2006 to halt the Tangara well following technical difficulties encountered during drilling. Hocol and Talisman, participants holding respectively 33.3% and 66.7%, are examining the prospect of drilling a new well to explore another target within the Tangara permit.

Niscota - Hocol Operator

Share 20%

In September a consortium consisting of Total (50%), Talisman (30%) and Maurel & Prom through its Hocol subsidiary (operator, 20%), has made a successful bid for exploration rights in the Niscota block in Columbia. This block is located some 180 km north-east of Bogotá, in the productive zone of the Llanos where significant hydrocarbon discoveries have already been made. The block covers 623 km². A well is scheduled for drilling beginning in the second half of 2007.

(2) DEVELOPMENT

The development drilling campaign, with 18 new wells, has been concentrated in the San Francisco, Balcon and Hocha fields, where the Group is operator. In the Llanos region, where Hocol is not the operator, ten new wells have been drilled. This drilling campaign has had the effect of limiting the natural decline of these mature fields.

Palermo - Hocol operator **Share 50%**

The Palermo association contract includes the San Francisco, Balcon and Palermo fields. A total of 16 wells have been drilled (producers and water injection wells).

San Jacinto & Rio Paez - Hocol operator **Share 36.7%**

Two wells were drilled in 2006, showing proved and probable reserves. The total cost of drilling in 2006 was \$M5.4.

A complete re-evaluation was carried out, including the development of a new geological concept for the dynamic reservoir analysis.

Llanos - Not operated **Casanare share 13% and EGOC share 32%**

In all, ten wells were drilled in the course of the year, two of which were dry.

A proposal for the extension of contracts Estero, Garcero, Corocora & Orocué (EGOC) was officially made to Ecopetrol, the Colombian national oil company, by Perenco, the operator, and Hocol, the operator's partner, on December 21, 2006.

Ortega - Not operated **Share 69%**

The Monserrate-1 well tested out gas on the Ortega permit.

The planned schedule is for the construction of installations to begin in April, with the first production expected in November 2007 (12 million cubic feet per day at 100%). The increase projected over a period of 5 years is 25 million cubic feet at 100%. The initial estimated investment is \$M20.

5.5.2.2 Venezuela

Just as for all oil companies operating in Venezuela, on April 1, 2006 the Venezuelan authorities put an end to the service contract held by Hocol and its partners on permits 70/80 and 68/79.

Negotiations for the transfer of the interests of Hocol and its partners into a mixed enterprise majority-controlled by PDVSA continued throughout 2006 and ended in March 2007 with the signing of a statement of agreement with PDVSA.

Under the terms of the agreements signed, Hocol and its partners will be allocated 31% of the capital of the mixed company Lagopetrol-SA created with PDVSA, who will hold a 69% interest. Lagopetrol-SA will own all reserve levels for permit 70/80 (versus a single level beforehand) and Hocol will have a 26.35% stake in this company (31% x 85%).

The agreement of March 2007 will be subject to the National Assembly's final approval, then to enforcement orders likely to stretch out into the second half of 2007. Given the time taken for the negotiation process, out of prudence Maurel & Prom decided to suspend the contribution of Venezuela to its accounts since March 30, 2006.

5.5.2.3 Cuba

The portion of net income stemming from the equity accounting of Pebercan was consolidated on the basis of the half-year financial statements at June 30, 2006, due to the absence, before Maurel & Prom's year-end closing date, of Pebercan annual financial statements presented in accordance with the Group's accounting principles. As a reminder, on June 30, 2006, Maurel & Prom held a 19.39% interest in Pebercan.

For fiscal 2006, Pebercan's sales increased by 58% to \$M 111 and its net income rose 38% to \$M30. The growth in 2006 comes from the increase in Pebercan's share of production (up 34% to 8,143 b/d) and a rise in its average selling price (up 22% to \$36.40/b). Net proven and probable reserves amounted to 16.1 Mboe on December 31, 2006 versus 23.9 Mboe on December 31, 2005. The 2006 balance sheet shows accounts receivable of \$M65, of which \$M37 consists of late payments by CUPET not yet collected on March 27, 2007.

5.5.3 RESULTS / EUROPE

5.5.3.1 Italy

In February 2005, Maurel & Prom acquired 25% of Panther Eureka S.r.l. operator and holder of the mining rights for the Fiume Tellaro permit in Sicily located near the 24-inch gas pipeline of Snam Rete connected to the Italian market.

On February 19, 2006, further to the option given to it at the beginning of 2005 at the time of the initial acquisition, Maurel & Prom increased its stake in Panther from 25 to 30% for an additional \$M8.

In 2005, the Eureka-1 well was drilled and work resumed on the Nobile-1 well. Additional work on the Nobile-1 well in 2006 did not show economic gas production, mainly because of the poor state of the well.

The failures of Eureka 1 and Nobile 1 were mainly linked to difficult operating conditions but did not challenge the geological model. On the edge of the permit, two producing wells, Camisso 2 (Edison) and Noto 3 (AGIP), show the economic viability of this type of field. Consequently, two new exploration wells are planned in fiscal 2007.

5.5.3.2 Hungary

Maurel & Prom operates in Hungary on the Nagylengyel West concession granted in 1995 for 35 years. Maurel & Prom is the permit operator with a 63.64% interest. It works in partnership with JKJ from Houston which holds a 36.36% stake.

In 2006, the Cs-DOR1 gas exploration well gave negative results. The Company thus depreciated this asset 100%.

5.6 Drilling activities

As announced in 2005, Caroil, a fully-owned subsidiary of Maurel & Prom, experienced a very significant expansion in its activity. In 2006, Caroil's sales exceeded €M87 (up 74% on 2005) contributing €M43 to consolidated sales (up 95%).

On December 31, 2006, the company had nine drilling rigs, eight of which were under operation. On that date, as in the previous year, three rigs were under order. In geographical terms, Caroil has seven oil rigs in Congo, one in Tanzania and one in Gabon.

In order to bolster its reputation and take advantage of the favourable outlook for the oil service industry, Caroil intensified its search for customers outside the Group. In 2006, it signed drilling contracts with Transworld, Prestoil and Magalloy.

In 2006, Caroil also worked through associations in Congo for Burren, Tullow, Heritage and SNPC.

In 2007, the Company intends to continue to diversify its customer portfolio in Africa and on other continents.

Caroil's strong growth in Africa required the hiring of additional personnel (17 people at the end of 2006 versus 10 at the end of 2005) and the set-up of an organisational structure in Congo (where Caroil's operations are based) in keeping with Maurel & Prom

Group standards. Three departments were set up: maintenance, mechanics and HSE (Hygiene, Safety & Environment). In order to cope with a larger number of rigs and improve its management, Caroil is planning to increase its operational workforce in 2007 and strengthen the structure of its management team based in Paris.

Moreover, the company's capital structure was reinforced. In April 2006, Maurel & Prom subscribed to a capital increase effected by Caroil in the amount of €M27 through the capitalization of its current account. In September, Caroil carried out another capital increase through the capitalization of reserves in the amount of €M14.5. Caroil's capital thus increased from €M0.7 on January 1st, 2006 to €M27.7 on June 30, 2006 then to €M42.2 on December 31, 2006. Maurel & Prom's interest in Caroil went from 97.14% to 100% during fiscal 2006.

A tax audit of Caroil which started in March 2006 was finalized at the end of September 2006. The Company contested all proposed fiscal adjustments.

Starting on January 23, 2006, Caroil, which is a Group subsidiary, underwent an audit for fiscal 2003 and 2004. A first rectification proposal concerning those fiscal years was received on September 29, 2006. The main adjustments under consideration concern the drilling rig depreciation period and the implementation of the minimum contribution based on added value for business tax.

The corporate tax increases amount to €141,000 for 2004 and €259,000 for 2005. No additional tax is payable for 2005, given the carry-over deficit of the parent company Maurel and Prom, as Caroil had been consolidated during that year.

The adjustments relating to business tax amount to €78,000, exclusively for 2005.

The Company contested all of these adjustments.

In 2005, Caroil had granted Romfor, its long-standing supplier of drilling rigs, an option for the future purchase of a 50% stake in seven of its drilling rigs. In accordance with the terms of the contract, Caroil bought back the option in March 2006 for an amount of €M4.7, out of which €M2 is amortized in the 2006 financial statements. Consequently, Romfor no longer has any right to the future ownership of the rigs.

Due to the increase in the number of rigs, total investments for 2006 amounted to €M21.4 (€M16.2 in 2005). Given the intense activity of the rigs (24/7), the set-up of a maintenance plan and modernization policy for the rigs as well as the new purchases, new investments will be required in 2007.

5.7 Other activities

5.7.1 GOLD DIVISION

In fiscal 2005, the sale of Maurel & Prom's gold division to Pacifico was being considered. Within this scope, the Supervisory Board meeting of December 15, 2005 had set out the terms and conditions of such a sale. In January 2007, the Company's Management Board, after examining the gold resource assessment report for the Malian permit, considered that such a transaction was no longer consistent with the terms approved by the Supervisory Board a year earlier. Consequently, the sale of the gold operations is no longer on the agenda.

5.7.2 HEAD OFFICE

After its major acquisitions (Hocol and the Gabon permits), the Maurel & Prom Group had to modify and strengthen its structure, particularly at its head office located at 12 rue Volney in Paris, while keeping its committed costs under control.

In the accounting department, the IT system is being modernised in order to speed up the processing of the Group's consolidated accounts and improve the quality of the information provided.

A tax audit of Maurel & Prom covering the period between January 1st, 2003 and December 31, 2005 was initiated in September 2006 and should be completed in the second half of 2007.

A first rectification proposal concerning fiscal 2002 and 2003 was received in December 2006. The main adjustments under consideration concern the territoriality of expenses and existence of a stable establishment abroad. The tax adjustments considered are to be set against the Company's carry-over deficit. Moreover, a major part of those adjustments was contested by the Company (€10,165,000). Only the adjustments agreed-to were included in the calculation of the carry-over deficit (€7,485,000).

The audit is continuing and currently focusing on fiscal 2004 and 2005.

5.7.3 MAUREL & PROM SUISSE

Maurel & Prom Suisse carries out logistics and support activities for Maurel & Prom Group.

5.7.4 CHANGES IN CAPITAL STRUCTURE

5.7.4.1 Redeemable share warrants

On July 29, 2004, Maurel & Prom, acting under the Management decisions dated June 17, 2004, and July 29, 2004, issued 8,317,638 new redeemable Maurel & Prom share warrants ("BSARs") freely granted to all shareholders on the basis of one warrant per Maurel & Prom share.

A prospectus relating to this issue was approved by the *Autorité des Marchés Financiers* (AMF) on June 25, 2004, under number 04-634, and is available on the AMF website.

On July 28, 2006, 99% of the BSARs were exercised, generating additional shareholders' equity of €M36.8 since the granting of the warrants in July 2004. A total of 8,237,080 BSARs were exercised since July 2004, giving rise to the creation of 3,988,976 shares. On July 28, 2006, all outstanding BSARs expired. The strengthening of the financial structure induced by this operation supports Maurel & Prom's development. For the period between July 29, 2004 and July 28, 2006, the Company increased its shareholders' equity by €M36.8 out of which €M34.3 for fiscal 2006 alone.

5.7.4.2 Bonds with the option of conversion and/or exchange for new or existing shares

On March 9, 2005, Maurel & Prom, pursuant to the decisions of the Management Board on February 28 and March 1st, 2005, and of a member of the Board dated March 1st, 2005, acting on the Management Board's authority, issued, with removal of preferential subscription rights, convertible bonds falling due on January 1st, 2010, for a total nominal amount of €374,999,978.76, represented by 16,711,229 bonds with a unit value of €22.44 ("OCEANEs").

Each OCEANE gives the holder the right to request at any time from March 9, 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.

A prospectus relating to the issue of the OCEANEs was approved by the *Autorité des Marchés Financiers* (AMF) on March 1st, 2005, under number 05-122, and is available on the AMF website.

Between June 16, 2006 and May 14, 2007, 6,263 OCEANEs were exchanged for treasury shares. On May 14, 2007, there were still 16,704,966 outstanding OCEANEs.

5.7.4.3 Share capital stemming from the exercise of securities giving access to the Company's capital

Following the Management Board meeting of November 23, 2006, the new share capital amounts to €92,545,997.39 divided into 120,189,607 fully paid-up shares with a par value of €0.77 each.

5.8 Trends

5.8.1 EVENTS AFTER THE CLOSING DATE

5.8.1.1 Exploration

CONGO

In Congo, Maurel & Prom announced on February 26, 2007 that the Tioni-1 well, located on the Kouilou exploration permit (Maurel & Prom operator, 65%) and whose main objective was the Vandji sandstone reservoir, was abandoned as no oil was found.

Following the discovery in September 2006 of a new type of shallow reservoir on the Loufika≈1 DST well, 2 additional exploration wells were drilled in 2007. The first well—Loufika-2—encountered a reservoir impregnated with oil but which was not commercially viable due to its low permeability. No oil was found at Loufika-3, drilled outside the structure.

Since the beginning of 2007, Loufika-1 DST is conducting long-term tests with a maximum production output of 350 b/d.

COLOMBIA

On February 12, 2007, Maurel & Prom announced an oil discovery in Colombia via its subsidiary Hocol (operator 36.67%) on the San Jacinto/Rio Paez permit with the Cañada Norte-1 exploration well. This well was stopped at 1,006 m after having gone through 6 impregnated levels in the Monserrate and Caballos formations. Three intervals of the Caballos formation were tested, revealing a combined output of 700 b/d of oil with an API gravity of 33-34°. The Monserrate formation was tested and revealed an output of 200 b/d of oil with an API gravity of 17-18° after fracturation.

Maurel & Prom estimates that proven and probable reserves should reach 41 Mboe at 100%. For Maurel & Prom, this would amount to 7 Mboe of proven and probable reserves after royalties and share of Ecopetrol (50%). Hocol's partners on this exploration permit are Cepsa (33.33%) and Petrobras (30%).

Likewise, on March 19, 2007 Maurel & Prom (operator, 100%) announced a new oil discovery via its Colombian subsidiary Hocol S.A. (100%), on the Guarrojo permit which was signed in February 2006 with Agence Nationale des Hydrocarbures de Colombia (ANH). The exploration well Ocelote-1, located in the centre of the Llanos region, 300 km east of Bogotá, pumps out 600 b/d of oil with an API gravity of 23.6°.

Maurel & Prom estimate that proven and probable reserves (P1+P2) net of royalties should reach 11.4 Mboe at 100%, compared with a Maurel & Prom production rate of 5.2 Mboe in 2006 in Colombia.

Maurel & Prom has a 100% stake in this exploration permit; the variable royalties start at 8% and fluctuate according to production. The percentage of interest (before royalties) will be retained during the development phase.

TANZANIA

In Tanzania, the Mkuranga-1 well (M&P 60%) revealed gas in the Ruaruke formation (Upper Cretaceous) at a depth of 2,030 m. During the isochronal tests, the well revealed a stabilized output of 19.2 million cubic feet per day on a 48/64" choke with head pressure of 1,465 psi over a 4-hour period. The parameters were confirmed by a four-day production test followed by a rise in pressure. The drilling site is 5 km away from the gas pipeline supplying Dar-es-Salam. Seismic surveys and a well are scheduled for 2007, in order to assess this gas discovery and continue the exploration of the permit.

5.8.1.2 Water injection

At the end of January 2007, Maurel & Prom started water injection at the MBD-406 and MBD-407 wells on the M'Boundi field (Maurel & Prom 48.6%, operator). The current water injection capacity of 20,000 b/d will be increased gradually to 60,000 b/d by mid-2007 and 120,000 b/d in 2008. This increase will be accompanied by the drilling and/or conversion of 16 additional injection wells in 2007.

5.8.1.3 Venezuela

On March 15, 2007 Hocol and its two minority partners signed a draft agreement with the Venezuelan government bringing their share in the mixed enterprise to 31% (Maurel & Prom share: 26.35%). This agreement still needs to be ratified by the Parliament before it can come into force.

5.8.1.4 New permits

In Gabon, on October 20, 2006, Maurel & Prom acquired 65% of Transworld's rights and interest in the Etekamba permit.

Maurel & Prom has become operator of the permit and will use its subsidiary M&P Gabon Ofoubou for the management of this contract. Maurel & Prom had agreed to drill three exploration wells; these were drilled at the end of 2006/beginning of 2007. The Gabonese government gave its approval on February 20, 2007.

In Peru, Hocol signed an agreement in February 2007 for Block 116. A first phase requiring technical studies and due to last 15 months started on March 1; it may be followed by a second phase of optional exploration for 12 months requiring technical and seismic acquisition studies.

5.8.1.5 Right exercised by the Gabonese Government

On April 13, 2007, the Gabonese Government informed Maurel & Prom that it wished to exercise its right, via Tullow Oil, to recover 15% of the Omoueyi permit. Maurel & Prom's share was thus reduced to 85%.

5.8.1.6 Hedging of oil prices for Colombia-produced oil

For the period ranging between April 2007 and March 2008, the Colombian production was hedged as follows:

- 4,000 b/d at a WTI price of \$64.10/b through a futures sale; and
- 4,500 b/d via a hedging strategy using optional instruments ensuring a WTI sales price ranging between \$59.22 and \$65.22/b.

5.8.2 CHANGE IN COMPANY ACTIVITIES

On February 14, 2006, the Tello concession in Colombia was returned to the Colombian government. As the Group had anticipated, this concession was not renewed by the Colombian government, in keeping with its policy to do away with this type of contract.

Moreover, the Company sold major assets to ENI Congo S.A. as described in Section 4.3.1 of this annual report.

In addition, the year 2006 was marked by the acquisition of interests in eleven new exploration permits in Colombia, Peru, Congo and Syria.

5.8.3 KNOWN TRENDS, UNCERTAINTIES, COMMITMENTS AND EVENTS LIABLE TO SIGNIFICANTLY AFFECT THE OUTLOOK FOR THE YEAR IN PROGRESS

5.8.3.1 Asset disposal

On Thursday, February 22, 2007, Maurel & Prom announced that it had signed a draft agreement with the oil company ENI Congo S.A., a subsidiary of the Italian Group ENI S.p.A, for the sale of its interests in the exploitation permits of M'Boundi and Kouakouala in Congo, and a reduction of its interest in the exploration permit of Kouilou (from 65% to 15%). This operation, which took place on May 29, 2007, is described in Section 4.3.1 of this annual report.

5.8.3.2 Development of Onal in Gabon and ongoing exploration

On the Onal permit, Maurel & Prom is planning to start work on the production centre and on collection in April 2007, followed by the installation of the oil pipeline starting in September 2007. This work should lead to a first production phase in the second half of 2008 with an estimated output of 15,000 b/d at 100% on start-up with water injection.

In addition, Maurel & Prom signed a farm-in agreement for the Etekamba exploration permit (Transworld partner) as operator (65%), coming into force in February 2007. To date, three wells were drilled, one of which gave positive results for gas, with tests still underway.

5.8.3.3 Stepping-up of exploration in Colombia

Via its subsidiary Hocol, Maurel & Prom won a bid in September for the exploration of Colombia's Niscota block (623 sq. km in the prolific Llanos area) within a consortium comprising Total (50%), Talisman (30%) and Hocol (operator, 20%). Maurel & Prom acquired interests in five other licenses: Humadea (20%), Saman (50%), Lince (100%), Guarrojo (100%) and Guepardo (100%).

The 2007 exploration campaign in Colombia will require massive investments. It will involve the drilling of a maximum of ten exploration wells and twenty six development wells. A large part of the anticipated development expenses will be shared with Hocol's partners on the San Francisco field (Hocol operator) and Hocha field as well as the Llanos fields (Hocol not operator).

5.8.3.4 Other opportunities

In Peru, Hocol signed an agreement in February 2007 for Block 116. A first phase requiring technical studies and due to

last 15 months started on March 1st; it may be followed by a second phase of optional exploration for 12 months requiring technical and seismic acquisition studies.

In Tanzania, following a positive gas test at Mkuranga (Maurel & Prom, 60%) seismic work and an exploration/evaluation well will be undertaken in 2007. The continuation of the evaluation of the mining assets is still planned.

5.8.3.5 Drilling

Caroil is set to become a full-fledged drilling company, with increasing independence through a larger stock of facilities and additional financial resources.

The marketing of its know-how with international oil companies operating outside Congo is the subsidiary's growth engine. Caroil should diversify its customer portfolio while strengthening its human and material resources.

5.9 Company strategy

5.9.1 OUTLOOK

5.9.1.1 Production

The year 2007 will be strongly affected by the completion of the sale of Maurel & Prom's interest in the Congolese oil fields of M'Boundi and Kouakouala to ENI Congo S.A..

For 2007, Maurel & Prom's share of oil production after tax is estimated at approximately 14,000 b/d on an annual average (based on 365 days/after the sale to ENI Congo S.A.).

This 2007 estimate includes the start-up of production at Banio in Gabon at an output of 1,000 b/d during the second half-year as well as the re-integration of Venezuela at an output of 1,200 b/d for the year.

With its existing mining assets, the Company has set itself the objective of recovering the 2006 level of production available for sale (30,000 b/d) by 2009. This objective mainly rests on the Group's assets in Colombia and Venezuela and the developments launched in Gabon at Banio and Onal as well as new developments not yet identified amounting to 5,000 b/d.

The total cost of the Onal development is currently estimated at over €M200 with the start-up scheduled for the second half of 2008. Onal's production is estimated at 15,000 b/d at 100% upon start-up, with water injection.

5.9.1.2 Sales

Since the beginning of 2007, the environment has been favourable for crude oil prices.

Sales for 2007 are forecast at €M270, assuming an average Brent price of \$57 over the year and an average annual exchange rate of \$1.35 to the euro.

In keeping with IFRS standards, this amount does not include sales stemming from activities disposed of in Congo in 2007.

The sensitivity analysis on budgeted sales for 2007 according to the oil price and the euro/US dollar exchange rate are as follows:

- Average annual euro/US dollar exchange rate up 5% from 1.35 to 1.4175: annual sales of €M257.3 instead of €M270.0, i.e. down €M12.7 (down 4.7%) on budgeted annual sales;
- Price per barrel of Brent up 15% from \$57 per barrel to \$65.6 per barrel and euro/US dollar exchange rate of 1.35: annual sales of €M296.8, i.e. up €M26.8 (up 9.9%) on budgeted annual sales. This sensitivity calculation does not take account of the impact of any hedging instruments used to cover the price of the barrel.

5.9.1.3 Investments

In 2007, Maurel & Prom will continue to deploy its dynamic exploration policy in West Africa, both in Congo, after the sale to ENI Congo S.A. (49% of La Noumbi, 15% of Kouilou and 20% of Tilapia and Marine III), and in Gabon on the Omoueyi permit. The ongoing evaluation of Maurel & Prom's mining assets is also planned in Sicily, Syria, Tanzania, Colombia and Peru. For 2007, Maurel & Prom's total exploration effort is estimated at €M86.

The year 2007 will also be marked by major development investments estimated at €M162. These investments are mainly scheduled for Colombia and Gabon on the Banio field but most importantly on the Onal field, whose development project amounts to over €M80 for 2007. After 2007,

Maurel & Prom is expecting it's an annual exploration effort to amount to approximately €M100, in keeping with the performance and prospects of its mining assets.

In terms of development, the main programs are currently scheduled for Colombia and Onal, where projects amount to investments of approximately €M100 for 2008.

The amounts of the development and exploration investments budgeted for correspond to the Group's estimate of the technical cost of those projects.

Corporate governance

6.1 Administrative, management and supervisory entities and senior management

On December 28, 2004, the Combined General Shareholders' Meeting decided to convert Maurel & Prom into a *Société Anonyme* with a Management Board and Supervisory Board and adopted new articles of association to reflect the Company's new form.

A proposal will be made at the General Shareholders' Meeting of June 14, 2007 to change the Company's management method into a company that is managed by a Board of Directors.

This proposal reflects the change in the Company's scale (after the transfer of Congolese assets scheduled for the end of May 2007) and the need to render its corporate and management entities more suitable for its new requirements.

This proposal is also aimed at simplifying the sharing of responsibilities and avoiding ambiguities that may occur in the context of the governance method of a company with management and supervisory boards.

The conversion of the Company's governance method is also the last step in a long process desired by the managers. The process began with the conversion of the Company from its initial status of a *Société anonyme en commandite* (limited partnership) to that of a *Société anonyme* (business corporation) with a management board and supervisory board in December 2004.

In the event of a positive vote by the General Meeting of Shareholders, the Company's Articles will be amended to reflect this new management method, as well as the appointment of members of the board of directors.

The amendments to the Articles are presented in Section 6.2.2 of this annual report.

The General Meeting of Shareholders of June 14, 2007 will be requested to appoint the people below as members of the board of directors:

- Jean-François Hénin
- Gérard Andreck
- Emmanuel de Marion de Glatigny
- Christian Bellon de Chassy

- Fabien Chalandon
- Financière de Rosario, represented by Jean-François Michaud
- Alain Gomez
- Roland d'Hauteville, and
- Alexandre Vilgrain.

Should these amendments be accepted by the General Meeting of Shareholders on June 14, 2007, a board of directors meeting will be convened as rapidly as possible to appoint the Chairman of the Board of Directors and decide if the functions of Chief Executive Officer will be carried out by the Chairman of the Board of Directors or by another individual. The corresponding decision will be announced, in accordance with applicable legislation, by publication in an official gazette for legal announcements.

6.1.1 COMPOSITION OF THE CORPORATE ENTITIES

6.1.1.1 Membership of the Management Board

On the date of this annual report, the Company's Management Board comprised the members below:

- Jean-François Hénin, Chairman;
- Roman Gozalo, member of the Management Board, Managing Director; and
- Daniel Pélerin, member of the Management Board, Exploration Director.

JEAN-FRANÇOIS HÉNIN, 63 YEARS

Maurel & Prom
12, rue Volney
75002 Paris

Jean-François Hénin was Managing Director of Thomson CSF Finance and then of Altus until May 1993. Mr Hénin then served as CEO of Electricité et Eaux de Madagascar between 1994 and 2000. Since 2000, he has been a manager at Maurel & Prom and then Chairman of the Management Board since the Company was converted into a *Société Anonyme* at the end of 2004.

Mr. Hénin was appointed Chairman of the Management Board on December 28, 2004, for a period of 3 years, i.e., up to December 27, 2007.

Prior to the conversion of Maurel & Prom into a *Société Anonyme* with a management board and a supervisory board, Jean-François Hénin was a manager of Maurel & Prom (then a partnership) and CEO of Aréopage, a manager and general partner of Maurel & Prom (then a partnership).

Mr. Hénin was a manager at Pacifico SCA; he is currently Chairman of the Management Board of Pacifico S.A. (following the conversion of the company into a *Société Anonyme* with management board and supervisory board).

Mr Hénin is also Chief Executive Officer of Zetah M&P Congo S.A. and Chairman of the Board of Caroil S.A., subsidiaries of Maurel & Prom.

Assuming that the General Shareholders' Meeting approves the new method of governance, Mr Jean- François Hénin intends to ask the new Board of Directors to appoint him as Chief Executive Officer.

ROMAN GOZALO, 61 YEARS.

Maurel & Prom
12, rue Volney
75002 Paris

Mr. Gozalo acquired his management background as Managing Director of three Total subsidiaries between 1979 and 2002 and also as Administrative Director (Secretary general) of the Elf group between 1995 and 1999. He has been the Chief Executive of TotalFinaElf Norway for the past five years. He occupies no other position.

Mr. Gozalo was appointed member of the Management Board on October 24, 2005 for the outstanding period of the mandate of the other members of the Management Board, i.e., up to December 27, 2007. In the event of approval by the general meeting of shareholders on June 14, 2007 of the Company's change of management method, as presented in Section 6.1 herein, Mr. Gozalo's appointment as member of the Management Board will terminate on that date. Assuming this happens, Mr. Gozalo's employment agreement will be reactivated.

Roman Gozalo is also Managing Director of Maurel & Prom.

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

DANIEL PÉLERIN, 61 YEARS

Maurel & Prom
12, rue Volney
75002 Paris

Head of the geophysics department of Elf Aquitaine in Congo and then Exploration Director of several Elf Aquitaine subsidiaries,

Mr Pélerin was the Director of an Elf Aquitaine Exploration entity in the Latin America/Caribbean region.

Mr. Pélerin was appointed member of the Management Board on April 22, 2005 for the outstanding period of the mandate of the other members of the Management Board, i.e., up to December 27, 2007. In the event of approval by the general meeting of shareholders on June 14, 2007 of the Company's change of management method, as presented in Section 6.1 herein, Mr. Pélerin's appointment as member of the Management Board will terminate on that date. Assuming this happens, Mr. Pélerin will continue to be in charge of the Company's Exploration Division as specified in his employment agreement.

Daniel Pélerin is an employee of Maurel & Prom with the position of Exploration Director. He holds no other corporate office.

6.1.1.2 Other information

To the Company's knowledge, no member of the Management Board:

- has been found guilty of fraud in the last five years at least;
- has been involved in any bankruptcy, sequestration or liquidation;
- has been charged by the statutory or regulatory authorities, with the exception of Jean-François Hénin who was sentenced by France's Budget and Finance Disciplinary Board, in the context of the Altus Finance case, to pay a fine (Decree of February 24, 2006) and who at the end of the approval of a transaction in July 2006 in the Executive Life case (American procedure allowing the accused to maintain his innocence while accepting, given the circumstances, to plead guilty to the charges against him in order to have the charges dropped) had to pay a one million-dollar fine and was banned from entering the US for a period of five years. Lastly, the Altus Finance affair was expected to end with the referral in April 2006 to the Paris District court for facts dating back to 1992; and
- has been barred by a court from acting as a member of an administrative, management or supervisory entity of an issuer or from taking part in managing or conducting the affairs of an issuer in the last five years.

6.1.1.3 Members of the Supervisory Board

On the date of this annual report, the Company's Supervisory Board was comprised of the members below:

- Gérard Andreck, Chairman
- Emmanuel de Marion de Glatigny, Vice-Chairman
- Christian Bellon de Chassy
- Fabien Chalandon

- Société Financière de Rosario, represented by Jean-François Michaud
- Alain Gomez
- Roland d'Hauteville
- Alexandre Vilgrain.

GÉRARD ANDRECK, 62 YEARS

Address:

MACIF

2/4, rue de Pied de fond

79037 Niort Cedex

As Chairman of Macif and of the Macif group, Mr Andreck has knowledge and expertise in financial, strategic and corporate governance matters.

Mr. Andreck has been Chairman of the Maurel & Prom Supervisory Board since the Supervisory Board meeting of November 7, 2005, in replacement of Pierre Jacquard and until the end of the Ordinary General Shareholders' Meeting called to approve the financial statements of 2006.

Should the change of the Company's management method, as presented in Section 6.1 herein, be accepted by the General Meeting of Shareholders on June 14, 2007, the Company's General Meeting of Shareholders will be asked to appoint Mr. Andreck as a member of the Board of Directors.

Should the June 14, 2007 general meeting of shareholders refuse to change the Company's management method, the general meeting of shareholders will be asked to renew the appointment of Mr. Andreck as a member of the Supervisory Board.

He was appointed for the first time on June 29, 2005 as the permanent representative of Macif on the Board, then as a member of the Board on a personal basis since November 7, 2005. Gérard Andreck was personally co-opted to become a member of the Board and this decision was ratified by the General Meeting of Shareholders of June 20, 2006.

EMMANUEL DE MARION DE GLATIGNY, 60 YEARS

Address:

40, rue des Hauts Fresnays

92500 Rueil Malmaison

Member of Maurel & Prom Supervisory Board since the General Shareholders' Meeting of December 28, 2004, and until the end of the Ordinary General Meeting called to approve the financial statements of 2006.

Should the change of the Company's management method, as presented in Section 6.1 herein, be accepted by the general meeting of shareholders on June 14, 2007, the Company's general

meeting of shareholders will be asked to appoint Mr. de Marion de Glatigny as a member of the Company's Board of Directors.

Should the June 14, 2007 general meeting of shareholders refuse to change the Company's management method, the general meeting of shareholders will be asked to renew the appointment of Mr. de Marion de Glatigny, as a member of the Supervisory Board.

Mr. de Marion de Glatigny has been Vice Chairman of the Supervisory Board since August 18, 2005. He was appointed for the first time on June 19, 2001 as a member of the Maurel & Prom Supervisory Board (then a limited partnership with shares).

Mr Marion de Glatigny has developed his management background through his directorship in an insurance company and his membership on supervisory boards since 1984.

MR CHRISTIAN BELLON DE CHASSY, 74 YEARS

Address:

194, route de l'église

40390 Saint Barthélémy

Mr. Bellon de Chassy has been a member of Maurel & Prom's Supervisory Board since he was co-opted by the Maurel & Prom Supervisory Board meeting on May 11, 2006, to replace Laurent Lafond, who had resigned. The co-opting of Christian Bellon de Chassy was ratified at the June 20, 2006 General Shareholders' Meeting.

Should the change of the Company's management method, as presented in Section 6.1 herein, be accepted by the general meeting of shareholders on June 14, 2007, the Company's general meeting of shareholders will be asked to appoint Mr. Bellon de Chassy as a member of the Company's Board of Directors.

Should the June 14, 2007 general meeting of shareholders refuse to change the Company's management method, the general meeting of shareholders will be asked to renew the appointment of Mr. Bellon de Chassy, as a member of the Supervisory Board.

Christian Bellon de Chassy is an expert for international courts and arbitration entities. He is a science graduate (chemistry and geology) and engineer of the Institut du Pétrole (École Nationale Supérieure du Pétrole et des Moteurs, ENSPM 1966: drilling - production).

As a director of Comex and then Elf, he acquired broad field experience in drilling, production, and offshore construction, particularly in Norway. By creating his own oil industry assessment company, Orcal Offshore, he has carried out more than 200 maritime and oil assessments as a Lloyds' accredited "loss adjuster". Upon the request of oil companies or their insurers, he acted as a consultant and has certified work procedures in more than 30 countries.

As a European Community councillor, he took part in directing energy research orientation and was responsible for managing World Bank budgets.

FABIEN CHALANDON, 54 YEARS

Address:

The Chart Group
94, boulevard Flandrin
75116 Paris

Member of the Maurel & Prom Supervisory Board since the General Shareholders' Meeting of December 28, 2004, and until the end of the Ordinary General Meeting called to approve the financial statements of 2006.

Should the change of the Company's management method, as presented in paragraph 6.1 herein, be accepted by the general meeting of shareholders on June 14, 2007, the Company's general meeting of shareholders will be asked to appoint Mr. Chalandon as a member of the Company's Board of Directors.

Should the June 14, 2007 General Meeting of Shareholders refuse to change the Company's management method, the General Meeting of Shareholders will be asked to renew the appointment of Mr. Chaladon as a member of the Supervisory Board.

Mr. Chaladon was first appointed on March 4, 2004, as a member of the Maurel & Prom Supervisory Board (then a limited partnership with shares).

Mr Chalandon acquired a management background through the Chairmanship of five companies, one of which (Otor) is listed and four are not listed (Terrailon, Sogeres, Madison/Chart Energy, New World Trust). Mr Chalandon is also deputy general manager and co-founder of a U.S. investment bank and a director of several private equity funds (France, Ireland and USA). Mr. Chalandon also has experience in restructuring (Terrailon, New World Trust) and management in difficult shareholder environments (Sogeres, Otor, Madison/Chart Energy). He has also founded an Internet company (Telnic).

FINANCIÈRE DE ROSARIO

Number 716 580 477 RCS Paris

Headquarters: 20, rue Royale, 75008 Paris, France

Financière de Rosario has been a member of the Maurel & Prom Supervisory Board since the General Shareholders' Meeting of December 28, 2004, and until the end of the Ordinary General Meeting called to approve the financial statements for 2006.

Should the change of the Company's management method, as presented in paragraph 6.1 herein, be accepted by the general meeting of shareholders on June 14, 2007, the Company's

general meeting of shareholders will be asked to appoint the company Financière de Rosario, as a member of the Company's Board of Directors.

Should the June 14, 2007 general meeting of shareholders refuse to change the Company's management method, the general meeting of shareholders will be asked to renew the appointment of Financière de Rosario, as a member of the Supervisory Board.

Financière de Rosario was first appointed on June 14, 2002 as a member of Maurel & Prom's Supervisory Board (then a limited partnership with shares).

Permanent representative: Jean-François Michaud, 50, Chief Executive Officer of Financière de Rosario.

ALAIN GOMEZ, 68 YEARS

Address:

Maurel & Prom
12, rue Volney
75002 Paris

Mr. Gomez has been a member of Maurel & Prom's Supervisory Board since the General Meeting of December 28, 2004, and until the end of the General Meeting called to approve the financial statements of 2006. This was his first appointment within Maurel & Prom.

Should the change of the Company's management method, as presented in paragraph 6.1 herein, be accepted by the general meeting of shareholders on June 14, 2007, the Company's general meeting of shareholders will be asked to appoint Mr. Gomez as a member of the Company's board of directors.

Should the June 14, 2007 General Meeting of Shareholders refuse to change the Company's management method, the General Meeting of Shareholders will be asked to renew the appointment of Mr. Gomez, as a member of the Supervisory Board.

Alain Gomez has an extensive background in management He has been CEO and executive officer of numerous companies since 1973. Alain Gomez was, in particular, Chief Executive Officer of the Thomson group from 1982 to 1996.

ROLAND D'HAUTEVILLE, 65 YEARS

Address:

8, rue de Villersexel
75007 Paris

Mr. d'Hauteville is a member of Maurel & Prom's Supervisory Board co-opted by the Maurel & Prom Supervisory Board Meeting on May 11, 2006, to replace Guillaume Verspieren, who had resigned. Guillaume Verspieren presented his resignation from his duties as a member of the Supervisory Board on April 21, 2006.

The co-opting of Roland d'Hauteville was ratified by the General Shareholders' Meeting of June 20, 2006. He was a member of the Supervisory Board until the end of the Ordinary General Meeting called to approve the financial statements for 2006.

Should the change of the Company's management method, as presented in Section 6.1 herein, be accepted by the general meeting of shareholders on June 14, 2007, the Company's general meeting of shareholders will be asked to appoint Mr. d'Hauteville as a member of the Company's Board of Directors.

Should the June 14, 2007 general meeting of shareholders refuse to change the Company's management method, the general meeting of shareholders will be asked to renew the appointment of Mr. d'Hauteville as a member of the Supervisory Board.

Roland d'Hauteville has spent most of his career in banking and finance. After the HEC business school (1964) and his military service as an instructor in Madagascar, he joined First National City Bank in Paris and then Banque Commerciale de Paris which, in 1971 merged with Banque Vernes. He worked for 17 years in the bank and was Chief Financial Officer. In 1985, he created the *Banque de Financement et de Trésorerie* (BFT) and was the Chief Executive of that bank until 1990, when it was taken over by Crédit Agricole. He then became Managing Director of Banque Elkann, then of a brokerage firm, Leven, before becoming advisor to the Chairman of Cyril Finance.

He is currently Chairman of Compagnie Financière Internationale Privée (COFIP), and director of Banque Michel Inchauspé, the Leseleuc Group and Panhard.

ALEXANDRE VILGRAIN, 51 YEARS

Address:

SOMDIAA
39, rue Jean-Jacques Rousseau
75001 Paris.

Mr. Vilgrain was co-opted as a member of the Maurel & Prom Supervisory Board by the Maurel & Prom Supervisory Board on August 18, 2005, to replace Jean-Louis Chambon and until the end of the Ordinary General Meeting called to approve the financial statements of 2006.

The co-opting of Alexandre Vilgrain was ratified at the June 20, 2006 General Meeting.

Should the change of the Company's management method, as presented in paragraph 6.1 herein, be accepted by the general meeting of shareholders on June 14, 2007, the Company's general meeting of shareholders will be asked to appoint Mr. Vilgrain as a member of the Company's Board of Directors.

Should the June 14, 2007 general meeting of shareholders refuse to change the Company's management method, the general

meeting of shareholders will be asked to renew the appointment of Mr. Vilgrain, as a member of the Supervisory Board.

Mr Vilgrain started his career in 1979 with the family firm, the Jean-Louis Vilgrain Group, where he had numerous responsibilities in subsidiaries in Africa, the Indian Ocean, Asia and France. In 1985, Mr. Vilgrain became the chairman of Delifrance Asia Ltd. Under his leadership, the company became listed on the Singapore stock exchange in 1996. Since 1995, Mr. Vilgrain has been Chief Executive Officer of Somdiaa, after his father. Mr Vilgrain defined and implemented a development strategy for the group in Africa in the milling and sugar industry.

Mr Vilgrain also has several directorships, particularly on the Boards of Somdiaa subsidiaries and represents Somdiaa on the Board of Proparco as the "censeur" and in the Conseil Français des Investisseurs en Afrique (CFIA). Mr Vilgrain has also been appointed Vice Chairman of the Supervisory Board of Les Fromentiers de France and then Chairman of the Board of the same company in 2005.

Mr Vilgrain received legal training at the University of Paris II (Assas).

Some members of the Supervisory Board left the company during 2005: Jean-Louis Chambon on July 6, 2005 and Pierre Jacquard on November 7, 2005. Gérard Andreck was appointed Chairman of the Supervisory Board at the Supervisory Board Meeting of November 7, 2005, replacing Pierre Jacquard, and Alexandre Vilgrain was co-opted by the Supervisory Board at its meeting of August 18, 2005, to replace Jean-Louis Chambon.

Since the beginning of 2006, it is also specified that Guillaume Verspieren resigned from his duties on April 10, 2006, together with Laurent Lafond on April 21, 2006. At the Supervisory Board meeting on May 11, 2006, Christian Bellon de Chassy was co-opted to replace Laurent Lafond and Roland d'Hauteville was co-opted to replace Guillaume Verspieren.

The General Meeting of Shareholders of June 14, 2007 will be requested to renew the appointments of all members of the Supervisory Board.

6.1.1.4 Other information

To the Company's knowledge, no member of the Supervisory Board:

- has been found guilty of fraud during at least the last five years;
- has been involved in any bankruptcy, sequestration or liquidation;
- has been accused by the statutory or regulatory authorities,
- has been barred by a court from acting as a member of an administrative, management or supervisory entity of an issuer, or

from taking part in managing or conducting the affairs of an issuer during at least the last five years.

6.1.1.5 Members of other corporate entities

GILLES BRAC DE LA PERRIÈRE, 80 YEARS

Address:

8, rue de la Boétie
75008 Paris.

Gilles Brac de la Perrière was appointed by the Supervisory Board at the meeting of January 24, 2005, to be the “censeur” of the Company, whose role is to attend all the Company’s Supervisory Board meetings in an advisory capacity.

The office of “censeur” may be terminated upon the decision of the Supervisory Board.

Mr Brac de la Perrière has been a Bank Chairman, an Inspector of Finance and is a former member of the college of the Commission des Opérations de Bourse.

6.1.2 OFFICES AND EXECUTIVE FUNCTIONS EXERCISED FOR OTHER COMPANIES BY MEMBERS OF THE SUPERVISORY BOARD

MR GÉRARD ANDRECK CHAIRMAN OF THE SUPERVISORY BOARD

Other offices

Director:

Director of CCR SA (reinsurance company)
Chairman of Mutuelle Santé
Chairman of the Management Board of CEMM SAS
Chairman of SICAV OFI MIDCAP

Member of the Supervisory Board:

Member of the Supervisory Board of IMA SA
Member of the Supervisory Board of MACIF Gestion
Vice Chairman OFIVALMO Gestion SA
Member of the Supervisory Board OFIVALMO SA

“Censeur”

Foncière de Lutèce SA
Macifilia SA
Socram SA
Mutavie SA
Altima SA
SICAV OFI MA Tresor

Non-director, member of the committee or board:

Macif Participations SAS
Compagnie Foncière de la MACIF SAS
GPIM SAS
MACIFIMO SAS
CAPA Conseil SAS
SIEM SAS
Domicours SAS

International:

Director: Atlantis Seguro (Spain)
Director: Atlantis Vida (Spain) Director MACIF Zycic (Poland)
Permanent representative of MACIF: SA EURESA Holding (Luxembourg)

EMMANUEL DE MARION DE GLATIGNY, VICE CHAIRMAN OF THE SUPERVISORY BOARD

Other offices

Chairman of the Supervisory Board of Pacifico SA
Director of Easydentic
Director of SEREN
Director of Pacifico Forages

FABIEN CHALANDON, MEMBER OF THE SUPERVISORY BOARD

Other offices

Member of the Supervisory Board of Access Capital Partners (France), a private equity fund of funds
Director, then Chairman of Otor SA (France), industry
Member of the Supervisory Board then Chairman of Sogeres (France), 3rd largest collective catering company
Director then Chairman of Terrillon Holding (Ireland), industry
Director of the General Partner of Hibernia Capital Partners (Ireland) a buy-out fund
Manager of Madison/Chart Energy SCS (France), oil exploration
Member of the Consultative Board of Banexi Ventures (France), a venture capital fund
Deputy Director of New World Trust (Channel Islands), offshore director
Vice-Chairman and Secretary of the Board of Telnic Ltd (UK), Ican licensee for the telephone domain name
Director of New Providence Fund (Bahamas), hedge fund
Associate Manager, Chairman of the Management Committee of The Chart Group (USA), business bank

**FINANCIÈRE DE ROSARIO SA,
MEMBER OF THE SUPERVISORY BOARD**

***Other offices held by the permanent representative
of Financière de Rosario SA, Jean-François Michaud:***

Chief Executive Officer of Financière de Rosario
 Chief Executive Officer of Financière Slota
 Chairman of SFIBB SAS*
 Chairman of DYB SAS
 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 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 Loches Taxis
 Manager of Loire Taxis
 Manager of Micpol
 Manager of Montfort Taxis
 Gérant d'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 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
 Manager of Ville-d'Avray Taxis

**ALAIN GOMEZ,
MEMBER OF THE SUPERVISORY BOARD**

Other offices

Director of Fimalac SA
 Director of Compagnie Générale de Santé
 Director of Biospace
 Chairman of Santé Luxembourg

**CHRISTIAN BELLON DE CHASSY,
MEMBER OF THE SUPERVISORY BOARD**

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

**ROLAND D'HAUTEVILLE,
MEMBER OF THE SUPERVISORY BOARD**

In the past five years, he has been:

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

* Mr Jean-François Michaud no longer holds this office at the present time.

**ALEXANDRE VILGRAIN,
MEMBER OF THE SUPERVISORY BOARD**

Other offices

Offices held in French companies

Director of Cogedal
 Representative of Cogedal on the Board of Petrigel
 Chief Executive Officer of Somdiaa
 Director of Sominform
 Permanent representative of Somdiaa on the Management Board of Sominform
 Director of Secria
 Chief Executive Officer of Conetrage
 Chairman of the Supervisory Board of Fromentiers de France
 Director of Sonopros
 Chief Executive Officer of Fromenterie Développement
 Representative of Fromenterie on the Board of Directors of Fromenterie
 Development
 Manager of Fromimmo
 Chief Executive Officer of Alexandre Vilgrain Holding
 Representative of Somdiaa on the Board of CIAN
 Chairman of the Board of Directors of Le 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 (CST)
 Director of Partenaires et Finances du Cameroun
 Director of Food Research Corporation (FRC)

6.1.2.1 Censeur

**GILLES BRAC DE LA PERRIÈRE,
"CENSEUR";**

Other offices:

Vice Chairman of the Supervisory Board of Banque Robeco France
 Deputy Vice Chairman of Instinet France
 Chairman of the Supervisory Board of Siparex Small Cap (Luxembourg)
 Independent Director of Nylstar (Belgium)
 Managing Director of GLP Conseil SA Director of RDI Gioia SA

6.1.3 POTENTIAL CONFLICTS OF INTEREST

To the Company's knowledge, there are no other potential conflicts of interest between the private interests of the management members, administration entities and their duties, apart from those stated below.

Roland d'Hauteville, member of the Company's Supervisory Board since May 11, 2006, is Chairman of Volney 12 SAS. This company owns Maurel & Prom's registered offices (12, rue Volney, Paris). On March 10, 2004, the Company entered into a commercial lease with Volney 12 SAS providing for rent of €951,232 excluding taxes in 2006.

Under a contract for services between Maurel & Prom and Pacifico SA (Mr Hénin is Chairman of the Management Board), Pacifico received a total of €M1.23.

**6.1.4 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 members of the Management Board or the Supervisory Board did not enter into any contract with Maurel & Prom or its subsidiaries for the granting of such benefits.

- On June 21, 2005, Maurel & Prom signed an initial services agreement with Pacifico SCA (renamed Pacifico S.A.). Since Mr Jean-François Hénin is shareholder and Chairman of Pacifico S.A.'s Management Board, an amended version of this agreement was submitted to the Supervisory Board meeting held on December 22, 2005 and was implemented following approval. Pacifico performs the following services for Maurel & Prom:
 - finding strategic partners in the oil or gas industry;
 - studying investment and divestment projects, establishing the targets parameters;
 - finding new markets and new growth opportunities;
 - proposing ideas for asset purchases or sales and establish the financing policy;
 - devising and monitoring the negotiations (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 in respect of 2006; 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 2006, additional fees amounted to €68,700 per month.

An amendment dated May 29, 2007 was made to this agreement including the following terms:

- Article 1 of the agreement was modified in order to clarify the Parties' respective obligations and remove any ambiguities in the text. The initial draft of the agreement of December 22, 2005 specified obligations for Maurel & Prom that were not applicable and which the parties therefore never applied;
- the annual fixed fee remains unchanged at €100,000 for 2007; and
- the additional fees are increased to €84,470 per month in order to take account of the cost increases from 5 consultants allocated to the consulting and assistance assignments.

Lastly, note that the Parties may terminate this agreement at any time with a prior notice period of 2 months.

- Commercial lease between the Company and Volney 12 SAS (see Section 6.1.3 of this annual report).

6.1.5 OPERATIONS OF THE MANAGEMENT BOARD

First of all, please note that there are no specific internal regulations governing how the Management Board or Supervisory Board operate.

Furthermore, legal and regulatory provisions preventing members of the Management Board or Supervisory Board from trading in the Company's shares are applicable since no specific rule has been adopted by the Company on this issue.

6.1.5.1 Operations of the Management Board

Since December 28, 2004, the Company is managed by a Management Board under the supervision of the Supervisory Board.

POWERS OF THE MANAGEMENT BOARD

The Management Board is invested with the most extensive powers for acting in all circumstances in the name of the Company, in accordance with the corporate purpose and subject to powers expressly attributed by the law to the Supervisory Board and the General Meetings of Shareholders (see below for the decisions requiring the prior authorization of the Supervisory Board).

In its relationships with third parties, the Company is liable even for Management Board acts that are inconsistent

with the corporate purpose, unless proven that the third party knew or could not be unaware of such purpose in view of the circumstances; the mere publication of the articles of association is not sufficient to establish such proof.

The Management Board may delegate some of its powers when appropriate.

Members of the Management Board, with the authorization of the Supervisory Board, may distribute the management duties between them. However, this division may in no circumstances deprive the Management Board of its collegial character.

The Management Board convenes General Meetings of Shareholders, sets their agenda and carries out their decisions.

At least once a quarter, the Management Board reports to the Supervisory Board. In the three months following the end of each fiscal year, it presents to the Supervisory Board the annual financial statements and, when appropriate, the consolidated financial statements for verification and audit.

COMPOSITION

The Management Board is composed of two to seven members, appointed for a three-year term. The members may be re-appointed. No one over 70 years of age may be appointed as member of the Management Board. The members of the Management board, including the Chairman, are appointed by the Supervisory Board and may be removed from office by the Ordinary General Meeting or the Supervisory Board. The current membership of the Management Board is given under Section 6.1.1.1 of this annual report.

