MAUREL & PROM

Annual report 2005

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Important Notice:

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1.
Persons responsible

1.1.
Person responsible for the annual report and its updates

As Chairman of the Management Board of Établissements Maurel & Prom SA (hereinafter refered to as "Maurel & Prom" or the "Company"), Jean-François Hénin is responsible for the financial information and the annual report.

His contact details are:

Jean-François Hénin
Chairman of the Board
Maurel & Prom
12, rue Volney - 75002 Paris
France

Telephone: 01 53 83 16 00
Fax: 01 53 83 16 04
E-mail: maurel.jfh@wanadoo.fr

1.2.
Statement

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

I have obtained from the statutory auditors a letter of the completion of their duty, in which they indicate that they have verified the information relating to the financial situation and financial statements given in this annual report and that they have read the entire document.

The historical and proforma financial information appearing in the annual report has been reviewed by the statutory auditors which report appears in Appendices 2 and 3 of this document."

Jean-François Hénin, Chairman of the Management Board
Paris, June 19, 2006

2.
Statutory auditors

2.1.
Persons responsible for the audit of the accounts

Principals	Date of first appointment	Duration of current