COMPENSATION

The Supervisory Board fixes the method and the compensation of each Management Board member. The compensation of the Management Board members and the procedures for allocating fixed and variable directors fees are given under Section 6.4.1.2 of this annual report.

DELIBERATIONS

The Management Board meets as often as the interests of the Company require, convened by its Chairman or by at least half of its members. The decisions are taken on a majority of the members of the Management Board, voting by proxy not being allowed. Those participating in the meeting by video-conference are considered present with regards to quorum and majority of members of the Management Board. In the event of a tie, the Chairman has a casting vote.

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

6.2 Internal control

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

The following information is a full statement of the content of the Chairman of the Supervisory Board's report on internal control procedures implemented by the Company. The information stated in the report comes mainly from the information provided by the Management Board and is particularly based on 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 Supervisory Board during their meetings held on May 29, 2007.

The objective of this report is to precisely describe the conditions by which the Company's corporate bodies meet their respective ongoing supervisory duties as applicable to the Supervisory Board, and the executive collegial nature of the Management Board.

Pursuant to this objective, it is particularly important to verify that the special committees of the Supervisory Board fully satisfy their duties. Similarly, this report may have to provide an assessment of the quality of the information communicated and the effectiveness of the Company's various departments.

Currently, the members of the Board are:

BOARD MEMBERS	Date appointed	Date term office expires
G�rard Andreck	November 7, 2005	General Meeting voting on the 2006 financial statements
Emmanuel de Marion de Glatigny	December 28, 2004	General Meeting voting on the 2006 financial statements
Christian Bellon de Chassy	May 11, 2006	General Meeting voting on the 2006 financial statements
Fabien Chalandon	December 28, 2004	General Meeting voting on the 2006 financial statements
Financiere de Rosario, represented by Jean-Fran�ois Michaud	December 28, 2004	General Meeting voting on the 2006 financial statements
Alain Gomez	December 28, 2004	General Meeting voting on the 2006 financial statements
Roland d'Hauteville	May 11, 2006	General Meeting voting on the 2006 financial statements
Alexandre Vilgrain	August 18, 2005	General Meeting voting on the 2006 financial statements

During financial 2006 (April 20, 2006), Laurent Lafond and Guillaume Verspieren informed the Supervisory Board of their decision to resign from the Board.

A proposal will be made to the General Meeting of Shareholders of June 14, 2007, to renew the mandates of all the members of the Supervisory Board, should the shareholders refuse to opt for management by a board of directors.

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

6.2.1 PREPARATION AND ORGANIZATION OF THE WORKING SESSIONS OF THE SUPERVISORY BOARD

6.2.1.1 Introduction to the Supervisory Board

Maurel & Prom is organised as a *Soci t  Anonyme* with a Management Board and Supervisory Board which separates the management and control functions in two entities.

MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board (the "Board") has at least three members and no more than 18 members, appointed by the General Shareholders' Meeting. The Board currently has eight members who provide, through their varied experience, a balance of financial and oil industry skills and international experience.

6.2.1.2 Chairmanship and convening Supervisory Board meetings

The members of the Board elect among them a Chairman and Vice Chairman.

The Board decided to appoint G rard Andreck as Chairman on November 7, 2005.

Emmanuel de Marion de Glatigny was appointed Vice Chairman by the Board on August 18, 2005.

These two members convene Board meetings as often as the interests of the Company require, and at least once a quarter, in writing. When necessary, the Board may also be convened at the request of at least a third of its members. In addition to the mandatory quarterly meetings, other meetings may be held when justified by business developments. Its resolutions are valid when half of the members are present. The decisions are taken on a majority of votes of the members present or represented, each member having one vote and not being able to represent more than one other member. In the event of a tie, the Chairman has a deciding vote. Those participating in the meeting by videoconference are considered present with regards to quorum and majority of members of the Supervisory Board, subject to legal and regulatory conditions.

The Supervisory Board met 11 times in 2006 and the attendance rate of the Board's members was 86.4%.

According to the legal requirements, the Statutory Auditors are convened to the Board's meetings regarding the half-yearly and yearly financial statements. They were also convened to attend most of the Board Meetings during 2006.

6.2.1.3 "Censeur"

At the Board Meeting of January 24, 2005, it was decided to appoint a "censeur" to the Board in an advisory capacity. The "censeur", a reputable and thoroughly experienced person, participates in the Board's deliberations and gives his advice on matters of governance and on finance and accounting matters.

Gilles Brac de the Perrière was appointed for this duty.

6.2.1.4 Deliberations of the Board

To date, there are no internal regulations governing the Board's operations.

The agenda is set by the Chairman of the Board, working with the Chairman of the Management Board, and is communicated to the members with reasonable notice.

The Board may pass valid resolutions provided at least half of its members are attending. The decisions are taken on a majority of votes of the members present or represented, each member having one vote and not being able to represent more than one other member. In the event of a tie, the chairman has a deciding vote.

Every member is informed of his or her responsibilities and the confidentiality of the information received for every Board Meeting attended.

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

The Company continues to review the preparation of internal regulations designed to govern the operations of the Supervisory Board. This review will include the proposal to transform the Company into a *Société Anonyme* with a board of directors submitted to the general meeting dated June 14, 2007.

During 2006, the Supervisory Board met eleven times with the following attendance rates:

Supervisory Board meeting	Attendance rate
January 16, 2006	87.5%
January 25, 2006	75%
March 24, 2006	75%
April 20, 2006	87.5%
May 11, 2006	75%
July 7, 2006	100%
July 27, 2006	87.5%
October 2, 2006	100%
October 18, 2006	100%
November 27, 2006	75%
December 13, 2006	87.5%
Average attendance	86.4%

The Supervisory Board meeting dated January 16, 2006 included a review of the following items:

- Caroil's development plan; and
- expressions of interest received by the Management Board relating to taking an equity stake and/or a takeover of Maurel & Prom.

The Supervisory Board meeting dated January 25, 2006 included a review of the following items:

- expressions of interest received by the Management Board relating to taking an equity stake and/or a takeover of Maurel & Prom; and
- allocation of the directors' fees.

The Supervisory Board meeting dated March 24, 2006 included a review of the following items:

- status of agreements with the Congolese authorities and certification of the reserves;
- update on the situation following the expressions of interest received; and
- Caroil project and Pebercan matter.

The Supervisory Board meeting dated April 20, 2006 included a review of the following items:

- resignation of two members of the Board;

- presentation of the Company and consolidated financial statements for year ended December 31, 2005;
- review of the management report of the Management Board;
- approval of the draft appropriation of earnings presented by the Management Board;
- information on the progress of business in Venezuela and Congo;
- a draft press release of the Company; and
- authorisations and approvals granted to the Management Board.

The Supervisory Board meeting dated May 11, 2006 included a review of the following items:

- review of the draft resolutions to submit to the General Shareholders' Meeting of June 20, 2006;
- review of the draft report of the chairman of the Supervisory Board on internal controls of the Company;
- review of the independence of the Supervisory Board members; and
- draft report of the Supervisory Board to the General Shareholders' Meeting.

The Supervisory Board meeting dated July 7, 2006 included a review of the following items:

- approval and authorisation to be granted to the Chairman of the Management Board, the Chief Executive Officer or the Chief Financial Officer of the Company with a view to signing a loan agreement largely in conjunction with refinancing a part of the existing debt of Etablissements Maurel & Prom's; and
- approval and authorisation to be granted to the Chairman of the Management Board, the Chief Executive Officer or the Chief Financial Officer of the Company with a view to signing certain surety largely in conjunction with refinancing a part of the existing debt of Etablissements Maurel & Prom's.

The Supervisory Board meeting dated July 27, 2006 included a review of the draft sale of certain Congo-based assets of the Company.

The Supervisory Board meeting dated October 2, 2006 included a review of the following items:

- approval and authorisation to be granted to the Chairman of the Management Board of the Company with a view to signing a loan agreement, a master agreement, a subordination agreement, an amendment to the loan agreement dated July 11, 2006 and the hedging documents;
- approval and authorisation to be granted to the Chairman of the Management Board of the Company with a view to signing certain surety documents; and

- issue of bonus shares to one member of the Management Board.

The Supervisory Board meeting dated October 18, 2006 included a review of the following items:

- presentation of the business report of the Management Board for first half 2006;
- report of the Audit Committee on the financial statements for first half 2006;
- presentation of the financial statements for first half 2006; and
- presentation of the "Rubiales" project in Colombia.

The Supervisory Board meeting dated November 27, 2006 included a review of the following items:

- review of the Everest matter; and
- review of the First Africa Oil matter.

The Supervisory Board meeting dated December 13, 2006 included a review of the following items:

- report of the Management Board on business progress;
- presentation of the draft 2007 budget; and
- compensation of the members of the Management Board.

The Supervisory Board meeting dated January 15, 2007 included a review of the following items:

- review of the draft transaction with ENI Congo S.A.;
- review of the draft 2007 budget;
- proposed amendment to the agreement between Maurel & Prom and Pacifico;
- proposed allocation of directors' fees; and
- timetable of the Supervisory Board meetings for financial year 2007.

The Supervisory Board meeting dated February 21, 2007 included a review of the following items:

- approval of the minutes of the meeting on January 15, 2007; and
- review of the draft asset sale to ENI Congo S.A.

The Supervisory Board meeting dated March 28, 2007 included a review of the following items:

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

The Supervisory Board meeting dated May 9, 2007 included a review of the following items:

- update on the business progress;

- review of the 2006 Company and consolidated financial statements;
- review of the draft resolutions prepared by the Management Board to be submitted to the General Shareholders' Meeting of June 14, 2007; and
- approval and authorisation to be granted to the chairman of the Management Board of the Company with a view to signing an IDSA Master Agreement and a legal document confirming the partial hedge of the WTI of the Colombian production.

The Supervisory Board meeting dated May 29, 2007 included a review of the following items:

- review of the draft report of the Chairman of the Supervisory Board on internal control;
- review of the draft 2006 reference document; and
- approval of the amendment to the Pacifico Agreement.

6.2.1.5 Duties of the Board

(1) ONGOING SUPERVISION

In accordance with the law covering *Sociétés Anonyme* with a Management Board and Supervisory Board, and in accordance with the articles of association, the Board's main role is to exercise ongoing supervision over the Company's management exercised by the Management Board. 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 meet its duties. It is currently considering creating the position of Company Audit Director, as stated under Section 6.2.1.5(4) of this annual report.

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 Management Board's actions complying with the rules of good governance.

(2) APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD

The Supervisory Board appoints the members of the Management Board, its Chairman and when necessary the Managing Director. The Supervisory Board may dismiss members of the Management Board, the Chairman and, if necessary, the managing directors. The Supervisory Board fixes the compensation of the members of the Management Board. It reports to the Annual General Meeting

by means of its report and comments on the financial statements and the Management Report.

The Management Board currently has three members, Jean-François Hémin, Chairman (appointed on December 28, 2004), Daniel Pélerin (appointed on April 22, 2005) and Roman Gozalo (appointed on October 24, 2005).

(3) DECISIONS REQUIRING PRIOR AUTHORISATION OF THE BOARD

Certain transactions are subject to the prior approval of the Board. During 2006, the Management Board without such approval could not perform the following actions:

- the sale of buildings for more than €M20;
- total or partial sales of equity investments exceeding €M20;
- granting sureties for more than €M20;
- any asset acquisitions exceeding €M20;
- total or partial sales of major assets;
- and any pledges, authorizations or guarantees granted by the Company for an amount exceeding €M20.

(4) BOARD'S ACTIVITIES DURING FINANCIAL YEAR 2006

The Board reviewed the following matters during financial year 2006:

- review of the 2005 financial statements, the draft management report and the report of the Board, review of forecasts;
- review of the budget procedure and the Company's draft budget;
- review of the consolidated financial statements for the six months ended June 30, 2005;
- review of the Management Board's activity report;
- review of the draft resolutions to be submitted to the General Meeting;
- members and compensation of the Management Board;
- appointment and compensation of the members of the committees, allocation of directors' fees;
- authority to sign financing agreements;
- approval of certain regulated agreements;
- discussions on governance;
- review of the planned sale of certain Congo-based assets; and
- review of various projects to purchase oil assets.

6.2.1.6 Potential limitations on powers granted to the Management Board

Management of the Company is performed as a team by the members of the Management Board.

The Supervisory Board meeting of December 28, 2004, which appointed the Management Board and defined its powers, did not specify any limit except those mentioned above to the Management Board powers. In accordance with the law, the Management Board has the most extensive powers to act in all circumstances on behalf of the Company with respect to third parties. The Management Board exercises its powers within the limits of the corporate purpose and in accordance with the limits that the law expressly imposes on shareholder meetings and the Supervisory Board.

6.2.2 PROPOSED CHANGES TO ARTICLES OF ASSOCIATION, SUBJECT TO THE APPROVAL OF THE GENERAL MEETING OF SHAREHOLDERS HELD ON JUNE 14, 2007, RELATING TO A CHANGE IN THE COMPANY'S MANAGEMENT METHODS

It will be proposed to the General Meeting of Shareholders held on June 14, 2007 to change the Company's administrative procedures such that they are governed by a board of directors for the reasons stated under Section 6.1 of this annual report.

Should the general meeting adopt this change, the Company's Articles of Association will be amended as follows:

Article 1 of the Company's Articles of Association would read as follows:

"Article 1 - FORM OF THE COMPANY

The Company is a *Société Anonyme* (French limited liability company) with a board of directors governed by current laws and regulations applicable to sociétés anonymes and by these Articles of Association."

Article 4 of the Company's Articles of Association would read as follows:

"Article 4 - HEAD OFFICE

The head office is located in Paris (75002), at 12, rue Volney."

The registered office may be moved subject to Article L. 225-36 of the Commercial Code." Article 7 of the Company's Articles of Association would read as follows:

"Article 7 - MODIFICATION OF THE SHARE CAPITAL

The share capital may be reduced or increased following a decision of an Extraordinary General Meeting under legal and regulatory conditions. An extraordinary general meeting may nevertheless delegate to the board of directors the powers required to decide or carry out a capital increase or any other issue of securities, based on any procedures authorised by the law and regulations."

Article 8.1 of the Company's Articles of Association would read as follows:

"8.1. In the event of out a capital increase, in accordance with the decision of the Extraordinary General Meeting or that of the board of directors acting under the powers granted to it by the extraordinary general meeting, the shares subscribed must be paid up on subscription, either fully or at least one quarter of the price of each share subscribed for cash and, in all circumstances, within five years, pursuant to the decision of the board of directors which establishes the amounts called as well as the place and dates when the payments fall due. The amount of the shares subscribed is payable, either at the registered office, or at any other place stated for this reason."

Article 8.2 of the Company's Articles of Association would read as follows:

"8.2. The board of directors also establishes the conditions under which the shareholders may pay up their shares in advance."

Article 9.3. of the Company's Articles of Association would read as follows:

"9.3. The Company is entitled, at any time, under the terms and according to the procedures provided by law and regulations, to ask the central organization which holds the Company's shareholders register, for the identity of the holders of shares conferring voting rights immediately or at a later, and the quantity of shares held by each of them and, when appropriate, the restrictions applicable to the shares."

The entire Section III is modified as follows:

"Administration

III-1 BOARD OF DIRECTORS

Article 13 - MEMBERS

13.1. The Company is governed by a board of directors comprising at least three (3) and up to twelve (12) members, appointed by an ordinary general meeting of shareholders, subject to the exception allowed by the law in the event of a merger.

In order to enable some of the board of directors members to be renewed, for a temporary period, three categories of directors have been established, A, B and C, each category including one (1) to three (3) directors appointed by the general meeting that decided the change in the Company's administrative and management procedures and the adoption of the Company's management by a board of directors.

13.2. A legal entity may be appointed a director but, in accordance with legal conditions, said legal entity must nominate one natural person who will be its permanent representative on the board of directors.

Article 14 - TERM OF OFFICE, AGE LIMIT

14.1. The term of category A directors is one (1) year. The category A directors' term expires following the ordinary general meeting of shareholders held in 2008 that approves the financial statements for the year ended December 31, 2007.

The term of category B directors is two (2) years. The category B directors' term expires following the ordinary general meeting of shareholders held in 2009 that approves the financial statements for the year ended December 31, 2008.

The term of category C directors is three (3) years. The category C directors' term expires following the ordinary general meeting of shareholders held in 2010 that approves the financial statements for the year ended December 31, 2009.

14.2. Upon expiry of the terms of category A, B or C directors, the category to which the directors belong will automatically cease to exist. The term of office of the directors will then be three (3) years. A director's duties will cease following the ordinary general meeting of shareholders that approves the financial statements for the previous year and held in the year during which said director's mandate expires.

14.3. Board members who are over 70 year-old may not account for more than one third of the serving members. If this number is exceeded, the oldest member is automatically deemed to have resigned.

14.4. Directors may be re-elected indefinitely, subject to the aforementioned provisions relating to the age limit. They may be dismissed at any time by a vote in a General Meeting.

14.5. If one or more seats on the board become vacant due to death or resignation, the board of directors may make appointments on a temporary basis subject to ratification by the next Ordinary General Meeting, in accordance with the limits and conditions specified by law. If such appointment is not ratified, the resolutions passed and actions taken previously nevertheless remain valid.

14.6. In the event of a vacancy due to death, resignation or dismissal, the director appointed by the General Meeting of Shareholders or, pursuant to Section 14.5 above, by the board of directors to replace the former director, only remains in office during the remaining time of the office of his predecessor.

14.7. If the number of directors falls below three, the remaining members (or the statutory auditor or an administrator nominated by the President of the Commercial Court) must immediately convene an ordinary general meeting of shareholders in order to appoint one or more new directors with a view to reaching the legal minimum number of directors.

Article 15 - DIRECTORS' SHARES

15.1. Each director must own at least one (1) share during his entire term of office.

15.2. If on the date of his appointment, a director does not own the number of shares required or if he ceased to own said number during his term of office, he is deemed to have automatically resigned if he has not corrected the situation within three months.

Article 16 - POWERS OF THE BOARD OF DIRECTORS

16.1. The board of directors establishes the Company's business strategy and supervises its execution. Subject to powers expressly granted to general meetings of shareholders and in accordance with the corporate purpose, the board of directors handles all issues that relate to the proper operation of the Company and settles the issues that concern it.

16.2. In its relationships with third parties, the Company is liable even for Management Board acts inconsistent with the corporate purpose, unless proven that the third party knew—or could not ignore because of the circumstances—that such act was not in the scope of the corporate purpose, the mere publication of the Articles of association being insufficient proof thereof.

16.3. The board of directors performs the controls and verifications it considers appropriate.

16.4. Each director receives all information required to perform his duties and may request the chairman or managing director to send him all information required to perform his duties.

16.5. The board of directors may delegate special assignments to one or several of its members, or to a third party, shareholder or not, for one or more specific purposes.

16.6. It may also decide to set up special sub-committees. These sub-committees, of which the composition and the attributions are fixed by the board, carry on their activities under the responsibility of the board.

Article 17 - CONVENING MEETINGS, AGENDA

17.1. The board of directors shall meet as often as dictated by the interests of the company, and meetings are convened

by the chairman as and when he or she deems fit and at the location indicated in the notice convening the meeting.

- 17.2.** If the board of directors has not met for at least two months than one third of the members of the board of directors may request that the chairman convene a meeting on the basis of a pre-determined agenda. The managing director may also request that the chairman to convene a meeting on the basis of a pre-determined agenda. The chairman is obliged to carry out these requests.
- 17.3.** Notice of meetings are circulated by any means available.
- 17.4.** The board of directors only passes valid resolutions if at least half of its members are present.
- 17.5.** Decisions are taken on the basis of a majority of members present or represented. In the event of a tie, the chairman has the deciding vote.
- 17.6.** Subject to legal and regulatory constraints, meetings of the board of directors may take place using videoconferencing or other methods of telecommunication in compliance with the bye-laws adopted by the board of directors.
- 17.7.** The proceedings at meetings of the board of directors are recorded in minutes as laid down by law.
- 17.8.** Copies and extracts of these minutes are issued and certified in accordance with the law.

Article 18 - THE BOARD OF DIRECTORS' COMMITTEE

- 18.1.** The board of directors shall elect one of its non-corporate members as chairman and, if they see fit, also one or more vice-chairmen. It fixes the duration of their appointment, which cannot exceed the duration of their membership on the board and can terminate such appointment at any time.
- 18.2.** The age limit for appointment as chairman of the board is fixed at seventy years (70) ans. If a board chairman reaches this age whilst still in office then he or she is deemed to have resigned de facto.
- 18.3.** In the event of temporary unavailability or death of the chairman, the eldest of the vice-chairmen of the board of directors is co-opted into the office of chairman. In the event of temporary unavailability, this co-option is for a limited duration, but renewable. In the event of death, the appointment is valid until a new chairman is elected.
- 18.4.** The board of directors also appoints a secretary and fixes the duration of said appointment; the secretary may be a board member or not. In the absence of the chairman and vice-chairmen, the directors present shall appoint a chairman for the meeting.

- 18.5.** If, as a result of a simple omission, the board has not specifically renewed the appointment of a member to the steering committee then this appointment is deemed to have been made de facto, as long as the person's directorship appointment has not expired, and it is up to the next board meeting to ratify this renewed appointment.

Article 19 - DIRECTORS' COMPENSATION

- 19.1.** Members of the board of directors may receive compensation for their presence at meetings out of an overall sum of money voted at a general meeting and distributed by the board of directors as it sees fit.
- 19.2.** The board of directors may, in particular, allocate a larger share to directors who are members of the sub-committees mentioned in Article 16.6. above.

Article 20 - CHAIRMAN OF THE BOARD OF DIRECTORS

- 20.1.** The chairman of the board of directors organises and manages the board's proceedings and is accountable for this to the general meeting.
- 20.2.** He monitors the correct functioning of the company's governing bodies and, in particular, ensures that the directors are able to carry out their functions.
- 20.3.** The board of directors determines the amount, the method of calculation and payment of the chairman's remuneration, where applicable. The chairman may be removed at any time by the board of directors.

Article 21 - "CENSEURS"

- 21.1.** The board of directors may nominate, from the Company, a number of "censeurs", but these may not exceed four in total.
- 21.2.** The duration of appointment as "censeur" is fixed at three (3) years.
- 21.3.** These "censeurs" shall attend meetings of the board of directors as observers and may be consulted by board members; if they so wish they may present their comments to a general meeting on issues that have been put to them. They must be invited to every meeting of the board of directors. The board of directors may confer specific assignments on these observers. They may also take part in sub-committees set up by the board of directors.
- 21.4.** The "censeurs" must own at least one (1) share in the Company. The board of directors may decide to pass on to the "censeurs" a proportion of the remuneration allocated to it in a general meeting and authorise reimbursement of expenses incurred in the interest of the Company.

III-2 GENERAL MANAGEMENT

Article 22 - GENERAL MANAGEMENT

- 22.1.** In compliance with legal and regulatory provisions, the general management of the Company is carried on, under the responsibility of the board of directors, either by the chairman of the board of directors, or else by another person, not a corporation, appointed by the board of directors and bearing the title managing director.
- 22.2.** The choice as to which of these two methods of ensuring general management is used falls to the board of directors who should so inform the shareholders and third parties pursuant to the conditions laid down by law.
- 22.3.** Any decision as to the choice of method of general management is taken by the majority of directors present or represented.
- 22.4.** The option decided on by the board of directors should be for a period of minimum one year.
- 22.5.** Any change in the method of general management shall not entail modification of the Articles of Association.

Article 23 - MANAGING DIRECTOR

- 23.1.** Depending on the choice made by the board of directors in application of Article 22 above, the general management is ensured either by the chairman or else by another person, not a corporation, appointed by the board of directors and bearing the title managing director.
- 23.2.** If the board of directors decides to separate the job of chairman and managing director, then it undertakes the appointment of a managing director, fixes the duration of such appointment, his or her remuneration and, where necessary, any limitations to that person's authority.
- 23.3.** The age limit for carrying on the function of managing director is seventy (70). If a managing director reaches this age whilst still in the post then he or she is deemed to have resigned de facto.
- 23.4.** The managing director may be removed at any time by the board of directors.
- 23.5.** The managing director has the widest powers to commit the company in any circumstances. The managing director exercises his powers within the corporate purpose and in accordance with the limits that the law expressly imposes on shareholder meetings and the board of directors.
- 23.6.** The managing director represents the Company vis-à-vis third parties. In its relationships with third parties, the Company is liable even for Management Board acts

inconsistent with the corporate purpose, unless proven that the third party knew or could not ignore because of the circumstances that such act was not in the scope of the corporate purpose, the mere publication of the Articles of association being insufficient proof thereof.

Article 24 - DEPUTY MANAGING DIRECTORS

- 24.1.** On recommendation from the managing director, the board of directors may appoint one or more persons, not corporations, to assist the managing director and with the title deputy managing director.
- 24.2.** The maximum number of deputy managing directors is two.
- 24.3.** In agreement with the managing director, the board of directors determines the scope and duration of the authority given to the deputy managing directors.
- 24.4.** As regards third parties, a deputy managing director has the same authority as the managing director.
- 24.5.** The age limit for exercising the function of deputy managing director is seventy (70). If a deputy managing director reaches this age whilst still in the post then he or she is deemed to have resigned de facto.
- 24.6.** On recommendation of the managing director, a deputy managing director may be removed by the board of directors at any time.
- 24.7.** The board of directors determines the remuneration paid to the deputy managing directors.
- 24.8.** In the event that the managing director leaves his or her job or is temporarily unavailable then, unless the board of directors decides otherwise, the deputy managing directors retain their functions and attributions until a new managing director is appointed."

Article 26.3 of the Company's Articles of Association would read as follows:

"26.3 However, the right to attend company general meetings of any kind, must be proven either by an accounting entry or the registration of the shares pursuant to the conditions and in the time provided for by law."

Article 26.4 of the Company's Articles of Association would read as follows:

"26.4. The board of directors may reduce or abolish completely the time allowed for proving one's right to attend company general meetings, as a general measure applying to all shareholders."

Article 26.6 of the Company's Articles of Association would read as follows:

"26.6. Any shareholder may also send an agent to the Company without stating the name of his agent. Any agent that does not mention the agent's name shall be considered a vote in favour of the resolutions submitted or approved by the Management Board."

Article 26.8 of the Company's Articles of Association would read as follows:

"26.8. At the option of the board of directors, shareholders may participate in meetings by videoconference or by teleconferences allowing their identification according to the terms of the applicable regulations."

Article 27.1 of the Company's Articles of Association would read as follows:

"27.1. The shareholders general meetings are convened, pursuant to the conditions laid down by law, by the board of directors or, failing that, by the statutory auditors or any other person so empowered by law."

Article 28.3 of the Company's Articles of Association would read as follows:

"28.3. The general meeting cannot deliberate on an issue that has not been entered on the agenda. Nevertheless, it may, in all circumstances, remove one or more members of the board of directors and make alternative appointments."

Article 29.1 of the Company's Articles of Association would read as follows:

"29.1. The general meeting is chaired by the chairman of the board of directors or, in his or her absence, by a member of the board of directors so delegated by the board itself. Failing this, the general meeting shall elect its chairperson."

Article 31.3 of the Company's Articles of Association would read as follows:

"31.3. Proceedings are recorded in the minutes and these are entered in a special register. These minutes are signed by the board committee. Copies or extracts of these minutes are signed by the chairman of the board of directors."

Article 32.2 of the Company's Articles of Association would read as follows:

"32.2. The Ordinary General Meeting is convened each year by the Management Board within six months of the financial year end."

Article 35 of the Company's Articles of Association would read as follows:

"Article 35 - COMPANY ACCOUNTS

The board of directors maintains regular bookkeeping on company business and closes off these accounts in the manner laid down by the applicable laws and regulations."

Article 37.1 of the Company's Articles of Association would read as follows:

"37.1. Details of any payment of dividends voted by the general meeting are fixed by said meeting or, failing this, by the board of directors pursuant to the provisions of Articles L. 232-12 to L. 232-17 of the Commercial Code."

Article 38.1 of the Company's Articles of Association would read as follows:

"38.1. On recommendation of the board of directors, the Extraordinary General Meeting may, at any time, decide to wind up the Company."

Article 38.2 of the Company's Articles of Association would read as follows:

"38.2. If the own equity of the Company falls below half of its share capital, then the board of directors is obliged, within four months of approving the accounts in which such a loss is displayed, to convene an extraordinary general meeting to decide whether to wind up the Company. If the company is not wound up then the share capital must be immediately reduced by the amount of the loss incurred pursuant to the provisions of Article L. 224-2 of the Commercial Code. The resolution passed at general meeting must, in all events, be made public."

Article 39.1 of the Company's Articles of Association would read as follows:

"39.1. On expiry of the Company, or in the event of early winding up, then the general meeting, on recommendations from the board of directors, decides on the method of liquidating the company and appoints one or more liquidators and decides on the authority given to them."

Article 39.2 of the Company's Articles of Association would read as follows:

"39.2. The appointment of a liquidator terminates any authority held by members of the board of directors."

6.2.3 INFORMATION PROVIDED TO THE BOARD

6.2.3.1 Information prior to each Board meeting

Detailed documentation, containing information required for the analysis of the points of the Board's agenda, is provided prior to each meeting to the 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 Management Board usually comments upon these documents during the Board Meetings

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

6.2.3.2 Financial information and information on Company activity

(1) FINANCIAL INFORMATION

Every quarter, the Management Board presents a report on the Group and its main subsidiaries' activity and results for the quarter just ended.

At the end of each half-year or year, the Management Board presents a detailed and annotated income statement and balance sheet.

During the meetings convened to approve half-year and annual financial statements for 2006, the Board held discussions with the Statutory Auditors, the Chief Financial Officer and general management.

Within the three months after the end of each fiscal year, the consolidated financial statements approved by the Management Board are submitted to the Supervisory Board for verification. The Board then provides the General Shareholders' Meeting with its comments on the Management Report and on the financial statements for the year.

(2) INFORMATION ON THE COMPANY'S ACTIVITY

With regard to mergers and acquisitions or asset sales, the Board analyzes the data provided by the Management Board on the transactions and the strategy, gives its opinion on the pertinence of the documentation and, when necessary, authorizes the Management Board to proceed with the transactions.

(3) ONGOING INFORMATION

Whenever necessary, the Supervisory Board may also ask the Management Board and management, to provide any information or analysis it considers appropriate or to give a presentation on a given subject.

Furthermore, between meetings, the members of the Board are regularly informed of significant events or transactions.

6.2.4 SPECIAL COMMITTEES

Based on the recommendations of the Autorité des marchés financiers, the Board has implemented special committees:

6.2.4.1 Audit Committee

(1) MEMBERS OF THE AUDIT COMMITTEE

The Audit Committee was formed on December 28, 2004 following the Company's transformation into a *Société Anonyme*, and is comprised of three members.

During 2006, the Audit Committee members were:

- Gilles Brac de the Perrière, "censeur" on the Board;
- Fabien Chalandon, member of the Board (appointed to replace Jean-Louis Chambon);
- Laurent Lafond, member of the Board since 2005 (resigned in April 2006);
- Roland d'Hauteville, member of the Board (appointed to replace Guillaume Verspieren in September 2006).

(2) OBJECTIVES OF THE AUDIT COMMITTEE

The general role of the Committee is to assist the Board in obtaining the information and resources to ensure the quality of internal controls and the reliability of financial information sent to shareholders and the financial market.

The Audit Committee's main objectives are:

- to analyze the Company and Maurel & Prom Group consolidated financial statements; Maurel & Prom;
- to control that accounting principles adopted are appropriate and consistent (i) for the consolidated and Company financial statements; and (ii) for the consolidation scope;
- to analyze the internal and external audit procedures implemented within Maurel & Prom Group;
- to assess the reliability, pertinence, means, efficiency and independence of internal controls;
- to analyze with Maurel & Prom's project team, all IFRS accounting standards, and in particular those likely to have an influence on the Group;
- to analyze the major transactions involving a risk of conflict of interest between Maurel & Prom, the members of the Management Board or the members of the Supervisory Board; and
- to verify the independence and objectivity of the Statutory Auditors;
- to review procedures and internal controls.

(3) ACTIVITY OF THE AUDIT COMMITTEE IN 2006

During 2006, the Audit Committee met on 9 occasions attended by the Company's Finance department and the Statutory Auditors.

6.2.4.2 Appointments and Compensation Committee

(1) MEMBERS OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

The Compensation Committee, founded by the Supervisory Board on December 28, 2004 has three members.

In 2006, the Committee's members were:

- Fabien Chalandon, member of the Board;
- Alain Gomez, member of the Board (appointed to replace Jean-Louis Chambon);
- Mr Bellon de Chassy, member of the Board (appointed to replace Laurent Lafond).

(2) OBJECTIVES OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

The committee's main objective is to make proposals regarding the remuneration of members of the Management Board (amount of fixed compensation and the procedures for variable compensation if applicable) and, as the case may be, of the Chairman and Vice Chairman of the Supervisory Board.

Concerning the members of the Board, the Appointments and Compensation Committee is responsible for determining each year the overall amount of directors' fees that will be submitted to the approval of the General Shareholders' Meeting, and the distribution method of these directors' fees between the members of the Supervisory Board, taking into account the members' attendance at Board and committees meetings.

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

The Appointments and Compensation Committee also makes recommendations concerning retirement and life insurance schemes, benefits in kind and representatives' financial entitlements to severance payments.

(3) ACTIVITY OF THE APPOINTMENTS AND COMPENSATION COMMITTEE DURING 2006

The committee met twice during 2006. Its main activity was to decide on the remuneration of the Management Board members. It should be noted that the procedures for calculating the Management Board compensation 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 Supervisory Board its proposals relating to 2006 bonuses for members of the management Board and relating to the members' basic pay in 2007.

Its recommendations were largely based on an analysis of the individual performance and contributions of Management Board members. With respect to the amount of 2007 variable remuneration, the Committee decided to apply a bonus system based on objectives for each member of the Management Board.

With respect to allocation of directors' fees among the Board members, for 2006 the Committee recommends applying the rules introduced in 2005. These rules were based at the time on a report from a reputable independent firm. A major proportion (50%) of the fees is based on the attendance of Supervisory Board members at Board meeting 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". (MEDEF/AFEP-AGREF report, 2002 "Improved governance of listed companies").

The criteria examined by the Appointments and Remuneration 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 and not to have been so for the last five years;
- not to be a corporate officer 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 any close family ties with a corporate officer;
- not to have been an auditor of the Company;
- 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 its 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 considered on May 29, 2007, that four members of the Board should be considered independent:

- Alexandre Vilgrain,
- Fabien Chalandon,
- Alain Gomez,
- Mr Bellon de Chassy.

6.2.5 INTERNAL CONTROLS SYSTEM

6.2.5.1 Definition of internal controls

Internal controls are defined as the entire gamut of control policies and procedures introduced by management and Company staff designed to ensure the following:

- the reliability and accuracy of financial and accounting information;
- the accounting records' accuracy and exhaustiveness;
- the Company's efficiency in its business operations;
- the acts of managing and carrying out the transactions and the employees' behaviours comply with the Company's guidelines and the Company's own values, standards and rules;
- compliance with applicable local laws and regulations; and
- safeguarding the Company's assets by preventing and controlling in particular risks resulting from the Company's activity, and in particular, the risks specified in Chapter 7.

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

6.2.5.2 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 sets up organisation, methods and procedures for the Company's activities to ensure control and supervision of Company activities. The management also sets internal rules of operation, management and risk prevention relating to business activities.

Management Board, the Secretary, the Finance Department and the Supervisory Board are the major figures involved in internal controls. Their work is based on central management control and local subsidiaries' accountants.

The Management meets on a regular basis to discuss management issues related and unrelated to the normal course of business. The Management Board and the Director of Operations, the Chief Financial Officer, the Secretary and the Development Director meet every two weeks to deal with the Company's management issues and analyze the results of the action taken.

(2) OPERATIONAL IMPLEMENTATION OF INTERNAL CONTROLS

Maurel & Prom Group is made up of operating subsidiaries, locally managed and reporting to Group Senior Management. Subsidiaries are grouped together on the basis of activities by

country or geographic business zone. Except for Italy and 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. For subsidiaries in other countries, the Company's functional departments have a worldwide support for such operations.

Corporate offices and legal representation of the subsidiaries are allocated to Company management. Operational and financial directors of subsidiaries are granted powers, which are limited, as applicable, based on the judgment of Company management. The major decisions are submitted to Company management for approval. The legal department centralizes the preparation and approval of the major legal documents within the Group's subsidiaries.

The Group's core business, except for the holding company role, is in the oil industry. In most cases, mining exploitation is carried out based on a regulatory framework involving the participation of the partners and host states. Daily internal control activities are structured around the main operating cycles specific to the Group's activities, which are exploration, development, production and sale of crude oil.

Under the exploitation framework of the mining sector, very formal processes are required:

- to draft an initial and reviewed annual budget for each permit discussed with the partners and submitted to the relevant country authorities for approval;
- to prepare specific application for partners' approval in respect of major expenditure, particularly for drilling wells, building new installations and seismic surveys;
- calls for funds, as verified with partners, to regularly finance the progress of work performed.

Furthermore, the partners must be informed regarding any expenditure exceeding 10% of these authorizations. Monthly budget spending reports prepared by the head office management controller are provided to the Financial Department and to partners after review by the local management controller and/or the Administrative and Financial Director of the various cost centres.

Lastly, the actual expenditure is officially presented to the local authorities within the management committees for approval as "oil costs" (or recoverable expenses: all the investments and operating expenses that can be deducted from the tax in kind). The remainder of the 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, and audited after the fact by the governments concerned.

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

This implies operational internal controls which require the cost centre managers' approval at each operating stage (exploration, drilling, extraction) and at both local and head office level.

Furthermore, for the second consecutive year, the Group's hydrocarbon reserves have been audited by DeGolyer & MacNaughton, an independent US firm of experts in the industry (audits conducted between October 2006 and March 2007).

The Management Board has implemented and progressively completed an internal control structure aimed at controlling operations and preventing the various types of operational risks. The major objective of such auditing structure is to identify and control the risks arising from potential deterioration or disappearance of assets, accounting or any kind of errors, irregular expenditure and fraud.

(3) FINANCIAL CONTROL

The Management Board, which is responsible for publishing financial and accounting information, relies on the Group's Finance Department, which includes the finance, treasury, accounting and management control departments.

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; before consolidation, Caroil's financial statements are reviewed by an outside firm. The most recent monthly accounting data relating to operating subsidiaries are reviewed by head office in Paris prior to consolidation. The financial reports are drafted by the Company's Accounting Department before being valued and inspected by the Management, the Audit Committee and the Supervisory Board.

The Management Control Department of the parent company analyzes the differences between budgeted and actuals and carries out a general analysis of costs. Reconciliations are made, if necessary, with the management controller responsible for each zone, who also carries out budget reconciliations with the local managers of the various operating cost centres.

The Group uses standard methods for financial and cost accounting, consolidation, employee management and capital investments. It was decided to launch a process improving the accounting and management systems which was partially completed in 2006 with the implementation of the Hyperion reporting system.

The 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 Finance Department in order to optimize the Group's cash flow management.

With regard to external financial communications, all procedures are under the responsibility of the Management Board and the Director of Finance. Each quarter, the Company reports its sales to the financial markets, and in the months following the end of the half year, provides a consolidated income statement, balance sheet and cash flow statement for that half-year. The communication schedule is issued at the beginning of the year in accordance with the requirements of Euronext. The accounting and management control departments provide the information required for financial communication, and the Finance Department ensures that the information provided to the stock market complies with the Group's results and the legal and regulatory obligations. The Statutory Auditors approve the half-yearly and annual financial documents prior to their issue.

The finance department hired extra staff in 2006 to handle the budget procedure and internal controls. The finance department currently has 11 employees. During 2006 and the first few months of 2007, 4 employees were recruited and three left the Company.

(4) AUDIT COMMITTEE – INTERNAL AUDIT

The Audit Committee is described under Section 6.2.4. of this reference document.

In order to ensure effective control on an ongoing basis, it is planned to create the position of Company Audit Director.

It is planned that the Audit Director will receive his assignments from and will report to the Supervisory Board.

The Audit Director will be responsible for verifying if the required Group companies' standards are being followed. These standards are:

- external sources: legislative and regulatory requirements;
- internal sources: establishment of guidelines related to the Group's interpretation of the external standards and other requirements that the Company chooses to comply with.

The preparation of the guidelines follows several stages to ensure its validity. The Secretary prepares the guideline, which is approved by the Management Board. The Audit Director then checks that guidelines are respected. Finally, the Statutory Auditors may—as part of their specific duties for auditing the Company's accounting documents—point out omissions either in the guideline itself or in the control of its implementation.

Statutory Auditors notified the Company of their comments that were taken into account.

(5) RISK MANAGEMENT, INSURANCE

The main external risks, whose potential impact on the Company and its subsidiaries is monitored by the Management Board, are

the oil price and the legal and political risks related to the Group's exploration and production regions. The Group has taken out insurance covering several types of risk and, in addition to basic coverage, insurance policies specific to oil business and the nature and location of its assets which, amongst others, cover the potential risk of oil installation damage, losses of assets and pollution risks.

9.2.6.3 External audit

The Company has two principal Statutory Auditors (Michel Bousquet and Ernst & Young Audit represented by François Carrega) and two deputy Statutory Auditors (François Caillet and 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 early of the process for preparing the accounts and present their comments to the Finance Department and the Management Board as well as to the Supervisory Board.

9.2.6.4 Balance sheet for the year, actions and discussions in progress

During 2006 and early in 2007, the Finance Department encountered a number of difficulties that led in particular to an unsatisfactory year-end accounts closing process in terms of timing. There were many reasons for these difficulties and their effects were cumulative:

- In the first place, the change of the Finance Department team including four new employees joining and three employees leaving. The people leaving included the Deputy Finance Director who was responsible for the consolidation and accounting.
- furthermore, the introduction of a new accounting and consolidation system for which implementation was poorly managed; and
- lastly, an increased volume of data and issues to process due to the growth of the business and due to exceptional work resulting from the Company's planned or completed asset purchase or sale transactions.

These difficulties were partially overcome by the use of specialist independent suppliers.

It should be noted that the Audit Committee fulfilled its duties by paying very close attention to the 2006 financial year account closing process. Indeed, the Committee held a series of exceptional meetings (a total of nine during this period) with the Statutory Auditors and the Finance Department. I personally held discussions with the Statutory Auditors in order to hear their opinions on the type of difficulties encountered.

It should also be noted that the recruitment of an internal auditor that was initially planned for the end of 2006, has been postponed to 2007.

However, we should highlight the areas of progress achieved by the Company including the following:

- strengthening of the budget control process, which was a priority for the year and was completed with success;
- a significant improvement in control of the subsidiaries, particularly in Colombia with the recruitment of a new finance director and the secondment of a financial controller from the parent company.
- In order to avoid the recurrence of difficulties encountered in 2006 and early in 2007, the Company began to consider the following points:
 - improved management of risks arising from inadequate control of the Company's information system (ability to assess the quality of external services, strict methodology in the conduct of complex projects, integrity and security of the information system);
 - significantly improved technical accounting and consolidation skills involving recruitment of new staff among other measures;
 - identification of weak points in the current organisation in order to make the required corrections consistent with the Company's development strategy; and
 - introduction of a more formal methodology and procedures in terms of selection of development projects; this was necessary in view of the Company's change in profile following sale of the Congo-based assets.

Despite these difficulties, it should be nevertheless emphasized that the quality of the accounting and financial information in 2006 meets the requirements to which the Company is subject.

6.3 Employees

6.3.1 EMPLOYEES

A key feature of 2006 was a significant strengthening of its management structure. The Company continued to boost its workforce during 2006 following on from the significant recruitment in 2005.

Breakdown by activity	2006	2005	2004
Oil and gas activities	304	236	64
Oil drilling	19	8	7
Gold activity	15	13	18
Maurel & Prom Holding	56	45	34
TOTAL	394	302	123

Geographic breakdown	2006	2005	2004
Africa	172	90	84
Asia	-	0	5
Latin America	165	167	-
Europe	57	45	34
TOTAL	394	302	123

6.3.1.1 Employees at December 31, 2006

As at December 31, 2006, the Company had a total of 56 employees.

The Company's employees constantly increased: from 34 employees at December 31, 2004, this figure rose to 45 at December 31, 2005.

The total payroll charge amounts to €6,408,245 (up from €4,304,293 in 2005). Social Security contributions for the year amounted to €3,245,864 (down from €7,176,725 in 2005). This reduction is due to social security contributions on the exercise of stock options in 2005.

In 2006, temporary workers represented a total expense of €568,805 for the parent Company.

6.3.1.2 2006 recruitment

The parent Company hired 17 new staff during 2006 broken down as follows:

- 12 people were recruited under open-ended contracts, of whom three have expatriate status;
- 4 people were recruited under fixed-term contracts, of whom one has expatriate status; and
- 1 apprentice.

In addition, two training contracts were signed in 2006.

6.3.1.3 Redundancies/dismissals throughout 2006

Within the parent Company 6 staff were dismissed in 2006 including 5 due to a serious disagreement with their management. The remaining dismissal was for gross negligence.

6.3.1.4 Other

The company is under the oil industries collective labour agreement since March 1, 2004.

A protocol relating to the implementation for adjustment and reduction in work time has been in force since May 19, 2003. Pursuant to this protocol, the 35-hour working week is applied in the Company.

6.3.2 PROFIT-SHARING AND STOCK OPTIONS OF THE CORPORATE OFFICERS

6.3.2.1 Executives' shareholdings in the Company's equity

At May 14, 2007, and to the Company's knowledge, the Company's Management Board and Supervisory Board members together held 30,576,572 Company shares representing 25.44% of the capital and 25.44% of the voting rights.

To the Company's knowledge, the interests held in the Company as well as securities issued by Maurel & Prom held by corporate officers as at May 14, 2007 are as follows:

	Shares	OCEANE
Management Board		
Jean-François Hénin ⁽¹⁾	20,106,580	126,236
Roman Gozalo	0	0
Daniel Pélerin	123,800	0
Supervisory Board		
Gérard Andreck ⁽²⁾	1	0
Emmanuel de Marion de Glatigny ⁽³⁾	135,627	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⁾	15,193	0
Roland d'Hauteville ⁽⁵⁾	46,668	0
TOTAL	30,576,572	126,236

(1) Through Pacifico SA, controlled by Jean-François Hénin and the members of his family.

(2) Gérard Andreck is also chairman of MACIF, the second largest shareholder of the Company with 8,324,204 shares held as at December 31, 2006.

(3) Jointly with his wife.

(4) Mr de Marion de Glatigny held 110,829 Company shares directly and 24,438 shares indirectly via a PEA (personal equity plan) held by his wife

(5) Mr d'Hauteville held 16,281 Company shares directly and 30,387 shares indirectly via an investment holding company.

Monsieur Brac de la Perrière, "censeur" for the Supervisory Board, holds directly and indirectly with his family 5,825 Maurel & Prom shares (of which 3,575 directly held and 2,250 indirectly via a wholly-owned investment holding company).

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

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

6.3.2.2 Stock options granted to corporate officer and options exercised

The information below is updated on the date of the annual report.

No stock option was granted to Company's corporate officers in 2002, 2003, 2004 and 2006, neither by Maurel & Prom Group companies, Aréopage nor by Pacifico.

Frédéric Boulet, Marc Sengès and Daniel Pélerin were granted stock options by the Company when they were employees and not corporate officers.

Plan	Date of grant	Exercise price	Start of the exercise period	Expiry date	Number of options granted	Number of options exercised	Number of options remaining
CURRENT MEMBERS OF THE MANAGEMENT BOARD							
Daniel Pélerin							
Plan n°1	Oct. 25, 2001	€1.185	Oct. 26, 2004	None	153,800	153,800	0
Roman Gozalo							
Plan n°3	Dec. 21, 2005	€12.91	Dec. 22, 2005	Dec. 21, 2010	100,000	0	100,000
FORMER MEMBERS OF THE MANAGEMENT BOARD							
Frédéric Boulet (member of the Management Board from December 28, 2004 to August 18, 2005)							
Plan n°1	Oct. 25, 2001	€1.185	Oct. 26, 2004	None	410,130	410,130	0
Plan n°1 B	Jun. 16, 2003	€1.949	May 23, 2005	Jun. 16, 2008	266,540	266,540	0
Plan n°2	Jul. 29, 2003	€1.738	Jul. 30, 2003	Jul. 29, 2008	1,025,320	1,025,320	0
TOTAL					1,701,990	1,701,990	0
Marc Sengès (member of the Management Board from April 22, 2005 to September 19, 2005)							
Plan n°3	Mar. 16, 2005	€13.59	Mar. 17, 2005	Mar. 16, 2010	220,000	220,000	0

No other stock option has been granted to Company's corporate officers by the Company or by Maurel & Prom Group companies. Furthermore, no corporate officer exercised any stock options in 2006.

6.3.2.3 Bonus shares granted to each corporate officer

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

To date, Roman Gozalo, Chief Executive and member of the Management Board, has received 15,000 bonus shares, which were granted to him on December 21, 2005 and Monsieur Pélerin,

Exploration Director and member of the Management Board, has received 50,000 bonus shares, which were granted to him on October 3, 2006.

	Plan n°1 Roman Gozalo (member of the Management Board since October 24, 2005)	Plan n°1 C Daniel Pélerin (member of the Management Board since April 22, 2005)
Date of grant	December 21, 2005	October 3, 2006
Acquisition period	December 21, 2007	October 3, 2008
Lock-in period	December 21, 2009	October 3, 2010
Number of bonus shares	15,000	50,000

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

6.3.3 EMPLOYEES INTEREST

On May 14, 2007, three employees of the Group held 137,570 Company shares. Some employees hold Maurel & Prom shares within the salary savings scheme that has been implemented.

6.3.3.1 Profit-sharing and employee savings schemes

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

(1) PROFIT-SHARING PLAN

A new profit-sharing agreement was implemented on January 1, 2005, due to the termination of the first profit-sharing agreement concluded in 2002. The agreement has a term of three years until December 31, 2007.

The profit-sharing plan was implemented for two reasons:

- to unify the employees in order to stimulate a Group productive dynamic and respect each person's involvement to increase productivity;
- and to improve work organisation.

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

The profit-sharing scheme is based on operating income and is calculated in accordance with applicable collective and individual limits.

The corresponding profit-sharing charge in 2006 amounts to a total of €651,507 (compared to €420,207 in 2004). It is paid in cash totally or partly to the Corporate Savings Plan, and in such case receives a Company contribution.

(2) EMPLOYEE SAVINGS

On March 1, 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 financial year 2003.

On May 2, 2007, 50 employees had an equity interest in Maurel & Prom amounting to 0.07% or 86,740 shares.

(a) Corporate Savings Plan ("PEE")

All the Company's 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 beneficiaries savings into the plan, the inter-company savings plan or the profit-sharing agreement of a former employee when money has become available due to the termination of a work contract.

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 March 1, 2002, for one year, can be tacitly renewed for one year terms.

The Company's 2006 contribution to the Corporate Savings Plan (into the PEE for current employees) amounted to €155,250.

(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 to constitute a securities portfolio.

As required by the "Loi Fillon" dated August 21, 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 corporate officers and options exercised

Certain Company staff receive Maurel & Prom stock options, for which the main terms are given in the following table.

TABLE SETTING OUT MAUREL & PROM STOCK OPTIONS – INFORMATION AS AT APRIL 30, 2007

Plan	Date of decision of the AGM	Date of grant	Beneficiaries	Number of options granted	Initial exercise price	Initial exercise date
Plan 1	Sept. 11, 2001	Oct. 25, 2001	12 people:	154,000	€12.15	Oct. 26, 2004
			- 1 corporate officer ⁽¹⁾ , and	8,000		
			- 11 employees ⁽²⁾	146,000		
1 b	Sept. 11, 2001	June 16, 2003	1 employee ⁽³⁾	26,000	€19.98	May 23, 2005
Plan 2	June 26, 2003	July 29, 2003	5 employees ⁽⁴⁾	123,000	€17.82	July 30, 2003
2 b	June 26, 2005	June 22, 2004	3 employees	13,500	€66.94	June 23, 2004
Plan 3	Dec. 28, 2004	March 16, 2005	1 employee ⁽⁵⁾	220,000	€13.59	March 17, 2005
3 c	Dec. 28, 2004	April 6, 2005	8 employees	480,000	€13.44	April 7, 2005
3 c	Dec. 28, 2004	Dec. 21, 2005	2 employees	170,000	€12.91	Dec. 22, 2005
			- 1 corporate officer ⁽⁶⁾ , et	100,000		
			- 1 employee non corporate officer	70,000		
3 d	Dec. 28, 2004	January 3, 2006	1 employee	80,000	€12.86	January 4, 2006
3 e	Dec. 28, 2004	April 10, 2006	1 employee	80,000	€14.72	April 11, 2006
TOTAL						

(1) Maurel & Prom subsidiaries.

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

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

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

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

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

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

(8) Relates to Mr Roman Gozalo, Managing director and member of the Management Board of the Company since October 24, 2005.

NOTES:

- Each existing option gives the right to subscribe to 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 the course of financial year 2006, one employee exercised 13,270 options for share subscription.

Echeance deadline	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
None	157,903	€11.85	1,579,030	€1.185	1,497,000	82,030
	8,203		82,030		8,030	0
	149,700		1,497,000 ⁽⁷⁾		1,350,430 5,127 ⁽⁶⁾	82,030
June 16, 2008	26,654	€19.49	266,540	€1.949	266,540	0
July 29, 2008	126,116	€17.38	1,261,160	€1.738	1,225,270	35,890
June 22, 2009	13,842	€65.29	138,420	€6.529	15,380	123,040
March 16, 2010	N/A	N/A	N/A	N/A	220,000	0
April 6, 2010	N/A	N/A	N/A	N/A	50,000	430,000
Dec. 21, 2010	N/A	N/A	N/A	N/A	0	170,000
					0	100,000
					0	70,000
January 3, 2011	N/A	N/A	N/A	N/A	N/A	80,000
April 10, 2011	N/A	N/A	N/A	N/A	0	80,000
						1,000,960

6.3.3.3 Bonus shares granted to employees

Some employees of the Company are granted bonus Maurel & Prom shares, the details of which are set out in the following table:

	Plan n°1 C	Plan n°1 D
Date of grant	October 3, 2006	December 14, 2006
Acquisition period	October 3, 2008	December 14, 2008
Lock-in period	October 3, 2010	December 14, 2010
Number of staff concerned	4 *	23
Number of bonus shares	70,000	66,800

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

During financial years 2005 and 2006, twenty-six employees (including two officers of the Company) were awarded 151,800 bonus shares.

During financial year 2004, no bonus shares were awarded.

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

6.4 Compensation and benefits

6.4.1 COMPENSATION OF ANY SORT PAID FOR THE LAST FISCAL YEAR TO EACH MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBER

6.4.1.1 Management Board

The following chart represents the gross 2006 compensation of the Management Board members in connection with their corporate offices within Maurel & Prom and its subsidiaries:

Management Board members	Fixed compensation in euros	Variable compensation in euros *	Exceptional compensation in euros
Jean-François Hénin	500,000	16,254	0
Daniel Pélerin	215,004	112,500	0
Roman Gozalo	285,385	192,500	0

Variable compensation is calculated on achievement of objectives jointly agreed at the beginning of the year. Compensation, severance payments and allowances for foreign travel (amounting to €1,250 per day) paid for directors' duties within Maurel & Prom and its subsidiaries are included.

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

The following chart shows the gross compensation received by the members of the Management Board in connection with their corporate offices within Maurel & Prom and its subsidiaries for 2005:

Management Board members	Fixed compensation in euros	Variable compensation in euros *	Exceptional compensation in euros
Jean-François Hénin	500,000	16,254	0
Daniel Pélerin	215,004	112,500	10,000
Roman Gozalo	285,385	92,500	0

Former members of the Management Board	Fixed compensation in euros	Variable compensation in euros *	Exceptional compensation in euros
Frédéric Boulet **	2,055,535 **	0	0
Marc Sengès **	186,024 **	0	0

Variable compensation is calculated on achievement of objectives jointly agreed at the beginning of the year. Compensation, severance payments and allowances for foreign travel (amounting to €1,250 per day) paid for directors' duties within Maurel & Prom and its subsidiaries are included.

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

In order to determine the amount of variable compensation of the Management Board members, the Committee applies an analysis of each member's individual performance and contributions. For 2007, the Committee decided to introduce a bonus system based on objectives for each Management Board member.

The following chart shows the gross compensation received by the members of the Management Board in connection with their corporate offices within Maurel & Prom and its subsidiaries for 2004:

Management Board members	Fixed compensation in euros	Variable compensation in euros	Exceptional compensation in euros
Jean-François Hénin	517,500	0	0
Frédéric Boulet	292,781	0	666,667

It is also stated that, in accordance with the recommendations of the Appointments and Compensation Committee in its report to the Supervisory Board, certain Management Board members (currently Mr Pélerin and Mr Gozalo) would be entitled to severance payments of the equivalent of two years salary including bonus if they left their positions following a change in control of the Company arising from a public takeover bid on the Company's shares.

6.4.1.2 Supervisory Board

The Company's Supervisory Board members were granted the following directors' fees (in €) for 2006 and 2005, which were paid

in 2007 and 2006 respectively. In 2004, the Company had the legal status of a *société en commandite par actions* (limited partnership) and therefore had no supervisory board):

Members of the Supervisory Board	Fixed directors' fees		Variable directors' fees		Total	
	2006	2005	2006	2005	2006	2005
M. Andreck	29,457	13,500	37,350	9,454	67,307	22,954
M. Chalandon	29,457	27,000	46,262	37,815	75,718	64,815
M. Chambon	-	13,500	-	20,798	-	34,298
M. de Marion de Glatigny	29,457	27,000	27,336	20,798	56,793	47,798
M. Bellon de Chassy	15,656	-	14,720	-	30,376	-
M. Gomez	29,457	27,000	27,336	20,798	56,793	47,798
M. d'Hauteville	15,656	-	18,925	-	34,582	-
M. Jacquard	-	24,750	-	41,597	-	66,347
Financière de Rosario	29,457	27,000	21,028	13,235	50,485	40,235
M. Lafond	8,877	27,000	12,617	30,252	21,494	57,252
M. Verspieren	8,070	27,000	2,103	22,689	10,173	49,689
M. Vilgrain	29,457	11,250	16,822	7,563	46,279	18,813
TOTAL	225,000	225,000	225,000	225,000	450,000	450,000

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

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

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

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

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

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

Furthermore, corporate officers do not have any special benefits in kind apart from the Chief Executive's company car and payment of mileage for the Exploration Director, both of whom are Management Board members.

The allocation of stock options is specified under Section 6.3.2.2 and bonus share under Section 6.3.2.3 below.

2007

It will be proposed at the General Shareholders' Meeting scheduled for June 14, 2006 that the total compensation for directors' fees of Supervisory Board members in their capacity of corporate officers be fixed at €450,000 for 2007.

Risk factors

7.1 Market risks

7.1.1 RISKS RELATING TO THE HYDROCARBONS MARKET

The Group's results are sensitive to various factors, the most significant of which are the oil price, usually expressed in US dollars, and the exchange rate, particularly that of US dollar against the euro. A decrease in the oil price results in an erosion of income.

As part of its business, the Company does not intend to sell forward its future production but seeks to protect itself against a decrease in the oil price with the possibility of taking advantage of any increase.

In 2005, Congo's expected 2006 production was protected against a price decrease to the extent of 15,000 b/d by buying an "Asian put" at a \$50 exercise price.

The company is also exposed to the risk of fluctuations in oil market prices.

To minimise this risk, the Company implements prudent hedging strategies as required, through exchange rate options and forward purchasing.

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

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

7.1.2 RISKS EXCHANGE RATE AND OIL PRICE RISKS

Because of its business, the Company is exposed to US dollar exchange rate risk for all its sales and investments, and some of its financing. To minimise this risk, the Company implements prudent hedging strategies as required, through exchange rate options and forward exchange operations.

Furthermore, concerning exposure to the exchange rate risk in Colombian pesos, the current loans are mainly covered by cash in the same currency.

The transactional position used to calculate the US dollar/euro exchange rate is summarized in the chart below:

	In thousands of dollars	In thousands of euros
Assets	336,770	255,710
Liabilities	350,087	265,822
Net position before management	13,317	10,112
Off-balance sheet position	-	-
Net position after management	13,317	10,112

On December 31, 2006; the US dollar/€ exchange rate was 1.317.

An unfavourable change of 1 US cent relative to the euro would have an impact of €K77 on the net position in the currency.

The Group's liquidity position is tracked through weekly statements of cash position sent to the Corporate Office.

These statements set out the cash position (loans and surplus cash) of each entity per currency and make 7-day and 30-day forecasts.

The Group's actual positions are compared with the forecasts through those statements which, in addition to tracking its liquidities, also track its foreign exchange position managed through an electronic quotation system.

Concerning the management statements, these tools were developed in-house as the tracking of risks does not require specific tools.

The cash position is managed by two people at the Head Office and managers within each entity. The department's task is to manage risks with respect to foreign exchange, interest rates and raw materials.

7.1.3 INTEREST RATE AND LIQUIDITY RISK

The Group's current loans as at December 31, 2006, and the available credit lines are described in notes 15 and 16 of the consolidated accounts, in Section 13.2.1 of this annual report, enabling the reader to measure liquidity and interest rate risk.

Except for the OCEANE bond issue, current loans from financial establishments on December 31, 2006, are at variable rates.

They are hedged by variable rate investments in the same currency; consequently, the Company considers the risk in this matter to be small.

All the cash held by the group covers the current bank loans and reduces the Group's net consolidated debt to 82.90% of the OCEANE alone.

Net debt ratio amounted to 49.34% on December 31, 2006.

The chart below reflects the impact of a 1% increase in interest rates for the variable rate loans:

<i>In thousands of euros</i>	
Natexis loan	759
Banco Colombia loan (syndicated loan)	303
Banco Colombia loan	171
TOTAL	1,233

The 1% rise in interest rates increased the Group's financial expenses by 4.1%.

7.1.4 EQUITY RISKS

The 19.39% interest in Pebercan Inc., a company listed on the Toronto Stock Exchange, is a long-term industrial investment.

On December 31, 2006, the equity value was €K21,076 and the stock market capitalization of the shares held by Maurel & Prom was €K27,069.

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

A plan to buy back its own shares was implemented on January 12, 2005. In this share buyback program, 240,915 own shares were purchased in 2006 and are intended to be used under the authorizations to grant stock options and free shares to Company employees. No shares have been sold or cancelled. On December 31, 2006, the number of the Company's own shares held was therefore 657,477.

On December 31, 2006, the book value of the treasury shares held was €10,502,000 for a market value of €10,592,000.

A 10% drop in the value of the shares held would have a negative impact of €969,000 on the earnings of the Company.

As a consequence of the foregoing, the Company does not consider having any equity risk and consequently is not using any specific hedging instrument.

7.1.5 COUNTERPARTY RISK

Because of with the quality of its customers, the Group does not believe that it has any counterparty risk in Congo, the Congolese

production being marketed through Total via its subsidiary Socap. In Colombia, production is sold on the market through traders who provide a bank guarantee for their commitments.

In Venezuela, as for any oil operator, production is sold to PDVSA, the Venezuelan national oil company.

7.2 Legal risks

7.2.1 POLITICAL RISKS

A significant part of the Group's activities and oil reserves are in countries which may in some cases be considered to be politically or economically risky. In one or more of these countries, the Group could in the future mainly face the risk of 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 the country's political or economic instability.

Since 2005, by acquiring Hocol group, through its Colombian and Venezuelan assets, due to the strengthening of its position in Gabon and the beginning of operations in Sicily and Tanzania, the Group's business has diversified geographically and the political country risk for the entire Group has therefore been significantly reduced. Following the completion of the sale of most of its assets in Congo to ENI (cf. description of the operation in Section 4.3.1 of this annual report), the Company will lose part of its geographical diversification with respect to oil production. To offset this sale, the Company may seek to further diversify its mining operations by acquiring new mining assets.

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, some 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 Minister responsible for hydrocarbons. Also, the

“Joint Operating Agreement” (or “**JOA**”) defines the relationships between the parties other than the host government.

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

The impact on the production-sharing contracts (or more generally the ways of valuing these permits) 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.

On March 30, 2006, a change in Venezuelan law put an end to the service contract held by Hocol. Ongoing negotiations throughout 2006 resulted in the signing of a draft agreement with PDVSA in March 2007 for the transfer of Hocol’s oil activities to the status of “Empresa Mixta” in 2007, giving Maurel & Prom a 26.35% interest in this company. This agreement has restored Maurel & Prom’s economic interests in this country.

7.2.3 RISKS LINKED TO PENDING DISPUTES

Except for the items 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 services and counsels. At the present date, to the Company’s knowledge, there is no exceptional event or dispute liable to materially affect the activities, assets, results or financial situation of the Group as a whole. The disputes are examined regularly, particularly when new facts arise and provisions are set aside, if required, on the basis of those assessments. The Group ensures it has the legal resources to defend its interests.

The main disputes in fiscal 2006 were the following:

- On February 13, 2006, Company Pacific Stratus Energy launched an arbitrage procedure against Hocol, a subsidiary of Maurel & Prom Group, following the failure to obtain the Colombian authorities’ approval within the deadline set out in the agreements between Hocol and Pacific Stratus Energy. As of the date of this annual report, court proceedings are scheduled for November 2007. For further information on this arbitrage, refer to Section 12.3.1 of this annual report.

- Messier Partners decided to initiate legal proceedings against the Company for the payment of a success commission following the completion of the transaction with ENI Congo S.A. The Company’s refusal to communicate documents relative to the planned transaction with ENI Congo S.A. was upheld. However, the Company was sentenced to pay Messier Partners a penalty of €700,000. An appeal was lodged against this ruling. As approved by Messier Partners, the sum was placed under receivership pending the ruling of the court of appeal. For further details, refer to Note 28 to the consolidated financial statements in Section 13.2.1 of this annual report.

7.3 Risks relating to Maurel & Prom Group’s business

7.3.1 RISKS SPECIFIC TO MAUREL & PROM GROUP’S BUSINESS SECTOR

7.3.1.1 Reserves

The reserves presented in this document were certified as at January 1, 2006 and as at January 1, 2007 (except M’Boundi and Kouakouala) 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 assessment 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 Maurel & Prom Group.

The reserves presented in the annual report were only certified as at January 1, 2007 (except M’Boundi and Kouakouala) and as at January 1, 2006.

7.3.1.2 Interruption of production

The Group’s oil production may be restricted, delayed or cancelled for many reasons, including production plants malfunction, administrative delays, in particular with the development project approval procedures of host countries, shortages, and late deliveries of equipment or weather conditions. Such restriction, delay or cancellation could have an impact on the Group’s income.

7.3.1.3 Oil and gas exploration and production

This type of activity, which implies that the hydrocarbons may 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 unreliable and becomes evident only as extraction progresses. The practical conditions of extraction and its cost may vary while the reserves are being extracted.

7.3.2 RISKS LINKED TO THE SALE OF PART OF THE GROUP'S RESERVES AND PRODUCTION

Following the completion of the operations provided by the sales agreement with ENI Congo S.A., described in Section 4.3.1 of this annual report, Maurel & Prom Group sold ENI Congo S.A. 45% of these certified reserves (as at January 1, 2006) as well as 50% of its production available for sale in fiscal 2006.

In order to rebuild the reserves sold to ENI Congo S.A., the Company is contemplating allocating a significant part of the earnings from this sale to boost the Group's development and exploration programs, and possibly to the financing of external growth.

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 current level.

7.3.3 RISKS RELATING 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 Congo (Congo-Brazzaville), the Company does not maintain a direct customer relationship in the oil business other than with Socap, a subsidiary of Total. This company extracts and sells the crude oil from the various fields operated by Maurel & Prom in Congo. The quality of this agreement leads the Company to consider that there is no customer risk in Congo. The completion of the operations provided for in the sales agreement signed with ENI Congo S.A., described in Section 4.3.1 of this annual report, will be instrumental in reducing Socap's role in the marketing of the Group's overall production.

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, production is sold to PDVSA (the Venezuelan national oil company).

New contracts will be signed with other partners during fiscal 2007 for the marketing of Group production in other countries, particularly Gabon.

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

Caroil signed a two-year drilling contract with Zetah involving the supply, as from July 1, 2007, of five drilling rigs out of the eight rigs at the Company's disposal as at December 31, 2006.

Zetah's contract commitments will be transferred to ENI Congo S.A. within the scope of the sale of certain permits held by Maurel & Prom Group in Congo.

7.3.4 COMPETITION RISKS

The Group is in competition with other oil companies when acquiring rights on oil permits to explore and produce hydrocarbons.

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

7.3.5 INDUSTRIAL AND ENVIRONMENTAL RISKS

Within its oil 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 or 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 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 country 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 external experts.

The external experts are sent by government-approved companies in the countries concerned. They are as follows:

- in Congo, Société Environnement Plus;
- in Gabon, Anviropass;
- in Colombia, Recuperam Ltda;
- 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 an independent firm called Antea.

Approval and permission to install pipelines

In compliance with the host country's regulations, Maurel & Prom Group seeks to obtain the necessary authorizations 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 authorizations 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 recognized 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 activities while improving the management and operating rules concerning the safety of persons, facilities and intellectual property.

Insurance

Through its oil exploration, production and development work, 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 require these subcontractors and services providers to take out sufficient insurance to cover their liabilities for such a contract.

Restoring sites

Maurel & Prom has a policy of restoring the exploration sites (drilling dry wells) to their original state when operations are completed. Furthermore, 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. The provision for site restoration is detailed in Note 14 to the consolidated financial statements in Section 13.2.1 Consolidated financial statements.

7.3.6 RISKS RELATING TO MAJOR COMPANY EMPLOYEES

The Company considers that its organisation and management structure would be able to carry out Maurel & Prom business and to continue its growth normally in the event that one of the members of its management team is unable to perform his duties.

7.4 Insurance

The Group takes out the following insurance:

- manager public liability;
- fire, storm, natural disaster and water damage;
- theft and vandalism, glass breakage;
- 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 from \$M2.3 to \$M5 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 \$M10 to \$M50 per claim;
- general pollution risks for \$M15 to \$M35 per claim.

The total annual premiums paid by the Group are about \$M4.2.

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

Maurel & Prom Shareholders

8.1 Company's current shareholders

As at December 31, 2006, the breakdown of shareholders' equity interests and voting rights was as follows:

December 31, 2006	Number of shares	Equity interest (%)	Number of voting rights	Voting rights (%)
INSTITUTIONAL SHAREHOLDERS, of which:	24,043,991	20.01%	24,043,991	19.97%
Pacifico *	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%
REGISTERED INSTITUTIONAL SHAREHOLDERS, of which:	20,697,983	17.22%	20,697,983	17.20%
Pacifico *	20,105,290	16.73%	20,105,290	16.70%
For information - double voting rights	-	-	181,321	0.15%
PUBLIC	75,447,633	62.77%	75,447,633	62.68%
TOTAL	120,189,607	100%	120,370,928	100%

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

On May 3, 2007, the investor Guy Wyser-Pratt stated that he held a 2% equity interest in the Company.

Changes in Company's share capital during the last three years are shown in the following charts.

As at March 30, 2006, the breakdown of the share capital and voting rights was as follows:

March 30, 2006	Number of shares	Equity interest (%)	Number of voting rights	Voting rights (%)
INSTITUTIONAL SHAREHOLDERS, of which:	21,817,270	18.76%	21,817,270	18.74%
Pacifico *	8,514,460	7.32%	8,514,460	7.31%
Macif	7,811,054	6.72%	7,811,054	6.70%
Halisol	3,807,226	3.27%	3,807,226	3.27%
Financière de Rosario	1,684,530	1.45%	1,684,530	1.45%
REGISTERED INSTITUTIONAL SHAREHOLDERS, of which:	22,845,447	19.65%	23,019,628	19.77%
Pacifico *	20,105,290	17.29%	20,105,290	17.29%
For information - Double voting rights			174,181	0.15%
PUBLIC	71,599,800	61.59%	71,599,800	61.49%
TOTAL	116,262,517	100%	116,436,800	100%

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

As at December 31, 2004, the breakdown of the share capital and voting rights was as follows:

December 31, 2004	Number of shares	Equity interest (%)	Number of voting rights	Voting rights (%)
INSTITUTIONAL SHAREHOLDERS, of which:	42,300,220	39.13%	42,300,220	38.94%
Pacifico	28,679,750	26.53%	28,679,750	26.40%
Macif	9,295,470	8.60%	9,295,470	8.56%
Halisol	4,325,000	4%	4,325,000	3.98%
REGISTERED INSTITUTIONAL SHAREHOLDERS, of which:	702,800	0.65%	702,800	0.65%
Delburn	450,000	0.42%	900,000	0.83%
Cogepa	40,000	0.04%	80,000	0.07%
<i>For information - Double voting rights</i>	-	-	528,280	0.49%
PUBLIC of which:	65,096,970	60.22%	65,096,970	59.93%
Frédéric Boulet	1,067,790	0.99%	1,067,790	0.98%
Emmanuel De Marion De Glatigny	141,300	0.13%	141,300	0.13%
TOTAL	108,099,990	100.00%	108,628,270	100.00%

8.1.1 NUMBER OF SHAREHOLDERS

The Company does not know the exact number of its shareholders.

However, the identity of bearer shares requested from Euroclear France as at February 26, 2007, indicates that 59,631 shareholders held 98,443,615 bearer shares. The breakdown of these 98,443,615 shares, as a percentage of the total of 120,189,607 shares in circulation, is as follows:

1. Individuals: 28.92%;
2. Legal entities: 48.54% broken down as follows:
 - Operating companies: 1.89%;
 - Financial institutions: 27.00%;
 - Foreign financial depository institutions: 17.31%; and
 - Other: 2.34%.
3. Mutual funds: 4.68%

As at March 20, 2007, the Company had 157 registered shareholders with 21,795,992 shares (including Pacifico), representing 18.09% of the equity based on a list of shareholders prepared by Natexis Banques Populaires.

8.1.2 SHAREHOLDERS HOLDING MORE THAN 5% OF THE EQUITY

To the knowledge of the Company, no shareholder other than Macif and Pacifico (Compagnie de Participations Commerciales et Industrielles et Financière SA) holds directly, indirectly, alone or in concert, more than 5% of the Company's capital and/or voting rights.

Please note that Pacifico is controlled by Jean-François Hémin, Chairman of the Management Board, and his family (more than 99% of the equity and voting rights).

Il est rappelé que la société Pacifico est une société contrôlée par Monsieur Jean-François Hémin, Président du Directoire et sa famille (à plus de 99 % du capital et des droits de vote).

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 Commercial Code.

8.1.5 AGREEMENT KNOWN BY THE ISSUER LIKELY TO CAUSE A CHANGE IN ITS CONTROL

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

8.2 Dividend

No dividend was distributed in respect of financial year 2003.

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

The Combined General Meeting held on June 20, 2006, decided to pay a dividend of €0.33 per share for the year ending December 31, 2005. The dividends were payable on July 5, 2006 for a total amount of €38,273,750. This includes dividends paid on the 115,981,062 shares in circulation as at July 5, 2006.

The Management Board has decided to recommend an annual dividend on ordinary shares of €0.50 per share to the shareholders at the Combined General Meeting scheduled for June 14, 2007. Note that the value of this dividend on ordinary shares, which accounts for one third of the 2006 consolidated net income, is consistent with the Company's dividend policy pursued over the last several years.

The Management Board has also decided to recommend a special dividend to shareholders.

At the discretion of the shareholders, the amount of this dividend will be either €0.70 or €2.00 per share. The optional character of the dividend is based on the Management Board's intention to allow the shareholders to express their own views on the future distribution policy of the Company.

The total annual dividend will therefore come out at €1.20 or €2.50 per share, an increase of 364%, or 757% compared with the dividend distributed in 2005.

Financial information

9.1 Historic financial information

The management report, consolidated financial statements and corporate financial statements for the years ending December 31, 2004 and December 31, 2005, including the reports of the Statutory Auditors on the latter, appear respectively in the annual reports filed on June 13, 2005 with the *Autorité des Marchés Financiers* (AMF) under number D. 05-875 and on June 20, 2006 under number D. 06 0604 which are included by reference in this annual report.

9.2 Financial statements

9.2.1 CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements appear in appendix 2, section 13.2.1 of this annual report.

9.2.2 CORPORATE FINANCIAL STATEMENTS

The corporate financial statements appear in Appendix 2, Section 13.2.3 of this annual report.

9.3 Balance sheet

The balance sheet appears in Appendix 2, Section 13.2.1 of this annual report.

9.4 Verification of historic annual financial information

9.4.1 VERIFICATION OF HISTORIC FINANCIAL INFORMATION

For the verification of the historic financial information, refer to the reports of the statutory auditors on the corporate and consolidated financial statements appearing in the financial appendices of this annual report.

9.4.2 OTHER INFORMATION APPEARING IN THE ANNUAL REPORT AND VERIFIED BY THE STATUTORY AUDITORS

The reports of the statutory auditors on the Chairman's report regarding the internal audit and regulated agreements appear respectively in the financial Appendices.

9.4.3 FINANCIAL INFORMATION APPEARING IN THE ANNUAL REPORT AND NOT BASED ON THE ISSUER'S CERTIFIED FINANCIAL STATEMENTS

None.

9.5 Date of the latest verified financial information

Date of the latest verified financial information: December 31, 2006.

9.6 Intermediate and other information

9.6.1 QUARTERLY OR HALF-YEARLY FINANCIAL INFORMATION PROVIDED SINCE THE LAST VERIFIED FINANCIAL STATEMENTS

Sales for the first quarter 2007 stand at €M60.1, compared with €M160.5 in the first quarter 2006 (down 63% and 36% for the same consolidation structure after the sale underway in Congo as described in Section 4.3.1 of this annual report).

9.6.2 INTERMEDIATE FINANCIAL INFORMATION ON THE FIRST SIX MONTHS OF THE YEAR FOLLOWING THE END OF THE VERIFIED YEAR

Not applicable.

9.7 Investments

9.7.1 MAIN INVESTMENTS OVER THE LAST THREE YEARS

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

Data in €K	2006	2005	2004
Oil business	240,377	150,618	94,842
Congo	107,481	90,036	86,364
Gabon	55,929	22,445	4,978
Vietnam	-	697	744
France	-	5	37
Tanzania	78	248	-
Senegal	-	1,312	-
Colombia	75,730	34,956	-
Venezuela	5	366	-
Other	1,154	553	2,719
Drilling activities	21,431	16,210	6,572
Other activities	12,276	28	141
TOTAL	274,084	166,856	101,555

For investments in 2006, refer to Notes 4 and 5 of the consolidated financial statements in Section 13.2.1 of this annual report.

9.7.2 MAIN CURRENT INVESTMENTS

On December 31, 2006, investments amounted to €K40,933. They particularly concerned drilling and surface facilities in Congo (€M30.1) and rigs and equipment acquired by Caroil (€M5.7). These investments are self-financed by the Group.

9.7.3 MAIN INVESTMENTS PLANNED

This information is given in Section 5.9.1.3 of this annual report.

9.8 Cash flow and shareholders' equity

9.8.1 BORROWING TERMS AND FINANCE STRUCTURE

Borrowing terms and finance structure On March 9, 2005, the Company issued 16,711,229 bonds with the option to convert and/or exchange for new or existing shares (OCEANes) for a total of €M375. The bonds carries 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 January 1, 2010. The conversion or exchange may be exercised at any time at the rate of one share for one bond. The bond issue was fully subscribed.

On July 19, 2005, Maurel & Prom obtained a \$M150 credit facility from Natexis and other lenders.

This line of credit, which is denominated in dollars and bears interest at the Libor rate + 4.5%, matures on January 25, 2009. It includes an early repayment option.

The amount of the loan used on December 31, 2005 was \$K112,133. It was repaid in full.

Due to the Group's expansion, particularly in South America, the Company has decided to restructure its bank financing facilities to benefit from more favourable conditions in terms of interest rates and duration. In July 2006, a new credit facility of \$M350 was negotiated with a bank consortium jointly led by Natexis and BNP Paribas. The Group's Congolese and Colombian reserves were pledged as a guarantee for this facility ("Reserve Based Loan"-RBL).

Out of this credit facility, \$M200 has been allocated to Congo and \$M150 to Colombia, wherein the equivalent of \$M40 has been lent in Colombian pesos to the subsidiary Hocol. The risk concerning the Colombian peso/US dollar exchange rate is hedged through a long-term currency swap.

On December 31, 2006, out of the Congolese facility, \$M100 had been used by the holding company while Hocol had borrowed the equivalent of \$M40 in Colombian pesos, hedged through the aforementioned long-term swap. Moreover, on December 31, 2006, Hocol borrowed the equivalent of \$K22,500 in Colombian pesos from local banks.

In guarantee 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. December 31, 2009.

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

- Working capital ratio > 1.1;
- total Debt/EBITDA < 2.5;
- 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 \$M2;
- 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 \$M15 for the whole Group;
- and not to grant third parties, except in the normal course of business relating to its activities, more than \$M1 per loan or more than \$M6 for all the loans.

Fixed-rate loans account for 78% of the loans. These loans concern the OCEANE bond issues.

9.8.2 RESTRICTIONS ON THE USE OF CAPITAL WITH A MATERIAL INFLUENCE ON OPERATIONS

There is no restriction on the use of capital liable to have a material influence on operations.

9.8.3 EXPECTED SOURCES OF FINANCING FOR THE MAIN INVESTMENTS PLANNED

Upcoming investments will mainly be self-financed.

Sustainable Development

10.1 Societal actions

Aware of the changes in the role of companies in current society, Maurel & Prom has undertaken to implement a sustainable development strategy based on the concept of “Corporate social responsibility”. Maurel & Prom applies the legislations in force in all the countries where the Group is present and even exceeds said legislations by further investment in human resources, respect of human rights and in its dealings with stakeholders.

This clear determination by the Company’s executives to promote ethical values for all its operations resulted in the drafting of a Charter and the set up of a Hygiene, Safety and Environment (HSE) Management System.

If Hocol enjoys an extensive, in-depth experience in the field thanks to its 50 years of activity and establishment in the country, the Maurel & Prom subsidiary in the Congo, Zeta Maurel & Prom Congo S.A. became involved since its recent creation in this same policy, followed by the subsidiaries in Gabon and Tanzania.

10.1.1 ACTIONS UNDERTAKEN WITHIN THE COMPANY

10.1.1.1 Hygiene

In the Congo, the Group agreed to help fight AIDS and malaria by working with the Congolese Red Cross through awareness raising campaigns. To this end, seminars, debates and bill posting campaigns were carried out in local villages and on Congolese sites.

Action plans were implemented on a regular basis on all sites to carry out sanitation campaigns (disinfection, extermination of insects, rats and snakes) and health inspections of Maurel & Prom compounds.

10.1.1.2 Safety

In 2006, special attention was paid to the two principal sources of accidents: non compliance with safety rules on workstations and the Highway Code.

As a preventive measure, a dynamic awareness campaign was waged to encourage people to wear protective gear. In addition,

it became mandatory to conduct a systematic risk analysis and assessment prior to any operation. The periodic internal reviews and audits helped to ensure the proper application of directives and rules.

In order to significantly reduce the number of road accidents, the preventive policy launched in 2005 in the Congo was reinforced by a certain number of drastic measures aimed at:

- determining the aptitude to drive vehicles on rough terrains;
- submitting the vehicles of the subsidiary and subcontractors to systematic roadworthiness tests;
- enhancing the safety of vehicles by using protective roll-bars;
- outfitting vehicles with speed control systems;
- ensuring the servicing and viability of tracks and their enhancement by installing road signs;
- travel management; and
- strict control of the application of rules and sanctions.

In particular, promoting workplace health and safety was extended to all subcontractors by making these two points selection criteria for the choice of subcontractors: a specific addendum is inserted in contracts to ensure compliance with the rules defined by the Company for the optimum protection of employed staff.

10.1.2 ACTIONS UNDERTAKEN ON BEHALF OF LOCAL GOVERNMENTS

Beyond its legal obligations, the Group extends its actions to local governments, by significantly contributing to the development and improvement of their quality of life.

10.1.2.1 Hocol

Hocol continued the exemplary policy that it initiated several years ago by setting up social programmes through its foundation.

The social programmes are involved in the four areas below:

- developing communities;
- institutional reinforcement;
- teaching children and adults about environmental problems; and
- developing revenue sources for the people.

In 2006, a total budget of approximately \$M1.7 was allocated to these programmes.

Hocol aims to strengthen the relational fabric between the company and the local environment. Accordingly, prior consultation and follow-up meetings were held with all indigenous communities in the protection zones of Paravare, San Juanito, Saliba and Pijao. Similarly, preliminary consultation procedures took place, for the Leopardo well with the indigenous community in the El Duya reserve; and for the installation of the Santa Rita-Saldaña pipeline with the four indigenous communities in the Pijao reserve. In addition to these informal meetings, there were also legal meetings with local communities.

Through its actions, Hocol is recognized as the only Colombian company which published a Sustainable Development report in accordance with the official Global Reporting Initiatives (GRI) standards.

10.1.2.2 Zetah Maurel & Prom Congo S.A.

With the hope of sustainable economic growth, Zetah Maurel & Prom Congo S.A. continued to deploy the Company's strategy aimed at implementing its social responsibility wherever it is present. For example, the following actions were recorded in 2006:

- drilling drinking water wells in 6 villages;
- building a primary school in Ntoto-Siala;
- ongoing construction of 4 houses for primary school teachers in Tchibanda;
- enlarging the primary school and rehabilitating the Mboukou secondary school;
- installing school libraries in a number of areas in the Hinda district;
- equipping the geology department of the Brazzaville university and providing teaching staff;
- building bridges to facilitate access to the hinterlands;
- completion of construction work for the Bondi rural community; and
- supplying mattresses to a number of public maternity hospitals.

To better consolidate its sustainable development initiatives, on December 19, 2006, Zetah Maurel & Prom Congo S.A. transferred its projects to the Maurel & Prom Foundation, which signed a partnership agreement with the Congo Assistance Foundation.

In this context, a short-term programme was established in the areas of:

- Education:
 - building a new general studies high school in Mboukou;
 - building a school building at the Mvouti junior high;

- refurbishing the boarding facilities of the Kakamouéka junior high; and

- continuing the set up of school libraries.

- Healthcare:

- providing the integrated centre with an ambulance and a mobile laboratory;
- building a pharmaceutical depot in the Liambou region;
- supplying insecticide-treated mosquito nets to inhabitants in villages around Mengo and Ntoto-Siala; and
- outfitting the Siafoumou infectious centre.

The stronger relations with local populations is reflected in the various services rendered in response to demands made by the villagers, local authorities and the administrations of the sectors where Maurel & Prom is located.

Lastly, a great deal of attention was paid to respecting the cultural and customary practices of the indigenous people before the launch of each project and throughout its development.

A special service was set up to manage problems linked to relations with stakeholders. This service is especially in charge of paying compensation for any damage that might be caused in areas of intense community activities. In 2006, 10 compensation sessions were organized for an overall financial package of CFAF 90,000,000.

10.1.2.3 Maurel & Prom Gabon

In order to initiate and develop this social policy and ensure its effective implementation with the local populations and local authorities, Maurel & Prom Gabon intends to set up a mechanism in charged with handling relations with stakeholders outside the subsidiary.

10.1.2.4 Maurel & Prom Tanzania

In September 2006, Maurel & Prom Tanzania began development work on the Kiparanganda "A" school in the Mkuranga region thereby allowing 160 pupils to study under satisfactory conditions. The school had only two classrooms, an insufficient number of chairs, and a well located about one kilometre away from the school. The completed works concern the building of two new classrooms and other facilities.

10.1.2.5 Assistance to associations

Maurel & Prom participates actively in projects set up by French as well as African associations.

Such associations include "*Comminges sans Frontière*" which strives to provide drinking water to poor African countries. For this

association, the Company handles the logistics for the shipping of water pumps from the Netherlands to Congo. It has also given the association a car and drilling equipment.

Maurel & Prom also works with the O.P.B (the Organization for the Prevention of Blindness) in order to participate in TICD programs (Treatment by Ivermectine under Community Directive) in Guinea, Senegal and Mali, in the form of training, purchase of medication and surgical operations.

The Company also worked with other organizations such as the SCDIO (the Sickle Cell Disease International Organization) which aims for international recognition of the urgency in fighting sickle cell anaemia, and Congo Assistance.

10.2 Environmental initiatives

Pursuant to the commitments taken in 2005, the Maurel & Prom group launched a policy to enhance HSE (Health, Safety, Environment) activities, especially regarding the protection of the environment and sustainable development. The Charter prepared in the beginning of the year 2006 clearly stated the determination of the Group's executives to implement, at the level of all its subsidiaries, the principles aimed at ensuring respect for nature, biodiversity and the natural and socio-economic environment of populations.

10.2.1 IMPACT STUDIES AND ASSESSMENTS

Compliance with the laws and regulations in force in the countries of location implies the systematic performance of impact studies and assessment studies.

In this field, Hocol has a tradition of close collaboration with the political and administrative authorities of Colombia.

The commitment to respect these practices is naturally applied throughout all subsidiaries which conducted the impact studies below in 2006:

- Zetah Maurel & Prom Congo:
 - 1 impact study for the Loufika operating project; and
 - 12 impact assessments for the Noubi project;
- Maurel & Prom Gabon;
 - Nyanga Mayombe permit;
 - Omoueyi permit.
- Tanzania: the Mkuranga drilling site and the access road,

These impact studies are conducted with the assistance of local populations and authorities. Village, district representatives and chiefs, and regional leaders were accordingly involved during

meetings for impact studies and assessments. Discussions have also started with the guardians of protected zones in order to define "codes of good behaviour" as is currently the case in the context of the Noubi permit in the Congo, for the Conckouati Park.

Beyond these guarantees, a certain number of measures have been taken to prevent environmental degradations, or carry out environmental rehabilitation.

10.2.2 EFFECTIVE NATURAL SAFEGUARDING MEASURES

To fight against the soil degradation and mud slides in farms and rivers, special attention is paid to excavations for road construction and the platforms of drilling sites. Rivers are systematically cleaned and cleared of mud, especially after the rainy season, in order to restore life to the waters used by local populations for their domestic or economic activities. The Group insists on all drilling sites being impeccably cleaned after operations and soils rehabilitated by fertilizing agents and plantings. Special directives were drafted to this end, especially to ensure that agreements with sub-contracting companies mention the obligation to respect the cleanliness of sites during their restitution.

The company systematically clears felled trees and forest areas near tracks and the sites. Local populations are encouraged to collect dead wood for their daily requirements.

Several measures have been strengthened:

- the most relevant indicators such as the volume of burned gas, deposit water produced and scraped paraffin are recorded on a regular basis;
- against air pollution and the emission of CO₂ into the atmosphere, a programme was launched in the Congo to reduce burning, with the target of achieving zero burning at the end of 2008;
- production waters are systematically reintroduced into the reservoir on the M'Boundi site in the Congo; and
- the 10 kg of paraffin collected on average every day, in the Congo, are systematically burned.

Concerning the Zetah Maurel & Prom Congo subsidiary, in 2006 the latter used 13,779,000 m³ of natural gas and 457 m³ of water. This subsidiary used 560,000 kwh of electricity and 1,050 tons of diesel, and emitted 350 tonnes of gas from gas extraction. Zetah Maurel & Prom generated 100 metric tons of waste.

The expenses incurred by the Zetah Maurel & Prom Congo subsidiary in order to settle the compensation cases following accidental pollutions totalled CFAF 90,000.

The planned budget to anticipate the consequences of the company's activity on the environment was CFAF 800,000,000 in 2006.

10.2.3 ACTIONS UNDERTAKEN WITHIN THE GROUP

In order to better contribute to natural preservation, the Group aims at:

- raising awareness and informing its employees;
- waste management; and
- the storage and handling of hazardous chemical products.

The implementation of this policy was the object of internal and external audits during the year, especially in the Congo. Ninety percent of the resulting recommendations were carried out. The last ones will be closed in 2007 and a number of them extended to the subsidiaries in Gabon and Tanzania.

Company's mode of operation

11.1 Information on the Company

11.1.1 COMPANY NAME AND TRADING NAME

Company name: "Etablissements Maurel & Prom"

The Company is a *Société Anonyme* with a Management Board and Supervisory Board. A proposal will be submitted to the General Shareholders' Meeting of June 14, 2007 to change the Company's management method and transform it into a *Société Anonyme* with a Board of Directors for the reasons stated in Section 6.1 of this annual report.

11.1.2 COMPANY'S PLACE OF REGISTRATION AND REGISTRATION NUMBER

The Company is registered with the Paris Trade Register under number 457,202,331.

The Company's NAF (formerly APE) code is 111Z (extraction of hydrocarbons).

11.1.3 COMPANY'S DATE OF INCORPORATION AND TERM

Date of incorporation: November 1, 1919.

Term of the Company: 99 years, i.e. until November 1, 2018, unless it is wound up in advance or has its term extended.

11.1.4 REGISTERED OFFICE AND LEGAL FORM, GOVERNING LEGISLATION, HOME COUNTRY, ADDRESS AND TELEPHONE NUMBER OF THE REGISTERED OFFICE

Registered office:

12, rue Volney, 75002 Paris, France

Tel.: +33 1 53 83 16 00

Fax: +33 1 53 83 16 04

The Company is incorporated under French law.

Maurel & Prom is a *Société Anonyme* with a Management Board and Supervisory Board, under the requirements of the Commercial Code (and in particular the requirements of Articles L. 225-1 et seq.

of the Commercial Code), as well as all other legal and regulatory provisions applicable in France.

Until December 28, 2004, Maurel & Prom was incorporated as a "*Société en Commandite par Actions*". At the Joint General Shareholders' Meeting of December 28, 2004, the shareholders decided on a merger through the absorption by Maurel & Prom's of its general partner, Aréopage, and the subsequent transformation of Maurel & Prom into a *Société Anonyme*.

A proposal will be submitted to the General Shareholders' Meeting of June 14, 2007 to modify the Company's management method and replace the Management Board and Supervisory Board with a Board of Directors. The reasons for this change are stated in Section 6.1 of this annual report. The ensuing changes in the Articles of Association are detailed in Section 6.2.2 of this annual report.

11.2 Information on the Company's Articles of Association

11.2.1 CORPORATE PURPOSE

The Company's corporate purpose is mentioned in clause 3 of its articles of association. The Company was created for the purpose, both in France and abroad, of:

- managing all shares and corporate rights and, for this purpose, obtaining interests in all companies, groups, or associations, particularly by way of purchase, subscription and contribution and the disposal by all means of these securities or corporate rights;
- prospecting for and exploiting all mineral deposits, and in particular all liquid or gaseous hydrocarbon deposits and related products;
- leasing, purchasing, disposing of, and selling all wells, land, oilfields, concessions, extraction permits or prospecting permits, either on its own behalf or on behalf of third parties, jointly or otherwise; transporting, storing, processing, converting and trading any natural or synthetic hydro-carbons, any liquid or gaseous products or bi-products from subsoil, any ores or metals;

- acquiring, managing, or selling any buildings;
- trading any products and merchandise;
- and in general, enabling the Company to participate directly or indirectly in any commercial, industrial, real estate, agricultural or financial transactions in France or other countries and doing so by creating new companies or by the contribution, subscription or purchase of corporate shares or rights, merger, joint stock company or otherwise and generally any transactions relating directly or indirectly to these activities and likely to facilitate the Company's growth or management.

11.2.2 SUMMARY OF THE STIPULATIONS IN THE ARTICLES OF ASSOCIATION CONCERNING THE MEMBERS OF THE COMPANY'S SUPERVISORY BOARD AND MANAGEMENT BOARD

There are no internal regulations relating to Management Board or Supervisory Board.

Legal and regulatory requirements concerning restrictions on members of the Management Board or Supervisory Board regarding dealing in Company's shares are applicable, since no specific rule has been adopted by the Company on this issue.

11.2.3 EXERCISE OF VOTING RIGHTS DUAL VOTING RIGHTS

In all General Shareholders' Meetings, the number of voting rights is equivalent to the number of shares each shareholder owns or represents, with no other limitations than those resulting from legal requirements.

Each share entitles its holder to one vote. A dual voting right is granted to the owners of fully paid up nominal shares who can prove that they have been registered in the Company's books for at least four years without interruption. In addition, in the event of a capital increase by integration of reserves, earnings or issue premiums, the dual voting right is granted, when issued, on the nominal shares freely allotted to a shareholder on the basis of former shares benefiting from this right.

This dual voting right will immediately cease for shares converted into bearer form or transferred, but may be reinitiated when the new holder of the shares can prove an uninterrupted registration for a period of at least four years.

Nevertheless, any transfer from registered form to registered form as a result of "ab intestat" succession or testamentary succession or sharing of goods held in common or settlement between spouses shall not interrupt the four-year period set hereinabove or shall retain the acquired right. The same shall apply to gifts

between living persons to the benefit of a partner or relative entitled to inherit.

Details of the dual voting rights are given in the shareholder charts included in Section 8.1 of this annual report.

11.2.4 DISPOSAL AND TRANSFER OF SHARES

The shares are freely negotiable, provided that legal and regulatory requirements are met. They are credited and transmitted by transfer from one account to another.

11.2.5 MODIFICATION OF SHAREHOLDER RIGHTS

Any modification of the articles of association must be decided upon or authorized by the General Shareholders' Meeting taking its decisions under the quorum and majority required by applicable laws or regulations for Extraordinary General Meetings.

11.2.6 CONVENING AND ADMISSION TO SHAREHOLDERS' MEETINGS

11.2.6.1 Convening General Shareholders' Meetings

The General Shareholders' Meetings are convened, as required by law, by the Management Board, the Supervisory Board or, failing that, by the Auditors or any other person legally authorised to do so.

11.2.6.2 Shareholders' admission to and participation in General Meetings

The properly constituted General Meeting represents the whole body of shareholders. Its decisions are binding on all, even absent, dissident or incapable.

Any shareholder has the right to attend General Meetings and participate in the deliberations, personally or by proxy, irrespective of the number of shares held, by proving identity.

However, to have the right to participate to General Meetings, personally or by proxy, shareholders holding registered shares must, at least five days before the date of the Meeting, prove that they are registered in the Company's accounts, and shareholders holding shares in bearer form must, at least five days before the date of the Meeting, provide the Company with an attestation issued by the authorized bookkeeper stating that the shares are unavailable until the date of the Meeting.

The Management Board may reduce or cancel this five-day period through a general measure benefiting all shareholders.

Any shareholder may be represented by a spouse or another shareholder. To this effect, the proxy must show proof thereto.

Any shareholder may also provide the Company with a power of attorney, without stating the name of the sender. Any power of attorney that does not mention the sender's name shall be considered a vote in favour of the resolutions submitted or approved by the Management Board.

Each shareholder may vote using a form provided to the Company according to the law and regulations. This form must be received by the Company three (3) days before the date of the Meeting, otherwise it will have no effect.

At the discretion of the Management Board, shareholders may participate in meetings by videoconference or by teleconferences allowing their identification to be known according to the terms of the applicable regulations.

A proposal will be submitted to the General Meeting to modify the Articles of Association so they comply with Article R. 225-85 of Commercial Code as follows:

Article 26.3 of the Company's Articles of Association would now read as follows:

"26.3. However, the right to take part in the Company's General Meetings, in any form whatsoever, shall be subject to registration in the Company's accounts or share registration before the set deadline and in accordance with legal requirements."

Article 26.4 of the Company's Articles of Association would now read as follows:

"26.4. The Board of Directors may bring forward or cancel the deadline for providing proof of the right to take part in the Company's General Meetings through a general measure applicable to all shareholders."

(1) ORDINARY GENERAL SHAREHOLDERS' MEETINGS

Ordinary General Shareholders' Meeting takes all decisions other than those mentioned in Articles L. 225-96 and L. 225-97 of the Commercial Code regarding the competence of Extraordinary General Shareholders' Meetings.

The Ordinary General Meeting is convened each year by the Management Board within the six months following the fiscal year end.

Ordinary General Meetings may also be convened extraordinarily. The applicable quorum for Ordinary General Meetings on first convening is 1/5 of shareholders with voting rights present, represented or voting by proxy.

If these conditions are not met, the Meeting is convened again. In this second meeting, deliberations are valid irrespective of the number of shares represented.

The Ordinary General Meeting legislates with a majority of the votes of the shareholders present, represented or voting by correspondence.

(2) EXTRAORDINARY GENERAL SHAREHOLDERS' MEETINGS

In accordance with Articles L. 225-96 and L. 225-97 of the Commercial Code, General Meetings are called Extraordinary when the purpose of the meeting is to amend to the Company's articles of association or nationality.

Extraordinary General Meetings are called whenever the Company's interest requires.

The applicable quorum for Extraordinary General Meetings on first convening is 1/4 of shareholders with voting rights present, represented or voting by proxy.

If these conditions are not met, the Meeting is convened again. On second convening, its deliberations are only valid if the shareholders present, represented or voting by proxy hold at least 1/5 of the shares with voting rights. If this quorum is not reached, the second Meeting may be postponed to a date no later than two months after the first convening.

The Extraordinary General Meeting legislates with a two-thirds majority of the votes of the shareholders present or represented. However, in the event of a capital increase by integration of reserves, income or issue premiums, the Meeting legislates under quorum and majority required by Ordinary General Meetings.

11.2.7 PROVISIONS OF THE ARTICLES OF ASSOCIATION OR ANY INTERNAL REGULATION THAT MAY DELAY THE CHANGE OF CONTROL OF THE COMPANY

Any modification in the share capital or voting rights attached to the shares shall comply with legal requirements, since the articles of association do not mention any specific requirements.

11.2.8 STATUTORY THRESHOLDS

In addition to the thresholds provided by the applicable legal and regulatory requirements, if any individual or legal entity which, alone or acting in agreement, owns, directly or indirectly, a number of shares representing a part of the capital or of the voting rights that is 5% or more, that individual or legal entity shall at each additional 5% of the capital or voting rights (as long as individual or legal entity does not hold, alone or acting in agreement, a total number of shares representing more than two thirds of the capital and voting rights of the Company) inform the Company of the total number of shares and securities giving access to the capital of the Company, by registered mail to the head office, within five stock market trading days from the date on which such threshold or thresholds is/are exceeded.

Upon the request, recorded in the General Meeting minutes, of one or more shareholders holding at least 5% of the capital or voting

rights of the Company, infringement of this reporting obligation shall be sanctioned, for the shares exceeding the part that should have been declared, by withdrawing the voting rights for any meeting held until the expiry of a two-year period following the date on which the notification is given in proper form.

This reporting obligation shall be applied, within the same period and according to the same terms, every time the part of shareholders' equity or voting rights owned falls below one of the abovementioned thresholds.

In order to identify the holders of shares in bearer form, the Company is entitled, at any time, under the terms and according to the procedures provided by law and regulations, to ask the bookkeeper for the identity of the holders of shares conferring voting rights immediately or on a later date, and the quantity of shares held by each of them and, when appropriate, the restrictions applicable to the shares.

11.2.9 PROVISIONS STRENGTHENING THE LEGAL RULES GOVERNING THE MODIFICATION OF THE SHARE CAPITAL

The Company's share capital may be modified only in compliance with the applicable laws or regulations. No clause of the articles of association, of a charter or of internal regulation specify stricter conditions than the law concerning the modification of the Company's share capital.

11.2.9.1 Elements liable to affect a public offer

No such resolution shall be put forward to the General Meeting of June 14, 2007.

11.3 Share capital

11.3.1 SUBSCRIBED CAPITAL AND AUTHORIZED CAPITAL

11.3.1.1 Subscribed capital

Maurel & Prom's share capital on December 31, 2006, was €92,545,997.39; it is divided into 120,189,607 shares of €0.77 par value, fully paid up. Each share provides entitlement, in the profits and corporate assets, to a share proportional to the amount of capital that it represents. Maurel & Prom's share capital may be increased, reduced or amortized as required by law, since the articles of association do not stipulate specific requirements.

For instance, on January 1, 2006, the Company's share capital amounted to €89,502,156.59, divided into 116,236,567 shares, and on January 1, 2005, it amounted to €83,236,992 divided into 108,099,990 shares.

11.3.1.2 Authorized capital

The authorizations granted by the General Meeting to the Management Board concerning capital increases at the date of this annual report and the uses made of such authorizations during 2005, 2006 and 2007, up to the date of this annual report are as follows:

Type of authorization	Limit (In euros)	Use	Balance available to date	Authorization date	Duration of authorization
Issues with retention of preferential subscription rights					
Issues of shares and other securities giving access to the company's capital	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 300 million (par value of the capital increase)⁽²⁾ 	0	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 300 million (par value of the capital increase)⁽²⁾ 	Meeting of June 29, 2005	26 months, i.e. until Aug. 29, 2007
Capital increase through the capitalization of reserves, profits or additional paid-in capital	<ul style="list-style-type: none"> • 300 million (par value of the capital increase) 	0	<ul style="list-style-type: none"> • 300 million (nominal value of the capital increase) 	Meeting of June 29, 2005	26 months, i.e. until Aug. 29, 2007
Issues with removal of preferential subscription rights					
Issue of shares and securities giving access to the capital	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 300 million (par value of the capital increase)⁽²⁾ 	0	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 300 million (par value of the capital increase)⁽²⁾ 	Meeting of June 29, 2005	26 months, i.e. until Aug. 29, 2007
Issue of shares or securities giving access to the capital, to remunerate contributions of shares in the event of a public offering initiated by the Company	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 300 million (par value of the capital increase)⁽²⁾ 	0	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 300 million (par value of the capital increase)⁽²⁾ 	meeting of June 29, 2005	26 months, i.e. until Aug. 29, 2007
Issue of shares or securities giving access to the capital to remunerate contributions in kind consisting of shares or securities giving access to the capital	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 10% of the Company's share capital • 300 Million (par value of the capital increase)⁽²⁾ 	0	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 10% of the Company's share capital • 300 million (par value of the capital increase)⁽²⁾ 	meeting of June 29, 2005	26 months, i.e. until Aug. 29, 2007
Issue, by public offering, of shares or securities giving access to the capital with fixed issue price	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 10% of the Company's share capital • 300 million (par value of the capital increase)⁽²⁾ 	0	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 10% of the Company's share capital • 300 million (par value of the capital increase)⁽²⁾ 	meeting of June 29, 2005	26 months, i.e. until Aug. 29, 2007
Stock options granted	5% of the share capital (on the date the Management Board decides to grant the options)	granting of a total of 1,030,000 stock options		meeting of December 28, 2004	38 months, i.e. until February 28, 2008
Free allotment of shares to employees	1 million (par value of the capital increase) ⁽²⁾ or 0.5% of the share capital (on the date the Management Board decides to grant the options)	granting of a total of 136,800 free shares	€894,664	meeting of June 20, 2006	38 months, i.e. until Aug. 19, 2009
Issue of shares reserved for employees	5% of the share capital (on the date the Meeting of June 29, 2005)	0		meeting of June 29, 2005	38 months, i.e. until Aug. 29, 2008

Type of authorization	Limit (in euros)	Use	Balance available to date	Authorization date	Duration of authorization
Issue of shares reserved for Knightbridge Group Ltd	10% of the share capital on the day of the meeting of June 29, 2005 ⁽³⁾	Amount of the issue: €75,454,717.80 amount of the capital increase: €3,772,735.89	0	meeting of June 29, 2005	18 months, i.e. until December 29, 2006

Authorizations for issues with retention or removal of preferential subscription rights

Increase in the number of shares to be issued in the event of a capital increase	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 300 million (par value of the capital increase)⁽²⁾ 	0	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 300 million (par value of the capital increase) 	meeting of June 29, 2005	6 months, i.e. until Aug. 29,
Other					
Issue of securities giving rights to the allocation of bonds	<ul style="list-style-type: none"> • 300 million (par value of the capital increase)⁽²⁾ 	0	<ul style="list-style-type: none"> • 450 million (amount of the issue)⁽¹⁾ • 300 million (par value of the capital increase) 	meeting of June 29, 2005	26 months, i.e. until Aug. 29,

(1) This amount is applied to the overall limit of €M450 (par value of the issue) applicable to the other issues.

(2) This amount is applied to the overall limit of €M300 (par value of the capital increase) applicable to the other issues.

(3) This amount is not applied to the overall limit of €M300 (par value of the capital increase) applicable to the other issues

A proposal will be submitted to the General Meeting of June 14, 2007 to authorize the Management Board, or if applicable subject to the adoption by the General Meeting of the change in the method of management as presented in Section 6.1, the Board of Directors, in respect of the following:

Type of authorization	Limit (in euros)	Duration of authorization
Issue of shares and/or securities giving access to the capital, with retention of preferential subscription rights	<ul style="list-style-type: none"> • 100 million (par value of capital increase)⁽¹⁾ • 400 million (nominal value of debt instruments) 	26 months starting on the date of the General Meeting approving this authorization, i.e. until Aug. 15, 2009. This authorization cancels the authorization to the same effect voted by the General Meeting of June 29, 2005
Issue of shares and/or securities giving access to the capital, to remunerate contributions in kind consisting of shares or securities giving access to the capital	<ul style="list-style-type: none"> • 10% of the Company's share capital 	26 months starting on the date of the General Meeting approving this authorization, i.e. until Aug. 15, 2009. This authorization cancels the authorization to the same effect voted by the General Meeting of June 29, 2005
Capital increase through the capitalization of reserves, profits or additional paid-in capital	<ul style="list-style-type: none"> • 100 million (par value of capital increase)⁽¹⁾ 	26 months starting on the date of the General Meeting approving this authorization, i.e. until Aug. 15, 2009. This authorization cancels the authorization to the same effect voted by the General Meeting of June 29, 2005
Capital increase through the issue, with removal of preferential subscription rights, of shares reserved for the employees of the Company and/or its subsidiaries	<ul style="list-style-type: none"> • 2 million (par value of the capital increase)⁽¹⁾ 	26 months starting on the date of the General Meeting approving this authorization, i.e. until Aug. 15, 2009. This authorization cancels the authorization to the same effect voted by the General Meeting of June 29, 2005
Allotment of free existing shares to employees and/or corporate officers	<ul style="list-style-type: none"> • 1% of the Company's capital on the date of the General Meeting} of shareholders 	38 months starting on the date of the General Meeting approving this authorization, i.e. Aug. 15, 2010. This authorization cancels the authorization to the same effect voted by the General Meeting of June 20, 2006

(1) This amount is applied to the overall limit of €M100 (par value of the issue) applicable to the other issues.

11.3.2 SHARES NOT REPRESENTATIVE OF THE CAPITAL

Not applicable.

11.3.3 PURCHASE BY THE COMPANY OF ITS OWN SHARES

11.3.3.1 Authorisation given by the Joint General Shareholders' Meeting of June 20, 2006

The Joint General Shareholders' Meeting held on June 20, 2006, authorized the Management Board, for a period of 18 months, to buy or sell shares in the Company as part of a share buyback programme up to the limit of 10% of the share capital, this limit being, when appropriate, adjusted to take into account transactions affecting the share capital after the General Shareholders' Meeting.

This authorization allows the Company to fulfill the following objectives in compliance with the applicable laws and regulations:

- to keep the Company's purchased shares and then to resort to them in exchange or in payment as part of any external growth transactions;
- to allot the purchased shares to employees and/or corporate officers holding stock options and to Company employees as part of their share in the benefits of the Company's expansion or of corporate savings plan;
- to deliver Company shares, following the issue of securities giving access to the Company's share capital, to the holders of such securities;
- operations mentioned in the last two paragraphs shall be performed by an investment service provider acting independently,
- to boost the secondary market in Company's shares, this being done through an investment service provider acting under a liquidity contract in compliance with the charter of ethics of the French Association of Investment Companies;
- and to cancel the shares purchased.

The Company shall buy its own shares at a maximum price of €25 per share and shall sell at a minimum price of €15 per share.

For the conversion of OCEANEs and exercise of stock options, 265,000 shares were bought back, for a total amount of €4,246,669, giving an average purchase price of €16.04 per share. All the shares purchased as part of this programme were set aside for this purpose.

Maurel & Prom implemented this share buy-back programme from April 24, 2006 to December 19, 2006. Negotiation fees amounted to 0.10% of the total cost, i.e. €4,246.67.

On December 31, 2006, the Company had 657,477 of its own shares, with a par value of €0.77 per share. Their total value, assessed at the purchase price, was €10,483,000.

The details of such purchase are as follows:

Session	Number of shares ⁽¹⁾	Weighted average price (in €)	Amount (in €)
Week of 05/22 to 05/26/2006			
Intermediary: Natexis Bleichroeder			
05/22/06	60,000	15.93	955,710
05/23/06	80,000	16.062	1,284,920
05/24/06	45,000	15.,915	716,175
Sub-total	Acquisition 185,000	15.955	2,986,805
Week of 12/18 to 12/22 2006			
Intermediary: Natexis Bleichroeder			
12/19/06	80,000	16.123	1,289,864
Sub-total	Acquisition 80,000	16.123	1,289,864
TOTAL	Acquisition 265,000	16.039	4,246,669

1. Including the shares acquisition via a derivative.

Under the terms of the agreement entered into on January 2, 2006, becoming effective in February 3, 2006, and for the period ending on August 3, 2006, and renewable by tacit agreement, Maurel & Prom charged Exane BNP Paribas to boost shares trading as part of a liquidity agreement in compliance with the French Association of Investment Companies' (AFEI) Charter of ethics validated by the *Autorité des marchés financiers*. On October 31, 2006, Etablissements Maurel & Prom signed a liquidity agreement with Natexis Bleichroeder to boost share trading. This agreement conforms with the French Association of Investment Companies' (AFEI) Charter of ethics validated by the *Autorité des Marchés Financiers* (AMF). The equivalent of €3,600,000 (shares and liquidities) is available for this contract and was credited to the liquidities account on October 31, 2006, in accordance with the contract signed on October 20, 2006.

11.3.3.2 Description of the share buy-back programme pursuant to Articles 241-1 et seq of the general rules of the *Autorité des Marchés Financiers* (AMF)

(1) LEGAL FRAMEWORK

The implementation of this programme, which comes under Articles L. 225-209 et seq. of the Commercial Code, EC regulation 2273/2003 of December 22, 2003 and the general rules of the AMF, was submitted to the approval of the General Meeting of

Shareholders of June 14, 2007 through its eighth resolution which reads as follows:

“The General Meeting, deliberating under the quorum and majority requirements for Ordinary General Meetings, after having taken cognizance of the Management report, authorizes the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, in accordance with Articles L. 225-209 et seq. of the Commercial Code, the general rules of the AMF and EC regulation 2273/2003 of December 22, 2003, to buy its own shares within a period of eighteen (18) months starting on the date of this meeting, up to a maximum of 10% of the existing share capital on the date of this General Meeting, under the following conditions:

The General Meeting resolves that the maximum price payable by the Company for the purchase of its own shares shall not exceed €22 per share and that the minimum selling price shall not be less than €12 per share, with the understanding that, in the event of operations affecting the capital, particularly the capitalization of reserves and allocation of free shares, and/or splitting or consolidation of shares, these prices shall be adjusted accordingly.

The maximum amount eligible for the buy-back programme is thus set at €264,417,142, calculated on the basis of the share capital on December 31, 2006; this cap may be adjusted to take account of the amount of the capital on the date of the General Meeting.

The maximum number of shares that may be acquired under this authorization may not exceed 10% of the share capital, it being understood that (i) the number of shares acquired by the Company in order to hold them and subsequently use them in payment or exchange as part of a merger, spin-off or contribution may not exceed 5% of its share capital according to Article L. 225-209, Section 6 of the Commercial Code; and (ii) such limit concerns the amount of the share capital that will, when appropriate, be adjusted to take into account transactions affecting the share capital after the General Meeting. Under no circumstances shall such purchases result in the Company either directly or indirectly holding more than 10% of its share capital.

This authorization allows the Company to pursue the following objectives in compliance with the applicable laws and regulations:

- (i) to keep the Company's purchased shares and then to resort to them in exchange or in payment as part of any external growth transactions;
- (ii) to allot bought-back shares to employees and/or corporate officers within the scope of (i) the profit-sharing scheme; (ii) any share purchase plan or free share allocation to employees under the conditions provided by law, particularly Articles L. 443-1 et seq. of the Labour Code; and (iii) any stock option plan or free share allocation programme aimed at employees and corporate officers or some of them in particular;

- (iii) to deliver Company shares, following the issue of securities giving access to the Company's share capital, to the holders of such securities;

operations mentioned in the last two paragraphs shall be performed by an investment service provider acting independently,

- (iv) to boost the secondary market in Company's shares, this being done through an investment service provider acting under a liquidity contract in compliance with the charter of ethics of the French Association of Investment Companies;
- (v) cancel the shares purchased and reduce the Company's capital pursuant to the thirty-third resolution of this meeting, subject to its adoption.

Such purchases, sales, exchanges or contributions may be carried out by any means, i.e., on the market, or out of the market, including by buying or selling blocks or by using financial instruments, particularly derivatives traded on a regulated market or out of the market, such options or any combinations of the latter, except for call options, or warrants, subject to terms authorized by the competent market authorities and for convenient periods fixed by the Company's Management Board. The part of the share capital acquired or transferred through blocks of shares may reach the total programme.

Such operations may take place at any time, in compliance with legal requirements, including during a public offer, subject to all specific legal and regulatory provisions applicable.

The General Meeting grants the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, in the event of the modification of the par value of the share, a capital increase through the capitalization of reserves, the allotment of free shares, a share split or consolidation, the distribution of reserves or any other assets, the amortization of capital or any other operation affecting the share capital, the power to adjust the aforementioned purchase or selling price to take account of the effect of such operations on the value of the share.

Moreover, the General Meeting gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, with the possibility of delegating such powers in accordance with legal requirements and regulations, to decide upon and implement this authorization, specify its 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 to the various purposes sought, and make all declarations to be filed with the competent bodies, particularly the French stock market authority (AMF), and in a general way, do everything required for the completion of the operations carried out pursuant to this authorization.

Every year, the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, shall

inform the General Meeting of the operations carried out pursuant to this resolution, in accordance with Article L. 225-209 of the Commercial Code.

This authorization immediately cancels any previous authorization of the same nature, and in particular, the unused portion of the authorization given by the ninth resolution of the General Meeting of June 20, 2006.”

Moreover, a proposal shall be submitted to the General Meeting of June 14, 2007 to authorize the Management Board, or if applicable, subject to the General Meeting's adoption of the Company's new method of management, the Board of Directors, to reduce the Company's capital through the cancellation of shares, up to a maximum of 10% of the share capital per 24-month period through the following resolution:

“The General Meeting, deliberating under the quorum and majority required for Extraordinary General Meetings, after having taken cognizance of the Management report and special Auditors' report, and in accordance with Article L. 225-209 of the Commercial Code:

- 1) terminates, with immediate effect, for the unused portion, the authorization given by the Combined General Meeting of June 20, 2006 through its fourteenth resolution;
- 2) gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, to cancel, either at a single time or in several tranches, within the limit of 10% of the Company's capital per 24-month-period, all of part of the Company shares acquired within the scope of the share buy-back programmes authorized by the eighth resolution submitted to this meeting or the share buy-back programmes authorized before or after the date of this meeting;
- 3) resolves that the portion of the purchase price of the common shares exceeding their par value shall be charged against 'Issue Premiums' or any other available reserve item, including the legal reserve;
- 4) gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, with the possibility of sub delegation in accordance with legal and regulatory requirements, to reduce the capital in keeping with the aforementioned cancellation of common shares and loss booked, and modify Article 6 of the Articles of Association accordingly;
- 5) sets the duration of this authorization to 18 months as from the date of this meeting.”

(2) NUMBER OF SHARES AND PERCENTAGE OF THE CAPITAL DIRECTLY OR INDIRECTLY HELD BY THE ISSUER

On the date of publication of this document, the Company holds 658,372 shares, or 0.55% of the share capital, broken down as follows:

- 100,966 shares as part of a liquidity contract;
- 557,406 treasury shares.

(3) BREAKDOWN OF COMPANY-HELD SHARES BY OBJECTIVE

On the date of this release, 557,406 shares, or 0.46% of the Company-held shares, are held to boost secondary trading of the Company's shares and 100,966 shares, or 0.10% of the Company-held shares, are held for exchange or payment purposes within the scope of any future external growth operations.

(4) OBJECTIVES OF THE NEW SHARE BUY-BACK PROGRAMME

This operation has the following objectives:

- (i) to keep the Company's purchased shares and then to resort to them in exchange or in payment as part of any external growth transactions;
- (ii) allot bought-back shares to employees and/or corporate officers within the scope of (i) the profit-sharing scheme, (ii) any share purchase plan or free share allocation to employees under the conditions provided by law, particularly Articles L. 443-1 et seq. of the Labour Code or (iii) any stock option plan or free share allocation programme aimed at employees and corporate officers or some of them in particular;
- (iii) deliver Company shares, following the issue of securities giving access to the Company's share capital, to the holders of such securities;

operations mentioned in the last two paragraphs shall be performed by an investment service provider acting independently;

- (iv) to boost the secondary market in Company's shares, this being done through an investment service provider acting under a liquidity contract in compliance with the charter of ethics of the French Association of Investment Companies;
- (v) cancel the shares purchased and reduce the Company's capital.

(5) MAXIMUM PERCENTAGE OF THE CAPITAL, MAXIMUM NUMBER AND CHARACTERISTICS OF THE SHARES, MAXIMUM PURCHASE PRICE

(a) Shares concerned

This operation concerns the shares of the Company (ISIN code FR0000051070), traded on the Eurolist market of Euronext Paris (compartment A).

(b) Maximum percentage of the capital

The maximum number of shares that can be bought may not exceed 10% of the total number of shares which make up the Company's share capital on May 21, 2007, i.e. 12,018,961 shares, with the understanding that:

- the number of shares acquired by the Company for holding purposes and their subsequent use for payment or exchange purposes within the scope of a merger, split-up or contribution operation may not exceed 5% of its capital, in accordance with Article L. 225-209, Section 6 of the Commercial Code, i.e. 6,009,481 shares, on the date of publication of this document;
- this limit applies to an amount of the Company's share capital which shall be adjusted as required to take account of operations affecting the share capital after the General Meeting of June 14, 2007, as the acquisitions made by the Company shall under no circumstance result in its holding, either directly or indirectly, more than 10% of its own share capital.

(c) Purchase price

The Company may buy its own shares at a maximum price of €22 and may sell the shares at a minimum price of €12 per share.

(d) Buy-back procedures

Such purchases, sales, exchanges or contributions may be carried out by any means, meaning on the market, or out of the market, including by buying or selling blocks or by using financial instruments, particularly derivatives traded on a regulated market or out of the market, such options or any combinations of the latter, except for call options, or warrants, subject to terms authorized by the competent market authorities and for convenient periods fixed by the Company's Management Board. The part of the share capital acquired or transferred through blocks of shares may reach the total programme.

Such operations may take place at any time, in compliance with legal requirements, including during a public offer, subject to all specific legal and regulatory provisions applicable.

(6) DURATION OF THE BUY-BACK PROGRAMME

The duration of the share buy-back programme is set at 18 months as from the General Meeting of June 14, 2007, i.e. until December 19, 2008 (inclusive).

(7) SUMMARY OF THE PREVIOUS PROGRAMME

The Company used the previous year's share buy-back programme to buy back 100,966 shares, amounting to a total €1,887,940.34. The details of such purchase are as follows:

Position on May 21, 2007

Percentage of Company-held capital on May 21, 2007	0.55%
Number of shares cancelled over the past 24 months	0.00%
Number of shares held as part of the portfolio on May 21, 2007	658,372
Book value of the share portfolio in €	10,488,622.82
Market value of the portfolio in € (based on the closing price on May 21, 2007)	10,540,535.72

Summary of the implementation of the previous programme between February 3, 2006 and May 21, 2007

	Combined flows, gross ^{(1) *}		Open positions on the day of publication of the programme description			
	Purchases	Sales/ Transfers**	Open purchasing positions		Open selling positions	
Number of shares	€2,870,817	€2,218,708	Open purchasing positions	Forward buying	Sold call options	Forward selling
Average maximum duration ⁽²⁾						
Average trading price ⁽³⁾	€16.21	€16.43				
Average exercise price ⁽⁴⁾						
TOTAL	€46,525,393	€36,461,945				

(1) The period concerned starts on the day following the date on which the summary of this buy-back programme was written and ends on the day of publication of the programme description.

(2) Remaining duration on the date of this release.

(3) Concerns cash operations.

(4) Indicates the average exercise price of the options exercised and forward operations carried out.

* Gross combined flows comprise cash purchasing and selling operations as well as options exercised and forward operations carried out.

** Of which 6,263 shares delivered within the scope of the conversion of 6,263 OCEANES.

Pursuant to the liquidity contract, 2,313,409 shares were purchased for €37,776,273 or €16.33 per share and 2,212,443 shares were sold for €36,361,611 or €16.43 per share.

11.3.3.3 Securities providing future access to the issuer's capital

(1) REDEEMABLE SHARE WARRANTS

On July 29, 2004, Maurel & Prom, acting under the Management decisions dated June 17, 2004, and July 29, 2004, issued 8,317,638 new redeemable Maurel & Prom share warrants (the "BSARs") freely granted to all shareholders on the basis of one warrant per Maurel & Prom share. The BSARs may be exercised at any time from July 29, 2004 to July 28, 2006, on which date the unexercised BSARs shall become void and lose their value.

At the time of the issue, 20 BSARs allowed holders the subscription of one new Maurel & Prom share, with a par value of €7.70, at the price of €89.65. Following the decision of the Combined General Meeting of December 28, 2004, to divide Maurel & Prom share par value by 10, the rights of the BSAR holders were amended as follows: 20 BSARs allow the subscription of 10 new shares at a par value of €0.77 each, at a total price for the 10 shares of €89.65.

New Maurel & Prom shares subscribed through the exercise of the BSARs become eligible for a dividend on the first day of the fiscal year during which the BSARs are exercised.

BSARs are traded on the Eurolist market of Euronext Paris SA, ISIN number FRO010096719.

A prospectus relating to this issue was approved by the Autorité des marchés financiers, the French market regulatory authority,

on June 25, 2004, under number 04-634, and is available on the Autorité des marchés financiers web site.

As of July 29, 2006 8,237,080 BSARs had been exercised which resulted in the creation of 3,988,976 shares and therefore a capital increase that amounted to €3,071,511.52. As from July 29, 2006, there were no longer any outstanding BSARs and therefore no share capital increase from these instruments.

(2) BONDS WITH THE OPTION OF CONVERSION AND/OR EXCHANGE FOR NEW OR EXISTING SHARES.

On March 9, 2005, Maurel & Prom, pursuant to the decisions of the Management Board on February 28 and March 1, 2005, and of a member of the Board dated March 1, 2005, acting on the Management Board's authority, issued, with removal of preferential subscription rights, convertible bonds falling due on January 1, 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 March 9, 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 fiscal 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 March 1, 2005, under number 05-122, and is available on the Autorité des marchés financiers web site.

Between June 16, 2006 and December 31, 2006, 6,263 OCEANEs were converted into or exchanged for shares. Consequently, on December 31, 2006, 16,704,966 outstanding OCEANE bonds were likely to cause a capital increase of €12,862,823.82 with the creation of 16,704,966 new shares at a par value of €0.77 each.

11.3.3.4 Terms governing any right to buy and/or any obligation attached to subscribed capital not paid up, or to any capital increase

Not applicable.

11.3.3.5 Capital of any member of Maurel & Prom Group subjected to an option

Not applicable.

11.3.3.6 History of the share capital

The table below shows the changes in Maurel & Prom's share capital over the last five years up to the date of the present annual report:

Transactions and dates	Change of capital		mount of share capital after transaction	Total number of outstanding shares
	Amount of share capital	number of shares		
2000 January 2000 ABSA issues	F120,970,400 (i.e., €18,441,818.59)	2,419,408	F302,426,000 (i.e., €46,104,546.49)	6,048,520
2001 June 18, 2001 Conversion of BSA (ABSA issue in January 2000)	F15,050 (i.e., €2,294.36)	301	F302,441,050 (i.e., €46,106,840.84)	6,048,821
December 3, 2001 Conversion of BSA (issued on June 20, 2001)	F102,250 (i.e., €15,587.91)	2,045	F302,543,300 (i.e., €46,122,428.76)	6,050,866
December 3, 2001 Conversion of capital into euros and increase in the share's par value	€46,122,726.08	0	€46,591,668.20	6,050,866
2002 January 11, 2002 Conversion of BSA (issued on June 20, 2001)	€2,756.60	358	€46,594,424.80	6,051,224
April 5, 2002 Conversion of BSA (issued on June 20, 2001)	€22,961.40	2,982	€46,617,386.20	6,054,206
December 31, 2002 Conversion of BSA (issued on June 20, 2001)	€53,237.80	6,914	€46,670,624	6,061,120
December 31, 2002 Conversion into new OCEANE shares (issued in February 2002)	€84.70	11	€46,670,708.70	6,061,131

Transactions and dates	Change of capital		mount of share capital after transaction	Total number of outstanding shares
	Amount of share capital	number of shares		
2003				
June 18, 2003 Conversion by Heritage of convertible bonds (issued on August 29, 2002)	€1,986,692.40	258,012	€48,657,401.10	6,319,143
June 30, 2003 Conversion by Financière de Rosario of convertible bonds (issued on August 29, 2002)	€1,918,478.10	249,153	€50,575,879.20	6,568,296
June 30, 2003 Conversion of BSA (issued on June 20, 2001)	€16,970.80	2,204	€50,592,850	6,570,500
October 31, 2003 Conversion of BSA (issued on June 20, 2001)	€220,913	28,690	€50,813,763	6,599,190
October 31, 2003 Conversion into new OCEANE shares (issued in February 2002)	€304,519.60	39,548	€51,118,282.60	6,638,738
December 31, 2003 Conversion of BSA (issued on June 20, 2001)	€4,231,604.30	549,559	€55,349,886.90	7,188,297
December 31, 2003 Conversion into new OCEANE shares (issued in February 2002)	€555,839.90	72,187	€55,905,726.80	7,260,484
2004				
April 30, 2004 Conversion into new OCEANE shares (issued in February 2002)	€1,379,763	179,190	€57,285,489.80	7,439,674
June 24, 2004 Conversion into new OCEANE shares (issued in February 2002)	€2,471,353.50	320,955	€59,756,843.30	7,760,629
July 19, 2004 Conversion into new OCEANE shares (issued in February 2002)	€4,288,969.30	557,099	€64,045,812.60	8,317,638
September 30, 2004 Conversion into new OCEANE shares (issued in February 2002)	€191,452.80	24,864	€64,237,265.40	8,342,502
September 30, 2004 Exercise of BSAR (issued in July 2004)	€60,506.60	7,858	€64,297,772	8,350,360
November 8, 2004 Conversion into new OCEANE shares (issued in February 2002)	€2,429,095.90	315,467	€66,726,867.90	8,665,827
November 8, 2004 Exercise of BSAR (issued in July 2004)	€50,342.60	6,538	€66,777,210.50	8,672,365
November 10, 2004 Exercise of options (October 2001)	€39,477.90	5,127	€66,816,688.40	8,677,492
December 28, 2004 Takeover of Aréopage by Maurel & Prom	€16,414,498.10	2,131,753	€83,231,186.50	10,809,245
December 28, 2004 Division by ten of the par value of the Maurel & Prom share	-	-	€83,231,186.50	108,092,450
December 31, 2004 Exercise of BSAR (issued in July 2004)	€5,805.80	7,540	€83,236,992.30	108,099,990

Transactions and dates	Change of capital		mount of share capital after transaction	Total number of outstanding shares
	Amount of share capital	number of shares		
2005 January 1, 2005 Exercise of options (October 2001)	€181,589.10	235,830	€83,418,581.40	108,335,820
January 31, 2005 Exercise of BSAR (issued in July 2004)	€16,300.90	21,170	€83,434,882.30	108,356,990
March 2, 2005 Exercise of d' options (October 2001)	€10,010	13,000	€83,444,892.30	108,369,990
March 31, 2005 Exercise of BSAR (issued in July 2004)	€17,047.80	22,140	€83,461,940.10	108,392,130
May 11, 2005 Exercise of BSAR	€3,642.10	4,730	€83,465,582.20	108,396,860
May 11, 2005 Exercise of options	€1,105,296.50	1,435,450	€84,570,878.70	109,832,310
June 1, 2005 Exercise of options	€205,235.80	266,540	€84,776,114.50	110,098,850
June 28, 2005 Exercise of BSAR	€23,654.40	30,720	€84,799,768.90	110,129,570
June 28, 2005 Exercise of options	€197,381.80	256,340	€84,977,150.70	110,385,910
August 4, 2005 Reserved issue Knightsbridge Group	€3,772,735.89	4,899,657	€88,769,886.59	115,285,567
August 31, 2005 Exercise of BSAR	€21,775.60	28,280	€88,791,662.19	115,313,847
August 31, 2005 Exercise of options	€126,780.50	164,650	€88,918,442.69	115,478,497
September 31, 2005 Exercise of BSAR	€13,675.20	17,760	€88,932,117.89	115,496,257
September 16, 2005 Exercise of options	€305,474.40	396,720	€89,237,592.29	115,892,977
November 24, 2005 Exercise of BSAR	€8,239	10,700	€89,245,831.29	115,903,677
December 21, 2005 Exercise of BSAR	€223.30	290	€89,246,054.59	115,903,967
December 21, 2005 Exercise of options	€256,102	332,600	€89,502,156.59	116,236,567

Transactions and dates	Change of capital		amount of share capital after transaction	Total number of outstanding shares
	Amount of share capital	number of shares		
2006				
February 16, 2006 Exercise of BSAR	€3,665.20	4,760	€89,505,821.79	116,241,327
February 16, 2006 Exercise of options	€10,217.90	13,270	€89,516,039.69	116,254,597
February 16, 2006 Exercise of BSAR	€716.10	930	€89,516,755.79	116,255,527
April 10, 2006 Exercise of BSAR	€5,382.30	6,990	€89,522,138.09	116,262,517
June 20, 2006 Exercise of options	€36,190.00	47,000	€89,558,328.09	116,302,527
June 20, 2006 Conversion of BSAR	€33,133.10	43,030	€89,591,461.19	116,352,547
September 4, 2006 Conversion of BSAR	€2,907,165.80	3,775,540.00	€92,498,626.99	120,128,087
November 23, 2006 Exercise of options	€47,370.40	61,520.00	€92,545,997.39	120,189,607

11.3.3.7 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 shares that give access to the Company's capital still existing on May 29, 2007 (OCEANE stock options):

	Date of issue	Conversion term		Number of securities	Number of shares		Dilution potential
		Begins	Ends		Current	Potential	
Capital as of 12/31/2006					120,189,607		
stock options	10/25/01	10/26/04	no limit	82,030		82,030	0.07%
stock options	06/16/03	05/23/05	06/16/08	0		0	0%
stock options	07/29/03	07/30/03	07/29/08	35,890		35,890	0.03%
stock options	06/22/04	06/23/04	06/22/09	123,040		123,040	0.04%
stock options	03/16/05	03/17/05	03/16/10	0		0	0.00%
stock options	04/06/05	04/07/05	04/06/10	430,000		430,000	0.36%
stock options	12/21/05	12/22/05	12/21/10	170,000		170,000	0.14%
stock options	03/01/06	04/01/06	03/01/11	80,000		80,000	0.07%
stock options	04/10/06	04/11/06	04/10/11	80,000		80,000	0.07%
Total stock options	-	-	-	1,000,960		1,000,960	0.83%
free shares	12/21/05			15,000		15,000	0.013%
free shares	10/03/06			70,000		70,000	0.06%
free shares	12/14/06			66,800		66,800	0.06%
OCEANE	03/01/05	03/09/05	12/31/09	16,704,966		16,704,966	13.89%
TOTAL	-	-	-	-		- 138,047,333	

Other

12.1 Major contracts

Throughout 2006, the Company did not enter into significant contracts other than 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.

On February 21, 2007, the Company signed a draft agreement with ENI Congo S.A. to sell some of its Congo-based assets. The transaction was executed on May 29, 2007. The draft agreement is described under Section 4.3.1 of this annual report.

12.2 Transactions with related parties

In addition to its holding activities, and for the last three years, Maurel & Prom has not performed specific services for its subsidiaries, except for providing employees to its subsidiaries (Zetah M&P Congo S.A. in Congo, Hocol in Colombia and Venezuela, S.A. M&P Gabon). This service was invoiced at cost.

The special report of Maurel & Prom Statutory Auditors on the regulated agreements for 2006 is in Section 13.4 of this annual report.

Transactions with related companies are analyzed in Note 24 of the consolidated financial statements stated under Section 13.2.1 of this annual report. 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.

As required, and in addition to the information given in the 2005 annual report, since the transactions concluded in 2005 with Gaïa only impacted the 2005 accounts and only concerned the remuneration of one member of the Management Board (F. Boulet), the Supervisory Board approved them with no amendment; The

detailed amounts of this 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" of this annual report.

12.3 Legal and arbitration proceedings

Except for the information below, to the Company's knowledge, there are no trials, arbitration procedures or exceptional events that are likely to have, or have had in the recent past, a significant impact on the financial situation, income, activity and assets of the Company and/or Maurel & Prom Group.

12.3.1 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 August 17, 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 this sale by the Colombian authorities. Since this approval was not obtained within the deadline specified in the agreement, such agreement was terminated by Hocol in accordance with its terms.

On February 13, 2006, Stratus Oil & Gas decided to initiate arbitration proceedings against Hocol, claiming compensation equivalent to the value of the rights that were to be acquired and demanding that Hocol accounts for the profits allegedly made following termination of the agreement. The compensation claimed is valued at \$M23.7 and the Company is currently unable to assess such claim. At the date of this annual report proceedings are planned in November 2007.

12.3.2 OTHER LITIGATION

12.3.2.1 Energy Searcher litigation

In June 2001, the Company brought an action before the Singapore courts against Cameron for the damage caused on the drilling ship Energy Searcher prior to its sale to Maurel & Prom. The case was heard at the end of 2004-beginning of 2005. The judgment in first instance in 2005 condemned Cameron to pay \$M1 compensation.

Since Maurel & Prom was demanding a higher amount, the Company appealed on September 20, 2005.

The Singapore appeals court heard the case in 2006 confirming the judgement made in first instance. The Company has initiated procedures to recover the amount of the damages.

12.3.2.2 Maurel & Prom/Orchard arbitration

Following the arbitration proceedings initiated by Orchard (a partner on the Sebikhotane permit in Senegal), the decision was given on January 20, 2006, under which Maurel & Prom has to compensate Orchard for the amount of €135,000; this amount was paid to the plaintiff in 2006, and in May 2006 Maurel & Prom purchased Orchard in order to acquire all rights under the Sebikhotane permit claimed by Orchard.

12.3.2.3 Agri Cher/Transagra litigation

There have been no developments in this case that the Company considers to be non material.

12.3.2.4 Messier Partners litigation

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 Congo S.A. While the judge decided in favour of the Company relating to its refusal to submit documentation concerning the planned transaction with ENI Congo S.A., the Company was ordered to pay Messier Partners a penalty of €700,000. The Company appealed against this decision. With Messiers Partners' agreement, this amount is placed under compulsory administration pending the verdict of the appeals court. The May 25, 2007 verdict of the appeals court dismissed Messier Partners' claim to receive the €700,000 penalty and ordered Maurel & Prom to submit the requested documentation. As at the date of the annual report, the Company has met its obligations.

For further details, please refer to Note 28 of the consolidated financial statements stated under paragraph 13.2.1 of this annual report.

12.3.2.5 Caroil/Romfor arbitration

Note that, 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 and spare parts and construction of new drilling rigs. The termination date of this contract was set at September 30, 2007. The consideration for the services performed was satisfied by payment of a 25% equity stake in the profits earned on operating certain wells.

In January 2007, the arbitration action launched by Romfor resulted in the signing of an amicable agreement, which led to a full and final settlement dated April 2007 in relation to the arbitration action. The cessation of business relations, effective as from December 31, 2006, will have no impact on the 2007 financial statements.

12.4 Significant change in the financial or commercial situation

On February 22, 2007, the Company signed a draft agreement with ENI Congo S.A. by which it would sell to ENI Congo the Group's equity stake in the M'Boundi and Kouakouala operating permits in the Republic of Congo, and 50% of its 65% stake in the Company's Kouilou operating permit. This sale was completed on May 29, 2007 and backdated to January 1, 2006. For a detailed description of this transaction, please refer to Section 4.3.1 of this annual report.

With the exception of this agreement, to the Company's knowledge, nothing has occurred since December 31, 2006, that is likely to have a significant influence on the financial or commercial situation of the Company.

12.5 Property, plant and equipment

Maurel & Prom Group companies do not own any 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 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 to certify the Group's hydrocarbon reserves. The Company published the results of this assignment on March 29, 2007. 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 occur in the life of the Company or of 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, letters to shareholders, 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: 01 47 03 68 10.

The 2006 annual report, established pursuant to the terms of Article 222-7 of the general regulations of the *Autorité des marchés financiers* is attached in Appendix 6.

12.8.2 ILLUSTRATIVE FINANCIAL REPORTING TIMETABLE

March 29, 2007	2006 results
May 15, 2007	1 st quarter 2007 sales
June 14, 2007	Joint annual meeting of shareholders
August 9, 2007	2 nd quarter 2007 sales
September 26, 2007	1 st -half 2007 results
November 7, 2007	3 rd -quarter 2007 sales

This timetable, available at: www.maureletprom.fr, is given as an illustration and may be changed.

12.9 Information on equity interests

The data 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	Head office	Percentage interest		
		12/31/2006	12/31/2005	12/31/2004
FRANCE – DRILLING				
Caroil SA	Paris	100	97.14	97.14
CONGO				
Zetah M & P Congo SA	Pointe Noire, Congo	100.00	100.00	100.00
Zetah Congo Ltd	Nassau, Bahamas	50.00	50.00	50.00
Zetah Kouilou Ltd	Nassau, Bahamas	65.00*	65.00	65.00
Zetah Noubi Ltd	Nassau, Bahamas	49.00	49.00	
COLOMBIA AND VENEZUELA				
Hocol S.A.	Cayman Islands	100.00	100.00	-
Homcol Cayman Inc	Cayman Islands	100.00	100.00	-
Hocol (UK) Petroleum Holdings Ltd	London, UK	100.00	100.00	-
Hocol Venezuela BV	Netherlands	100.00	100.00	-
Hocol - Maurel & Prom - Venezuela SAS	Paris	100.00		
GABON				
Maurel & Prom Gabon Ltd	British Virgin Islands	100.00	100.00	
SA M&P Quartier Général	Libreville, Gabon	100.00	100.00	-
SA M&P Gabon Ofoubou	Libreville, Gabon	100.00	100.00	-
SA M&P Gabon Nyanga Mayombé	Libreville, Gabon	100.00	100.00	-
CUBA				
Pebercan Inc	Montreal, Canada	19.39 **	19.65	19.89
TANZANIA				
Maurel & Prom Tanzania Ltd	Dar es Salaam, Tanzania	100.00	100.00	-
SICILY				
Panther Eureka Srl	Ragusa, Italy	30.00	25.00	-

* 54% voting rights on certain issues.

** As at June 30, 2006.

Appendices to the Annual Report

13.1 Appendix 1 - Glossary

Below is a list of the main terms, symbols or abbreviations used in the annual report:

TEA	Technical Evaluation Agreement.
Anhydre	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.
b/\$	dollars per barrel.
BSCF	billion of standard cubic feet.
CAPEX	capital expenditures: tangible and intangible investments/development expenditure.
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.
EPSC	the Exploration and Production-Sharing Contract.
Vasconia differential	discount between Vasconia and WTI, depending on the oil quality.
Choke	a calibrated orifice to regulate the flow of a well during production trials and during production.
\$	US dollar.
€	euro.
Eruptive	is productive by eruption.
Farm-in	equity investment in an oil permit.
Drilling	drilling involves creating a passage through the earth's crust to take samples from the sub-surface or extract fluid substances. 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.
HSE	Health, Safety and Environment.
Kboe	thousands of barrels of oil equivalent.
\$000	thousands of dollars.

€000	thousands of euros.
Lead	a pre-prospect (see below for the definition of “prospect”).
LTIF	lost time injured frequency.
Mboe	millions of barrels of oil equivalent.
€m	millions of euros.
\$m	millions of US dollars.
MMSCFPD	millions of standard cubic feet per day.
Multipurpose ships	ships that can be used for a variety of purposes.
Opérateur	the company in charge of operations on an oil field.
OPEX	“operating expenses”: operating expenses.
Pipeline	a pipeline for conveying fluids.
Annual production	production available for sale (after oil tax).
Production operated	total production of a field before production profit share.
Maurel & Prom/own share of production	operational production less partners’ share.
Maurel & Prom/own share of production net of royalties	Maurel & Prom/own share of production less royalties.
Production entitled (after oil tax)	net Maurel & Prom share of production after royalties and oil tax, equivalent to production sold before changes in inventories.
Prospect	the region in which, after surveys, the geologists believe hydrocarbons can be found.
Royalties	oil taxes in kind based on a percentage of the production of a field.
Vasconia benchmark	benchmark on which the price of a barrel of oil is based in Colombia.
Certified reserves	reserves certified by DeGolyer and Mac Naughton correspond to Maurel & Prom’s share of reserves less royalties in kind.
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.
Reserves net of royalties	total reserves of a field less royalties.
1P 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.
2 P reserves	probable reserves are unproven reserves which analysis of geological and engineering data suggests are likely to be recoverable particularly by extension drilling inside the perimeter defined by the oil-water contact, and by putting in place secondary recovery methods.

3P 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.
Rig	drilling rig.
2D/3D seismic	seismic surveying is one of the basic essential methods used in oil exploration. 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. It can be 2 or 3-dimensional.
Work over	an operation to reopen wells.
WTI	West Texas Intermediate, an oil quality index in the USA.

13.2 Appendix 2 - Consolidated financial statements on December 31, 2006 and corporate accounts as at December 31, 2006

13.2.1 CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet (In €K)

ASSETS	NOTES	12/31/2006	12/31/2005
Intangible assets	4	614,525	624,182
Tangible assets	5	418,919	357,232
Investments and loans	6	20,260	4,389
Investments accounted under the equity method	7	24,750	22,968
Deferred taxes, assets	22	23,840	28,890
NON-CURRENT ASSETS		1,102,294	1,037,661
Inventories	8	9,674	6,884
Trade receivables	9	71,227	50,042
Other assets	9	55,905	43,978
Tax liability assets		316	324
Financial instruments	10	0	6,870
Cash on hand and in the bank	12	194,716	235,172
CURRENT ASSETS		331,838	343,271
Assets for sale	11	0	82
TOTAL ASSETS		1,434,132	1,381,015

LIABILITIES	NOTES	12/31/2006	12/31/2005*
Shareholders' equity	13	92,546	89,502
Issue premiums	13	198,500	166,461
Consolidated reserves	13	108,089	106,084
Treasury shares	13	(10,483)	(3,707)
Income - Group share		180,665	100,234
EQUITY, GROUP SHARE		569,317	458,574
MINORITY INTERESTS		0	199
TOTAL EQUITY		569,317	458,772
Non-current provisions	14	17,252	16,532
Non-current bonded loans	15	338,872	328,577
Other non-current loans and borrowings	16	90,468	74,455
Deferred tax, liabilities	22	191,712	209,572
NON-CURRENT LIABILITIES		638,304	629,136
Other current loans and borrowings	16	46,290	67,842
Trade payables	17	101,424	84,505
Tax liabilities	22-2	2,406	64,164
Other payables and liabilities	17	59,860	66,037
Financial instruments	10	0	1,397
Current Provisions	14	16,531	9,161
CURRENT LIABILITIES		226,511	293,106
TOTAL LIABILITIES		1,434,132	1,381,015

*Restated in 2006 (See statement of changes in equity)

Income Statement (In €K except earnings per share in €)

	NOTES	2006	2005*
Sales	26	583,704	407,722
Other income from operations		9,824	298
Purchases and change in inventory		(20,756)	(12,005)
Other purchases and operating expenses		(85,656)	(61,859)
Income and other taxes		(11,808)	(15,756)
Payroll	18	(22,225)	(24,939)
Amortization		(133,975)	(63,539)
Impairment of operating assets	20	(23,688)	(42,755)
Provisions and impairment of current assets		(13,140)	(3,977)
Income from sale of assets	19	(552)	1,777
Other expenses		(9,598)	(23,598)
OPERATING INCOME		272,131	161,368
Gross financial interests	21	(35,965)	(34,323)
Income from cash flow	21	6,144	5,986
Net financial interests	21	(29,821)	(28,337)
Other financial income	21	28,696	12,987
Other financial expenses	21	(41,823)	(30,506)
INCOME BEFORE TAX		229,182	115,514
Corporation income tax	22	(45,995)	(17,266)
NET INCOME OF CONSOLIDATED COMPANIES		183,187	98,248
Share in income of companies consolidated by the equity method	7	(2,522)	2,033
NET CONSOLIDATED INCOME		180,665	100,280
Including:			
- Group net income		180,665	100,234
- Minority interests		0	(46)
Earnings per share:	23		
- basic		1.55	0.90
- diluted		1.47	0.88

*Restated in 2006 (cf. Note 20)

Cash Flow Statement

	12/31/2006	12/31/2005*
Consolidated income before tax	226,660	117,547
Adjustment for:		
- Net contributions (writebacks) of amortization and provisions	143,586	71,754
- Calculated expenses and income from stock options and similar items	1,009	4,482
- Impairment of operating assets (Notes 4 and 20)	23,688	42,755
- Other income and expenses	(4,444)	(5,864)
- Gains and losses from sales of assets	552	(1,777)
- Income from cash	(6,144)	(5,986)
- Gross cost of financial debt (Note 20-5)	25,546	26,398
Share of income from companies carried on an equity basis	2,522	(2,033)
Cash flow before tax	412,975	270,275
Tax paid	(103,655)	(16,584)
Variation in working capital requirement from operations	2,382	40,680
- Trade	(23,400)	38,295
- Suppliers	21,611	42,294
- Inventories	(4,472)	(2,014)
- Other	8,643	(37,895)
NET CASH FLOW GENERATED BY OPERATING ACTIVITY	311,702	294,371
Disbursements for acquisitions of tangible and intangible assets	(274,083)	(166,856)
Receipts from sales of intangible and tangible assets	197	17,722
Disbursements for acquisitions of financial assets (unconsolidated securities)	0	(134)
Receipts from sales of financial assets (unconsolidated securities)	0	820
Business combination (Note 3)	(13,239)	(347,988)
Increase of stake in equity-method companies (Note 3)	(4,241)	0
Changes in loans and advances granted	(21,334)	(10,781)
Other cash flows from investment transactions	0	(1,142)
NET CASH FLOW FROM INVESTMENT TRANSACTIONS	(312,700)	(508,359)
Amounts received from shareholders during capital increases	35,082	83,982
Dividends paid	(38,274)	(16,627)
Receipts from new loans	15,428	425,092
Interests paid	(25,546)	(26,398)
Interests received	6,144	5,986
Loan Repayments	(11,503)	(71,521)
Treasury share acquisitions	(6,776)	(3,707)
NET CASH FLOW FROM FINANCING TRANSACTIONS	(25,445)	396,807
Impact of foreign currency fluctuations	(19,273)	17,300
NET CHANGE IN CASH FLOW	(45,716)	200,119
Cash at beginning of year (Note 12)	232,058	31,939
CASH at year end net of current bank loans (Note 12)	186,342	232,058

*Restated in 2006 (cf. Note 20).

Statement of Changes in Equity (In €K)

	Share holders' equity	Own Shares	Pre-miums*	Reserves*	Reserves balance	Conversion difference	Income for the year	Share holders equity, Group share	Minority Interests	Total Share holder equity
January 1, 2005	83,237	-	69,782	22,308	2,752	(426)	46,603	224,255	152	224,407
Conversion gains/losses						20,630		20,630		20,630
OCEANE				44,003				44,003		44,003
Deferred taxes on OCEANE				(14,888)				(14,888)		(14,888)
Financial instruments					(2,752)			(2,752)		(2,752)
Net income posted directly as shareholders' equity	0	0	0	29,115	(2,752)	20,630	0	46,993	0	46,993
Allocation of income - Dividends				29,976			(46,603)	(16,627)		(16,627)
Net Income							100,233	100,233	46	100,279
Total income and expenses recorded for the year	0	0	0	59,091	(2,752)	20,630	53,630	130,599	46	130,645
Capital Increase	6,265		96,679					102,945		102,945
Stock options				4,482				4,482		4,482
Movements on own shares		(3,707)						(3,707)		(3,707)
December 31, 2005	89,502	(3,707)	166,461	85,881	-	20,204	100,233	458,574	198	458,772
January 1, 2006	89,502	(3,707)	166,461	85,881	-	20,204	100,233	458,574	198	458,772
Conversions gains/losses						(60,964)		(60,964)		(60,964)
Net income posted directly as shareholders' equity	0	0		0		(60,964)	0	(60,964)	0	(60,964)
Allocation of 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	0	0		61,959		(60,964)	80,432	81,427		81,427
Capital Increase	3,044		32,039					35,083		35,083
Acquisition of minority interests									(198)	(198)
Stock options				1,009				1,009		1,009
Movements on own shares		(6,776)						(6,776)		(6,776)
December 31, 2006	92,546	(10,483)	198,500	148,849	-	(40,760)	180,665	569,317	-	569,317

*Movements assigned to additional paid-in capital in 2005 were reclassified under Reserves. These reclassifications do not affect the amount of Equity at December 31, 2005.

Notes to the consolidated financial statements

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Unless otherwise indicated, the consolidated financial statements are reported in thousands of euros rounded off to the nearest thousand euros.

Note 1 General

1.1 General Information and highlights

Maurel & Prom is a *Société Anonyme* with a Management Board and Supervisory Board incorporated under the laws of France, and registered with the Paris Trade and Companies Registry.

The group's core business is the exploration and production of hydrocarbons and oil drilling.

The consolidated financial statements at December 31, 2006 reflect the accounting situation of Maurel & Prom and its subsidiaries (hereafter "the Group") as well as the Group's interests in associate companies, in application of the International Financial Reporting Standards as adopted by the European Union at December 31, 2006 and given its authorization for the publication of these statements on April 27, 2007. These accounts shall only be final after approval by the General Meeting of Shareholders.

The change in the legislative environment in Venezuela put an end to the service agreement held by Hocol on March 30, 2006. The continued negotiations during the entire 2006 led in March 2007 to the signature of a memorandum of agreement with PDVSA for the transformation of Hocol petroleum activities into Mixed Enterprise status in 2007. This agreement is subject to ratification by the National Assembly and Maurel & Prom has suspended the Venezuela contribution since March 2006.

In Congo, the Company has been selling its production since January 1, 2006 to Socap (a wholly-owned subsidiary of Total) at N'Kossa grade prices. This grade, which is equivalent to a light oil, enjoys a slightly lower below-par rating (-\$2.5 per barrel sold over 2006 as a whole) on Brent than the Djeno grade, which, as a heavier oil, is assigned a larger discount (-\$ 6.25 per barrel sold).

In the first quarter 2006, the Congolese Parliament ratified the amendments to the Production Sharing Contracts regarding the Kouilou (M'Boundi) and Kouakouala permits:

- Maurel & Prom's rights under the M'Boundi (Kouilou) operating permit are being extended until 2030, instead of 2017 as previously agreed, in return for assigning 10% of Maurel & Prom's rights to *Société Nationale des Pétroles* du Congo (SNPC). Accordingly, these rights fell from 54% to 48.6% on January 1, 2006;
- for the Kouakouala concession, the operating permit will be extended from 2008 to 2023, the rights of Maurel & Prom remaining unchanged at 50% after January 10, 2008; and
- lastly, Parliament has approved the bill approving the agreement to share production of Noumbi (Maurel & Prom operator, 49%).

As of September 30, 2006, Maurel & Prom, which held 50% interest in the Kouakouala association, bought back 16.67% of the shares of Heritage Oil (which held 25%). This acquisition gives Maurel & Prom 66.67% of the shares in the Kouakouala concession.

In the Congo, Maurel & Prom signed a Farm-in contract with Prestoil Kouilou and SNPC (Société Nationale des Pétroles du Congo) in October 2006 to get a foothold in the two exploration permits for Tilapia (Prestoil operator, 45%) and Marine III (Prestoil operator, 55%); we now hold 20% of each permit.

Maurel & Prom (operator, 75%) moved into Syria in November 2006, signing an exploration permit for block XI, Alasi (8,426 km²), on the Lebanese border, with the Syrian Petroleum Company, the Ministry of Oil, and PetroQuest (25%).

At the end of 2006, Etablissements Maurel & Prom entered into negotiations to sign a farm-in contract in Gabon for the Etekamba concession (773 km²) with Transworld. The award process was ratified on February 20, 2007.

In Senegal, despite the success of well DN15 in April 2006 (400,000 cubic feet of gas a day), which confirmed interest in the subject, Maurel & Prom decided to abandon this project, with marginal financial advantage.

Maurel & Prom moved into Hungary on the Nagylengyel West concession assigned in 1995 for a period of 35 years. Maurel & Prom is operator of the concession with 63.64% of interest and its partner, the Houston based JKJ holds 36.36%.

Drilling of the exploration with Cs-DOR1 gas objective yielded negative results in 2006 and a procedure is underway to withdraw from this concession in Hungary.

The drilling company, Caroil, a 100% subsidiary of Maurel & Prom, continued its rapid growth in 2006 with an increase of its fleet of drilling rigs from 5 to 9 units.

Its sales increased by 74% to level off at €M87 and was earned in Africa (Congo, Gabon and Tanzania). In order to give it the possibility of continuing its commercial and geographic diversification and to consolidate its order book, Caroil should be kept in the consolidation scope of the Maurel & Prom Group in 2007.

On July 28, 2006, 99% of the redeemable share warrants (BSAR) were exercised, generating an additional €M36.8 of equity capital since the options were awarded in July 2004. In all 8,237,080 redeemable share warrants have been exercised since July 2004, resulting in the creation of 3,988,976 shares. The redeemable share warrants not exercised as of July 28, 2006 have expired. The stronger financial structure resulting from this transaction has strengthened the development of Maurel & Prom, with €M36.8 of additional equity from July 29, 2004 to July 28, 2006, of which €M 34.3 for financial year 2006.

1.2 Accounting reference standards

In application of European Regulation 16/06/2002, the consolidated financial statements of Maurel & Prom as of December 31, 2006 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union on December 31, 2006.

These standards have been applied by the Groupe 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 treated 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:

- maintaining significant influence where the Group holds less than 20% of the interest;
- classification between operating leases and finance leases;
- the preliminary, then final allocation of the acquisition price;
- impairment tests on oil reserves;
- provisions for site restoration;
- provisions for end of career and retirement benefits;
- recognition of deferred tax assets.

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 recognized 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 realized within such operation are recorded in the concerned assets and liabilities, including for the minority shareholders.

The gap 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 amortized but is subject to systematic impairment tests at each year-end; losses of value reported on goodwill are irreversible.

Goodwill relating to the companies integrated with 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 distributed 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 regarding the acquisition and allocation of mining permits are recorded as intangible assets and, during the operation phase, amortized on a straight-line basis over the estimated duration of the permit, then during the development phase, at the amortization rate for the oil production installations.

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

Acquisition of reserves

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

The amortization rate equals the ratio between the field's hydrocarbon production during the year and re-estimated hydrocarbon reserves at the beginning of the same year.

Exploration costs

The group applies IFRS 6 concerning 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 amortized 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 property, plant and equipment, 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 the plant and machinery heading (See Note 5).

Assets that are not completed at the year-end are recorded as ongoing assets.

Completed assets are amortized according to the unit of production method. The amortization 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.

Cost of site restoration

Provisions for site restoration are constituted when the Group must dismantle and restore the sites (See Note 2-q). They are estimated for each field.

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

2.4 Other intangible assets

Other intangible assets are recorded at their purchase cost and appear on the balance sheet for such value, after deduction of the total amortizations and depreciations, if any.

Amortizations are calculated using the straight line method and the amortization period is based on the estimated service life of the various categories of intangible assets amortized over one to three years.

2.5 Other intangible 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.

Amortizations are calculated with the straight line method and the amortization period is based on the estimated service life of the various categories of assets, the main ones being:

- constructions: 10 years
- Infrastructure works: 8 to 10 years
- ships: 10 to 20 years
- Drilling rigs: 3 to 25 years
- Plant and machinery: 3 to 10 years
- Fixtures and fittings: 4 to 10 years
- Vehicles: 3 to 8 years
- Office and computer equipment: 2 to 5 years
- 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 which are not finance lease agreements are defined above, are recognized as operating leases.

2.6 Depreciation of assets

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 tax 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 inflows from continuing use and that are largely independent of the cash inflows 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 taken 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 Financial assets

Financial loans and receivables are initially recorded at their fair value and appear on the balance sheet at their amortized cost. They are depreciated if there is an objective indication of loss of value. This depreciation, recorded as income, may subsequently be revised as income if the conditions that caused the depreciation cease to exist.

Investments in affiliates are valued at their fair value. For listed securities, the fair value is the stock market price; 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 as income. This depreciation is revised as income 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 amortization 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, depreciations are recorded if evident risk of irrecoverability is discovered.

2.10 Foreign currency transactions

Expenditure and income in foreign currencies are reported at their value in euros on the date of the transaction. Debts, external finance, receivables and cash in foreign currencies appear on the balance sheet at their value in euros at the year-end exchange rate. The differences resulting from the conversion into foreign currencies at this final exchange rate are recorded in the income statement in "other financial income" or "other financial expenses".

2.11 Conversion of the annual financial statements of foreign subsidiaries and institutions

The financial statements of foreign subsidiaries located out of 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 on income, are recorded, for the share of the consolidating

company, in its shareholders' equity under "goodwill" 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.

As from 2006, Maurel & Prom companies in Congo have largely become autonomous in terms of operational, financial and accounting management. As a result, these companies whose functional currency is the US dollar are treated as autonomous institutions in the company accounts, in order to provide a better picture of the position and of business revenues. Balance sheet items are converted at the year-end rate, those in the income statement at the average rate over the period. Transactions in reciprocal accounts remain at their historical rate. Differences resulting from the translation and reported in equity in the individual financial statements are recorded by type as translation reserves in the consolidated accounts.

2.12 Derivatives

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 as income (other operating expenses and income) or when the hedged item affects income or the contract matures.

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

2.13 Cash equivalents

These are short term investments of surplus cash.

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

They are valued at their fair value, with the variances of this value recorded under financial income.

2.14 Convertible borrowing

Some financial instruments contain both a debt 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 debt 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 Management Board recognizes the conversion of bonds and grants shares in exchange.

2.15 Other loans

According to IAS 39 "Financial instruments - recording and measurement", loans are initially recorded at their fair value. Loans are recorded on the balance sheet for their amortized 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 Own shares

The company's own 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, income from the disposal of the company's own shares does not affect income for the year.

2.17 Contingencies and loss provisions

According to the IAS 37 standard "Provisions, contingent liabilities and contingent assets", provisions are recorded when, at the year-end, the Group is bounded 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 varying from 4% to 10% depending on the geographic region.

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

2.18 Pensions and other post-employment benefits

The Group's obligations on pensions and similar benefits are limited to the payment of contributions to general 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;
- the 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 amortized 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.

2.19 Oil Sales

PRODUCTION

Sales reflecting the production's sale of the oilfields operated by the Company pursuant to Production-Sharing Contracts include only 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 when drilling progresses and progress is measured according to the drilling depth and elapsed time of mobilisation.

2.20 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.

2.21 Corporation income tax

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 recognized 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 or nearly voted tax rates on the balance sheet date.

Deferred tax assets, particularly due to losses carried forward or deferred amortizations, 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 tax income allowing to charge earlier tax losses.

2.22 Income per share

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

Own shares are not taking into account for the calculation.

2.23 New principles that do not yet apply

The standards or interpretations published by the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) not yet in force on December 31, 2006, are as follows:

(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. This standard is effective for annual periods beginning on or after January 1, 2007.

(II) 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 on or after January 1, 2009.

(III) 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 is required to be separated from the host contract and accounted for as a standalone derivative. 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 June 1, 2006.

(IV) 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 November 1, 2006.

The company will shortly analyse the impact of the application of these new principles.

2.24 Changes in accounting methods

The accounting methods are consistent with those of the previous financial year.

The Group decided to apply IFRS 6 in anticipation, as from January 1, 2004.

Note 3

Changes in the Group's shareholding and main acquisitions

3.1 Consolidation scope

Company	Head Office	Consolidation Method	% control	
			12/31/06	12/31/05
Etablissements Maurel & Prom	Paris	Consolidating company	Société consolidante	
Maurel & Prom (Suisse) Genève SA	Geneva, Switzerland	Full integration	99.99%	99.99%
MULTIPURPOSE SHIPS				
Brooklyn Shipping Limited	St Vincent et Grenadines	Full integration	100.00%	100.00%
Maurel & Prom International Shipping Limited (Mepis)	St Vincent et Grenadines	Full integration	100.00%	100.00%
Mepis Clémentine Limited	St Vincent et Grenadines	Full integration	100.00%	100.00%
Mepis Marie Limited	St Vincent et Grenadines	Full integration	100.00%	100.00%
OIL AND GAS ACTIVITIES				
Caroil	Paris	Full integration	100%	97.14%
Panther Eureka Srl	Ragusa, Sicily	Equity method	30%	25.00%
Maurel & Prom Gabon Ltd (ex Rockover Oil and Gas)	British Virgin Islands	Full integration	100%	100.00%
SA M&P Gabon Ofoubou	Libreville	Full integration	100%	100.00%
SA M&P Gabon Nyanga Mayombe	Libreville	Full integration	100%	100.00%
SA M&P Gabon Quartier Général	Libreville	Full integration	100%	100.00%
Hocol Petroleum Holdings Ltd	United Kingdom	Full integration	100%	100.00%
Hocol Petroleum Ltd	United Kingdom	Full integration	100%	100.00%
Hocol Ltd	Bermuda	Full integration	100%	100.00%
Hocol S.A.	Cayman Islands	Full integration	100%	100.00%
Homcol Cayman Inc.	Cayman Islands	Full integration	100%	100.00%
Hocol (UK) Petroleum Holdings Ltd	United Kingdom	Full integration	100%	100.00%
Hocol Venezuela BV	The Netherlands	Full integration	100%	100.00%
Oleoducto de Colombia SA	Columbia	Proportional integration.	21.72%	21.72%
Pebercan Inc	Montréal, Canada	Equity method	19.39%*	19.65%
Zetah M & P Congo	Congo	Full integration	100.00%	100.00%
Zetah Congo Limited	Nassau, Bahamas	Full integration	50.00%	50.00%
Zetah Kouilou Limited	Nassau, Bahamas	Full integration	65.00%	65.00%
Zetah Noubi Limited	Nassau, Bahamas	Proportional integration.	49.00%	49.00%
Maurel & Prom Tanzania Ltd	Tanzania	Full integration	100%	100.00%
Raba Xprom Energia Kft.	Hungary	Equity method	34.30%	34.30%
Orchard SA	France	Full integration	100%	
Hocol Maurel & Prom Venezuela	France	Full integration	100%	
GOLD MINING				
Compagnie Européenne et Africaine du Bois	Luxembourg	Full integration	100.00%	100.00%
New Gold Mali (NGM)	Bamako, Mali	Full integration	49.50%	49.50%

* Percentage of holding on June 30, 2006 (cf Note 7)

3.2 Changes in consolidation scope and main acquisitions

FISCAL YEAR 2006

During fiscal year 2006, Maurel & Prom raised its holding percentage in Caroil to 100% through two capital increases carried out on April 12, 2006 and September 29, 2006 and through acquisition of minority interests. The capital increases were carried out by capitalisation of the Maurel & Prom current account.

Following the capital increase of Pebercan Inc., generated by exercising employees' warrants, Maurel & Prom's percentage interest was reduced to 19.39% on June 30, 2006. As a member of the Pebercan Inc. Board, Maurel & Prom has a significant influence on that entity.

In Hungary, following the default of a partner (holder of 29.3% interest), the share of income retained in consolidation was raised from 34.3% to 63.6% since the second half 2005. As the programme did not yield the expected results, this company is in the process of liquidation.

The Group acquired a 35% stake in Renaissance Energy for an amount of €K22 which is aimed at obtaining the operating license in Libya.

Furthermore, the company created Hocol Maurel & Prom Venezuela, representing an investment of €K37. This company has been created to hold securities in a future semi-public company in Venezuela.

In February 2006, under contracts signed in November 2005, Maurel & Prom increased its 5% holding in the capital of Panther Eureka to 30%. This increase was made with a contribution of \$M8 (call for funds: \$M3 in 2005 and \$M5 in January 2006). This contribution breaks down as follows: \$K10 of the capital increase, \$K5,844 of share premium and \$K2,146 to purge previous losses. This company is consolidated under the equity method.

FISCAL YEAR 2005

Adjustment following the acquisition of Hocol

On August 4, 2005, the company acquired 100% of the shares (and voting rights) of HPHL (Hocol Petroleum Holdings Limited), a company incorporated in Britain and domiciled at 1 Knightsbridge, London SW1X 7UP, for a total of €410,860,000.

When Hocol was acquired, Knightsbridge agreed to enter, at €15.40 per share, into the capital of Maurel & Prom in the amount of 20% of the sale price.

The reinvestment transaction being analysed as a payment in shares for 20% of the price, the differential between the market price and the price on August 4, 2005, the date of the takeover, is an earn out of €K18,962 reported in the consolidated financial statements of December 31, 2005.

The acquisition price was adjusted in 2006 in accordance with the earn-out and the liability guarantee of €K2,524 as indicated in the table below.

<i>In thousands of euros</i>	12/31/2006	Change 2006	12/31/2005
Acquisition price	389,789	(2,795)	392,584
Acquisition costs	8,878	238	8,640
Earn out	9,669	33	9,636
TOTAL ACQUISITION PRICE	408,336	(2,524)	410,860

After the 12-month period following the acquisition of the Hocol group, goodwill was definitively allocated and the net values of acquired reserves, minus amortisations, levelled off on December 31, 2006 at €K371,741 for Hocol Colombia and €K24,478 for Hocol Venezuela. These amounts included deferred taxes for respectively €K134,583 and €K12,238.

The memorandum of agreement signed on May 15, 2007 with the Venezuelan government does not change the fair value of assets and liabilities allocated to Hocol Venezuela.

Price adjustment in 2006 on the acquisition of Rockover Oil & Gas (Maurel & Prom Gabon Ltd)

On February 14, 2005, the company acquired 100% of the shares of Rockover Oil and Gas, a company incorporated in the British Virgin Islands (BVI) domiciled at Wickams Cay 1, Road Town, Tortola, BVI, for a total of €K58,542. Pursuant to the agreements, Maurel & Prom recorded an earn-out on this acquisition for the first half year, equivalent to an adjustment of \$0.90 a barrel on reserves exceeding 30 million barrels. As the amount of P1+P2 reserves certified on January 1, 2006 by Degolyer and MacNaughton totalled 54 million barrels, Maurel & Prom posted and paid in 2006 an earn-out of €K15,558, on the total acquisition price of €K74,100.

Note 4 Intangible assets

4.1 Changes in intangible assets

<i>In thousands of euros</i>	Goodwill	Oil search and exploitation rights	Exploration costs	Other	Total
Gross value on 01/01/05	0	68,851	39,838	526	109,215
Acquisitions	0	804	39,804	283	40,891
Disposals	0	0	0	(171)	(171)
Depreciations	0	(1,268)	(41,487)	0	(42,755)
Acquisitions on changes in consolidation scope	0	526,852	8,960	5,894	541,706
Disposals on changes in consolidation scope	0	0	0	0	0
Conversion gains/losses	0	22,056	575	501	23,132
Transfers	0	0	(1,752)	37	(1,715)
Gross value on 12/31/05	0	617,295	45,938	7,070	670,303
Acquisitions	0	38,018	87,009	5,133	130,160
Disposals	0	(796)	0	0	(796)
Depreciations	(70)	346	(23,964)	0	(23,688)
Acquisitions on changes in consolidation scope	70	0	0	0	70
Disposals on changes in consolidation scope	0	(2,065)	0	0	(2,065)
Conversion gains/losses	0	(59,822)	(2,933)	(116)	(62,871)
Transfers	0	13,362	(33,776)	1,870	(18,544)
Gross value on 12/31/05	0	606,338	72,274	13,957	692,569
Cumulative amortizations and depreciations on 01/01/05	0	4,311	11,319	271	15,901
Amortizations	0	28,068	0	234	28,302
Disposals	0	0	0	0	0
Conversion gains/losses	0	1,658	0	242	1,900
Acquisitions on changes in consolidation scope	0	0	0	0	0
Transfers	0	0	0	17	17
Cumulative amortizations and depreciations on 12/31/05	0	34,037	11,319	764	46,120
Amortizations	0	41,400	0	2,305	43,705
Disposals	0	(717)	0	0	(717)
Conversion gains/losses	0	(5,788)	0	(1,579)	(7,367)
Acquisitions on changes in consolidation scope	0	0	0	0	0
Transfers	0	(3,697)	0		(3,697)
Cumulative amortizations and depreciations on 12/31/06	0	65,235	11,319	1,490	78,044
Net book value on 12/31/06	0	541,103	60,955	12,467	614,525
Net book value on 12/31/05	0	583,258	34,619	6,305	624,182

The changes in intangible assets for fiscal year 2006 were primarily due to:

- the continuation of the ongoing exploration in the Congo on the La Noubi permit for €K5,397 and on the Kouilou permit with the drilling of 2 exploration wells on Kouilou for €K12,701.
- the payment of an earn-out of €K15,557 for the acquisition of mining reserves in Gabon raising the entry fee to €K70,001;
- the development of exploration works in Gabon on the Nyanga Mayombé permit (Banio) for €K3,011 and Omoueyi (Onal) for €K27,771, this amount was been restated in tangible assets at year end following the operating license obtained for this concession;
- the launch of the new exploration well in Colombia for €K29,973;
- drilling works carried out in Tanzania amounting to €K9,243;
- the increase for €K17,017 of mining rights on the M'Boundi permit following the extension of the duration of the latter; and
- the acquisition of mining rights on the Orquideas permit (Colombia) for €K3,186

On July 1, 2005, Romfor, a company which supplies and runs the Caroil rigs, obtained a future call option on the 50% ownership of 7 drilling machines existing or under manufacture at the time of the grant.

Caroil, which had an option to purchase this option at any time, used it in 2006, for a cost of €K4,704. This option is amortised over the outstanding service life of the relevant rigs. The net value of this option at December 31, 2006 was €K2,708.

The goodwill of €K70 follow the acquisition of units in Orchard which operates a concession in Senegal; this goodwill was fully depreciated (100%) on December 31, 2006.

Exploration expenses written off in 2006 (cost of dry exploration wells) totalled €K23,688. They mainly concern the Kouilou permit in the Congo for €K4,897, and in Colombia on the Tangara fields for €K8,351, Rio Cabrera for €K1,818 and Orocue for €K2,177, as well as in Senegal, for €K3,123.

As of December 31, 2006, the net value of the reserves acquired in Columbia and in Venezuela following the consolidation of the Hocol group amounted respectively to €K371,741 and €K24,478.

The impairment tests carried out on December 31, 2006 showed no loss in value of these assets with assumed discount rates of 6.65% in Colombia and 9.82% in Venezuela and WTI prices moving from 50 to 64 dollars a barrel.

The sensitiveness of the current value of future cash flows to a change in the discount rate is presented in the table below:

<i>USD Million</i>	Discount rate 1% change
Columbia	35.0
Venezuela	2.4

Note 5

Tangible assets

5.1 Change in tangible assets

	Land and buildings	Plant and machinery	Down payments and construction in progress	Other assets	Total
<i>In thousands of euros</i>					
Gross value on 01/01/05	13	158,285	13,563	2,663	174,524
Acquisitions	0	109,910	14,832	1,223	125,965
Disposals	(1,539)	(24,954)	0	(54)	(26,547)
Acquisitions on changes in consolidation scope	3,548	122,031	0	0	125,579
Disposals on changes in consolidation scope	0	0	0	0	0
Conversion gains/losses	292	16,644	55	3	16,994
Transfers	9	2,970	(1,265)	0	1,715
Gross value on 12/31/05	2,322	384,886	27,185	3,835	418,229
Acquisitions	4,785	134,044	19,733	2,379	160,941
Disposals	(7)	(1,366)	0	(1,643)	(3,016)
Acquisitions on changes in consolidation scope	11	6,710	0	1,098	7,819
Disposals on changes in consolidation scope	0	(15,230)	(1,855)	0	(17,085)
Conversion gains/losses	(543)	(49,188)	(3,132)	(317)	(53,180)
Transfers	1,969	28,779	(998)	2,971	32,721
Gross value on 12/31/06	8,538	488,635	40,933	8,323	546,429
Cumulative amortisations and depreciations total at 01/01/05	13	20,049	0	621	20,683
Amortisations	156	37,319	0	406	37,881
Disposals	0	(8,689)	0	(13)	(8,702)
Conversion gains/losses	169	10,571	0	0	10,741
Acquisitions on changes in consolidation scope	0	0	0	0	0
Disposals on changes in consolidation scope	0	0	0	0	0
Transfers	0	11	0	303	313
Cumulative amortisations and depreciations total at 12/31/05	338	59,261	0	1,317	60,916
Amortizations	496	82,959	0	1,376	84,831
Disposals	0	(145)	0	(1,585)	(1,730)
Conversion gains/losses	(137)	(29,404)	0	(204)	(29,745)
Acquisitions on changes in consolidation scope	6	0	0	1,320	1,326
Disposals on changes in consolidation scope	0	0	0	0	0
Transfers	1,969	6,860	0	3,083	11,912
Cumulative amortisations and depreciations on 12/31/06	2,672	119,531	0	5,307	127,510
Net book value on 12/31/06	5,866	369,104	40,933	3,016	418,919
Net book value on 12/31/05*	1,985	325,626	27,185	2,518	357,315

* Including €K83 of assets held for sale

Acquisitions for fiscal 2006 for an amount of €K160,941 correspond primarily to:

- the continuation of the investment in a plant for the production, transport and development of production wells on the M'Boundi permit (€K81,884) and on the Kouakouala permit (€K6,650);
- the new Caroil investments in drilling rigs and related plants for €K16,701 including the acquisition of two rigs,
- drilling and development investments made in Gabon for €K6,238, and
- investments in production facilities made in Columbia for €K39,386.

In Congo, the increase of the royalties of Maurel & Prom in the Kouakouala permit, from 50% to 66.67% on September 30, 2006, generated €K6,642 of additional tangible assets.

The disposal of 10% of the rights held in the M'Boundi permit in the Congo caused a reduction of €K14,673 in tangible assets.

Fixed assets transfer for €K32,721 mainly concern the reclassification of exploration investments made in Gabon on the Omoueyi (Onal) permit for €K27,771.

Transfers of gross values and amortisations of tangible assets in 2006 correspond for an amount of €K11,624 to the breakdown into gross values and fixed assets amortisations posted in net values in 2005.

5.2 Finance leased assets

The Group has finance lease agreements. These agreements concern Colombia with in particular the financing of the Hocol head office in Bogotá and miscellaneous transport equipment.

These agreements include call option clauses.

<i>In thousands of euros</i>	12/31/2006	
	Minimum payments	Discounted value of payments
< 1 year	990	936
from 1 to 5 years	3,959	2,910
> 5 years	1,982	817
Total minimum payments under the lease	6,931	4,663
Minus the amounts of financial expenses	(2,268)	
Discounted value of minimum lease payments	4,663	4,663

5.3 Goods under straightforward rental

<i>In thousands of euros</i>	12/31/2006	12/31/2005
Minimum payments for rentals booked during the period	1,212	1,471
Payments due at year-end:	7,278	8,240
< 1 year	1,247	1,183
from 1 to 5 years	4,675	4,579
5 years	1,356	2,478

These payments mainly relate to real estate rentals and long term rental contracts of office equipment.

The leases are usually entered into in France on the basis of 3-6-9 leases with indexation on the cost of construction.

The income received from real estate sub-letting in 2006 was €K112 excluding taxes (€K135 excluding taxes in 2005).

Note 6

Long-term financial assets

The capital assets are broken down as follows

<i>In thousands of euros</i>	Shares in affiliates	Loans	Other	Total
Value on 01/01/05	0	10	1,538	1,548
Changes in consolidation scope	0	2,168	1,879	4,047
Increases	0	0	134	134
Disposals	(24)	(367)	(429)	(820)
Depreciations	0	0	0	0
Depreciation writebacks	24	0	0	24
Conversion difference	0	88	88	176
Value on 12/31/05	0	1,900	3,210	5,109
Including long-term financial assets (non current)	0	1,403	2,986	4,389
Including other assets (current - cf Note 9)	0	497	224	720
Value on 01/01/06	0	1,900	3,210	5,109
Changes in consolidation scope	0			
Increases	59	14,355	6,942	21,356
Disposals			(629)	(629)
Depreciations	0	0	(238)	(238)
Depreciation writebacks		0	0	
Conversion difference	0	(503)	(188)	(691)
Value on 12/31/06	59	15,752	9,097	24,908
including long-term financial assets (non current)	59	11,105	9,097	20,260
Including other assets (current - cf Note 9)	-	4,647	-	4,647

Loan increases primarily concern the financing on the Tilapia and Marine III concessions in the Congo for €K7,060 and the loan for the construction of a basin at the Djeno terminal for €K6,970.

In South America, the net increases of loans to employees totalled €K445.

Increases of other long-term financial investments include the security deposit of €K6,509 paid for a permit in Syria. Decreases concern investments of more than one year in Colombia.

In order to allow Total to finance all the works linked to the construction of the RB8 basin and the connection works for the removal of Djeno grade crude, Zetah M&P Congo Sa granted \$M17 to the borrower.

This loan was granted on February 28, 2006, is payable in 3 instalments with a final payment fixed at December 31, 2008. The interest rate is Libor 1 year +3.5%.

Note 7 Investments accounted under the equity method

This section includes shares of Pebercan Inc., Panther Eureka Srl and Raba Xprom Energia Kft:

2005				Share of income for the year
<i>In thousands of euros</i>	Securities	Goodwill	Total	
Pebercan Inc	21,564	420	21,984	2,670
Panther Eureka Srl	(464)	1,523	1,059	(549)
Raba Xprom Energia Kft.	(75)		(75)	(89)
Total	21,025	1,943	22,968	2,033

2006				Share of income for the year
<i>In thousands of euros</i>	Securities	Goodwill	Total	
Pebercan Inc	20,656	420	21,076	1,484
Panther Eureka Srl	(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 the price on December 31, 2006, the stock market value of Pebercan Inc. securities held by Maurel & Prom totalled €K27,069.

The significant financial information of these companies is presented as follows:

<i>In thousands of euros</i>	Pebercan (06/30/06)	Panther Eureka Srl (12/31/2006)	Raba Xprom Energia Kft. (12/31/2006)
Assets	144,703	3,825	727
Liabilities	34,128	7,277	3,388
Sales	22,163	0	0
Net earnings	5,762	(8,210)	(2,423)

The share of earnings from the consolidation of Pebercan under the equity method was consolidated on the basis of the half-yearly accounts of June 30, 2006, in the absence before the balance sheet date of Maurel & Prom's accounts of Pebercan's annual financial statements restated according to the Group's accounting principles.

Note 8 Inventories

<i>In thousands of euros</i>	12/31/2006	12/31/2005*
Hydrocarbon inventories	4,968	4,819
Work in progress	0	840
Consumables	7,274	5,155
Total	12,242	10,814
Depreciation to be deducted	(2,568)	(3,930)
Net value	9,674	6,884

* The data presented in 2005 was restated in 2006 to reflect the depreciation expense recognized for the 2005.

The depreciations relate to the consumable inventories and reflect the allocation for the year.

Note 9 Receivables and other assets

<i>In thousands of euros</i>	12/31/2006	12/31/2005
Trade receivables - oil & gas activity	62,750	46,009
Receivables - drilling business	8,211	3,792
Other	395	346
Total	71,355	50,147
Depreciation to be deducted	(129)	(105)
Net value	71,227	50,042

OTHER ASSETS	12/31/2006	12/31/2005
Advances and down payments	9,123	
Receivable assets	668	
Tax and social receivables (excluding corporation income tax)	5,439	21,391
Prepaid expenses	2,847	3,119
Receivables on investments and associations	13,304	14,792
Loans and others (current - cf. Note 6)	4,647	720
Other debtors	27,346	10,145
Gross value	63,373	50,167
Depreciation to be deducted	(7,468)	(6,189)
Net value	55,905	43,978

Advances and down payments

In the context of contractual financing agreements taken during the acquisition of stakes in Panther Eureka Srl, an advance of €K6,942 (including interest) was made by Maurel & Prom to its affiliate.

In order to finance research operations in Hungary, the company also made an advance cash payment to its Hungarian affiliate for €K2,144 (including interest). This advance was written down to reflect the failure of the exploration made in 2006.

Other debtors

Other debtors mainly comprise:

- the carrying of exploration costs in Tanzania for two partners for an amount of €K6,110;
- invoice and advance accounts with the partners of associations in South America for €K15,248; and
- receivables 100% depreciated, funded for €K5,106.

Depreciations

On December 31, 2006, the depreciation items were:

- depreciation on a receivable on Transagra for €K1,528;
- depreciation on a receivable on Socofran for €K2,573; and
- and other depreciations of €K3,367 on other receivables.

The depreciations recorded for the year amount to €K2,920.

Management considers the carrying value of these liabilities to be close to their fair value.

Note 10 Financial instruments

To reduce exposure to the risk of fluctuating oil prices, the Group uses conventional market hedging techniques.

No hedging transaction for its productions was initiated in 2006. Those carried out in 2005 to partially hedge the 2006 production have all matured.

The change in the fair value of the hedging instruments for the year represents a an expense of €M6.9 appearing in other expense items within the current operating income.

Note 11 Assets to be sold

There were no assets presented in assets held for sale as of December 31, 2006, as the presentation conditions had not been met at the end of the fiscal year. The disposal of certain Congolese assets in 2007 is presented in Note 27.

Note 12 Cash and cash equivalents

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

<i>In thousands of euros</i>	12/31/2006	12/31/2005
Liquidities – Banks and other financial institutions	66,090	215,512
Short term bank deposits	86,127	19,160
Short term investments	42,498	500
Total	194,716	235,172
Bank loans	8,374	3,114
Net cash flow and cash flow equivalent at year end	186,342	232,058

These amounts include €K3,796 (\$K5,000) blocked as pledges under the RBL loan (cf. Note 16) which requires that 5% of the line's uses must be blocked.

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

Note 13 Shareholders' equity

On December 31, 2005, the share capital was composed of 116,236,567 shares at a par value of €0.77, for a total capital of €89,502,156.59. As at 31 December, 2006, the company had a total number of shares of 120,189,607 and share capital totalled €92,545,997.39.

Instruments giving access to the share capital

REDEEMABLE SHARE WARRANTS (BSAR)

On the basis of the authority granted by the Joint General Meeting of June 26, 2003, Maurel & Prom management decided, on June 17, 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 par value of €7.70 for €89.65; the exercise period running from July 29, 2004 to July 28, 2006.

The Company may at any time from July 29, 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 establishment.

After the par value division by 10 decided by the Combined General Meeting of December 28, 2004, 20 warrants provide entitlement to subscribe to 10 new shares at a total price of €89.65 for the 10.

On December 31, 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 created generating a capital increase of €K2,950 and a gross issue premium of €K31,397 (or €K31,371 net of expenses).

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

STOCK OPTIONS

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

Thus, on October 25, 2001, Management allotted 154,000 stock options at €12.15 each, exercisable from October 26, 2004 without deadline to the benefit of twelve people and, on June 16, 2003, to 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 par value, the new exercise prices having been changed, respectively, to €1,185 and €1,949 per share.

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

On the basis of the authorization of the General Meeting of June 26, 2003, the Management on July 29, 2003, granted 123,000 stock options to five beneficiaries at the exercise price €17.82; these were 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 par value by 10.

On the basis of the authorization of the same date, that is June 26, 2003, the Management granted, on June 22, 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 par value by 10.

On the authority of the General Meeting of December 28, 2004, the Management Board, on March 16, 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 authorization and exercisable under the same terms and conditions, on April 6, 2005, 480,000 stock options were granted to eight employees at an exercise price of €13.44 per option and on December 21, 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 January 3, 2006 at the exercise price of €12.86 and 80,000 options granted on April 12, 2006 at the exercise price of €14.72.

Furthermore, 121,790 options were exercised, generating the creation of 121,790 shares, representing a capital increase of €K94 and a gross issue premium of €K668.

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

Movement on plans	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Total
Allocation date	10/25/01	06/16/03	07/29/03	06/22/04	03/16/05	04/06/05	12/21/05	01/03/06	04/10/06	
Exercise price	€1.185	€1.949	€1.738	€6.529	€13.59	€13.44	€12.91	€12.86	€14.72	
Expiry date	none	06/16/08	07/29/08	06/22/09	03/16/10	04/06/10	12/21/10	01/03/11	04/10/11	
Average exercise price 2005	€16.84	€15.45	€17.14	€18.52	€19.92	€20.18	-	-	-	€17.06
Average exercise price 2006	€15.95		€17.04		€19.2		-	-	-	€17.75
Number of options										
On 01/01/2005	1,527,760	266,540	1,261,160	138,420	0	0	0	0	0	2,927,340
allocated in 2005					220,000	480,000	170,000			870,000
cancelled in 2005										0
exercised in 2005	1,432,460	266,540	1,163,750	15,380	173,000	50,000	0	0	0	2,834,590
outstanding on 12/31/05	95,300	0	97,410	123,040	47,000	430,000	170,000	0	0	962,750
exercisable on 12/31/2005	95,300	0	97,410	123,040	47,000	430,000	170,000	0	0	962,750
allocated in 2006								80,000	80,000	160,000
cancelled in 2006										0
exercised in 2006	13,270	0	61,520		47,000		0	0	0	121,790
outstanding on 12/31/06	82,030	0	35,890	123,040	0	430,000	170,000	80,000	80,000	1,000,960
exercisable on 12/31/2006	82,030	0	35,890	123,040	0	430,000	170,000	80,000	80,000	1,000,960

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	06/16/03	03/16/05	04/06/05	12/21/05	01/03/06	04/10/06
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 FREE SHARES

The General Shareholders' Meeting of June 29, 2005, authorized the Management Board, for a period of 36 months, to issue new shares (up to the limit of a par value of €M3) 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 authorized to grant employees and/or corporate officers free existing shares or to issue, up to 5% of the share capital on the date of the Meeting. The rights acquisition period and the minimum detention period of such rights was fixed at a minimum of two years.

On December 21, 2005, the Management Board used these authorizations and granted 15,000 free shares to one corporate officer, the rights acquisition period and the minimum retention period of such rights was fixed at two year from the acquisition date.

The General Meeting of 20 June 2006 delegated power to the Management Board, for a period of 38 months, to decide to carry out, in one or several issues, the free grant in favour of the employees and/or directors and officers of existing or future ordinary shares. 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 carried out in application of the present delegation by incorporation of additional paid-in capital, reserves or profits to carry out a bonus share issue cannot exceed €1,000,000. The allocation of shares to their beneficiaries will be definitive after a minimum rights acquisition period of two years, and the minimum retention period by the beneficiaries was fixed at two years from the date that such shares are definitively allocated.

The Management Board used these authorizations and granted 70,000 bonus shares on October 3, 2006, and 66,800 on December 14, the rights acquisition period being set at 2 years and the holding period at 2 years as from the acquisition date.

SHARE BUY-BACK PROGRAM

Following the authorization given by the Joint General Meeting of December 28, 2004, the Management Board determined the modalities of a share buy-back program on January 12, 2005: a buy-back limited to 10% of the share capital and maximum buying and minimum selling prices of €17 and €11 respectively.

In the context of this buyback programme, on June 19, 2006, 308,994 shares bought for an average price of €16,08; 31,829 shares were sold for an average price of €15,98 and no share was cancelled.

Following the authorization given by the Joint General Meeting of June 20, 2006, the Management Board amended the modalities of a share buy-back plan on January 12, 2005: buy-back limited to 10% of the share capital and maximum buying and minimum selling prices of €25 and €15 respectively.

In the context of this buyback plan, starting on 20 June 2006, 756,333 shares purchased at the average price of €16.97; 615,702 shares were sold for an average price of €17.21 and no share was retired.

Regarding the purchased shares, 794,064 were acquired in the context of 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 sold under the liquidity agreement, and 6,263 for the conversion of the OCEANE bonds.

On December 31, 2005, the number of treasury shares held by the company amounted therefore to 657,477 for a total purchase value of €K10,483.

On December 31, 2006, according to the capital movements chart below, the number of the Company's shares was 120,189,607 and the share capital was €92,545,997.39.

SUMMARY OF CAPITAL MOVEMENTS:

	Number of shares	Own shares
On 12/31/04	108,099,990	
Issue by exercise of BSAR	135,790	
Issue by exercise of options to subscribe for shares	3,101,103	
Issue of reserved shares	4,899,657	
Buy-back of own shares*		240,915
On 12/31/05	116,236,567	240,915
Issue by exercise of BSAR	3,831,250	
Issue by exercise of options to subscribe for shares	121,790	
Buy-back of own shares*		416,562
I.e. on 12/31/06	120,189,607	657,477

* These shares are to be used in the context of authorizations for granting stock options and the granting of bonus shares to employees and/or corporate officers and to boost the secondary market for the company's securities

Distribution

The General Shareholders' Meeting of June 20, 2006, decided to pay a dividend of €0.33 per share on the basis of the number of shares existing on that date excluding treasury shares and resulting

in a dividend, i.e., €38,253,861.36; the total dividend payable on July 5 was €38,273,750.46 due to the creation between June 20 and July 5 of new shares entitling to dividend, meaning an additional €19,889.10.

Note 14 Provisions

2005	Restoring sites	Employee benefits	Other	Total
Balance on January 1, 2005	1,928	60	518	2,506
Changes in consolidation scope	8,509	11,731	2,044	22,284
Allowance for the year	1,521	922	1,180	3,623
Utilisation	(411)	(961)	(1,269)	(2,641)
Reversal	(316)		(518)	(834)
Accretion effect	179	576		755
Balance at December 31, 2005	11,410	12,328	1,955	25,693
Current part	3,631	3,967	1,563	9,161
Non-current part	7,779	8,361	392	16,532

2006	Restoring sites	Employee benefits	Other	Total
Balance on January 1, 2006	11,410	12,328	1,955	25,693
Conversion difference	(1,173)	(1,300)	(637)	(3,110)
Allowance for the period	587	1,420	11,654	14,500
Utilisation	(392)	(1,395)	(584)	(2,371)
Reversal and reclassification	(1,075)		55	(1,030)
Accretion effect	450	480		91
Balance on December 31, 2006	9,806	11,533	12,444	33,783
Current part	1,976	3,545	11,010	16,531
Non-current part	7,831	7,988	1,433	17,252

14.1 Restoring sites

On the basis of the number of wells in Congo, Gabon, Colombia and Venezuela, the estimated cost of decommissioning and restoring sites on December 31, 2006 generated an additional provision for contingencies of €K587 for 2006; the accretion effect (other financial charges) amounted to €K450.

14.2 Pensions and other post-employment benefits

Nearly all provisions for pensions and other post-employment benefits are related to the South America subsidiaries (€K11,447 on December 31, 2006). The other plans have no material impact on the Group.

CHANGE IN THE ACTUARIAL VALUE OF ACCUMULATED RIGHTS

Actuarial value of accumulated rights at the beginning of the period	12,327
Accumulated rights during the year	402
Financial cost	953
Benefits paid	(1,395)
Assumption changes	546
Exchange rate adjustment (foreign plans)	(1,300)
Actuarial value of rights accumulated on December 31, 2006	11,533

On December 31, 2006**Pension commitments**

Actuarial value of accumulated rights	11,533
Current value of investments(Surplus)	0
Insufficient investments on accumulated rights	11,533

ESTIMATE OF FUTURE PAYMENTS

2007	3,810
2008	2,247
2009	0
2010	1,645
2011	336
2012-2016	12,618

ASSUMPTIONS USED TO DETERMINE COMMITMENTS ON DECEMBER 31, 2006**Fiscal year**

Discount rate	9,00,%
Inflation	4,00,%
Average rate of increase of salaries	6,00,%

ASSUMPTIONS USED TO DETERMINE THE EXPENSE FOR THE YEAR**Fiscal year**

Discount rate	9,00,%
Inflation	4,00,%
Average rate of increase of salaries	6,00,%

Expense for 2006 can be analyzed as follows:

Rights accumulated during the year	402
Financial cost	953
Assumption changes	545
Net expense (income) of the consolidated entity	1,900

*These calculations were taken from a report written by an independent actuary.***14.3 Other provisions**

Other provisions mainly correspond to:

- tax litigations in Colombia and in Venezuela for €K4,455;
- the provision recorded on the Etekamba permit in Gabon.

Indeed, the group used a Farm in agreement to access this permit on October 20, 2006. As the conditions precedent concerning this contract, which mainly entailed obtaining the approval of the Gabonese governments, had not been lifted before the end of the 2006 financial year, the Group did not record the corresponding assets in its accounts on December 31, 2006 (cf Note 27-3). Nevertheless the result of the works performed prior to the balance sheet date shows unsuccessful exploration costs amounting to €K6,828 to be borne by the Group as defined by contract. As a result, a provision was set aside for this amount on December 31, 2006. The conditions precedent were lifted on February 20, 2007, and the contract had a retroactive effect to December 1, 2006.

Note 15 Bonded borrowing

On 9 March 2005, the company issued 16,711,229 bonds with an option to convert and/or exchange for new or existing shares (OCEANE) for a total amount of €K374,999. 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 January 1, 2010. Conversion or exchange may be exercised at any time at the rate of one share for one bond. The bond issue was fully subscribed.

Initially, the bond issue was booked under financial liabilities at its amortised cost of €K327,658. This amortized cost was determined by discounting contractual future cash flows at the annualized percentage rate of 7.17%.

Shareholders' equity was also credited with the value of the conversion option for €K44,003 gross, or €K29,115 net of deferred tax.

As of 31, December 2006, the bond issue had been posted to the balance sheet for €K338,872. In 2006, 6,263 bonds were converted in 2006. They were delivered by debiting equity (without impact on income); the number of outstanding bonds at December 31, 2006 totalled 16,704,966.

Note 16

Other current loans and borrowings

On December 31, 2006, other borrowings and financial debt were broken down as follows:

Change in borrowings, debts and bank loans in thousands of euros

Borrowings, debts and bank loans	Currency	12/31/2006	12/31/2005
Natexis Banques Populaires/BNP Paribas (syndicated loan)	USD	75,930	92,710
Banco Colombia (Syndicated loan)	COP/USD	30,379	44,532
Banco Colombia	COP/USD	17,100	
Banque Belgolaise	USD		1,760
Debts on lease financing	COP/USD	4,975	181
Bank loans		8,374	3,114
TOTAL		136,758	142,297
including current part		46,290	67,842
including non-current part		90,468	74,455

Payment schedules for borrowings and long-term financial debt (€K)

Payment schedule	2006	2005
from 1 to 5 years	86,205	74,455
more than 5 years	4,263	
TOTAL	90,468	74,455

Changes in borrowings

On July 19, 2005, Maurel & Prom obtained from Natexis and other lenders a credit facility of \$K150,000.

This credit line was denominated in dollars and accrued interest at the Libor rate +4.5% whose maturity date was set at January 25, 2009. This facility was accompanied by an early refund option.

The outstanding amount used as at December 31, 2005 totalled \$K112,133.

Due to the Group's growth, particularly in South America, the Company decided to restructure its bank loans to benefit from more favourable conditions in terms of rates and duration. In July 2006, a new credit line of \$K350,000 guaranteed by pledging the Group's Congolese and Colombian reserves was negotiated in a club deal (Reserve Based Loan or RBL) led by Natexis and BNP Paribas.

The credit line was granted for an amount of \$K200,000 to Congo and \$K150,000 to Colombia. Part of the loan corresponding to the equivalent value of \$K40,000 was granted in Colombian pesos to

Hocol, the subsidiary. The exchange rate risk on the Colombian peso in relation to the US dollar is hedged with a long-term currency swap.

The maturity date for this credit line is set at December 31, 2009. The Congolese facility bears interest at Libor +3.5%; the Colombian facility was granted at Libor + 3.25%. In addition to the pledges granted, 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 OCEANES)/EBITDA less than 2.5; and
- EBITDA/ interest expenses greater than 5.

As of December 31, 2006, the Congolese credit line had been used for an amount of €K100,000 by the holding company, while Hocol borrowed the equivalent of \$K40,000 in pesos, hedged by the aforementioned long-term swap. In addition, on December 31, 2006, Hocol borrowed from local banks the equivalent of \$K22,500 in Colombian pesos.

Note 17

Trade payables, otherther liabilities

<i>In thousands of euros</i>	12/31/2006		12/31/2005	
	< 1 year	> 1 year	< 1 year	> 1 year
Trade payables	101,424		84,505	
Trade payables	84,735		69,949	
Accrued expenses	16,690		14,556	
Other debts and sundry liabilities	59,860		66,037	
Social Security	4,102		4,564	
Tax	5,966		4,741	
Suppliers of fixed assets	6,659		4,519	
Other creditors	43,133		52,213	

Other creditors include in particular advance payments received from clients in South America for €K17,263 (€K18,800 in 2005).

The management considers the book value of these liabilities to be close to their fair value.

Note 18

Payroll

These are broken down as follows:

<i>In thousands of euros</i>	2006	2005
Salaries	12,971	9,999
Profit-Sharing	651	527
Stock options	1,009	4,482
Social security liabilities and other payroll expenses	7,594	9,931
TOTAL	22,225	24,939

Note 19

Income from assets disposal

Earnings from asset disposals totalled €K552 and mainly comprise losses on asset sales in Colombia (€K373). In 2005, the gain concerned the disposal of MEPIS group vessels.

Note 20

Restatements made on the 2005 financial statements

20.1 Elimination of current operating income

In 2005, the consolidated financial statements of Maurel & Prom presented an interim income entitled “Current operating income” which did not include income from asset disposals and other asset depreciations. These two lines were presented as part of operating income.

In 2006, the Group decided to simplify the presentation of income statement by removing the notion of “current operating income”.

All asset write downs are now presented on the line “Impairment of operating assets” (see Note 20-3).

20.2 Purchases and changes in inventory

In 2005, the income statement contained an entry labelled “Changes in inventory” which did not include raw material purchases, as these were posted under “Other operating purchases and expenses and expenses”.

The group thought it helpful to present on the same line raw material purchases and the corresponding changes in inventory. This restatement on financial year 2005 led to the reclassification of €K12,046 from the line “Other operating purchases and expenses” to “Purchases and changes in inventory”.

20.3 Impairment of operating assets (income statement)

Research expenses posted to income in 2005 (expenses prior to obtaining permits and costs of dry well explorations) amounted to €K20,686 (and concerned in particular the Kouilou permit in the Congo for €K2,047, the Ofoubou field in Gabon for €K13,046 and the Tangara field for €K5,300 in Colombia).

They were recorded in the income statement on the line ““Other operating purchases and expenses””.

In 2005, an “Impairment” line for €K22,069 posted under “Current operating income” combined the write-down of gas assets in Vietnam and gold-bearing exploration assets in Mali (respectively €K20,945 and €K1,124).

In 2006, a specific line “Impairment of exploration assets” was created which combines these 2005 write downs and totals €K42,755. The 2006 write downs are detailed in Note 4.

20.4 Impairments of operating assets (statement of cash flow)

The creation of this line led to the reclassification of €K20,686 from the line “Other calculated income and expenses” and €K22,069 from the line “Net allowances (reversals) of amortizations and provisions”.

20.5 Other restatements on the cash flow statement

The lines “Cost of gross financial debt” and “Cash income” were created for a better analysis of our cash flow situation and flows linked to financing transactions.

As a result, “pre-tax cash flow” in 2005 changed from €K249,864 to €K 270,275 and the net cash flow generated by operational

activity from €K273,960 to €K 294,371. The net cash flow linked to financing operations changed from €K417,220 to €K396,807. These two restatements have no effect on the changes in net cash.

In addition, the cost of gross financial debt on the statement of cash flow (i.e., €K25,546 in 2006 and €K26,398 in 2005) means after deduction of the differential between the percentage rate and the nominal rate on the OCEANE bonds.

Note 21 Financial income

<i>Amount in thousands of euros</i>	2006	2005
Cost of debt		
- Interest on overdrafts	135	367
- OCEANE interest	23,539	18,640
- Interest on other borrowings	12,292	15,316
GROSS FINANCIAL DEBT	35,965	34,323
- Income from cash	6,144	5,986
NET COST OF DEBT	29,821	28,337
Other financial income	28,696	12,987
- Exchange gain or loss	26,076	12,865
- Other	2,620	122
Other financial expenses	41,823	30,506
- Exchange gain or loss	38,352	29,755
- Other	3,471	751

Note 22 Corporation income tax

Etablissements Maurel & Prom, the Group's parent company, has been the object since September 6, 2006 of an account audit covering fiscal years 2002 to 2005. A first proposal for rectification concerning fiscal years 2002 and 2003 was received on December 20, 2006. The main changes envisaged concerned the territoriality of expenses and the existence of a stable institution outside the country. Increases did not result in additional taxation considering the Company's losses that could be carried forward. The Company has contested most of them, representing an amount of €K10,165. Only the accepted tax adjustments were taken into account in calculating the losses carried forward (€K7,485). This audit is currently continuing for fiscal years 2004 and 2005.

22.1 Details of expenses for the year

<i>In thousands of euros</i>	12/31/2006	12/31/2005
Current income tax expense for the period	53,347	28,966
Recognition of earlier losses in assets	-	-
Adjustment of current tax for previous periods	-	-
	53,347	28,966
Deferred tax income or expense	(3,611)	3,187
Adjustment deferred tax resulting from change of rate	(3,741)	-
Deferred tax credit resulting from a previous loss		(14,887)
	(7,352)	(11,700)
TOTAL	45,995	17,266

The tax liability is higher mainly because of the recording of a full year in 2006 compared to 5 months in 2005 (acquisition of the Hocol group on August 4, 2005).

The adjustment for interest rate change concerns Colombia (down from 35% to 34%).

22.2 Change in income taxes

A. CURRENT TAXES PAYABLE

	2006	2005
Current tax asset	316	324
Current tax liability	2,406	64,164

On December 31, 2005 the taxes owed by South American companies amounted to €M63, including in addition to income tax for the year:

- €M17 of taxes on a dividend payout before a period of five years; and
- €M8 of provision for tax adjustment in Venezuela in addition to taxes from the current activity (€M8).

In 2006, three factors explain the drop in tax liability:

- fewer taxes for Hocol Venezuela (which has had no recognised sales since April 1, 2006);
- fewer taxes for Hocol Colombia due to the retrocession of the Tello concession; and
- deduction of €M15 of tax liabilities from the “current income tax liability” item that can be compensated for with indirect tax advance payments (VAT, etc.).

B. DEFERRED TAXES

<i>In thousands of euros</i>	2006	2005
Change in deferred tax asset		
Balance on 01/01	28,890	0
Change in consolidation scope and reclassifications	(518)	19,180
Recognition of deficit under assets	(2,798)	14,888
Expense for the year	(90)	(6,051)
Conversion gains/losses	(1,643)	873
BALANCE ON 12/31	23,840	28,890
Change in deferred tax liability		
Balance on 01/01	209,572	0
Change in consolidation scope and reclassifications	12,355	189,628
Expense for the year	(7,442)	(2,865)
OCEANE shareholders' equity component	(2,798)	14,888
Conversion gains/losses	(19,975)	7,921
BALANCE ON 12/31	191,712	209,572

In 2005, the change in scope was linked to the consolidation of the Hocol group; in 2006 after final allocation of goodwill, an additional €K12,355 was recorded.

22.3 Origin of deferred tax, assets and liabilities

	2006	2005
Tax deficits	10,002	12,800
Provision for decommissioning	2,244	2,925
Provisions for pensions/retirement	3,892	4,285
Other	7,702	8,880
DEFERRED TAX, ASSETS	23,840	28,890
Differences in oil reserves valuation	146,821	167,585
Accelerated amortization	13,895	13,754
OCEANE shareholders' equity component	10,002	12,800
Distribution tax (Colombia)	15,450	8,955
Other	5,542	6,478
Deferred tax, liabilities	191,712	209,572
NET	167,872	180,682

22.4 Schedule of tax deficits and credits

On December 31, 2006, deficits that could be carried forward in France with no limit amounted to €K127,062 (2005: €K87,744).

Long-term capital losses (€K5,020 on December 31, 2005) can no longer be attributed to future long-term capital gains.

2006	Gross value	Total deferred tax asset	Recognized	Non recognized
Deficits	127,062	23,840	10,002	13,838
Other (long term capital losses)	0	0	0	0
2005	Gross value	Total deferred tax asset	Recognized	Non recognized
Deficits	87,744	29,687	14,887	14,800
Other (long term capital losses)	5,020	402	0	402
TOTAL	92,764	30,089	14,887	15,202

22.5 Reconciliation between the tax expense and income before tax

	2006	2005
Income before tax	226,660	117,547
- Net income of companies carried on an equity basis	2,522	(2,033)
Income before tax excl. companies carried on an equity basis	229,182	115,514
Theoretical tax charge (33.33% in 2006 and 33.833% in 2005)	76,386	39,083
Reconciliation:		
- Taxes paid in kind	(62,841)	(62,542)
- Divergence of tax rates	(2,377)	1,786
- Unactivated deficits	34,827	53,827
- Activation of earlier deficits	-	(14,888)
Real tax charge	45,995	17,266

Note 23 Earnings per share

	12/31/2006	12/31/2005
Net earnings, Group share	180,664	100,234
Average number of shares in circulation	116,882,058	111,552,122
Stock options (weighted number)	314,447	338,526
BSAR (weighted number)	0	1,894,977
OCEANE (weighted number)	16,708,083	
Average diluted number of shares	133,904,588	113,785,625

The potential ordinary shares are processed as dilutive if, and only if, their conversion into ordinary shares results in reducing the earnings per share of the ordinary activities pursued.

Note 24

Related parties

24.1 Commercial and financial transactions

2005	Income	Expenses	Amounts payable by related parties*	Amounts due to related parties
1) Companies carried on an equity basis				
- Panther Eureka Srl	345	0	345	0
- Raba Xprom Energia Kft.	2	0	2	0
2) Other related parties				
- Pacifico	2	530	0	164

2006	Income	Expenses	Amounts payable by related parties*	Amounts due to related parties
1) Companies carried on an equity basis				
- Panther Eureka Srl	564		564	
- Raba Xprom Energia Kft.	84		84	
2) Other related parties				
- Pacifico	2	1,229		237

With respect to transactions with the companies consolidated on an equity basis, these are interest-bearing advances granted to Panther Eureka Srl to finance its exploration work pursuant to contractual commitments agreed for this purpose when the interests were acquired.

An advance payment was also granted to the Hungarian subsidiary for exploration works; given the failure of these works, this deposit was written down for impairment.

Concerning affiliates, the transactions carried out under the conditions of normal competition, are connected first with leasing services and second with support services.

For example, on December 31, 2006, Maurel & Prom agreed to a sub-lease agreement with Pacifico, a 23.82% shareholder. Since January 2005, Pacifico has been providing to Maurel & Prom an assistance service in technical and financial matters.

24.2 Compensation of top managers

	2006	2005
Short term benefits	3,897	5,267
Severance benefits	404	321
Benefits after employment	-	15
Payment in shares	956	2,583
TOTAL	5,257	8,186

Senior executives refer, first to the members of the Management Board and heads of departments (7 people in 2006 and 6 people in 2005) and second, to Supervisory Board members.

Note 25

Off-balance-sheet commitments

€K	2006	2005
Customs surety bonds	762	
Guarantees given on loans	265,755	127,158
Work commitments	402,144	94,359

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.

25.1 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 CFAF 500 million, equivalent to €K762.

25.2 Guarantees given on loans

As part of the Group's refinancing operations, in 2006 Maurel & Prom took out a Reserve Based Loan of \$M350 from a bank consortium comprising Natexis and BNP. This loan will be used to finance operations in Congo (\$M200) and Colombia (\$M150).

As a guarantee 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. December 31, 2009.

Moreover, Maurel & Prom undertook to comply with certain technical and financial covenants for the duration of the loan (cf. Note 16).

25.3 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.

On December 31, 2006, the operational commitments, which include estimated oilfield work commitments, broke down as follows:

€K	on 12/31/06	on 12/31/05
Congo	134,515	88,666
Gabon	121,011	5,151
Columbia	107,712	N/D
Other	38,906	1,542
TOTAL	402,144	94,359

The assessment of oilfield work commitments is based on the budgets approved with the partners.

They are subject to many revisions during the year, according to the results of the oilfield work carried out.

Oilfield work commitments also include Group commitments worth €M19.7 to finance work for third parties whose remuneration depends on the success of the oilfield work carried out. The operations concerned are located in Sicily, Tanzania, Syria, Congo (Tilapia and Marine III permits) and Gabon (Etekamba permit).

25.4 Other commitments given

ROCKOVER

As part of the Share Purchase Agreement (S.P.A.) entered into on February 14, 2005, relating to the acquisition of the capital of Rockover Oil & Gas and the "settlement agreement" dated September 15, 2006, it is stipulated that:

- Maurel & Prom will have to 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;
- Maurel & Prom must pay each of the two vendors a royalty of \$0.65 per barrel produced from the date on which the total production of all the licence zones exceeds 80 Mb.
- The vendors may acquire 10% of the rights for a licence zone or an operation zone located inside a licence zone, except for the Banio zone, until December 10, 2054. The sale price will be equivalent to the discounted costs incurred plus 1%.
- The vendors may acquire 50% of the rights for any Exploitation licence granted on the Banio zone; and.
- 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.

HERITAGE

Maurel & Prom has undertaken to pay a royalty of 15% of its working interest in the Mengo field located on block B of the Kouakouala permit. ENI Congo S.A. has accepted to take over this obligation, subject to the completion of the aforementioned operation with ENI Congo S.A.

If the Kouakouala partnership's monthly income from the pipeline exceeds the threshold of \$41,667.67, Maurel & Prom will have to pay 16.67% of the income above this threshold to Heritage.

If the Kouakouala partnership sells its pipeline network before January 11, 2009, Maurel & Prom will have to pay 16.67% of the amounts received to Heritage.

If the Kouakouala partnership obtains an extension of the pipeline exploitation permit after January 11, 2008, Maurel & Prom will have to pay 16.67% of the income from the pipeline to Heritage for the period from January 11, 2008 to January 11, 2009.

ZETAH M&P CONGO

The drilling contract between Zetah M&P Congo and Caroil was renewed for a period of two years ending on February 15, 2009. It provides for the firm rental of 5 rigs over that period. In 2007, the contract is to be transferred to ENI Congo S.A. as part of the assets sold to Congo.

OMOUEYI EXPLORATION AND PRODUCTION SHARING CONTRACT

The Gabonese government has a 15% involvement in the rights and obligations of 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 December 13, 2006, an exclusive exploitation authorisation was granted for the Onal area located on this permit (see Note 27-6).

25.5 Commitments received

AGRICHER PROCEEDINGS

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

- the loan of €M3.659, interest included, granted to the Transagra group; and
- the €M1.528 receivable from Transagra.

Because these two companies have gone bankrupt, Maurel & Prom claimed for its receivables. Maurel & Prom has been sued for the break-up of the Agricher cooperative.

The Company considers that this action is not justified and has not established a provision for it.

25.6 Trials

ENERGY SEARCHER

In June 2001, the Company initiated proceedings in Singapore against the company Cameron for the damage caused to the ship Energy Searcher before its sale to Maurel & Prom. The trial took place at the end of 2004/beginning of 2005; the judgment in first instance in August 2005 upheld Maurel & Prom's claim and ordered Cameron Pte Ltd to pay \$M1 compensation.

As Maurel & Prom's demands were not fully met, the Company lodged an appeal on September 20, 2005.

In 2006, the Singapore Court of Appeal confirmed the first-instance ruling. Maurel & Prom initiated proceeding to recover the amount of the damages and interest.

MESSIER PARTNERS

The Company lodged an appeal against the court ruling (dated December 20, 2006) ordering Maurel & Prom to pay a penalty of €700,000, while the same judge had upheld Maurel & Prom's refusal to submit documents concerning the planned transaction with ENI Congo S.A. (Order of December 18, 2006). The Court of Appeal hearing took place on March 29, 2007 and the judgment was reserved until May 25, 2007.

With the opposing party's approval, the amount of the penalty was placed under receivership pending the ruling of the Court of Appeal. On January 26, 2007, the amount of this penalty was booked in the 2006 accounts under provisions for contingencies.

The Company emphasizes that on the date of drafting this document, it had not received any request concerning the matter of this case. At any rate, the Company is determined to energetically defend its position, considering that the payment of a success commission to Messier Partners following the completion of the transaction with Congo S.A. is unfounded.

STRATUS PROCEEDINGS

Hocol S.A. and Stratus Oil & Gas (an indirect subsidiary of Pacific Stratus Energy Ltd) entered into an agreement on August 17, 2005, pursuant to which Hocol would sell 50% of the rights under the exploration contracts of Doima and Ortega in Colombia, subject to the approval of this sale by the Colombian authorities. Since this approval was not obtained within the deadline specified in the agreement, such agreement was void by Hocol according to its terms.

On February 13, 2006, Stratus Oil & Gas decided to initiate arbitration proceedings against Hocol, claiming compensation equivalent to the value of the rights that were to be acquired and demanding that Hocol account for the profits allegedly made following invalidation of

the agreement. The amount of the claim filed by Stratus on March 30, 2007 is \$M23.7. A court hearing is scheduled for November 2007.

The Company considers Stratus' claim to be totally unfounded and no provision was booked in this respect at December 31, 2006.

TRANSAGRA

In 1996, Maurel & Prom's liability was sought when the company Transagra went into receivership.

Moreover, Maurel & Prom also launched proceedings against the natural persons having been directors of the cooperative Group holding Transagra, for the losses incurred by Maurel & Prom through the company Promagra.

To date, the judgment is still pending. Due to the low probability of recovery of Maurel & Prom's debt from the cooperative Group, the Company has fully depreciated this debt.

Note 26 Sector information

26.1 Information by geographic region

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

2005	Congo	Gabon	Columbia	Venezuela	Tanzania	Other	Total
Income statements 2005							
Sales	256,087		135,143	14,417		2,075	407,722
Interzone Sales							0
Total sales	256,087	0	135,143	14,417		2,075	407,722
Current operating income	182,221	(5,764)	62,797	6,089		(83,975)	161,368
Amortizations	25,123		36,067	1,310		1,041	63,539
Depreciations						22,069	22,069
Other expenses without cash offset	4,302	13,652	9,298			21,490	48,742
Share in income from companies carried on an equity basis						2,033	2,033
Balance Sheet 2005							
Sector assets	308,420	70,366	627,211	54,387		28,886	1,089,270
Investments in companies carried on an equity basis						22,968	22,968
Unallocated assets							268,777
TOTAL CONSOLIDATED ASSETS	308,420	70,366	627,211	54,387		51,854	1,381,015
Sector liabilities	36,282	4,314	75,563	23,949		11,831	151,939
Unallocated liabilities							1,229,076
TOTAL CONSOLIDATED LIABILITIES	36,282	4,314	75,563	23,949		11,831	1,381,015
Acquisitions of tangible and intangible assets	106,246	22,445	34,956	366		2,843	166,856

2006	Congo	Gabon	Columbia	Venezuela	Tanzania	Other	Total
Income statements 2006							
Oil sales	287,078	0	243,288	6,610	0	0	536,976
Services provided	40,171	894	0	0	2,112	3,551	46,728
Total sales	327,249	894	243,288	6,610	2,112	3,551	583,704
Current operating income	192,262	(6,252)	110,426	1,207	3,315	(28,275)	272,683
Amortizations	59,535	93	69,813	1,006		3,528	133,975
Depreciations	349	7,392	6,410	499		1,337	15,987
Other expenses without cash offset	1,364	68	1,788			435	3,655
Share in income from companies carried on an equity basis						(2,522)	(2,522)
Balance Sheet 2006							
Sector assets	413,067	122,548	599,883	39,965	9,749	29,396	1,214,608
Investments in companies carried on an equity basis						24,750	24,750
Unallocated assets						194,774	194,774
TOTAL CONSOLIDATED ASSETS	413,067	122,548	599,883	39,965	9,749	248,920	1,434,132
Sector liabilities	123,268	12,857	302,414	50,084	897	27,915	517,435
Unallocated liabilities						916,697	916,697
TOTAL CONSOLIDATED LIABILITIES	123,268	12,857	302,414	50,084	897	944,612	1,434,132
Acquisitions of tangible and intangible assets	130,066	55,929	75,730	5	78	12,276	274,084

26.2 Information by activity

2005	Oil and gas exploration / production	Oil drilling	Other	TOTAL
Total sales	383,488	22,159	2,075	407,722
Sector assets	1,018,004	44,543	26,723	1,089,270
Acquisitions of tangible and intangible assets	149,363	16,210	1,283	166,856

2006	Oil and gas exploration / production	Oil drilling	Other	Total
Sales	536,976			536,976
Services provided	216	42,961	3,551	46,728
TOTAL SALES	537,192	42,961	3,551	583,704
Sector assets	1,124,411	60,801	29,396	1,214,608
Acquisitions of tangible and intangible assets	240,377	21,431	12,276	274,084

Note 27

Events after fiscal year-end

27.1 Sale of certain assets in Congo/Sale assets in production

On Thursday, February 22, 2007, Maurel & Prom announced the signing of a sales agreement with Société Pétrolière ENI Congo S.A., a subsidiary of the Italian group Eni S.p.A, concerning its share in the exploitation permits of M'Boundi and Kouakouala in Congo, and a reduction of its interest in the Kouilou exploration permit from 65 to 15%.

The transaction, for which a cash payment is required, amounts to \$1.434 billion. This agreement shall take effect retroactively on January 1, 2007, after approval by the Congolese authorities and with due consideration of the exercise of the partners' preemptive rights. This sum bears interest at the Libor rate + 0.5 basis point until the closing date of the operation as well as any price adjustments.

The selling price shall be adjusted so that on the closing date of the operation, Maurel & Prom will receive the amounts linked to the realization of the current assets and be liable for the payment of the current liabilities stemming from before January 1, 2007. Moreover, Maurel & Prom shall be reimbursed for the sums spent as from January 1, 2007 on behalf of ENI Congo S.A. and shall reimburse ENI Congo S.A. the amounts received as income from operations stemming from January 1, 2007 onwards.

The total assets and liabilities transferred amounted to €M314 at December 31, 2006. They break down as follows:

Intangible assets:	€M82
Tangible assets:	€M196
Current assets:	€M55
Current liabilities:	€M19

The transaction concerns 45% of the Group's reserves (proven and probable) certified by DeGolyer & MacNaughton as at January 1, 2006 and represents €9.1 per share (based on €1 = \$1.31 and 120,128,087 shares).

This operation was approved by Maurel & Prom's Supervisory Board and by the Board of Directors of ENI Congo S.A.

27.2 Signing of a memorandum of agreement for equity acquisitions in Venezuela

As a follow-up to the nationalization of the oil industry in Venezuela, on March 15, 2007, Hocol (85%) and its two minority partners

(15%) signed a memorandum of agreement with the Venezuelan government entailing the acquisition of a 31% stake in the semi-public company, Lagopetrol (Maurel & Prom share: 26.35%).

Shareholders' have the possibility of raising their stakes to 40%. The entry into force of this agreement is conditional on its ratification by Parliament.

27.3 Acquisition of equity interests in Gabon

On 20 October 2006, Maurel & Prom acquired 65% of the rights and interests of Transworld in the Etekamba permit. The conditions precedent of this contract were removed on February 20, 2007 with the taking of retroactive effect as of December 1, 2006. By this contract, Maurel & Prom becomes the operator of the permit and will use its subsidiary Maurel & Prom Gabon Ofoubou to manage this contract. Maurel & Prom have committed themselves to drilling three exploration wells (carried out in 2006), two of which turned out to be dry (See Note 14).

The conditions precedent, especially the approval by the Gabonese government, had not been removed at year end.

27.4 Romfor/Caroil

Caroil decided to terminate a rigs management contract with Romfor which was valid until September 30, 2007. According to this agreement, Romfor's services would be compensated by a 25% interest in the profits generated by other wells.

An arbitrage procedure was initiated by Romfor in January 2007. An amicable agreement ended this procedure in April 2007. The termination has been effective as from December 31, 2006 and will have no impact on the accounts in 2007.

27.5 Hedging on the sale price of oil produced in Colombia

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

- 4,000 b/d at the WTI price of \$64.10/b by a forward sale; and
- 4,500 b/d by a hedging strategy using puts and calls to guarantee a WTI sale price between \$59.22 and \$65.22/b.

27.6 Onal permit (Gabon)

The exclusive operating license for the Onal field was signed on December 13, 2006, and in accordance with the production sharing contract signed with the Gabonese government, the state had 120 days to waive its 15% interest in this concession. As the Gabonese government did not divulge its decision to withdraw from the concession it became a partner (with 15% interest) in May 2007.

Note 28

Risks

28.1 Exchange-rate risks and oil price risks

Because of its business, the Company is exposed to the dollar exchange rate risk for all its sales and investments, and some of its financing.

To minimize this risk, the Company uses, whenever necessary, prudent hedging strategies through calls and puts and futures currency transactions.

Furthermore, concerning exposure to exchange rate risk in Colombian pesos, current loans are mostly covered by cash in the same currency.

The company is also exposed to the risk of fluctuations in oil market prices.

To minimize this risk, the Company uses, whenever necessary, prudent hedging strategies through calls and puts and futures currency transactions.

Given the favourable trend of crude prices in 2006, no hedge was set up in 2006 to hedge the fluctuations of crude oil prices.

28.2 Interest rate and liquidity risk

The Group's current loans on December 31, 2006, and the available credit lines are described in Notes 15 and 16 so that potential liquidity and interest rate risk can be measured.

Except for the OCEANE bond issue, current loans from financial establishments on December 31, 2006, are at variable rates.

They are hedged by variable rate investments in the same currency; consequently, the Company considers the risk in this matter to be small.

All the cash held by the group covers the current bank loans and reduces the Group's net consolidated debt to 82.90% of the OCEANE alone.

Net debt ratio amounted to 49.34% on December 31, 2006.

28.3 Share risk

The 19.39% interest in Pebercan Inc., a company listed on the Toronto Stock Exchange, is a long term industrial investment.

On December 31, 2006, the equity value was €K21,076 and the stock market capitalization of the shares held by Maurel & Prom was €K27,069.

A plan to buy back its own shares was implemented on January 12, 2005. In this share buyback program, 240,915 own shares were purchased in 2006 and are intended to be used under the authorizations to grant stock options and free shares to Company employees. No shares have been sold or cancelled. On December 31, 2005, the number of the Company's own shares held totalled 657,477.

As a result of the foregoing, the Company does not consider itself to be at any equity risk and consequently is not using any specific hedging instrument.

28.4 Offset risk

Because of the quality of its customers, the Group does not consider that it faces any risk in Congo, as Congolese production is marketed through Total via its subsidiary Socap.

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

In Venezuela, as for any oil operator, production is sold to PDVSA, The Venezuelan National Oil Company.

13.2.2 STATUTORY AUDITORS'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders,

Following our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Établissements Maurel & Prom for the year ended December 31, 2006.

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON CONSOLIDATED 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 consolidated 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 the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We certify that the consolidated accounts, when assessed by the IFRS standard adopted by the EU, fairly and accurately reflect the Group's net worth, financial position and results of the Group comprised by the people and the entities included in the consolidation

Without qualifying our opinion, we draw attention to the following points:

- Note 27 of the Notes to the financial statements, concerning post balance sheet events, which describes events with a material impact on the Group which occurred after December 31, 2006;
- Note 20 of the Notes to the financial statements regarding reclassifications made on the financial statements for the 2005 financial year.

II. JUSTIFICATION OF OUR ASSESSMENTS

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

- As indicated in Note 3.2, your Group acquired several companies during financial years 2005 and 2006. As indicated in Note 1.2, the preliminary then final allocation of the acquisition price is part of the material estimates made by the management of your Group. As part of our assessment of the significant estimates used to approve the accounts, we have been assured of the reasonableness of the estimates that have led to the allocations of goodwill resulting from these transactions.
- As indicated in Note 2.C and Note 4, your company amortises its intangible assets (exploration rights and capitalised exploration expenses) and records, where appropriate, provisions for depreciation on such assets according to the economic value of the recoverable oil reserves. In this context, our opinion on the valuation of the corresponding assets was based on the independent appraiser's report authorized by your company or, in the absence of reserves, on the assumptions of continuation of exploration works.
- Your company records provisions for site restoration in compliance with the terms and the methods described in Notes 2C, 2Q and 14-1; since it is a complex estimating process involving specialized techniques, our assessments are based on an examination of the reasonableness of the assumptions adopted by your company's management in these estimates.
- As indicated in Note 27, after the balance sheet date, your company completed the transfer of nearly all of its Congolese assets. In light of our appreciation of the accounting principles retained for the closure, we are convinced of the reasonable nature and relevance of the accounting treatment chosen.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

Furthermore, in accordance with the professional standards applicable in France, we have also reviewed the information given in the Directors' discussion and analysis concerning the Group.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris, Paris-La Défense, May 29, 2007

Statutory Auditors

Michel Bousquet

Ernst & Young Audit

François Carrega

13.2.3 INDIVIDUAL FINANCIAL STATEMENTS ON DECEMBER 31, 2006

Balance Sheet (in €)

ASSETS	Net amount on 12/31/2006	Notes	Net amount on 12/31/2005
Concessions, patents, licenses	69,274,697		59,712,108
Other intangible assets	39,222,521		19,590,752
INTANGIBLE ASSETS	108,497,218	1.A	79,302,860
Plant and machinery	169,721,628		155,498,167
Other intangible assets	954,807		786,373
Fixed assets under construction	37,505,191		18,889,744
TANGIBLE ASSETS	208,181,627	1.B	175,174,284
Shares in affiliates	529,927,819		468,735,051
Other long-term financial assets	20,904,185		1,063,123
LONG-TERM FINANCIAL ASSETS	550,832,004	2	469,798,174
CAPITALIZED ASSETS	867,510,849		724,275,318
Inventories	2,374,869	3	1,901,726
Trade notes and other accounts receivable	29,326,092	5/6	18,421,487
Other receivables	90,543,907	4/5/6	72,291,608
Other investment securities	43,010,241	7	4,203,800
Cash and cash equivalents	33,223,775		23,393,967
Prepaid expenses	1,185,602	8	24,435,104
CURRENT ASSETS	199,664,487		144,647,691
Deferred charges	7,517,185	8	11,143,668
Bond redemption premiums	0		0
Exchange rate adjustment, asset	4,163,802	17	10,724,294
TOTAL	1,078,856,323		890,790,972

LIABILITIES	12/31/2006	Notes	12/31/2005
Share capital	92,545,997		89,502,157
Additional paid-in capital (from share issues, mergers, contributions, etc.)	179,537,858		147,498,876
Legal reserve	7,931,110		4,114,072
Other reserves	28,857		28,858
Regulated reserves	0		0
Retained earnings	62,998,127		33,290,914
Profit (loss) for the year	132,107,460		76,214,850
SHAREHOLDER EQUITY	475,149,409	9	350,649,727
Provisions for contingencies	8,232,523		14,385,379
CONTINGENCIES AND LOSS PROVISIONS	8,232,523	10	14,385,379
Convertible bonded debts	374,859,438	11/15	374,999,979
Borrowings and debts from credit institutions	80,551,550	12/15	97,737,066
Loans and sundry debts	76,781,142	13/15	0
Trade notes and accounts payable	33,537,317	14/15	32,164,232
Taxes and social contributions	3,155,333	15	2,724,961
Payables to fixed asset suppliers	5,688,320	15	2,044,233
Other payables	16,611,678	14	11,874,745
Accrued income	0		0
LIABILITIES	591,184,778		521,545,216
Exchange rate adjustment, losses	4,289,614	17	4,210,650
TOTAL	1,078,856,323		890,790,972

Income Statement (in €)

	2006	Notes	2005
Sales	522,707,361	18	354,141,755
Stored production	(563,008)		682,454
Reversals of provisions, transfers of expenses	7,165,650		14,726,626
Other income	361,540		153
OPERATING INCOME	529,671,543		369,550,988
Other purchases and external expenses	78,817,634		72,448,834
Change in inventory	(1,388,776)		931,189
Taxes, duties and similar payments	83,987,478		57,623,914
Wages and social security payments	15,278,920		11,481,019
Amortization expense and provisions			
- on fixed assets depreciation and amortization	50,096,826		25,114,760
- on deferred charges amortizations	3,419,737		4,512,488
- on receivables: provisions	621,058		3,296,706
- contingencies and loss provisions			
Other expenses	778,199		519,776
OPERATING EXPENSES	231,611,076		175,928,686
OPERATING RESULTS	298,060,467		193,622,302
Financial income from other securities	3,087,743		2,075,581
Other interests and related revenues	16,029,652		3,536,941
Reversal of reserves and transfer of charges	2,546,521		3,105,443
Exchange rate gains	6,888,436		8,184,428
Net earnings from sale of marketable securities	522,036		46,796
INVESTMENT INCOME	29,074,389		16,949,190
Amortization expense and provisions	5,803,283		10,937,428
Interest expenses and other payables	23,726,339		21,463,063
Exchange rate loss	12,155,271		14,303,935
FINANCIAL EXPENSES	41,684,893		46,704,426
FINANCIAL INCOME	(12,610,504)	19	(29,755,236)
INCOME BEFORE TAX	285,449,963		163,867,067
Extraordinary income on management operations			
Extraordinary income on capital transactions	122,296		26,532
Reversal of reserves and transfer of charges	135,000		
EXTRAORDINARY INCOME	257,296		26,532
Extraordinary expenses on management operations	470,071		57,111
Extraordinary expenses on capital transactions	314,016		50,352
Amortization expense and provisions	1,015,000		21,079,311
EXTRAORDINARY CHARGES	1,799,087		21,186,774
EXTRAORDINARY PROFIT OR LOSS	(1,541,791)	20	(21,160,242)
INCOME BEFORE TAX	283,908,172		142,706,825
Corporation income tax	151,800,713	22	66,491,974
PROFIT (LOSS) FOR THE YEAR	132,107,460		76,214,850

Notes to the individual corporate financial statements

A. Highlights of the year

In Congo, the Company has been selling its production to Socap (a wholly-owned subsidiary of Total) at N’Kossa grade prices since January 1, 2006. This grade, which is equivalent to a light oil, enjoys a slightly lower below-par rating (-\$2.5 per barrel sold over 2006 as a whole) on Brent than the Djeno grade, which, as a heavier oil, is assigned a larger discount (- \$6.25 per barrel sold in 2005).

In the first quarter 2006, the Congolese Parliament ratified the amendments to the Production Sharing Contracts regarding the Kouilou (M’Boundi) and Kouakouala permits:

- Maurel & Prom’s rights in the M’Boundi (Kouilou) operating license was extended until 2030, instead of 2017 previously, in exchange of a disposal of 10% of Maurel & Prom’s right to *Société Nationale des Pétroles du Congo* (SNPC). Accordingly, these rights fell from 54% to 48.6% on January 1, 2006;
- for the Kouakouala concession, the operating permit will be extended from 2008 to 2023, Maurel & Prom’s 50% rights remaining unchanged after January 10, 2008; and
- lastly, Parliament has approved the bill approving the agreement to share production from Noubi (Maurel & Prom operator, 49%).

As of September 30, 2006, Maurel & Prom, which held 50% interest in the Kouakouala association, bought 16.67% of the shares of Heritage Oil (which had 25%). This acquisition grants Maurel & Prom 66.67% of the shares in the Kouakouala concession.

In Congo, Maurel & Prom signed a Farm-in agreement with Prestoil Kouilou and the SNPC (Société Nationale des Pétroles du Congo) in October 2006 to get a foothold in the two exploration permits for Tilapia (Prestoil operator, 45%) and Marine III (Prestoil operator, 55%); we now hold 20% of each permit.

Maurel & Prom (operator, 75%) moved into Syria in November 2006, signing an exploration licence for block XI, Alasi (8,426 km²), on the Lebanese border, with the Syrian Petroleum Company, the Ministry of Oil, and PetroQuest (25%).

At the end of 2006, Maurel & Prom entered into negotiations to sign a Farm-in contract in Gabon for the Etekamba concession (773 km²) with Transworld. The award process was ratified on February 20, 2007.

In Senegal, despite the success of well DN15 in April 2006 (400,000 cubic feet of gas a day), which confirmed the interest of the explored target, Maurel & Prom decided to abandon this project, with marginal financial advantage.

On July 28, 2006, 99% of the redeemable share warrants (BSAR) were exercised, generating an additional €M36.8 of equity capital since the options were awarded in July 2004. In all 8,237,080 redeemable share warrants have been exercised since July, resulting in the creation of 3,988,976 shares. The redeemable share warrants (BSAR) not exercised as of July 28, 2006 have expired. The stronger financial structure resulting from this transaction has strengthened the development of Maurel & Prom, with €M36.8 of additional equity from July 29, 2004 to July 28, 2006, of which €M34.3 for fiscal 2006.

B. Accounting rules 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 financial statements are reported in thousands of euros rounded off to the nearest thousand euros.

The general accounting principles were applied in compliance with the conservatism principle and in accordance with the basic assumptions:

- going concern concept;
- permanence in accounting methods,
- separation of accounting periods,

and in accordance with generally accepted principles for preparing and presenting annual financial statements.

The historical cost method was used as the basic method for assessing the items recorded in the accounts.

The principal methods used are as follows:

A) INTANGIBLE ASSETS

Intangible assets are recorded at their purchase cost. Amortizations are calculated using the straight line method.

B) OIL BUSINESS

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

Mining Permits

Expenditures regarding the acquisition and allocation of mining permits is recorded as intangible assets and amortized on a straight-line basis over the estimated duration of the permit or at the amortization rate for the oil production installations.

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

Acquisition of reserves

Acquisitions of oil reserves are recorded as intangible assets and amortized according to the unit of production method.

The amortization rate equals the ratio between the field's hydrocarbon production during the year and the estimated hydrocarbon reserves at the time of the acquisition less the total production since that date.

Exploration expenditure

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

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

Provisions for extraordinary impairment or amortization are booked when accumulated costs are greater than discounted future cash flow estimates or when technical difficulties are encountered. Impairment is assessed for each exploration permit.

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

Oil production assets

Oil production fixed assets include all expenses linked to the exploration and development of fields (exploration drills, shallow installations, oil evacuation systems, etc.).

Assets that are not completed at the year-end are recorded as ongoing assets.

Completed fixed assets are amortized according to the unit of production method. The amortization rate equals the ratio between the field's hydrocarbon production during the year and the re-estimated hydrocarbon reserves at the beginning of the same year.

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 on the year-end date.

Provision for extraordinary impairment or amortization are booked when accumulated costs are greater than discounted future cash flow estimates or when technical difficulties are encountered. Impairment is assessed for each exploration permit.

Cost of sites restoration

Provisions are set aside for site restoration under provisions for contingencies and losses at the same pace as amortisations of oil production installations. Estimates are made by country and by field.

C) TANGIBLE ASSETS

Tangible assets are recorded at their purchase cost.

Amortizations are calculated over the estimated service life of plants and equipment 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; and
- Office furniture: SL over 10 years.

D) EQUITY INTERESTS

Investment securities are stated in the balance sheet at their acquisition cost.

A provision is booked when the inventory value is lower than the acquisition cost. The inventory value is determined according to the consolidated shareholders' equity and the 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 consolidated equity capital of the latter. When the losses exceed receivables, a contingency loss is recognized for that amount.

E) INVENTORIES

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

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

F) RECEIVABLES

Receivables are stated at their par value. A provision for impairment is recognized if there is a risk of non-recovery.

G) SHORT TERM INVESTMENTS

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

H) DEFERRED EXPENSES

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

I) FOREIGN CURRENCY TRANSACTIONS

Expenditure and income in foreign currencies are reported at their equivalent value in euros on the date of the transaction. Debts, external finance, receivables and cash in foreign currencies appear 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 adjustment". Provisions for risks are made for uncompensated underlying exchange losses.

J) CONTINGENCIES AND LOSS PROVISION

Contingencies and loss provisions are set aside to hedge various risks, in particular risks on subsidiaries, litigations and currency exchange losses.

Given the modest size of the Company's staff, and their relative youth, retirement commitments are not material, therefore no provision was made for them.

K) OIL SALES

Revenues corresponding to the sale of production from the oil deposits operated by the Company pursuant to Production-Sharing Contracts include the delivery of crude oil under production royalties and taxes.

L) CONVERSION OF THE ANNUAL FINANCIAL STATEMENTS OF FIRMS

As from 2006, Maurel & Prom companies in Congo have largely become autonomous in terms of operational, financial and accounting management. As a result, these companies whose functional currency is the US dollar are treated in the individual accounts as autonomous companies in order to give the best image of the situation and business results.

Balance sheet items are converted at the year-end rate, those in the income statement at the average rate over the period. Transactions in reciprocal accounts remain at their historical rate. Differences resulting from the conversion are reported in shareholders' equity in the individual financial statements.

C. Additional information concerning the balance sheet & the income statement

1. ASSETS

Changes in fixed assets and amortizations are as follows:

<i>In €K</i>	12/31/2005	Increases	Decreases	Exchange adjustment and others	12/31/2006
Intangible assets	119,241	43,961	5,881	(1,544)	155,777
To be deducted: amortizations and provisions	(39,938)	(8,135)	346	447	(47,280)
Net value	79,303	35,826	5,535	(1,097)	108,497
Tangible assets	208,306	97,771	18,755	(7,244)	280,077
To be deducted: amortizations	(33,132)	(41,962)		(3,198)	(71,896)
Net value	175,174	55,809	18,755	(4,046)	208,182
Total gross value	327,547	141,732	24,636	(8,788)	435,854
Amortizations to be deducted	(73,070)	(50,097)	346	(3,645)	(119,176)
TOTAL NET VALUE	254,477	91,635	24,290	(5,143)	316,678

a) Intangible assets (in thousands of euros)

The capital assets are broken down as follows:

<i>In thousands of euros</i>	12/31/2006		12/31/2005	
	Gross value	Net value	Gross value	Net value
Software	836	218	666	216
Mining Permits	3,676	550	3,676	824
- Congo	3,393	550	3,393	824
- Hungary	283	0	283	0
Acquisition of reserves	76,655	68,506	63,045	58,671
- Congo	73,794	65,645	59,804	55,430
- Gabon	2,861	2,861	3,241	3,241
Oil exploration expenses	74,608	39,223	51,854	19,591
- Congo	29,420	29,420	16,507	16,507
- France	168	168	112	112
- Hungary	1,767	0	1,767	0
- Vietnam	30,495	0	30,495	0
- Tanzania	9,610	9,610	0	0
- Gabon	0	0	613	613
- Other countries	3,148	25	2,359	2,359
Oil fixed assets	154,939	108,279	118,575	79,086
TOTAL	155,777	108,497	119,241	79,303

The changes in intangible assets for fiscal year 2006 were primarily due to:

- the continuation of ongoing search in Congo on the La Noubi permit for €K5,554 as well as the Kouilou permit with the drilling of 2 exploration wells for €K12,976;
- drilling works carried out in Tanzania amounting to €K9,610; and
- the increase by €K17,017 for mining rights on the M'Boundi permit following the extension of the duration of the latter.

Exploration expenses recognized in losses in 2006 (cost of dry exploration wells) total €K4,897 and concern the Kouilou permit in Congo.

On the basis of the results obtained on June 30, 2005, with the long term test that began in Vietnam in July 2004, the company has decided to fully write off the amount of the assets in the financial statements.

In Senegal, despite the success of well DN15 in April 2006 (400,000 cubic feet of gas a day), which confirmed the interest of the explored target, Maurel & Prom decided to abandon this project, with marginal financial advantage. The expenses incurred were fully depreciated in 2006 for €K3,123.

2. LONG-TERM FINANCIAL ASSETS

Changes in long-term financial assets

Details of securities are given in the attached table of subsidiaries and holdings.

<i>In thousands of euros</i>	12/31/2005	Increases	Decreases	Conversion difference and others	12/31/2006
Shares in affiliates	468,961	61,509	0		530,470
To be deducted: provisions	(226)	(316)	0		(542)
Net value	468,735	61,193	0		529,928
Other long-term financial assets	4,722	20,407	0	(328)	24,801
To be deducted: provisions	(3,659)	(238)	0		(3,897)
Net value	1,063	20,169	0	(328)	20,903
Total gross value	473,683	81,916	0		555,271
To be deducted: provisions	(3,885)	(554)	0	(328)	(4,439)
NET VALUE	469,798	81,362	0	(328)	550,832

On February 14, 2005, the company acquired 100% of the securities of Rockover Oil and Gas, for a total amount of €K58,542. Pursuant to the agreements, Maurel & Prom recorded an earn-out on this acquisition for the first half of 2006, equivalent to an adjustment of \$0.90 a barrel on reserves exceeding 30 million barrels. As the amount of P1+P2 reserves certified by Degolyer and MacNaughton totalled 54 million barrels, Maurel & Prom recorded an earn-out of €K15,558.

b) Intangible assets (in thousands of euros)

The capital assets are broken down as follows:

<i>In thousands of euros</i>	2006	2005
Oil installations in Congo	278,585	207,145
Other	1,492	1,161
Gross value	280,077	208,306
Amortizations	(71,896)	(33,132)
NET VALUE	208,182	175,174

The increase in tangible fixed assets is mainly due to the continuation of the investment in production, transport and production well development installations on the M'Boundi permit (€K87,171) and on the Kouakouala permit (€K8,902);

The disposal of 10% of the rights held on the M'Boundi permit in the Congo caused a reduction of €K14,664 in tangible assets.

During fiscal year 2006, Maurel & Prom raised its holding percentage in Caroil to 100% through two capital increases carried out on April 12, 2006 and September 29, 2006 and through the acquisition of minorities for a total of €K41,572.

In February 2006, under contracts signed in November 2005, Maurel & Prom increased its 5% holding in Panther Eureka to 30%. This increase was made with a contribution of €K6,771.

In 2006, the Hocol acquisition price was adjusted down by €K2,524. This adjustment concerns the earn-out clause for €K33, on acquisition cost for €K238 and on the acquisition price for €K- 2,795.

Maurel & Prom acquired a 35% stake in Renaissance Energy which is aimed at obtaining the operating permit in Libya.

Furthermore, the company created Hocol Maurel and Prom Venezuela which is aimed at holding securities in a future semi-public company in Venezuela.

Other financial assets

The other financial assets represent:

- loans for €K3,663 concerning Transagra already existing at December 31, 2005, together with a new loan for €K6,970 granted February 28, 2006 to Total to allow it to finance the works linked to the construction of basin RB8 and the connection works for the transport of Djeno quality crude. This loan is payable in 3 instalments with a final payment due on December 31, 2008. The interest rate is Libor 1 year +3.5%.

- The Prestoil loan for €K3,374 as well as the carrying costs on the Tilapia and Marine concessions in Congo for €K3,687;
- deposits and securities paid primarily for real-estate lease agreements. (€K299) and also a security deposit in the context of the ongoing legal action against the firm Cameron for the damage to the boat Energy Searcher (€K238);
- a bank deposit reported in 2004 as surety for the construction commitments taken in the context of exploration activities in Senegal (€K513); and
- a bank deposit reported in 2006 as surety for the construction commitments taken in the context of exploration activities in Syria (€K6,509).

3. INVENTORIES

Inventories comprise hydrocarbon stocks worth €K130 and consumable products worth €K2,244.

4. OTHER RECEIVABLES

Other receivables (gross value) include the following items (in €K):

<i>In thousands of euros</i>	12/31/2006	12/31/2005
Advances to group subsidiaries	82,278	62,444
Receivable on Financière Transagra	1,528	1,528
Receivables linked to the disposal of multipurpose vessels	4,016	9,382
Receivables on the disposal of Stcpa Bois securities	2,573	2,873
Advance payments to suppliers	3,384	5,122
Other receivables	15,847	7,720
	109,626	89,069

The company granted to its new subsidiaries in Gabon, Sicily, Tanzania and Hungary advance cash payments in order to start oil and gas exploration activities.

It also supported the business growth and the continued investments of Caroil, its drilling subsidiary.

The “other receivables” item mainly includes receivables on partners in the context of the Production Sharing Contract in Congo for €K5,845 and partner receivables concerning Tanzania for €K6,291.

5. PROVISIONS FOR IMPAIRMENT OF TRADE RECEIVABLES AND OTHER RECEIVABLES

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

<i>In thousands of euros</i>	12/31/2005	Increases	Reversals	Conversion gains/losses	12/31/2006
On Trade receivables	105	24			129
On advances to subsidiaries	11,192	2,772	283		13,681
On other receivables	5,585	560	704	(40)	5,401
	16,882	3,356	987	(40)	19,211

The provisions for other receivables comprise:

- provision on the amount receivable from Transagra for €K1,528.
- provision of €1,005K on receivables from partners of the production sharing contracts.
- a provision of €K2,573 on the receivable linked to the sale of STCPA securities,
- and other provisions for €K295 on various receivables.

The inventory value of receivables from subsidiaries is determined according to the shareholders' equity of subsidiaries

and their business development outlook, in addition to a provision recognized for €K2,145 on the receivable linked to the activity in Hungary, as the subsidiary is being shut down.

Lastly, €K283 was recovered from the provision for the receivable linked to the shipping business, the provision on December 31, 2006 was brought to €K4,964 (compared to €5,246 in 2005). This provision was funded up to the net situation of the Mepis group and can therefore not be linked to the receivable from the disposal of multipurpose vessels of €K4,016 in the previous table "Other receivables".

6. STATEMENT OF RECEIVABLES MATURITY DATES

Net receivables (K€)	Total amount	One year or more	One year or more	> 5 years
Receivables from fixed assets:				
Loans	13,338	1,641	11,697	-
Deposits and sureties	7,329	820	6,509	
Receivables from current assets:				
Trade receivables and similar accounts	29,326	29,326		-
Other receivables	90,544	90,544		-
TOTAL	140,537	122,331	18,206	-

7. SHORT TERM INVESTMENTS

On June 19, 2006, 1,064,093 own shares were purchased, 647,531 shares were sold and no share was retired; for example, on December 2006, the level of treasury shares held

by Maurel & Prom was 657,477 for a total acquisition value of €K10,483.

The book value of the portfolio of the other marketable securities totalled €K32,528.

8. DEFERRED CHARGES - PREPAID CHARGES

Deferred charges changed as follows:

<i>In thousands of euros</i>	12/31/2006	12/31/2005
Deferred charges on January 1	11,143	2,770
Amount booked in the year		12,885
Exchange adjustment	(206)	
Amortisation for the year	(3,420)	(4,512)
DEFERRED CHARGES ON DECEMBER 31	7,517	11,143

Deferred charges correspond to the different costs on bond issues and bank loans; they are amortised over the reimbursement period of the principal.

At December 31, 2006, the outstanding amount to be deferred totalled €K7,517 and could be broken down as follows:

- costs linked to the bank financing of M'Boundi €K1,073; and
- costs linked to the bond issue of March 2005: €K6,444. Prepaid charges totalled €K1,185.

9. SHAREHOLDERS' EQUITY

Changes in shareholders' equity were as follows:

<i>In thousands of euros</i>	12/31/2005	Allocation of income	Income for the year	Imputations Other	conversion difference	Increase in Shareholders' equity	12/31/2006
Shareholders' equity	89,502					3,044	92,546
Additional –aid-in capital	147,499					32,039	179,538
Legal reserve	4,114	3,817					7,931
Regulated reserves	0						0
Other reserves	29						29
Retained earnings	33,291	34,038		86	(4,417)		62,998
Income	76,215	(76,215)	132,107				132,107
TOTAL	350,650	(38,360)	132,107	86	(4,417)	35,083	475,149

* Additional dividend payment for €K20 and receipt of dividend on treasury for €K106

As the Congo companies are considered as autonomous companies, the balance sheet items were converted at the closing rate (with inter-fund accounts at the historic rate) and those of the income statement at the average exchange rate. The resulting translation adjustment totalled €K(4,417).

On December 31, 2005, the share capital was composed of 116,236,567 shares at a par value of €0.77, for total capital of €89,502,156.59.

Instruments giving access to the share capital

REDEEMABLE SHARE WARRANTS (BSAR)

Pursuant to the delegation given by the Combined General Meeting of June 26, 2003, the management of Maurel & Prom, decided on June 17, 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

par value of €7.70 for €89.65, the exercise period running from July 29, 2004 to July 28, 2006.

The Company may, at any time from July 29, 2005, carry out an early redemption of 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 par value division by 10 decided by the Joint General Meeting of December 28, 2004, 20 warrants provide entitlement to subscribe for ten new shares at a total price of €89.65 for the ten.

On December 31, 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 created, generating a capital increase of €K2,950 and a gross share premium of €K31,397 (or €K31,371 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 September 11 authorised management to grant to its employees and officers Maurel & Prom stock subscription and stock purchase options.

Thus, on October 25, 2001, management allotted 154,000 stock options at €12.15 each, exercisable from October 26, 2004 without deadline to the benefit of twelve people and, on June 16, 2003, to 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 par value, the new exercise prices have respectively been changed to €1.185 and €1.949 per share.

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

On the basis of the authorization of the General Meeting of June 26, 2003, the Management on July 29, 2003, granted 123,000 stock options to five beneficiaries at the exercise price €17.82; these were 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 par value by 10.

On the basis of the authorization of the same date, that is June 26, 2003, the Management granted, on June 22, 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 par value by 10.

On the authority of the General Meeting of December 28, 2004, the Management Board, on March 16, 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 authorization and exercisable under the same terms and conditions, on April 6, 2005, 480,000 stock options were granted to eight employees at an exercise price of €13.44 per option and on December 21, 2005, 170,000 stock options were granted at an exercise price of €12.91 to two people, one of which was a corporate officer.

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

Furthermore, 121,790 options were exercised, generating the creation of 121,790 shares, representing a capital increase of €K94 and a gross share premium of €K668.

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

SHARES RESERVED FOR EMPLOYEES AND FREE SHARES

The General Meeting of June 29, 2005, authorized the Management Board, for a period of 36 months, to issue new shares (up to the limit of a par value of €M3) reserved to the Company's employees without preferential rights and gave the Management Board full powers to determine the subscription terms.

At that same Meeting, the Management Board was also authorized to grant employees and/or corporate officers free existing shares or shares to be issued, up to 5% of the share capital on the date of the Meeting. The rights acquisition period and the minimum detention period of such rights was fixed a minimum of 2 years.

On December 21, 2005, the Management Board used these authorizations and granted 15,000 free shares to one corporate officer, the rights acquisition period and the minimum detention period of such rights was fixed at two years.

The general meeting of June 20, 2006 gave the Management Board power, for a period of 38 months, to carry out, in one or several operations, the free allotment to employees and/or corporate officers of existing ordinary shares or shares to be issued. The total number of feely 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 delegation by incorporation of additional paid-in capital, reserves or profits 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 authorizations and granted 70,000 bonus shares on October 3, 2006, and 66,800 on December 14, 2006, the vesting period being set at 2 years and the holding period at 2 years as from the acquisition date.

ISSUE OF RESERVED SHARES

The General Meeting of June 29, 2005, granted the Management Board all powers, for an 18-month period, to issue, without preferential shareholders subscription rights, ordinary shares up to 10% of the share capital on the day of the Meeting to Knightsbridge Group Limited at €15.40 per share.

Within this authorization, the Company, on August 4, 2005, issued 4,899,657 shares at a subscription price of €15.40 reserved for Knightsbridge Group Limited. This issue, for a total amount of €K75,454, caused a capital increase of €K3,773 and a net share premium of €K71,653 (or a gross premium of €K71,682 before expenses of €K29).

SHARE BUY-BACK PROGRAMME

Under the authorization given by the Joint General Meeting of December 28, 2004, the Management Board determined the conditions of a share buy-back programme on January 12, 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 June 19, 2006, 308,994 shares were purchased at the average price of €16.08; and 31,829 shares were sold for an average price of €15.98 and none were retired.

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

Under this buyback plan, starting on June 20, 2006, 756,333 shares were purchased for

for an average price of €16.97 and 615,702 shares were sold for an average price of €17.21 and no share was 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.

On December 31, 2006, the number of treasury shares held by the company amounted therefore to 657,477 for a total purchase value of €K10,483.

On December 31, 2006, according to the capital movements chart below, the number of the Company's shares was 120,189,607 and the share capital was €92,545,887.39.

Summary of capital movements:

	Number of shares	Own shares
On 12/31/04	108,099,990	
- Issue by exercise of BSAR	135,790	
- Issue by exercise of stock options	3,101,103	
- Issue of reserved shares	4,899,657	
- Buy-back of treasury shares*		240,915
On 12/31/05	116,236,567	240,915
- Issue by exercise of BSAR	3,831,250	
- Issue by exercise of stock options	121,790	
- Buy-back of treasury shares*		416,562
I.E., ON 12/31/06	120,189,607	657,477

*These shares are to be used in the context of authorizations for granting stock options and the granting of bonus shares to employees and/or corporate officers.

Distribution

The General Meeting of June 29, 2005, had decided to pay a dividend of €0.33 per share on the basis of the number of shares existing on that date (excluding treasury shares) and entitling

holders to a dividend, i.e. €38,253,861.36; the total dividend payable on July 5 amounted to €38,273,750.46 due to the creation between June 29 and July 5, 2005, of new shares entitling holders to dividends, meaning an additional €19,889.10.

10. CONTINGENCIES AND LOSS PROVISIONS

The changes in contingencies and loss provisions were as follows:

<i>In thousands of euros</i>	12/31/2005	Allowances for the year	Reversals for the year (provision used)	Reversals for the year (provision not used)	Exchange adjustment	12/31/2006
Exchange rate risks	10,724	2,477	2,260		(6,930)	4,011
Expenses	135	1,015	135			1,015
Restoring sites	3,526	92			(412)	3,206
TOTAL DES PROVISIONS	14,385	3,584	2,395		(7,342)	8,232
Net impact of expenses borne						
Operating income		92				
Financial income		2,477	2,260			
Extraordinary income		1,015	135			

- provision for foreign exchange risk is linked to the US dollar trend which caused substantial underlying losses especially on Maurel & Prom receivables from its subsidiaries and reversal of provisions mainly concerning the debts of Maurel & Prom companies.
- provision for decommissioning and site restoration is estimated by country and by field. The assumptions used to estimate costs remain the same as those used for the year ended December 31, 2005, namely \$K200 per well. The provision was raised to €K3,206 due to the significant development in the number of drilled wells in 2006. The discount rate used was 4% and the expense for the year totalled €K92;
- A loss provision of €K1,015 was booked for labour court litigations and trade disputes; and
- As the Congolese companies have been considered as autonomous since January 1, 2006, the provisions for foreign exchange risks stated in 2005 are no longer necessary and were cancelled for an amount of €K(6,927) in 2006.

11. CONVERTIBLE BONDED DEBTS

On March 9, 2005, the company issued 16,711,229 bonds with an option to convert and/or exchange for new or existing shares (OCEANE) for a total amount of €K374,999. The bonds carry an annual interest of 3.5% and will be fully amortized by repayment at par on January 1, 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.

On December 31, 2006, 6,263 bonds had been converted, reducing the bond debt to €K374,859.

They were delivered by debiting the company's treasury shares; the number of outstanding bonds on December 31, 2006 was 16,704,966.

12. BORROWINGS FROM CREDIT INSTITUTIONS

Borrowings from credit institutions are broken down as follows:

<i>In thousands of euros</i>	12/31/2006	12/31/2005
Natexis Banques Populaires	75,930	95,052
Accrued interests	6	18
Creditor banks	4,615	2,667
TOTAL	80,551	97,737

In order to continue its investments, Maurel & Prom obtained on January 24, 2005, an extension from \$K50,000 to \$K120,000 in the existing facility granted on September 23, 2003 by Natexis (Reserve Based Loan, or "RBL"). This facility was increased to \$K150,000 on July 19, 2005.

It is refundable in dollars and accrues interests at the Libor rate of +4.5% (applicable on each interest anniversary date); the maturity date was set at January 25, 2009. This facility was accompanied by an early refund option.

Due to the Group's growth, particularly in South America, the Company decided to restructure its bank loans to benefit from more favourable conditions in terms of rates and duration. In July 2006, a new credit line of \$K350,000 guaranteed by the pledging of the Group's Congolese and Colombian reserves was negotiated in a club deal led by Natexis and BNP Paribas.

The facility was granted for an amount of \$K200,000 to the Congolese companies and \$K150,000 to the Colombian subsidiaries.

The maturity date for this credit line was set at December 31, 2009. The Congolese facility bears interest at Libor +3.5%. In addition to the collateral securities given, the Group has committed to ensuring that its financial structure is compliant at all times with the three ratios below:

- working capital ratio greater than 1.1;

15. STATEMENT OF DEBT MATURITY DATES

<i>In thousands of euros</i>	Gross amount	1-year max	> 1 year	> 5 years
Bonded borrowings	374,859		374,859	
Borrowings and debts from lending institutions	80,551	70,483	10,068	
Miscellaneous loans and borrowings	76,781	76,781		
Trade notes and accounts payable	33,537	33,537		
Tax liabilities and staff benefits	3,155	3,155		
Payables to fixed asset suppliers and other payables	5,688	5,688		
Other debts	16,612	16,612		
TOTAL	591,185	206,258	384,927	0

- total debt (including non-converted OCEANes)/EBITDA greater than 2.5; and
- EBITDA/ interest expenses greater than 5.

On December 31, 2006, the Congolese facility had been drawn down for \$K100,000, by the holding company, representing a value in euros of €K75,930.

13. CURRENT LOANS AND BORROWINGS

Current loans and borrowings break down as follows:

<i>In thousands of euros</i>	12/31/2006	12/31/2005
Hocol loan	75,930	0
Accrued interests	845	0
Other	6	
	76,781	0

Hocol S.A. lent \$M100 to Maurel & Prom for one year renewable (from July 25, 2006 to July 25, 2007) at Libor plus 1/8th. Interest is paid quarterly on the anniversary date.

14. ACCOUNTS PAYABLE AND OTHER DEBTS

The changes in accounts payable is directly linked to the sharp business growth in Congo and in Tanzania as well as suppliers to the Holding business.

Other debts primarily correspond to the balance of financing due by the company to Congolese institutions for exploration works carried out for Maurel & Prom up to its share in the direct interest in the different concessions as well as the outstanding balance due to the subsidiary under services rendered by said subsidiary (€K2,950 interests included).

16. ACCRUED INCOME - ACCRUED EXPENSES - DEFERRED CREDIT

Accrued income totalled €K15,273 and is lined to a pickup carried out on December 31, 2006 and for which the invoice was not prepared on that date. It corresponds to €K13,061 and accrued interest on the current accounts of subsidiaries for €K2,212.

Accrued expenses amounted to €K12,741 (2005: €K9,130). They concern accrued interests (€K945) and operating liabilities (€K11,796).

17. EXCHANGE ADJUSTMENT

Exchange adjustments, both gains and losses, correspond to the revaluation of foreign currency payables and receivables at the closing rate, and concern the US dollar (2006: 1.3170 / 2005: 1.1797).

The unrealized exchange loss of €4,164 K (2005: €K10,724) was fully recognized in provisions.

18. SALES

Revenues break down as follows:

<i>In thousands of euros</i>	2006	2005
Oil sales Congo	516,749	351,854
Services provided	5,958	2,288
TOTAL	522,707	354,142

19. FINANCIAL INCOME

As at December 31, 2006, the breakdown of financial income (€K12,611) was as follows (in €K):

Interests on loans to subsidiaries	3,088
Dividends received	14,532
Foreign exchange gains	6,888
Net gain on disposal of short-term securities	184
Net gain on disposal of treasury shares	133
Other net cash gains	915
Net provisions for foreign exchange risk	(217)
Net allowance for impairment of securities and receivables from subsidiaries	(2,802)
Interest accrued on OCEANE bonds	(13,120)
Interest on other borrowings	(9,727)
Foreign exchange losses	(12,155)
Net allowance for impairment of long-term financial assets	(238)
Accretion	(92)
TOTAL	(12,611)

20. EXCEPTIONAL ITEMS

Exceptional items largely comprise the following:

Net increase on provisions for litigation	(880)
Charges for Energy Searcher disputes	(465)
Net book value of fixed asset disposals	(192)
Other	(5)
TOTAL	(1,542)

21. EXPOSURE TO EXCHANGE RISK AND CRUDE OIL PRICE RISKS

Exchange rate and oil price risks

The nature of its business leaves the Company exposed to exchange risk, since its revenues are paid in dollars while a proportion of its costs and investments are in euros. To reduce this risk the Company employs prudent hedging strategies based on the use of options and foreign exchange futures.

The company is also exposed to the risk of fluctuations in oil market prices. Given the favourable movement of crude oil prices during 2006, no hedging of production was undertaken during 2006. Hedges created during 2005 to cover part of the 2006 production all expired on maturity.

Interest rate and liquidity risk

Except for the OCEANE bond issue, current loans from financial establishments on December 31, 2006 are at variable rates. They are covered by investments in the same currencies at variable rates. As a result the Company considers risk in this area to be limited. Offset risk because of the quality of its customers, the Group does not consider that it has any counterparty risk in Congo, the Congolese production being marketed through Total via its subsidiary Socap.

Share risk

A plan to buy back its own shares was implemented on January 12, 2005. In this share buyback program, 240,915 own shares were purchased in 2006 and are intended to be used under the authorizations to grant stock options and bonus shares to Company employees. No shares have been sold or cancelled. On December 31, 2006, the number of the Company's own shares held is therefore 657,477.

As a consequence of the foregoing, the Company does not consider it has any equity risk and consequently is not using any specific hedging instrument.

22. CORPORATION TAX

A tax group agreement has been signed between Maurel & Prom and its French subsidiary Caroil with effect from 2004.

Tax shown in the accounts corresponds to foreign local taxes on profits resulting from oil production and sales in the Congo totalling €151,801,000.

The 2006 tax result for the consolidated group of companies is negative and no company tax is due for 2006 for the consolidated tax group.

The unrelieved losses of the tax group as of December 31, 2006, which can be carried forward indefinitely, amount to €M127.062.

By reason of the exemption from capital gains tax on sales of securities as from January 1, 2007, the long-term capital losses held by the company as of December 31, 2005 of €M5.020 can no longer be set off against future long-term capital gains.

Since September 6, 2006, Maurel & Prom has been subject to a tax accounting audit covering the years 2002 to 2005. An initial proposed adjusted assessment covering 2002 and 2003 was

received on December 20, 2006. The principal adjustments proposed concerns the country in which costs are charged and the existence of a permanent foreign-based establishment. The upward assessment does not give rise to supplementary taxation. The company has contested the majority of the adjustments. This audit is currently continuing for the years 2004 and 2005.

23. OFF-BALANCE SHEET COMMITMENTS

€K	2006	2005
Customs guarantees	762	
Guarantees against loans	151,860	127,151
Other commitments	146,811	94,359

To the knowledge of Maurel & Prom, there exist no exceptional situations, disputes, risks or off-balance sheet commitments liable to endanger the financial situation, assets, results, profits or activities of the Group.

Customs guarantees

Customs guarantees are commitments by the Group in response to the requirements of local authorities for the importation of equipment. They consist chiefly of customs guarantees made in the Gaboon for CFAF500 million, a counter-value of €K762.

Guarantees against borrowing

As part of the refinancing of the Group, Maurel & Prom took out a loan in 2006 from a bank pool led by Natexis and BNP Paribas

(the Reserve Based Loan) for a total of \$M350, used to finance the operations of establishments in the Congo (\$M200) and in Colombia (\$M150 for financing subsidiaries).

As counterpart to this loan, Maurel & Prom pledged the oil reserves thus financed, the shares in the companies holding the licenses, and the products resulting from the operation of the said licenses until maturity of the loan on December 31, 2009.

In addition Maurel & Prom undertook to comply with certain technical and financial agreements for the duration of the loan (see Note 12).

Works commitments

As part of its current operations, and in compliance with industrial practice, Etablissements Maurel & Prom is party to numerous agreements with third parties. These undertakings are often made for business reasons, because of administrative requirements, or because of other operational agreements.

As of December 31, 2006 operational commitments, which mainly concern estimated commitments for oil industry works directly or indirectly financed by the parent company, break down as follows:

€K	2006	2005
Congo	134,515	88,666
Tanzania	5,319	
Sicily	3,940	
Syria	3,037	1,542
TOTAL	146,811	94,359

Oil industry commitments are evaluated on the basis of budgets approved with the partners.

They are subject to numerous revisions during the year, depending mainly on the results of the work carried out. The heading also includes a total of €M19.7 for the Company's commitments to finance works on behalf of third parties, where the financial counterparty from the Company is subordinated to the success of the works carried out. The operations concerned are located in Sicily, Tanzania, Syria and the Congo (Tilapia and Marine III permits).

Other commitments

ROCKOVER

In the context of the Share Sale Agreement (S.P.A.) signed on February 14, 2005 concerning the acquisition of the equity

of Rockover Oil & Gas and the settlement agreement dated September 15, 2006, it is stipulated that:

- Maurel & Prom shall pay each of the two sellers a bonus of \$0.45 per barrel of reported 2P reserves above 54 Mb and up to 80 Mb;

- Maurel & Prom must pay each of the two vendors a royalty of \$0.65 per barrel produced from the date on which the total production of all the licence zones exceeds 80 Mb.
- The vendors may acquire 10% of the rights for a licence zone or an operation zone located inside a permit zone, except for the Banio zone, until December 10, 2054. The sale price will be equivalent to the discounted costs incurred plus 1%.
- The vendors may acquire 50% of the rights for any Exploitation permit granted on the Banio zone; and.
- 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.

HERITAGE

Maurel & Prom has undertaken to pay royalties equal to 15% of its share of production (working interest) in the Mengo field in block B of the Kouakouala permit. ENI Congo S.A. has agreed to accept this obligation at its own expense subject to realisation of the aforementioned operation with ENI Congo S.A.

If the Kouakouala association receives monthly revenues from the pipeline in excess of \$41,667.67, then Maurel & Prom shall pay 16.67% of the said revenues in excess of this figure to Heritage.

If the Kouakouala association sells its network of pipelines prior to January 11, 2009, then Maurel & Prom shall pay 16.67% of the sums received to Heritage.

If the Kouakouala association obtains an extension for the exploitation of the pipeline beyond January 11, 2008, then Maurel & Prom shall pay 16.67% of the revenues derived from the pipe for the period of January 11, 2008 to January 11, 2009 to Heritage.

AGRICHER LITIGATION

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

- the loan of €K3,659, interest included, granted to the Transagra group; and
- the €K1,528 receivable from Transagra.

Because these two companies have gone into liquidation, Maurel & Prom claimed for its receivables. Maurel & Prom has been sued for the break-up of the Agricher cooperative.

The Company considers that this action is not justified and has not set aside any provision for it.

24. LITIGATION

Transagra

In 1996, Maurel & Prom received a writ alleging responsibility in the legal receivership proceedings concerning the Transagra company.

Furthermore, Maurel & Prom has also issued a writ against the individuals in charge of the cooperative group owning Transagra, alleging responsibility in the losses suffered by Maurel & Prom through the Promagra company.

At the present date, the litigation is still awaiting adjudication. Because of the slight probability of recovering the claim by Maurel & Prom against the cooperative group, it has been entirely written off.

Energy Searcher

In June 2001 the Company opened proceedings in Singapore against the Cameron company for the damage suffered by the ship Energy Searcher prior to its sale to Maurel & Prom. The proceedings were heard at end 2004-early 2005; judgement in first instance made in 2005 was for Maurel & Prom and condemned Cameron to pay compensation of \$1 million.

Since Maurel & Prom was claiming more than this sum, the Company gave notice of appeal on September 20, 2005.

In 2006 the Singapore Court of Appeal confirmed the judgement in first instance. Maurel & Prom has begun proceedings to recover the total amount of the damages awarded.

Orchard

Within the arbitration initiated by Orchard (a partner on the Sebikhotane permit in Senegal), the decision was given on January 20, 2006, under which Maurel & Prom has to compensate Orchard for the amount of €K135; this amount was accrued in the financial statements as at December 31, 2005 and was paid on April 12, 2006.

Messier Partners

The Company appealed against the ruling of the judge in chambers (December 20, 2006) condemning Maurel & Prom to pay a penalty of €700,000, whereas the same judge had found for Maurel & Prom concerning a refusal to release documents concerning a draft transaction with ENI Congo S.A. (Ruling of December 18, 2006). The hearing by the Court of Appeal took place on March 29, 2007 and the judgement was reserved until May 25, 2007.

With the agreement of the adverse party, the amount of the penalty was sequestered while awaiting the decision of the Court of Appeal. The amount of the penalty was accrued in the 2006 financial statements as a provision for risks, and was paid on January 26, 2007.

The Company emphasises that at the date of preparation of this document, it had received no demand bearing on the substance of the case. Under the circumstances the Company has decided to defend its position energetically, considering that the payment to Messier Partners of a “success commission” following the conclusion of the transaction with ENI Congo S.A., has no financial foundation.

25. ENVIRONMENT

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

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

Because of the nature of its activity, the Group will bear the costs of the restoration of exploration sites and of the evacuation arrangements. Provision for the costs of such restoration of its sites is shown in the accounts.

26. EMPLOYEES - PENSION COMMITMENTS

The Company employed 56 people on December 31, 2006 as against 44 on December 31, 2005.

Bonuses on retirement have not been accrued because they are not material.

27. COMPENSATION ALLOCATED TO SENIOR MANAGEMENT, THE MANAGEMENT BOARD AND MEMBERS OF THE SUPERVISORY BOARD

In €K	12/31/2006	12/31/2005
Compensation of the senior management and Management Board*	2,549	1,761
Supervisory bodies (directors' fees and remuneration of the committees)	522	495
TOTAL	3,071	2,256

* Senior management covers departmental directors and general management amounting to a total of 7 members (5 in 2005).

28. ITEMS CONCERNING RELATED COMPANIES

Entries involved (in €K)	12/31/2006	12/31/2005
Assets		
Equity investments	530,470	468,961
Trade receivables		
Other receivables	86,295	71,825
Liabilities		
Trade payables	4,165	4,649
Fixed asset payables	1,939	2,006
Other payables	3,843	4,098
Income statement		
Share of joint-venture earnings		
Other financial income	3,073	2,076
Dividends received	14,532	
Other income	21	21
Financial charges		

29. POST-BALANCE SHEET EVENTS

On Thursday February 22, 2007 Maurel & Prom announced that it had signed an agreement with ENI Congo S.A., a subsidiary of the Italian group ENI S.p.A, covering the sale of its holdings in the operating licenses of M'Boundi and Kouakouala in Congo, and a reduction of its interest in the Kouilou exploration license from 65% to 15%.

The total transaction, payable in cash, is \$B1,434. This agreement will be retroactive to January 1, 2007, after approval by the Congo authorities and in compliance with the pre-emption rights of the partners. The amount involved carries interest at Libor + 0.5 basis points until the closing date of the operation, as also any subsequent price adjustments.

The sale price will be adjusted so that at the closing date for the operation Maurel & Prom will receive the amounts relating to the realisation of current assets and make payment for current liabilities born before January 1, 2007. Maurel & Prom will also be repaid the amounts spent after January 1, 2007 on behalf of ENI Congo S.A. and will pay ENI Congo S.A. the sums received for production dating from January 1, 2007.

Total assets and liabilities sold amounted to €M314 as of December 31, 2006. The breakdown is as follows:

Intangible assets:	€M82
Tangible assets:	€M196
Current assets:	€M55
Current liabilities:	€M19

The transaction concerns 45% of the Group's proved and probable reserves as certified by DeGolyer & MacNaughton at January 1, 2006 and represents €9.1 per share (bases € = \$1.31 and 120,128,087 shares).

This operation has been approved by the Supervisory Board of Maurel & Prom and by the Board of Directors of ENI Congo S.A.

30. SUBSIDIARIES AND EQUITY INVESTMENTS

Amounts stated in monetary units

Companies	% held	Capital (foreign currency)	Additional paid-in capital (foreign currency)	Net book value of investment (€)	
				Gross	Net
France					
Caroil Euro	100	42,253,330	11,132,415	42,285,825	42,285,825
Abroad:					
Brooklyn Shipping Ltd (Kingston) US\$	100	3,704	(976,120)	133,225	0
Zetah M&P Congo (Pointe Noire) CFA	100	10,000,000	0	15,245	15,245
Compagnie Européenne et Africaine du Bois (Luxembourg) Euro	100	30,987	(5,975,237)	37,681	0
Mepis International (Kingston) US\$	100	10,000	(362,663)	11,170	0
Maurel & Prom (Suisse) Genève SA	99.99	6,140,000	50,714	3,975,911	3,615,797
Pebercan (Montreal) US\$ ^(b)	19.39	43,594,000	102,033,000	11,992,289	11,992,289
HPL (Bermuda) US\$	100	108,753,767	43,912	389,374,443	389,374,443
Maurel & Prom Tanzania Ltd US\$	100	150	(3,403,358)	74,100,164	74,100,164
Panther Eureka Srl Euro	30	128,752	1,794,177	8,379,099	8,379,099
Other^(c)				165,112	164,960
TOTAL				530,470,165	529,927,822

(a) Including accrued interest.

(b) Based on financial statements as at June 30, 2006.

(c) Zetah Congo Ltd, Zetah Kouilou Ltd, Raba Xprom, MP Tanzanie, Orchard, Hocol MP Vénézuéla and Renaissance Energy. Current account advances written down as follows:

1 €6,571,360

2 €4,963,994

3 Advances paid principally to New Gold Mali (€7,966,919).

Loans and advances granted (€) ^(a)	Guarantees and pledges granted	Dividends received	Sales of the last fiscal year (foreign currency)	Earnings of the last fiscal year (foreign currency)	Notes
1,829,304		14,531,880	87,118,533	7,047,786	
105,573			None	(40,914)	
3,792,746			None	0	
8,228,131			None	(13,337)	1/3
5,116,617			None	(5,842)	2
1,255,626			252,197	30,391	
			52,360,000	16,057,000	
			None	None	
47,239,790			None	(3,870,282)	
6,942,409			None	(3,102,091)	
1,106,732					
75,616,928					

Cash Flow

<i>In €K</i>	12/31/2006	12/31/2005
Income for the year	132,107	76,214
Net contributions (writebacks) of amortization and provisions	57,283	60,473
Impairment of operating assets	4,897	
Other income and expenses	984	
Increase in deferred expenses		1,764
Capital gains (losses) on asset disposals	192	(1)
Free cash flow	195,463	138,450
Change in working capital	18,256	(29,421)
I. NET CASH INFLOWS/ (OUFLOWS) FROM OPERATING ACTIVITIES	213,719	109,030
Acquisition of intangible assets, net of transfers	(29,297)	(21,035)
Acquisition of tangible assets	(95,916)	(84,558)
Acquisition of financial investments	(40,365)	(452,091)
Sales of intangible assets	0	0
Sales of tangible assets	2,044	27
Sales of financial investments	0	413
Net increase in Group current accounts	(61,897)	(19,948)
Net investments	(221,787)	(577,192)
Timing differences on investment transactions	3,644	(4,797)
II. NET CASH FLOW FROM INVESTMENT TRANSACTIONS	(221,787)	(581,988)
Capital increase net of own shares	35,083	83,982
Dividends paid	(38,274)	(16,627)
Increase (reduction) in borrowings	66,972	401,150
Net reduction in Group current accounts		
III. CASH FLOW FROM FINANCING ACTIVITIES	63,781	468,505
IV. CHANGE IN CASH AND CASH EQUIVALENTS	55,714	(4,453)
V. OPENING CASH AND CASH EQUIVALENTS	24,839	26,087
VI. EXCHANGE DIFFERENCES	(8,940)	3,205
VII. CLOSING CASH AND CASH EQUIVALENTS	71,615	24,839

13.2.4 STATUTORY AUDITORS'S REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders,

In accordance with our appointment by your general meeting, we present our report for the year ending December 31, 2006 concerning:

- the audit of the annual financial statements of Maurel & Prom accompanying this report;
- the justification of our assessments;
- the specific checks and controls required by law.

The financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE 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 significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We certify that the annual financial statements are accurate and sincere and in accordance with French accounting principles and give a true and fair view of the Company's results from operations, its financial situation and its assets at the end of the fiscal year.

Without qualifying our opinion, we draw attention to Note 29 relating to the post-balance sheet events, which describes the significant events for the group that occurred since December 31, 2006.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of the French Commercial Code concerning the justification of our assessments, we bring to your attention the following matters:

- As indicated in Note B-b, your company amortises its intangible assets (exploration rights and capitalised exploration expenses)

and records, where appropriate, provisions for impairment on such assets according to the economic value of the recoverable oil reserves. In this context, our assessment of the valuation of the corresponding assets is based on the conclusions of the independent expert engaged by your company or, in the absence of reserves, on the assumption of continued exploratory work.

- Your company records provisions for site restoration in compliance with the terms and the methods described in Notes B-b and C-10; since it is a complex estimating process involving specialized techniques, our assessments are based on an examination of the reasonableness of the assumptions adopted by the your company's management in these estimates.
- As indicated in Note 29, after the balance sheet date, your company completed the sale of virtually all its Congolese assets. As part of our assessment of the significant estimates used to approve the accounts, we are assured of the reasonableness of the accounting practices employed.

These assessments were made in the context of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. VERIFICATIONS AND SPECIFIC INFORMATION

In accordance with professional standards applicable in France, we have carried out the specific verifications required by law.

We have no observations to make with regard to:

- the fair presentation and consistency of the annual financial statements with the information given in the management report and with the documents sent to shareholders concerning the financial situation and the annual financial statements,
- the sincerity of the information given in the management report concerning the compensation and benefits paid to the company officers, or the commitments made in their favour on the occasion of their assumption, termination or change in function, or subsequent thereto.

As required by law, we have ensured that the various details of acquisition of holdings, control and the identities of equity holders have been included in the management report.

Paris-La Défense, May 29, 2007

Statutory Auditors

Michel Bousquet

Ernst & Young Audit

François Carrega

13.3 Note Appendix 3 - Statutory Auditors' Report on the report of the Chairman of the Supervisory Board of Maurel & Prom, concerning the internal control procedures relating to the preparation and processing of accounting and financial information

Dear Shareholders,

In our capacity as auditors for Maurel & Prom and pursuant to the provisions of the last paragraph of Article L. 225-235 of the Commercial Code, we present our report on the report drafted by the chairman of your company under Article L. 225-68 of the Commercial Code for the financial year ending December 31, 2006.

Among other things, it is the duty of the chairman of the Supervisory Board to report on the conditions under which the work of the Supervisory Board was prepared and organized and the internal control procedures applied in the company.

It is our duty to inform you of the observations we have made on the information given in the chairman's report in respect of the internal control procedures governing the drafting and processing of financial and accounting information.

We performed our assigned audits in accordance with the professional standards applicable in France, which requires

us to exercise all due diligence in assessing the fairness of the information given in the chairman's report in respect of the internal control procedures governing the drafting and processing of financial and accounting information. In particular, the exercise of due diligence entails:

- acquainting ourselves with the aims and general organization of internal control, as well as any internal control procedures governing the drafting and processing of financial and accounting information, as set out in the Chairman's report;
- acquainting ourselves with the work on which the information provided in the report is based.

On the basis of that work, we issue an unqualified opinion as to the information relating to the company's internal control procedures for drafting and processing financial and accounting information as set out in the chairwoman's report submitted pursuant to the last paragraph of Article L. 225-68 of the Commercial Code.

Paris, Paris-La-Défense, May 29, 2007

The Auditors

Michel Bousquet

Ernst & Young Audit
François Carrega

13.4 Note Appendix 4 - Special report of the Statutory Auditors on regulated agreements

Dear Shareholders,

In our capacity as Auditors for your company, we are bound to present you with a report on regulated agreements.

Our duties do not include searching for the possible existence of such agreements, but to inform you, on the basis of the information at our disposal, of the characteristics and essential terms of the agreements of which we have been informed, without expressing an opinion concerning their usefulness and validity. It is your duty, according to the terms of article 117 of the decree of March 23, 1967, to assess the advantages of concluding these agreements in view of their approval.

I. AGREEMENTS AUTHORIZED DURING THE FINANCIAL YEAR

We inform you that we have received no notice of any agreement entered into during the financial year and regulated by Article L 225-86 of the French Commercial Law.

II. AGREEMENTS APPROVED IN PREVIOUS FINANCIAL YEARS WHICH CONTINUED TO BE IMPLEMENTED DURING THE YEAR

Furthermore, we were informed that the performance of the agreements below, approved during previous financial years, continued in the last financial year:

1. With Panther Eureka S.r.l

Type and object

In the context of an acquisition agreement for the securities of Panther Eureka signed on February 19, 2005, and authorized by the supervisory board of your company on April 22, 2005, the Company proceeded to the opening of an associate shareholders' account with Panther Eureka.

Conditions

The agreement provides for the remuneration of the account at the annual rate of 8.30%.

As of December 31, 2006, the current account totalled €6,942,409 (six million nine hundred and forty-two thousand four hundred and nine euros) in favour of the company.

The interest gain is €563,751 (five hundred and sixty-three thousand seven hundred fifty-one euros) for the 2006 financial year.

2. With Pacifico

a) Type and object

On June 13, 2005, The Supervisory Board of your company authorized on June 13, 2005, the signing of an assistance and consulting agreement between Pacifico and your company. In application of the decision of the supervisory board of December 15, 2005, a new agreement for services has been entered into, on December 22, 2005, in order to take the board's comments into account.

Conditions

The services carried out and reported in our special report concerning financial year 2006, after notification by the Supervisory board, are as follows:

- search for strategic partners in the oil and gas field;
- study missions of investment and disinvestment projects, determination of target parameter of targets.
- search for new markets and new development opportunities;
- development design of acquisition scenarios or transfer and determination of the financing policy,
- consulting and monitoring of negotiations entrusted to it (draft contractual agreements, group developments), particularly regarding technical cooperation projects,
- technical, accounting, financial and administrative follow up of drilling activities.

The financial terms of this agreement are as follows:

- the payment of an annual fixed fee: €100,000 excluding taxes under financial year 2006;
- the payment of additional fees calculated according to the services rendered and the real cost of the services in the area of financial advice and missions linked to the drilling sector of the subsidiary of Maurel & Prom. Under For 2006, the complementary fees are fixed at €68,700 excluding taxes by month.

The description of this agreement is to be completed over two points, without any change since it's signing, but the scope of which has since then been the subject of discussions. It is also specified in this agreement that:

- The executive entities of Maurel & Prom and its subsidiaries "respect the group's general policy defined by Pacifico";

- The duration of this agreement has not been defined, but it is expressly agreed that “each of the parties may at any time rightfully terminate by operation of law this contract for any reason whatsoever subject to a simple notice of two months.

We have reported these two points to you as necessary.

The amount recognized for the financial year ended December 31, 2006 amounted to EUR €1,229,327 tax included (one million two hundred twenty- nine thousand three hundred twenty-seven euros).

b) Type and object

On October 4, 2000, Your Supervisory Board dated October 4, 2000 has authorized a cash agreement between Pacifico and your company.

Conditions

Remuneration of loans to current accounts carried out at the EURIBOR three months rate +2%. At December 31, 2006, no advance balance had been recognized. No interest was recognized for financial year 2006.

c) Type and object

The Supervisory Board of your company authorized on April 15, 2004, the signature signing of an address for service agreement between Pacifico and your company.

Conditions

This agreement, entered into on June 16, 2004 became effective on June 21, 2004. The annual amount of the domiciliation was fixed at EUR €1,600 excluding taxes.

3. WITH THE COMPANY CAROL, S.A.

a) Type and object

On October 7, 2003, Your Supervisory Board dated October 7, 2003 has authorized a cash agreement between Carolil and your company.

Conditions

This agreement, entered into October 9, 2003, became effective on January 1, 2003 for a period of one year renewable by tacit agreement. Remuneration of loans to current accounts are carried

out at tax deductible rates As of December 31, 2006, the current account (interests included) totalled EUR €1,829,304 (one million eight hundred and twenty- nine thousand, three hundred and four euros) in favour of your company. The interest income was EUR €331,271 (three hundred and thirty- one thousand, two hundred and seventy- one euros) for financial year 2006.

b) Type and object

On April 15, 2004, The Supervisory Board of your company authorized on April 15, 2004, the signature signing of a domiciliation agreement between Pacifico Caroil and your company.

Conditions

This agreement, entered into on June 16, 2004, became effective on June 21, 2004. The annual amount of the domiciliation was fixed at EUR €20,558 excluding taxes.

4. WITH THE COMPAGNIE EUROPÉENNE ET AFRICAINE DU BOIS (CEAB) AND NEW GOLD MALI, S.A.

Type and object

On September 30, 1999, Your Supervisory Board dated September 30, 1999, authorized a cash agreement between CEAB, New Gold Mali and your company.

Conditions

This agreement, entered into March 20, 2000, became effective on January 1, 2000 for a period of one year renewable by tacit agreement for equivalent periods. Remuneration of advances to current accounts are carried out at tax deductible rates. At December 31, 2006, the current account (interests included) amounted to EUR €8,228,131 (eight million two hundred and twenty-eight thousand, one hundred and thirty-one euros) in favour of your company. The interest gain was EUR €347,941 (three hundred and forty- seven thousand nine hundred and forty- one euros) for the 2006 financial year.

We carried out our audit in accordance with professional auditing standards applicable in France. These standards require that we conduct proceedings with due care intended to verify that the information given to us is consistent with the basic documents from which they were created.

Paris, Paris-La-Défense, May 28, 2007

The Statutory Auditors

Michel Bousquet

Ernst & Young Audit

François Carrega

13.5 Note Appendix 5 - Maurel & Prom's financial results for the last five years

<i>In €, except number of shares</i>	2002	2003	2004	2005	2006
I. FINANCIAL SITUATION AT THE END OF THE FINANCIAL YEAR					
a) Share Capital	46,617,386	55,905,726	83,236,992	89,502,157	92,545,997
b) Number of shares issued	6,054,206	7,260,484	108,099,990	116,236,567	120,189,607
II. OVERALL EARNINGS OF ACTUAL TRANSACTIONS OPERATIONS					
a) Revenues Sales excluding taxes	15,351,399	32,509,152	113,534,600	354,141,755	522,707,361
b) Earnings before tax, amortizations and provisions	3,181,575	25,561,190	86,924,766	203,198,825	340,921,361
c) Income tax	3,447,071	3,674,787	14,094,278	66,491,974	151,800,713
d) Earnings after tax, amortizations and provisions	(6,589,039)	14,825,418	54,668,040	76,214,850	132,107,460
e) Amount of distributed profits				16,626,528	38,273,750
III. RESULTS OF TRANSACTIONS OPERATIONS REDUCED TO A SINGLE SHARE					
A) EARNINGS AFTER TAX, BUT BEFORE AMORTIZATION AND PROVISIONS	(0.04)	3.01	0.674	1.176	1.574
b) Earnings after tax, amortizations and provisions	(1.09)	2.04	0.506	0.656	1.099
c) Net dividend paid to each share	-	-	-	0.15	0.33
IV. EMPLOYEES					
a) Number of workers employees	15	21	34	44	54
b) Amount of payroll expenses	877,835	1,621,849	3,290,211	4,304,293	9,632,249
c) Amount of sums paid as social benefits (social security, charity, etc)	444,165	837,143	1,466,743	7,176,726	5,646,671

13.6 Note Appendix 6 - Statutory Auditors Compensation Table

in €K	Ernst & Young				Michel Bousquet			
	Amount		%		Amount		%	
	2006	2005	2006	2005	2006	2005	2006	2005
Audit								
Statutory Auditors, certification, review of individual and consolidated accounts:								
Issuer(*)	1,085	667	70	55	360	317	85	81
Fully-consolidated subsidiaries	210	77	13	6	65	74	15	19
Other diligences and services directly linked to the brief of the auditors:								
Issuer(*)	89	270	6	22				
Integrated subsidiaries globalement	33		2					
Sub-total	1,417	1,014	91	83	425	391	100	100
OTHER SERVICES RENDERED BY THE NETWORKS TO THE FULLY CONSOLIDATED SUBSIDIARIES								
Legal, tax, social		123		10				
Other (to be specified if > 10% of audit fees)	144	80	9	7				
Sub-total	144	203	9	17	0	0	0	0
TOTAL	1,561	1,217	100	100	425	391	100	100

* Amount of tax included; the issuer has no taxable activity in France.

13.7 Note Appendix 7 - Annual information document



French Law Business Corporation *Société Anonyme*

With management board and supervisory board

With capital of €92,498,626.99

Head office: 12 rue Volney, 75002 Paris, France

Tel.: +33 1 53 83 16 00 - Fax: +33 1 53 83 16 04

Paris Trade Register B 457 202 331 - SIRET 457 202 331 00064 - APE 111 Z

ANNUAL INFORMATION DOCUMENT

Drafted in application of Article 222-7 of the General Regulations of the *Autorité des Marchés Financiers*

13.8 Information

Pursuant to Article 222-7 of the General Regulations of the Autorité des marchés financiers, 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	Theme	Medium
January 20, 2006	Activity report for first half 2005	BALO (case 8523)
February 15, 2006	Revenues Sales for the 4 th quarter 2005 and financial year 2005	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF web site website
February 17, 2006	Sales Revenues (IFRS) for 4 th quarter 2005	BALO (case 1368)
April 21, 2006	Presentation of 2005 earnings	M&P and AMF website
May 15, 2006	Sales Revenues of the 1 st quarter 2006 Production before royalties as of 1 st quarter 2006 Continuation of the exploration programme	Press release (Reuters, Bloomberg, Boursorama) Site Internet M&P et AMF
June 16, 2006	Annual accounts	BALO (case 6858)
August 10, 2006	Sales Revenues 1 st half 2006 Production before royalties as of 1 st half 2006 Continuation of the exploration programme in Gabon and in Congo	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF website
August 16, 2006	Sales Revenues as of the 1 st half up by +199% compared to the 1 st half of 2005 Production Maurel & Prom share of 48,910 b/j New exploration success in Gabon	Press release (Reuters, Bloomberg, Boursorama) M&P Site and AMF
August 18, 2006	Sales Revenues for the 1 st half of 2006 up by 199% compared to the same period in 2005. Production, Maurel & Prom share, of 48,910 b/d before royalties as of H1 2006 versus 21,653 as of H1 2005.	BALO (case 13328)
August 30, 2006	Periodic publications Statutory Auditors' annual report on the annual accounts and the consolidated accounts	BALO (case 13825)
October 19, 2006	1 st Half 2006 results Significant increase in sales revenues and optimization of profitability	Press release (Reuters, Bloomberg, Boursorama) M&P Site and AMF
October 30, 2006	Consolidated accounts for the H1 2006 Activity report for H1 2006 Statutory Auditors' report on semi-annual financial information 2006	BALO (case 17689)
November 14, 2006	Sales Revenues for the third quarter and the first nine months 2006	Press release (Reuters, Bloomberg, Boursorama) Site M&P et AMF
December 6, 2006	Sales Revenues for the third quarter of the first nine months of 2006	BALO (case 16006)
December 19, 2006	Results of the exploration programme	Press release (Reuters, Bloomberg, Boursorama)

Date of publication	Theme	Medium
February 1, 2007	2007 financial schedule	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site is
February 15, 2007	2006 Sales revenues up by 42% to €M580.5 Maurel & Prom production share up by 22% to 45,452 b/d in 2006	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF Site
February 21, 2007	Sales Revenues for 4 th quarter 2006	BALO (case 1854)
March 29, 2007	Maurel & Prom: 2006 annual results - sharp increase in financial results Agreement to sell Congolese fields to ENI for an amount of 1,434 billion dollars retroactive to 1 st January 2007	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site

13.8.1.2 Information on the Company's activities

Date of publication	Theme	Medium
January 6, 2006	Clarifications on the communications carried out by Pacific Stratus Energy	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
January 16, 2006	Test for three new wells on the M'Boundi field	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
February 1, 2006	Failure of well 1501 in the Congo. Success of wells Don Pedro-ST1 and Rio Cabrera in Colombia	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
February 13, 2006	Confirmation of the extension of the Vandji theme matter in Gabon	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
February 15, 2006	Sales Revenues increased 4 times quadrupled to 408 million euros in 2005. Production reached 100,000 barrels/day in the 4 th quarter 2005. An ambitious exploration programme for 2006.	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
March 6, 2006	Production launch of three new wells in Gabon – Positive results for the tests on Onal 3 well in Gabon	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
March 30, 2006	Final settlement of the rights of Maurel & Prom and extension of the mining rights to Congo	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
April 21, 2006	Rapid increase in activity Certified, secure and optimized reserves Exploration field and exceptional research programme Diversification géographique réussie	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF Site
May 15, 2006	Sales Revenues for the 1 st quarter 2006 Production before royalties in the 1 st quarter 2006 Continuation of the exploration programme	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
June 1, 2006	Colombia - suspension of Tangara 1 exploration drilling exploration Congo – success of MBD wells– 2001	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
June 16, 2006	Congo – success of 405 wells Gabon – Onal 4 negative results– Onal 5 success	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site

Date of publication	Theme	Medium
July 3, 2006	Maurel & Prom explanation following the article published in the Expansion	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
July 27, 2006	Executive Life case – The Californian judge approves a transaction that occurred between the federal prosecutor of Los Angeles and Jean-François Hénin. This agreement puts an end to all criminal proceedings	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
August 1, 2006	Explanations following the ENI press release	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
August 16, 2006	Revenues Sales in the 1 st half up by + 199% compared to the 1 st half of 2005 Production Maurel & Prom share of 48,910 b/d New exploration success in Gabon	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
August 17, 2006	Maurel & Prom explains that they are not concerned by the coal projects of SEREN	M&P site
September 5, 2006	Massive exercise of redeemable share warrants (99%)	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
September 21, 2006	Colombia: New exploration permit Congo: discovery of the new type of shallow reservoir Early tests positive on Loufika1D ST Gabon: Success of ONAL7 wells Tanzania: First drilling begins Entry of Maurel & Prom in S&P Global Challengers	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
October 2, 2006	CONGO: Success of the MBD 706 well (3,500 b/d) Explanations the declarations of Indian Oil Corporation	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
October 19, 2006	2006 1H results Significant increase in sales Revenues and optimisation of profitability	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
November 22, 2006	Entry of Maurel & Prom in enters Syria	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
December 19, 2006	Results of the exploration programme	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
December 22, 2006	Signature Signing of an exclusive operating licence on the fields of Onal in Gabon Start-up of their development project is	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
January 16, 2007	Tasmania: Success of the Mkuranga-1 well at – 1 Congo: Presence of the reservoir on Loufika – 2	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
January 23, 2007	Congo: beginning of water injection on the M'Boundi field on January 20, 2007	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
February 1, 2007	2007 financial schedule	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site

Date of publication	Theme	Medium
February 1, 2007	Success of the La Cañada Norte well in Colombia (900 b/d) – 7 Mbbls of proven and probable reservoirs in Maurel & Prom share	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
February 15, 2007	2006 revenues sales up by 42% to €M580.5 Maurel & Prom production share up by 22% to 45,452 b/d in 2006	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
February 22, 2007	Arbitrage within the Maurel & Prom portfolio Sale of Congolese assets to ENI for an amount of 1,434 billion dollars	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
February 23, 2007	Overview of the transaction Sale of production assets in the Congo to ENI	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
February 26, 2007	Congo: No oil result on the Tioni – 1 well	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
March 19, 2007	Colombia: Discovery of oil with the Ocelote-1 well, Llanos bassin (600 b/d) – Proven + probable reserves in Maurel & Prom share net of estimated royalties of 11.4 Mbbls	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
March 29, 2007	Maurel & Prom: 2006 Annual results- - Sharp drop in financial results Sale agreement regarding Congolese fields to ENI for an amount of 1,434 billion dollars retroactive to January 1, 2007	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
May 9, 2007	2006 ordinary and extraordinary dividends Modification of the company's governance method	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
May 15, 2007	Sales Revenues of €M60.1, down by 63% compared to 1 st quarter 2006 after the ongoing sale of Mboundi to Eni Congo S.A. (-36% excluding ongoing sale in Congo)	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
May 30, 2007	Termination of the Maurel & Prom asset sale in the Congo to Eni	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site

13.8.2 Corporate information

Date	Subject	Place of publication
January 5, 2006	Declaration of treasury share transactions	AMF
January 16, 2006	Maurel & Prom corporate securities transactions by M. deMarion de Glatigny	AMF
January 27, 2006	Maurel & Prom and Pacifico's denial following the article published in the Indian Express	AMF M&P website
February 3, 2006	Liquidity agreement with Exane BNP Paribas	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
May 19, 2006	Notice of General Shareholders' meeting	BALO (case 6997)
June 5, 2006	Notice to attend General Shareholders' Meeting	BALO (case 8379) Petites Affiches June 2, 2006
June 26, 2006	Minutes of the combined Joint General Shareholders' meeting of June 20, 2006	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
June 26, 2006	Declaration of treasury share transactions	AMF

Date	Subject	Place of publication
July 10, 2006	Information on voting rights at the June 20, 2006 General Meeting	BALO (case 10784)
September 5, 2006	Massive exercise of redeemable share warrants (99%) <i>Exercice massif des Bons de Souscription par Actions Remboursables (99%)</i>	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
November 2, 2006	Implementation of the liquidity agreement with Natexis Bleichroeder	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
December 15, 2006	Maurel & Prom corporate securities transactions by M. Brac de la Perrière	AMF
January 2, 2007	Semi- annual assessment of the liquidity contract entered into with Natexis Bleichroeder	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF site
March 5, 2007	Declaration of treasury share transactions	AMF
March 19, 2007	Declaration of treasury share transactions	AMF

13.8.3 Availability of the information

13.8.3.1 IN ELECTRONIC VERSION

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.

Releases can also be viewed on the Les Echos web site.
<http://www.lesechos-comfi.fr>

BALO publications are available on the BALO web site.
<http://balo.journal-officiel.gouv.fr>.

Annual financial statements are filed with the registrar of the Paris Commercial Court and may be consulted at:
<http://www.infogreffe.fr>.

13.8.3.2 PRINTED VERSION

All the documents mentioned in this Annual Report are available at no cost and upon mere request from the Company: Etablissements Maurel & Prom, 12, rue Volney, 75002 Paris, France

13.9 Note Appendix 9 - Resolutions

AGENDA

Items submitted to the Ordinary General Meeting

- 1°) Management report;
- 2°) Supervisory Board's report;
- 3°) Report of the Chairman of the Supervisory Board on the preparation and organisation of the Board's work and on the internal control procedures deployed by the Company;
- 4°) Auditors' reports on the financial statements for the year ending December 31, 2006; and
- 5°) Special Auditors' report on the agreements coming under Article L. 225-86 of the Commercial Code.

First resolution: Approval of the corporate financial statements for the year ending December 31, 2006.

Second resolution: Approval of the consolidated financial statements for the year ending December 31, 2006.

Third resolution: Allocation of income for the year ending December 31, 2006, as posted in the corporate financial statements.

Fourth resolution: Distribution of additional dividend.

Fifth resolution: Distribution of additional dividend.

Sixth resolution: Approval of the agreements coming under Article L. 225-86 of the Commercial Code.

Seventh resolution: Attendance fees allocated to the Supervisory Board, or if applicable, to the Board of Directors, for fiscal 2007.

Eighth resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to buy, hold or transfer Company shares.

Items submitted to the Extraordinary General Meeting

- 1°) Management report
- 2°) Special Auditors' report.

Ninth resolution: Change in the method of administration and management of the Company: management entrusted to a Board of Directors.

Tenth resolution: Adoption of the Company's new Articles of Association.

Items submitted to the Ordinary General Meeting

Eleventh resolution: Appointment of Society Financière de Rosario as member of the Board of Directors (category A).

Twelfth resolution: Appointment of Mr Christian Bellon de Chassy as member of the Board of Directors (category A).

Thirteenth resolution: Appointment of Mr Fabien Chalandon as member of the Board of Directors (category A).

Fourteenth resolution: Appointment of Mr Gérard Andreck as member of the Board of Directors (category B).

Fifteenth resolution: Appointment of Mr Alain Gomez as member of the Board of Directors (category B).

Sixteenth resolution: Appointment of Mr Alexandre Vilgrain as member of the Board of Directors (category B).

Seventeenth resolution: Appointment of Mr Jean-François Hénin as member of the Board of Directors (category C).

Eighteenth resolution: Appointment of Mr Emmanuel de Marion de Glatigny as member of the Board of Directors (category C).

Nineteenth resolution: Appointment of Mr Roland d'Hauteville as member of the Board of Directors (category C).

Twentieth resolution: Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Gérard Andreck as member of the Supervisory Board.

Twenty-first resolution: Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Alain Gomez as member of the Supervisory Board.

Twenty-second resolution: Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Société Financière de Rosario as member of the Supervisory Board.

Twenty-third resolution: Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Alexandre Vilgrain as member of the Supervisory Board.

Twenty-fourth resolution: Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Christian Bellon de Chassy as member of the Supervisory Board.

Twenty-fifth resolution: Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Emmanuel de Marion de Glatigny as member of the Supervisory Board.

Twenty-sixth resolution: Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Fabien Chalandon as member of the Supervisory Board.

Twenty-seventh resolution: Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Roland d'Hauteville as member of the Supervisory Board.

Items submitted to the Extraordinary General Meeting

Twenty-eighth resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to issue shares and/or securities giving access to the capital, with retention of preferential subscription rights.

Twenty-ninth resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to issue shares and/or securities giving access to the capital, in order to remunerate contributions in kind consisting of shares or securities giving access to the capital.

Thirtieth resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to increase the Company's capital through the capitalization of reserves, profits or additional paid-in capital.

Thirty-first resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to increase the Company's capital through the issue of shares reserved for the employees of the Company and/or its subsidiaries, with removal of preferential subscription rights.

Thirty-second resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to allot free shares (either existing shares or shares to be issued) to employees and/or corporate officers.

Thirty-third resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to reduce the capital through the cancellation of common shares.

Thirty-fourth resolution: Powers to accomplish all formalities.

Items submitted to the Extraordinary General Meeting:

Twenty-eighth resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to issue shares and/or securities giving access to the capital, with retention of preferential subscription rights.

Twenty-ninth resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to issue shares and/or securities giving access to the capital, in order to remunerate contributions in kind consisting of shares or securities giving access to the capital.

Thirtieth resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to increase the Company's capital through the capitalization of reserves, profits or additional paid-in capital.

Thirty-first resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to increase the Company's capital through the issue, with removal of preferential subscription rights, of shares reserved for the employees of the Company and/or its subsidiaries.

Thirty-second resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to allot free shares (either existing shares or shares to be issued) to employees and/or corporate officers.

Thirty-third resolution: Authorization given to the Management Board, or if applicable, to the Board of Directors, to reduce the Company's capital through the cancellation of common shares.

Thirty-fourth resolution: Powers to accomplish all formalities.

Items submitted to the Ordinary General Meeting

First resolution

(Approval of the corporate financial statements for the year ending December 31, 2006)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, Supervisory Board's report and Auditors' report on the corporate financial statements, approves said financial statements for the year ending December 31, 2006, comprising the Balance Sheet, Income Statement and Notes thereto, as presented, as well as the operations translated in those financial statements and summarized in those reports.

The General Meeting sets the profit for the year 2006 at €132,107,460.

The General Meeting gives full discharge to the members of the Management Board in respect of their management for the year ending December 31, 2006.

The General Meeting gives full discharge to the members of the Supervisory Board in respect of their duties for the year ending December 31, 2006.

It also gives full discharge to the Auditors in respect of their engagement.

Second resolution

(Approval of the consolidated financial statements for the year ending December 31, 2006)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, Supervisory Board's report and Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ending December 31, 2006, comprising the Balance Sheet, Income Statement and Notes Appendices thereto, as presented, as well as the operations translated in those financial statements and summarized in those reports.

Third resolution

(Allocation of income for the year ending December 31, 2006, as posted in the corporate financial statements)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, Supervisory Board's report and Auditors' report on the corporate financial statements for the year,

- (i) resolves, in accordance with Article L. 232-10 of the Commercial Code, with respect to the profit for 2006 amounting to €132,107,460, to allocate the sum of €1,323,490 to the legal reserve, bringing the amount of this reserve to €9,254,600;
- (ii) given the previous retained earnings of €62,998,127, notes that the distributable income for fiscal 2006, after the legal reserve allocation, amounts to €193,782,097;
- (iii) resolves to pay the shareholders, by way of dividend taken from the distributable income for 2006 and retained earnings, the amount of €0.50 per share, i.e. a total of €60,094,803.50.

The General Meeting gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, to determine the procedure for the payment of this dividend and set its payment date.

As required by law, no dividend shall be payable in respect of the shares held by the Company on the date of payment of the dividend. Consequently, the General Meeting resolves to give all powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, to determine, in consideration of the number of shares held by the Company on the date of payment of the dividend, the total amount of dividend payable and consequently the balance of distributable income to be allocated to "Retained Earnings".

The amount of income thus distributed shall entitle all recipients who are natural persons domiciled in France to a 40% rebate as mentioned in item 2, paragraph 3 of Article 158 of the French General Income Tax Code (CGI).

In accordance with Article 243 of the CGI, the General Meeting states that the dividends paid per share over the previous three fiscal years were as follows:

Fiscal year	2003 ⁽¹⁾	2004 ⁽²⁾	2005 ⁽³⁾
Amount per share	€0	€0.15	€0.33
Total	€0	€16,626,528	€38,359,637.91

(1) For certain taxpayers, the dividend entitled the recipient to a tax credit equivalent to 50% of the dividend.

(2) For certain taxpayers, the dividend was eligible for a 50% rebate, pursuant to Article 158-3 of the CGI.

(3) For certain taxpayers, the dividend was eligible for a 40% rebate, pursuant to Article 158-3 of the CGI.

Fourth resolution

(Distribution of additional dividend)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, Supervisory Board's report and Auditors' report on the corporate financial statements for the year:

- (i) resolves, subject to the rejection of the fifth resolution and completion of the transaction with ENI Congo S.A. by the final payment date of this additional dividend as provided in Article L. 232-13 of the Commercial Code, to pay the shareholders by way of an additional dividend, the amount of €0.70 per share, i.e. a total of €84,132,724.90 out of the following accounts:
 - €84,132,724.90 taken from the distributable income for 2006 and "Retained Earnings", which now amount to €49,554,568.60.
- (ii) gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, to determine the method of payment of these dividends and set their payment date;
- (iii) resolves, as required by law and given that the shares held by the Company on the date of payment of the dividends shall not be eligible for such payment, to give all powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, to determine, in consideration of the number of shares held by the Company on the dividend payment date, the total amount of the dividends to be taken from "Additional paid-in capital" and "Other reserves" and consequently the amount of those items after distribution of the dividends.

It is hereby specified that the entire amount of income thus distributed is eligible for the 40% rebate mentioned in item 2, paragraph 3 of Article 158 of the CGI, for natural persons domiciled in France for tax purposes.

Fifth resolution

(Distribution of additional dividends)

The General Meeting deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, Supervisory Board's report and Auditors' report on the corporate financial statements for the year:

- (i) resolves, subject to the rejection of the fourth resolution and completion of the transaction with ENI Congo S.A. by the final payment date of this additional dividend as provided in Article L. 232-13 of the Commercial Code, to pay the shareholders

by way of an additional dividend, the amount of €2 per share, i.e. a total of €240,379,214 out of the following accounts:

- €133,687,293.50 taken from the distributable income for 2006 and "Retained Earnings" and
 - €106,691,920.50 taken from "Additional paid-in capital", which is thereby reduced from €179,537,858 to €72,845,937.50.
- (ii) gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, to determine the method of payment of those dividends and set their payment date;
 - (iii) resolves, as required by law and given that the shares held by the Company on the date of payment of the dividends shall not be eligible for such payment, to give all powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, to determine, in consideration of the number of shares held by the Company on the dividend payment date, the total amount of the dividends to be taken from "Additional paid-in capital" and "Other reserves" and consequently the amount of those items after distribution of the dividends.

It is hereby specified that, as the entire amount of income distributed is of a nature other than the refund of a contribution, this amount shall be eligible for the 40% rebate mentioned in item 2, paragraph 3 of Article 158 of the CGI, for natural persons domiciled in France.

Sixth resolution

(Approval of the agreements coming under Article L. 225-86 of the Commercial Code)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the special Auditors' report on the agreements coming under Article L. 225-86 of the Commercial Code and relating to the year ending December 31, 2006, acknowledges the conclusions of this report and approves the agreements mentioned therein.

Seventh resolution

(Attendance fees allocated to the Supervisory Board, or if applicable, to the Board of Directors, for fiscal 2007)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, resolves to set at €450,000 the total amount of attendance fees for the year 2007 to be distributed to the members of the Supervisory Board, or if applicable and subject to the adoption of the ninth resolution, to the members of the Board of Directors.

Eighth resolution

(Authorization given to the Management Board, or if applicable, to the Board of Directors, to buy, hold or transfer Company shares)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, authorizes the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, in accordance with Articles L. 225-209 et seq. of the Commercial Code, the general rules of the AMF and EC regulation 2273/2003 of December 22, 2003, to buy its own shares within a period of eighteen (18) months starting on the date of this meeting, up to a maximum of 10% of the existing share capital on the date of this General Meeting, under the following conditions:

The General Meeting resolves that the maximum price payable by the Company for the purchase of its own shares shall not exceed €22 per share and that the minimum selling price shall not be less than €12 per share, with the understanding that, in the event of operations affecting the capital, particularly the capitalization of reserves and allocation of free shares, and/or splitting or consolidation of shares, these prices shall be adjusted accordingly.

The maximum amount eligible for the buyback programme is thus set at €264,417,142, calculated on the basis of the share capital on December 31, 2006; this cap may be adjusted to take account of the amount of the capital on the date of the General Meeting.

The maximum number of shares that may be purchased by virtue of this authorization may not exceed 10% of the total number of shares that make up the Company's share capital, it being specified that (i) the number of shares acquired by the Company for holding purposes and their subsequent use for payment or exchange purposes within the scope of a merger, split-up or contribution operation may not exceed 5% of its capital, in accordance with 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 account of operations affecting the share capital after the date of this meeting, as the acquisitions made by the Company shall under no circumstance result in its holding, either directly or indirectly, more than 10% of its own share capital.

This authorization is intended to allow the Company to meet the following objectives, in compliance with applicable laws and regulations:

- (i) hold the Company shares purchased and subsequently use them for exchange or payment purposes within the scope of any external growth operations;
- (ii) allot bought-back shares to employees and/or corporate officers within the scope of (i) the profit-sharing scheme,

(ii) any share purchase plan or free share allocation to employees under the conditions provided by law, particularly Articles L. 443-1 et seq. of the Labour Code or (iii) any stock option plan or free share allocation programme aimed at employees and corporate officers or some of them in particular;

- (iii) deliver Company shares, following the issue of securities giving access to the Company's share capital, to the holders of such securities;

with the understanding that the hedging of the mechanisms set out in paragraphs (ii) and (iii) above shall be done through an investment service firm acting independently;

- (iv) boost the secondary trading of the Company's shares, this to being done through an investment service firm acting under a liquidity contract in compliance with the charter of ethics of the French Association of Investment Companies;
- (v) cancel the shares purchased and reduce the Company's capital pursuant to the thirty-third resolution of this meeting, subject to its adoption.

Such share purchases, sales, exchanges or transfers may be carried out by any means, i.e. on the stock market or by private agreement, including through the acquisition or sale of blocks of shares, or through the use of financial instruments, particularly derivatives traded on a regulated market or by private agreement, such options or any combinations thereof, except for call options, or warrants, subject to the terms authorized by the competent market authorities and for the periods fixed by the Company's Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors. The portion of the share capital acquired or transferred through blocks of shares may take up the total programme.

Such operations may take place at any time, in compliance with legal requirements, including during a public offer, subject to all specific legal and regulatory provisions applicable.

The General Meeting grants the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, in the event of the modification of the par value of the share, a capital increase through the capitalization of reserves, the allotment of free shares, a share split or consolidation, the distribution of reserves or any other assets, the amortization of capital or any other operation affecting the share capital, the power to adjust the aforementioned purchase or selling price to take account of the effect of such operations on the value of the share.

Moreover, the General Meeting gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, with the possibility

of delegating such powers in accordance with legal requirements and regulations, to decide upon and implement this authorization, specify its 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 to the various purposes sought, and make all declarations to be filed with the competent bodies, particularly the French stock market authority (AMF), and in a general way, do everything required for the completion of the operations carried out pursuant to this authorization.

Every year, the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, shall inform the General Meeting of the operations carried out pursuant to this resolution, in accordance with Article L. 225-209 of the Commercial Code.

This authorization immediately cancels any previous authorization of the same nature, and in particular, the unused portion of the authorization given by the ninth resolution of the General Meeting of June 20, 2006.

Items submitted to the Extraordinary General Meeting

Ninth resolution

(Change in the method of management of the Company: management entrusted to a Board of Directors)

The General Meeting resolves to modify, as from today, the method of administration and management of the Company and entrust its management to a Board of Directors as provided in Articles L. 225-17 to 225-56 of the Commercial Code.

Tenth resolution

(Adoption of the Company's new Articles of Association)

The General Meeting, subject to the adoption of the ninth resolution, resolves (i) to harmonize the Articles of Association to take account of the Company's new management method; (ii) to modify Articles 26.3 and 26.4 of the Company's Articles of Association so that they conform with Article R. 225-85 of the Commercial Code as follows:

Article 1 of the Company's Articles of Association now reads as follows:

“Article 1 - COMPANY'S LEGAL FORM

The Company is a joint-stock company *Société Anonyme* with a Board of Directors governed by the laws and regulations applicable to sociétés anonymes joint-stock companies as well as the following Articles of Association.”

Article 4 of the Company's Articles of Association now reads as follows:

“Article 4 - HEAD OFFICE

The head office is located at 12, rue Volney, Paris (75002), France.

It may be transferred in accordance with Article L. 225-36 of the Commercial Code.”

Article 7 of the Company's Articles of Association now reads as follows:

“Article 7 - MODIFICATION OF THE SHARE CAPITAL

The share capital may be reduced or increased by decision of the Extraordinary General Meeting in accordance with applicable laws and regulations. However, the Extraordinary General Meeting may grant the Board of Directors, as authorized by applicable laws and regulations, the necessary powers to decide upon or carry out a capital increase or issue any other securities.”

Article 8.1 of the Company's Articles of Association now reads as follows:

“8.1. In the event of a capital increase, the shares subscribed for must be paid-up upon subscription, according to the decision of the Extraordinary General Meeting or Board of Directors having received the Extraordinary General Meeting's authorization to that effect, either fully or partly (at least one fourth of the price of each share subscribed for) in cash and, at any rate, within five years, by decision of the Board of Directors which sets the amount of the sums called up as well as the place and period of payment. The payment for the shares subscribed for must be sent either to the Head Office, or any other place indicated to that effect.”

Article 8.2 of the Company's Articles of Association now reads as follows:

8.3. The Board of Directors shall also determine the conditions under which the shareholders may be authorized to pay for their shares in advance.”

Article 9.3. of the Company's Articles of Association now reads as follows:

“9.3. The Company is entitled, at any time, under the terms and according to the procedures provided by applicable laws and regulations, to ask the custodian in charge of the share

issue account for the identity of the holders of shares conferring immediate or subsequent voting rights at its shareholders' meetings and the number of shares held by each of them and, where appropriate, the restrictions that may be applicable to the shares."

Section III is modified as follows:

"Administration

III-1 BOARD OF DIRECTORS

Article 13 - COMPOSITION

13.1. The Company is managed by a Board of Directors made up of a minimum of three (3) members and a maximum of twelve (12), appointed by the Ordinary General Meeting of Shareholders, subject to the exception provided by law in the event of a merger.

In order to allow the partial renewal of the members of the Board of Directors, three categories of directors (A, B and C) are temporarily instituted, each comprising one (1) to three (3) directors appointed by the General Meeting having resolved to change the method of administration and management of the Company and entrust the management of the Company to a Board of Directors.

13.2. A legal entity may be appointed as director but it must, as provided by law, appoint a natural person to act as its permanent representative on the Board of Directors.

Article 14 - TERM OF OFFICE - AGE LIMIT

14.1. The term of office of category-A directors is set at one (1) year. It shall end at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2007 and held in 2008.

The term of office of category-B directors is set at two (2) years. It shall end at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2008 and held in 2009.

The term of office of category-C directors is set at three (3) years. It shall end at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2009 and held in 2010.

14.2. Upon expiry of the term of office of the directors (category A, B or C), the category to which those directors belonged will automatically be cancelled. The directors' term of office will then be three (3) years. It shall end at the close of the Ordinary General Meeting convened to rule on the financial statements for the year just ended and held in the year during which the director's term of office expires.

14.3. The number of members of the Board of Directors over the age of seventy (70) may not exceed one third of the number of Board members. Where this number is exceeded, the oldest member shall automatically be deemed as having *be deemed to have* resigned.

14.4. The directors may be re-elected indefinitely, subject to the above provisions concerning the age limit. They may be dismissed at any time by the General Meeting.

14.5. In the event of death or resignation of one or more directors, the Board of Directors may appoint other directors on a provisional basis, subject to approval by the next Ordinary General Meeting, within the limits and under the conditions laid down by law. Even without the approval of the Ordinary General Meeting, all prior decisions made and actions accomplished remain valid.

14.6. In the event of death, resignation or dismissal of a director, the director appointed by the General Meeting of Shareholders or, as provided in item 14.5 above, by the Board of Directors, in replacement of that director shall only remain in office for the remainder of his predecessor's term of office.

14.7. If the number of directors falls below three, the remaining members (or the Auditors or an appointed corporate officer, on the request of any interested party, by the President of the Commercial Court) shall immediately convene an Ordinary General Meeting of Shareholders to appoint one or more new directors in order to bring the number of Board members up to the legal minimum.

Article 15 - DIRECTORS' SHARES

15.1. Each director must hold at least one (1) Company share throughout his term of office.

15.2. If, on the date of his appointment, a director does not hold the required number of shares or ceases to hold that number of shares during his term of office, he shall automatically be deemed as having *be deemed to have* resigned if this situation is not remedied within three months.

Article 16 - POWERS OF THE BOARD OF DIRECTORS

16.1. The Board of Directors determines Company policies and sees to their implementation. Without prejudice to the powers expressly granted to the shareholders' meetings and within the limit of the corporate purpose, it deals with all matters concerning the running of the Company and makes all relevant decisions.

16.2. In relations with third parties, the Company is bound by the Board of Directors' actions, even if they do not come under

the corporate purpose, unless it can be proven that the third parties knew that such an action was outside that scope or that it could not be unaware of it given the circumstances, it being excluded ruled out that the publication of the Articles of Association alone is sufficient proof.

- 16.3. The Board of Directors carries out the checks and verifications it deems appropriate
- 16.4. 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.
- 16.5. The Board of Directors may confer special duties concerning one or more specific purposes upon one or more of its members, or upon third parties whether shareholders or not.
- 16.6. It may also decide to create special committees. Such committees, whose composition and powers are set by the Board, shall perform their activities under the Board's responsibility.

Article 17 - MEETINGS AND DELIBERATIONS

- 17.1. The Board of Directors holds meetings in the Company's interest as required; such meetings are convened by the Chairman of the Board as he deems appropriate, at the place stated on the notification.
- 17.2. When the Board of Directors has not held a meeting for more than two months, a minimum of one third of the Board of Directors may ask the Chairman to convene the Board on a specific agenda. The Managing Director may also ask the Chairman to convene the Board of Directors on a specific agenda. The Chairman is then bound by such requests.
- 17.3. Meetings may be convened by all any means and method.
- 17.4. The deliberations of the Board of Directors are only valid if at least half the members are present.
- 17.5. All decisions must be upheld by the majority of members present or represented. In the event of a tie vote, the Chairman has the casting vote.
- 17.6. Subject to legal and regulatory provisions, the Board of Directors' meetings may take place through videoconferencing or means of telecommunication in accordance with the Board of Directors' own rules of procedure.
- 17.7. The Board of Directors' deliberations are recorded as minutes of the meeting as required by law.
- 17.8. Copies or extracts of these minutes are delivered and certified as required by law.

Article 18 - BOARD OF DIRECTORS' COMMITTEE

- 18.1. Out of its members, the Board of Directors elects a Chairman, who must be a natural person, and if it deems appropriate, one or more Vice-Chairmen. It sets their term of office which cannot exceed their director's term of office, and which it may terminate at any time.
- 18.2. The age limit for the Chairman of the Board of Directors is set at seventy (70) years. When this age limit is reached during the term of office of the Chairman of the Board of Directors, he shall automatically be deemed as having been deemed to have resigned.
- 18.3. In the event of temporary incapacity or death of the Chairman, the oldest Vice-Chairman of the Board of Directors shall take over the Chairman's duties. In the event of the Chairman's temporary incapacity, the term of this delegation of power is limited but may be renewed. In the event of death, it is valid until the election of a new Chairman.
- 18.4. The Board of Directors also appoints a secretary for whom it sets the term of office; the secretary may but need not be chosen out of the directors. In the absence of the Chairman and Vice-Chairmen, the Board of Directors appoints one of the directors to chair the session.
- 18.5. If, out of accidental omission, the Board failed to expressly renew the terms of office of the committee members whose Director's term of office has not expired, this renewal shall be considered as having taken place as of right; this renewal shall be confirmed at the next Board meeting if need be.

Article 19 - DIRECTORS' COMPENSATION

- 19.1. The members of the Board of Directors may receive attendance fees as compensation whose total amount is determined by the General Meeting and is divided freely by the Board of Directors.
- 19.2. In particular, the Board of Directors may grant a higher compensation to the directors who are members of the committees mentioned in Article 16.6. above.

Article 20 - CHAIRMAN OF THE BOARD OF DIRECTORS

- 20.1. The Chairman of the Board of Directors organises and oversees the work of the Board on which he reports to the General Meeting.
- 20.2. He sees to the proper running of the Company and ensures, in particular, that the directors are fit to perform their duties.

- 20.3. The Board of Directors determines the amount, method of calculation and method of payment of the Chairman's compensation, if applicable. The Chairman may be dismissed by the Board of Directors at any time.

Article 21 - "CENSEURS"

- 21.1. The Board of Directors may appoint a maximum of four Company censeurs chosen out of the natural person shareholders.
- 21.2. The censeurs' term of office is set at three (3) years.
- 21.3. The censeurs are convened to attend the meetings of the Board of Directors as observers and may be consulted by the latter; they may, on the proposals submitted to them, and if they deem it appropriate, present observations at General Meetings. They must be convened at each Board meeting. The Board of Directors may give the censeurs specific assignments. They may sit on the committees created by the Board of Directors.
- 21.4. The censeurs must hold at least one (1) Company share. The Board of Directors may decide to pay the censeurs part of the attendance fees allocated by the General Meeting and authorize the refund of the expenses incurred by the censeurs in the Company's interest.

III-2 CORPORATE MANAGEMENT

Article 22 - CORPORATE MANAGEMENT

- 22.1. In accordance with legal and regulatory requirements, the Company is managed and is under the responsibility of the Chairman of the Board of Directors or another natural person appointed by the Board of Directors and bearing the title of Managing Director.
- 22.2. The choice between these two forms of company management is made by the Board of Directors which must inform the shareholders and third parties thereof, as provided by law.
- 22.3. The Board of Directors' decision concerning the choice of the form of company management is subject to a majority vote out of the directors present or represented.
- 22.4. The option chosen by the Board of Directors must be retained for at least one year.
- 22.5. A change in the form of company management does not require modification of the Articles of Association.

Article 23 - MANAGING DIRECTOR

- 23.1. Depending on the option chosen by the Board of Directors, in accordance with Article 22 above, the management of

the Company is either entrusted to the Chairman, or to a natural person, appointed by the Board of Directors and bearing the title of Managing Director.

- 23.2. Where the Board of Directors chooses to dissociate the duties of Chairman and Managing Director, it shall appoint a Managing Director, set his term of office, determine his compensation and, if applicable, the limits of his powers.
- 23.3. The age limit for the Managing Director is set at seventy (70) years. When this age limit is reached during the Managing Director's term of office, he shall automatically be deemed as having *be deemed to have* resigned.
- 23.4. The Managing Director may be dismissed by the Board of Directors at any time.
- 23.5. The Managing Director 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 the shareholders' meetings and Board of Directors.
- 23.6. The Managing Director represents the Company in its relations with third parties. The Company is bound by the Managing Director's actions, even if they do not come under the corporate purpose, unless it can be proven that the third parties knew that such an action was outside that scope or that it could not be unaware of it given the circumstances, it being excluded ruled out that the publication of the Articles of Association alone is sufficient proof.

Article 24 - DEPUTY MANAGING DIRECTORS

- 24.1. On proposal of the Managing Director, the Board of Directors may appoint one or more natural persons as Deputy Managing Director(s) to assist the Managing Director.
- 24.2. The maximum number of Deputy Managing Directors is set at two.
- 24.3. In agreement with the Managing Director, the Board of Directors shall determine the extent and duration of the powers granted to the Deputy Managing Directors.
- 24.4. With respect to third parties, the Deputy Managing Directors have the same powers as the Managing Director.
- 24.5. The age limit for the Deputy Managing Director is set at seventy (70) years. When this age limit is reached during the term of office of the Deputy Managing Director, he shall automatically be deemed as having *be deemed to have* resigned.
- 24.6. On proposal of the Managing Director, the Deputy Managing Directors may be dismissed by the Board of Directors at any time.

24.7. The Board of Directors determines the compensation of the Deputy Managing Directors.

24.8. In the event of cessation of the Managing Director's duties or incapacity, the Deputy Managing Directors shall maintain their duties and powers, unless otherwise decided by the Board of Directors, until the appointment of a new Managing Director."

Article 26.3 of the Company's Articles of Association now reads as follows:

"26.3. However, the right to take part in the Company's General Meetings shall be justified, in any form whatsoever, by registration in the Company's accounts or registration of the shares under the terms and conditions and within the deadline set by applicable regulations."

Article 26.4 of the Company's Articles of Association now reads as follows:

"26.4. The Board of Directors may reduce or do away with the deadline for justification of the right to take part in the Company's General Meetings by way of a general measure applicable to all shareholders."

Article 26.6 of the Company's Articles of Association now reads as follows:

"26.6. Any shareholder may also send the Company a proxy without stating any name. All such proxies shall be considered as votes in favour of the resolutions submitted or approved by the Board of Directors at the meeting."

Article 26.8 of the Company's Articles of Association now reads as follows:

"26.8. The shareholders may, on decision of the Board of Directors, take part in the meetings by videoconference or means of telecommunication allowing their identification in accordance with applicable regulations."

Article 27.1 of the Company's Articles of Association now reads as follows:

"27.1. Shareholder meetings are convened, as required by law, by the Board of Directors or failing that, by the Auditors or any other person authorized by law."

Article 28.3 of the Company's Articles of Association now reads as follows:

"28.3. The Meeting cannot deliberate on an issue which is not on the agenda. Nevertheless, it may, in all circumstances, dismiss one or more members of the Board of Directors and proceed with their replacement."

Article 29.1 of the Company's Articles of Association now reads as follows:

"29.1. The General Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by a member of the Board of Directors appointed by the Board. Failing that, the Meeting shall elect its Chairman."

Article 31.3 of the Company's Articles of Association now reads as follows:

"31.3. The deliberations are recorded as minutes in a special minutes book. These minutes are signed by the committee members. Copies or extracts of the minutes are signed by the Chairman of the Board of Directors."

Article 32.2 of the Company's Articles of Association now reads as follows:

"32.2. Every year, an Ordinary General Meeting is convened by the Board of Directors, within six months following the year-end closing date."

Article 35 of the Company's Articles of Association now reads as follows:

"Article 35 - CORPORATE ACCOUNTS

The Board of Directors keeps proper books to account for the company's operations and closes the accounts in accordance with applicable laws and regulations."

Article 37.1 of the Company's Articles of Association now reads as follows:

"37.1. The method of payment of the dividends voted by the General Meeting is set by the latter, or failing that, by the Board of Directors in accordance with Articles L. 232-12 to L. 232-17 of the Commercial Code."

Article 38.1 of the Company's Articles of Association now reads as follows:

"38.1. On the Board of Directors' proposal, the Extraordinary General Meeting may, at any time, pronounce the early dissolution of the Company."

Article 38.2 of the Company's Articles of Association now reads as follows:

"38.2. If the Company's total equity falls below half its share capital, the Board of Directors shall, within four months of the approval of the financial statements revealing that loss, convene an Extraordinary General Meeting to decide whether the early dissolution of the Company is called for. If the dissolution is not pronounced, the capital shall immediately be reduced by an amount equal to the loss

booked, subject to the provisions of Article L. 224-2 of the Commercial Code. In all cases, the meeting's resolution shall be made public."

Article 39.1 of the Company's Articles of Association now reads as follows:

"**39.1.** Upon termination of the Company, or its early dissolution, the General Meeting shall, on proposal of the Board of Directors, set the liquidation method and appoint one or more liquidators of which it shall determine the powers."

Article 39.2 of the Company's Articles of Association now reads as follows:

"**39.2.** The appointment of a liquidator shall put an end to the powers of the members of the Board of Directors."

Items submitted to the Ordinary General Meeting

Eleventh resolution

(Appointment of Company Financière de Rosario as member of the Board of Directors (category A))

The General Meeting resolves, subject to the adoption of the ninth and tenth resolutions, to appoint as from this day, Société Financière de Rosario as member of the Board of Directors (category A), for a period of one year, ending at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2007.

Société Financière de Rosario has confirmed that it was accepting the appointment as Director and that it met all applicable legal and regulatory requirements.

Twelfth resolution

(Appointment of Mr Christian Bellon de Chassy as member of the Board of Directors (category A))

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, resolves, subject to the adoption of the ninth and tenth resolutions, to appoint as from this day, Mr Christian Bellon de Chassy as member of the Board of Directors (category A), for a period of one year, ending at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2007.

Mr Christian Bellon de Chassy has confirmed that he was accepting the appointment as Director and that he met all applicable legal and regulatory requirements.

Thirteenth resolution

(Appointment of Mr Fabien Chalandon as member of the Board of Directors (category A))

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, resolves, subject to the adoption of the ninth and tenth resolutions, to appoint as from this day, Mr Fabien Chalandon as member of the Board of Directors (category A), for a period of one year, ending at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2007.

Mr Fabien Chalandon has confirmed that he was accepting the appointment as Director and that he met all applicable legal and regulatory requirements.

Fourteenth resolution

(Appointment of Mr Gérard Andreck as member of the Board of Directors (category B))

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, resolves, subject to the adoption of the ninth and tenth resolutions, to appoint as from this day, Mr Gérard Andreck as member of the Board of Directors (category B), for a period of two years, ending at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2008.

Mr Gérard Andreck has confirmed that he was accepting the appointment as Director and that he met all applicable legal and regulatory requirements.

Fifteenth resolution

(Appointment of Mr Alain Gomez as member of the Board of Directors (category B))

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, resolves, subject to the adoption of the ninth and tenth resolutions, to appoint as from this day, Mr Alain Gomez as member of the Board of Directors (category B), for a period of two years, ending at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2008.

Mr Alain Gomez has confirmed that he was accepting the appointment as Director and that he met all applicable legal and regulatory requirements.

Sixteenth resolution

(Appointment of Mr Alexandre Vilgrain as member of the Board of Directors (category B))

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, resolves, subject to the adoption of the ninth and tenth resolutions, to appoint as from this day, Mr Alexandre Vilgrain as member of the Board of Directors (category B), for a period of two years, ending at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2008.

Mr Alexandre Vilgrain has confirmed that he was accepting the appointment as Director and that he met all applicable legal and regulatory requirements.

Seventeenth resolution

(Appointment of Mr Jean-François Hénin as member of the Board of Directors (category C))

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, resolves, subject to the adoption of the ninth and tenth resolutions, to appoint as from this day, Mr Jean-François Hénin as member of the Board of Directors (category C), for a period of three years, ending at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2009.

Mr Jean-François Hénin has confirmed that he was accepting the appointment as Director and that he met all applicable legal and regulatory requirements.

Eighteenth resolution

(Appointment of Mr Emmanuel de Marion de Glatigny as member of the Board of Directors (category C))

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, resolves, subject to the adoption of the ninth and tenth resolutions, to appoint as from this day, Mr Emmanuel de Marion de Glatigny as member of the Board of Directors (category C), for a period of three years, ending at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2009.

Mr Emmanuel de Marion de Glatigny has confirmed that he was accepting the appointment as Director and that he met all applicable legal and regulatory requirements.

Nineteenth resolution

(Appointment of Mr Roland d'Hauteville as member of the Board of Directors (category C))

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, resolves, subject to the adoption of the ninth and tenth resolutions, to appoint as from this day, Mr Roland d'Hauteville as member of the Board of Directors (category C), for a period of three years, ending at the close of the Ordinary General Meeting convened to rule on the financial statements for the year ending December 31, 2009.

Mr Roland d'Hauteville has confirmed that he was accepting the appointment as Director and that he met all applicable legal and regulatory requirements.

Twentieth resolution

(Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Gérard Andreck as member of the Supervisory Board)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, and subject to the rejection of the ninth and tenth resolutions, resolves to renew the term of office of Mr Gérard Andreck as member of the Supervisory Board for a period of three years ending at the close of the Ordinary General Meeting of Shareholders convened to rule on the financial statements for the year ending December 31, 2009.

Twenty-first resolution

(Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Alain Gomez as member of the Supervisory Board)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, and subject to the rejection of the ninth and tenth resolutions, resolves to renew the term of office of Mr Alain Gomez as member of the Supervisory Board for a period of three years ending at the close of the Ordinary General Meeting of Shareholders convened to rule on the financial statements for the year ending December 31, 2009.

Twenty-second resolution

(Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Société Financière de Rosario as member of the Supervisory Board)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, and subject to the rejection of the ninth and tenth resolutions, resolves to renew the term of office of Société Financière de Rosario as member of the Supervisory Board for a period of three years ending at the close of the Ordinary General Meeting of Shareholders convened to rule on the financial statements for the year ending December 31, 2009.

Twenty-third resolution

(Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Alexandre Vilgrain as member of the Supervisory Board)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, and subject to the rejection of the ninth and tenth resolutions, resolves to renew the term of office of Mr Alexandre Vilgrain as member of the Supervisory Board for a period of three years ending at the close of the Ordinary General Meeting of Shareholders convened to rule on the financial statements for the year ending December 31, 2009.

Twenty-fourth resolution

(Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Christian Bellon de Chassy as member of the Supervisory Board)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, and subject to the rejection of the ninth and tenth resolutions, resolves to renew the term of office of Mr Christian Bellon de Chassy as member of the Supervisory Board for a period of three years ending at the close of the Ordinary General Meeting of Shareholders convened to rule on the financial statements for the year ending December 31, 2009.

Twenty-fifth resolution

(Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Emmanuel de Marion de Glatigny as member of the Supervisory Board)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken

cognizance of the Management report, and subject to the rejection of the ninth and tenth resolutions, resolves to renew the term of office of Mr Emmanuel de Marion de Glatigny as member of the Supervisory Board for a period of three years ending at the close of the Ordinary General Meeting of Shareholders convened to rule on the financial statements for the year ending December 31, 2009.

Twenty-sixth resolution

(Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Fabien Chalandon as member of the Supervisory Board)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, and subject to the rejection of the ninth and tenth resolutions, resolves to renew the term of office of Mr Fabien Chalandon as member of the Supervisory Board for a period of three years ending at the close of the Ordinary General Meeting of Shareholders convened to rule on the financial statements for the year ending December 31, 2009.

Twenty-seventh resolution

(Subject to the rejection of the ninth and tenth resolutions, renewal of the term of office of Mr Roland d'Hauteville as member of the Supervisory Board)

The General Meeting, deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, and subject to the rejection of the ninth and tenth resolutions, resolves to renew the term of office of Mr Roland d'Hauteville as member of the Supervisory Board for a period of three years ending at the close of the Ordinary General Meeting of Shareholders convened to rule on the financial statements for the year ending December 31, 2009.

Items submitted to the Extraordinary General Meeting:

Twenty-eighth resolution

(Authorization given to the Management Board, or if applicable, to the Board of Directors, to issue Company shares and/or securities giving access to the capital, with retention of preferential subscription rights)

The General Meeting, deliberating under the quorum and majority required for Extraordinary General Meetings, after having taken cognizance of the Management report and special Auditors' report, and in accordance with Articles L. 225-129, L. 225-129-2, L. 228-91, L. 228-92 and L. 228-93 of the Commercial Code, resolves:

- 1°) to terminate, with immediate effect concerning the unused portion, the authorization given by the General Meeting of June 29, 2005, through its ninth resolution;
- 2°) to authorize the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, for a period of 26 months starting on the date of this General Meeting, to decide on the issue, with retention of preferential subscription rights, of Company shares and/or securities of any kind giving immediate or future access to the Company's share capital, and which can be paid-up in cash or offset against definite, cash debts payable by the Company, with the understanding that this authorization may allow the issue of securities in accordance with Article L. 228-93 of the Commercial Code;
- 3°) that the nominal amount of the increase(s) in the Company's share capital liable to be decided upon by the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, and realized, whether immediately or at a future date, by virtue of this authorization, may not exceed €100,000,000, or its equivalent, without taking account of the par value of the shares to be issued, if applicable, in respect of the adjustments made, as required by law, to preserve the rights of the holders of securities giving access to the Company's share capital.

This expressly excludes rules out issues of preferential shares and securities giving immediate or future access to preferential shares.

The securities thus issued giving access to common shares of the Company or a subsidiary may consist of debt instruments or be associated with the issue of such securities, or allow their issue as intermediate instruments.

In particular, they may take the form of debt instruments which may be subordinated or not, for a definite term or not, and be issued either in euros, other currencies, or any monetary units established by reference to several currencies.

The nominal amount of the debt instruments thus issued may not exceed €400,000,000 (or its equivalent on the date of the decision to issue them in other currencies or in any monetary units established by reference to several currencies), with the understanding (i) that this amount does not include above-par redemption premium(s), if provided for; (ii) that this amount is the same for all debt instruments to be issued by virtue of the twenty-ninth resolution hereunder submitted to this meeting; (iii) but that this amount is independent and distinct from the amount of the debt instruments whose issue may be decided or authorized by the

Management Board, or if applicable and subject to the adoption of the ninth resolution, by the Board of Directors, in accordance with Article L. 228-40 of the Commercial Code.

The term of the loans (giving access to common shares of the Company or of a subsidiary) other than those represented by open-ended securities, may not exceed 50 years. The loans (giving access to common shares of the Company or of a subsidiary) may bear fixed and/or variable interest or may be with capitalisation, and come with guarantees or security interest, a redemption, with or without premium, or amortization; moreover, the securities may be bought back on the stock market or be subject to a buy-back or exchange offer by the Company.

As provided by law, shareholders may exercise their pre-emptive rights to subscribe for shares and/or securities whose issue shall be decided by the Management Board, or if applicable and subject to the adoption of the ninth resolution, by the Board of Directors, by virtue of this authorization. The Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, may decide to allocate the securities not subscribed for as of right to the shareholders having subscribed for a larger number of securities than that to which they were entitled as of right, in proportion to their subscription rights and, at any rate, within the limit of their requests. If the subscriptions as of right and, if applicable, the subscriptions subject to allocation have not absorbed all the shares and/or securities issued, the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, may, in the order it shall determine, (i) either limit, as provided by law, the issue to the amount of the subscriptions received, as long as this amount totals at least three quarters of the issue decided upon; (ii) or freely allocate all or part of the securities not subscribed for; (iii) or offer them to the public in the same way through a public offering in France and/or abroad if applicable and/or on the international market.

The General Meeting takes note of the fact that, where required, this authorization implies, in favour of the holders of the securities liable to be issued and giving immediate or future access to Company shares, the shareholders' waiver of their preferential rights to subscribe for the shares to which such securities may give access.

The General Meeting gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, with the possibility of sub delegation in accordance with applicable laws and regulations, to implement this authorization and particularly to carry out the above mentioned issues, either at a single time or in several tranches, in

the proportion and at the periods it sees fit, determine the issuing terms and conditions, and particularly the price and entitlement date of the shares or securities to be issued, record any resulting capital increase and modify the Articles of Association accordingly, and on its sole initiative, deduct the costs and fees of any issue from the amount of the related issue premium and deduct from such premium the amounts required to bring the legal reserve to one tenth of the Company's share capital, as well as carry out all formalities and make all declarations, request all authorizations, particularly from the AMF, and in a more general way, take all useful measures and enter into all agreements for the proper completion of such issues.

Twenty-ninth resolution

(Authorization given to the Management Board, or if applicable, to the Board of Directors, to issue shares and/or securities giving access to the capital, in order to remunerate contributions in kind consisting of shares or securities giving access to the capital)

The General Meeting, deliberating under the quorum and majority required for Extraordinary General Meetings, after having taken cognizance of the Management report and special Auditors' report and in accordance with Article L. 225-147 of the Commercial Code, resolves:

- 1°) to terminate, with immediate effect concerning the unused portion, the authorization given by the General Meeting of June 29, 2005, through its fourteenth resolution;
- 2°) to authorize the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, for a period of 26 months starting on the date of this General Meeting, to decide, based on the report of the contribution auditors mentioned in paragraphs 1 and 2 of Article L. 225-147 referred to above, on the issue of Company shares and/or securities giving access to the Company's capital, in order to remunerate contributions in kind made to the Company and consisting of shares or securities giving access to the capital, when the provisions of Article L. 225-148 of the Commercial Code are not applicable;
- 3°) that the nominal amount of the immediate or future capital increase resulting from all issues carried out pursuant to this authorization is capped at 10% of the Company's capital at any time whatsoever, this percentage being applied to the adjusted capital according to the operations affecting it after this General Meeting;

4°) to cancel in favour of the holders of shares or securities concerned by the contributions in kind, the preferential rights of Company shareholders to subscribe for the shares and securities thus issued.

The General Meeting takes note of the fact that, where required, this authorization implies, in favour of the holders of the securities liable to be issued and giving immediate or future access to Company shares, the shareholders' waiver of their preferential rights to subscribe for the shares to which such securities may give access.

The General Meeting gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, with the possibility of sub delegation in accordance with applicable laws and regulations, to implement this authorization and particularly to decide, based on the report of the contribution auditors mentioned in paragraphs 1 and 2 of Article L. 225-147 referred to above, on the evaluation of the contributions and granting of special advantages, to carry out the aforementioned issues, either at a single time or in several tranches, in the proportion and at the periods it sees fit, determine the issuing terms and conditions, particularly the price and entitlement date of the shares to be issued, record any resulting capital increase and modify the Articles of Association accordingly, and on its sole initiative, deduct the costs and fees of any issue from the amount of the related issue premium and deduct from such premium the amounts required to bring the legal reserve to one tenth of the Company's share capital, as well as carry out all formalities and make all declarations, request all authorizations, particularly from the AMF, and in a more general way, take all useful measures and enter into all agreements for the proper completion of such issues.

Thirtieth resolution

(Authorization given to the Management Board, or if applicable, to the Board of Directors, to increase the Company's capital through the capitalization of reserves, profits or additional paid-in capital)

The General Meeting deliberating under the quorum and majority required for Ordinary General Meetings, after having taken cognizance of the Management report, and in accordance with Articles L. 225-129, L. 225-129-2 and L. 225-130 of the Commercial Code, resolves:

- 1°) to terminate, with immediate effect concerning the unused portion, the authorization given by the General Meeting of June 29, 2005, through its sixteenth resolution;

2°) to grant the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, for a period of 26 months as from the adoption of this resolution, the power to decide to increase the Company's share capital, either at a single time or in several tranches, in the proportion and at the periods it sees fit, through the successive or simultaneous capitalization of all or part of the reserves, profits or additional paid-in capital, to be carried out through the creation and allotment of free shares or increase in the par value of existing shares or through the combined use of these two processes;

3°) that the nominal amount of the capital increase(s) liable to be decided by the Management Board, or if applicable and subject to the adoption of the ninth resolution, by the Board of Directors, and realized immediately or at a future date, by virtue of this authorization, may not exceed €100,000,000, with the understanding that this cap (i) does not take account of the par value of the shares to be issued in respect of any adjustments to be made, as required by law, to preserve the rights of the holders of securities giving access to the Company's share capital; and (ii) is set in an independent and distinct way from the caps set for capital increases resulting from issues of common shares or securities authorized by the aforementioned twenty-eighth and twenty-ninth resolutions.

The General Meeting gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, with the possibility of sub delegation in accordance with applicable laws and regulations, to implement, at a single time or in several tranches, this authorization and particularly:

- set the amount and nature of the sums to be capitalized, set the number of new shares to be issued or the amount by which the par value of existing shares shall be increased, decide on the amounts, dates and conditions of the issues, decide on the entitlement date, which may be retroactive, for the new shares, or the date on which the increase in the par value of existing shares shall come into effect;
- decide that portional rights shall be not neither be tradable nor transferable and that the corresponding shares shall be sold; the amounts stemming from such sale shall be allocated to the holders of the rights within 30 days following the date on which the number of full shares allocated is recorded in their accounts;
- in a more general way, take all measures and enter into all agreements for the proper completion of the operation(s),

perform all tasks and accomplish all formalities to finalize the corresponding capital increase(s) and modify the Articles of Association accordingly.

Thirty-first resolution

(Authorization given to the Management Board, or if applicable, to the Board of Directors, to increase the Company's capital with removal of preferential subscription rights, through the issue of shares reserved for the employees of the Company and/or its subsidiaries)

The General Meeting, deliberating under the quorum and majority required for Extraordinary General Meetings, after having taken cognizance of the Management report and special Auditors' report, and in accordance with Articles L. 225-129, L. 225-129-2, L. 225-129-6, L. 225-138 and L. 225-138-1 of the Commercial Code and L. 443-1 to L. 443-5 of the Labour Code, resolves:

1°) to terminate, with immediate effect concerning the unused portion, the authorization given by the General Meeting of June 29, 2005, through its seventeenth resolution;

2°) to authorize the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, for a period of 26 months starting on the date of this General Meeting, to decide, either at a single time or in several tranches, in the proportion and at the periods it sees fit, both in France and abroad, on the issue of new shares or securities giving access to existing common shares or common shares reserved to be issued for the employees of the Company and/or associated companies or organizations within the meaning of Article L. 225-180 of the Commercial Code, who, as the case may be, subscribe to either a corporate savings plan or a voluntary salary savings partnership, and/or any mutual funds through which they may subscribe for the new shares issued or be allotted free common shares or securities giving access to existing common shares or common shares to be issued, particularly through the capitalization of reserves, profits or additional paid-in capital, within the legal and regulatory limits;

3°) that the total nominal amount of the capital increases resulting from all issues carried out by virtue of this authorization may not exceed €2,000,000, with the understanding that this cap (i) does not take account of the par value of the common shares that may be issued in respect of adjustments required to protect the rights of holders of securities giving access to common shares; and (ii) is independent and distinct from the maximum capital increases resulting from issues of common

shares or securities authorized by the aforementioned twenty-eighth and twenty-ninth resolutions;

- 4°) that the total nominal amount of the capital increase resulting from all issues carried out by virtue of this authorization through the capitalization of reserves, profits or additional paid-in capital under the conditions and within the limits set by the aforementioned articles of the Labour Code and their implementation texts, is capped at €2,000,000, with the understanding that this cap (i) does not take account of the par value of any common shares to be issued in respect of any adjustments to be made to preserve the rights of the holders of securities giving access to common shares; and (ii) is set in an independent and distinct way from the cap set in the aforementioned thirtieth resolution;
- 5°) to cancel the shareholders' preferential rights to subscribe for the new shares issued by virtue of this authorization, in favour of the employees of the Company and/or associated companies within the meaning of Article L. 225-180 of the Commercial Code and waive all rights to the shares or securities giving access to the common shares to be issued within the scope of this authorization, and waive all rights to any free shares or other securities that may be allotted by virtue of this authorization;
- 6°) to set the discount offered within the scope of a corporate savings plan to 20% of the average opening price of the Maurel & Prom share over the twenty trading sessions preceding the date of the decision setting the subscription opening date, and to 30% of this average price when the period of unavailability provided by the scheme pursuant to Article L. 443-6 of the Labour Code is ten years or more, with the understanding that the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, may reduce this discount if it deems it fit, particularly to meet local legal requirements where subscribers in a corporate savings plan are offered securities on the international market and/or abroad. The Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, may also substitute all or part of the discount for the allotment of shares or other securities in accordance with the provisions below;
- 7°) that the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, may allot free shares or securities giving access to the Company's common shares, with the understanding that the total advantage resulting from this allotment and, if applicable,

the discount mentioned in item 6°) above may not exceed the advantage that the subscribers to the savings scheme would have enjoyed if this difference had been 20% or 30% when the period of unavailability provided by the scheme pursuant to Article L. 443-6 of the Labour Code is ten years or more; and provided the pecuniary value of the free shares allotted, valued at the subscription price, does not result in the legal limit being exceeded;

- 8°) to grant full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, with the possibility of sub delegation in accordance with applicable laws and regulations, to implement this authorization, either at a single time or in several tranches, in accordance with the conditions just set out and, particularly to determine the terms and conditions of the issue(s) carried out by virtue of this authorization, and particularly:
- (i) in accordance with legal requirements, establish the list of companies or organizations whose current and former employees may subscribe for the common shares or securities issued and, if applicable, receive the free common shares or securities allotted;
 - (ii) determine that the issues may take place either directly in favour of the beneficiaries or through collective bodies;
 - (iii) set the required conditions, particularly in terms of length of service, for employees to subscribe, either individually or through a mutual fund, to the shares issued or free securities allotted pursuant to this resolution;
 - (iv) determine the nature, terms and procedure of the capital increase, as well as the terms and procedure of the issue or allotment of free shares;
 - (v) set the price of the new shares to be issued in accordance with the aforementioned rules, the terms and conditions of the issues of shares and securities to be carried out by virtue of this authorization and particularly their entitlement date, as well as the method of payment and the subscription opening and closing dates;
 - (vi) record the capital increase through the issue of common shares in accordance with the amount of common shares actually subscribed for;
 - (vii) determine, if applicable, the nature of the free securities allotted as well as the terms and conditions of their allotment;

- (viii) determine, if applicable, the amounts to be capitalized within the limit set out above, or the equity items from which they shall be deducted and the conditions for the allotment of the shares;
- (ix) on its sole initiative, deduct the costs and fees involved in such issues from the issue premiums and deduct, from the issue premiums, the amounts required to bring the legal reserve to the level required by current laws and regulations;
- (x) in a general way, perform all tasks and accomplish all formalities, make all decisions and enter into all useful or necessary agreements (a) for the proper completion of the issues carried out by virtue of this authorization and, particularly, for the issuing of the new shares, their subscription, delivery, entitlement, stock market listing, trading and financial servicing, as well as the exercise of the rights attached to them; and (b) to record the completion of the capital increase(s) carried out by virtue of this authorization and modify the Articles of Association accordingly.

Thirty-second resolution

(Authorization given to the Management Board, or if applicable, to the Board of Directors, to allot free shares (either existing shares or shares to be issued) to Company employees and/or corporate officers)

The General Meeting, deliberating under the quorum and majority required for Extraordinary General Meetings, after having taken cognizance of the Management report and special Auditors' report, in accordance with Articles L. 225-197-1 et seq of the Commercial Code, resolves:

- 1°) to terminate, with immediate effect concerning the unused portion, the authorization given by the General Meeting of June 20, 2006, through its fifteenth resolution;
- 2°) to authorize the Management Board, or if applicable and subject to the adoption of the ninth resolution, the Board of Directors, to decide on the free allotment of existing common shares or common shares to be issued, either at a single time or in several tranches, for the benefit of the employees (or some of them) and/or corporate officers (or some of them) of the Company and/or associated companies and economic interest groups within the meaning of Article L. 225-197-2 of the Commercial Code;

- 3°) that the total number of free shares allotted by virtue of this authorization, may not exceed 1% of the existing share capital on this date;
- 4°) that this authorization entails the shareholders' waiver of the portion of the profits, reserves and issue premiums which may be used for the issue of new shares;
- 5°) that the allotment of the shares to their beneficiaries shall become definitive at the end of an acquisition period of a minimum of 2 years and that the beneficiaries must hold the shares for a minimum of 2 years from the date of the definitive allotment of such shares.

The General Meeting takes note that this decision entails, in accordance with current legal provisions, the shareholders' automatic waiver of their rights, in favour of the beneficiaries of the free shares, to the portion of the profits, reserves and issue premiums that may be used for the issue of new shares.

The General Meeting sets the validity of this authorization to 38 months, as from today.

The General Meeting gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, with the possibility of sub delegation in accordance with applicable laws and regulations, to implement this authorization and particularly establish the list of beneficiaries of free shares, set the conditions and, if applicable the criteria for their allotment, set the share entitlement dates, record the capital increase if applicable, modify the Articles of Association accordingly and generally do everything necessary.

Thirty-third resolution

(Authorization given to the Management Board, or if applicable, to the Board of Directors, to reduce the capital through the cancellation of common shares)

The General Meeting, deliberating under the quorum and majority required for Extraordinary General Meetings, after having taken cognizance of the Management report and special Auditors' report, and in accordance with Article L. 225-209 of the Commercial Code:

- 1°) terminates, with immediate effect, for the unused portion, the authorization given by the Combined Joint General Meeting of June 20, 2006 through its fourteenth resolution;
- 2°) gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, to cancel, either at a single time or in several

tranches, within the limit of 10% of the Company's capital per 24-month-period, all of part of the Company shares acquired within the scope of the share buy-back programmes authorized by the eighth resolution submitted to this meeting or the share buy-back programmes authorized before or after the date of this meeting;

- 3°) resolves that the portion of the purchase price of the common shares exceeding their par value shall be charged against "Issue Premiums" or any other available reserve item, including the legal reserve;
- 4°) gives full powers to the Management Board, or if applicable and subject to the adoption of the ninth resolution, to the Board of Directors, with the possibility of sub delegation in accordance with legal and regulatory requirements, to reduce the capital in keeping with the aforementioned cancellation of common shares and loss booked, and modify Article 6 of the Articles of Association accordingly;
- 5°) sets the duration of this authorization to 18 months as from the date of this meeting.

Thirty-fourth resolution

(Powers for legal formalities)

The General Meeting gives full powers to the bearer of the original minutes of this meeting or a copy or extract thereof to carry out all required publication and filing formalities.

13.10 Note Appendix 10 - Cross reference table (European regulation no. 809/2004)

To make this annual report easier to read, the following cross reference table identifies the information required by EC 809/2004

of the European Commission dated April 24, 2004 implementing Directive 2003/71/EC of the European Parliament and Council.

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This reference document annual report was filed with the *Autorité des Marchés Financiers* on May 31, 2007, in accordance with article Article 212-13 of its General Regulations. It may be used in support of a financial transaction if it is supplemented by a prospectus having obtained the visa approval of the *Autorité des Marchés Financiers*. It has been prepared by the issuer and engages the responsibility of its signatories.

Incorporation by reference: According to article Article 28 of European Commission regulations no. 809/2004 dated April 29, 2004, the reader is referred to the previous annual reports for certain information as follows:

1. Information on financial year 2005: the management report and consolidated financial statements, including the report of the Statutory Auditors thereon appearing in the reference document under paragraphs Sections 26.2.2 and 26.2.4 filed on June 20, 2006 with the *Autorité des marchés financiers* under number D. 06-0604;
2. Information on financial year 2004: the management report and consolidated financial statements, including the report of the Statutory Auditors thereon appearing in the reference document under paragraphs Sections 5.2 and 5.4 filed on June 13, 2005 with the *Autorité des marchés financiers* under number D. 05-875;

These documents are available on the Company's website www.maureletprom.fr and the *Autorité des marchés financiers* website www.amf-france.org.

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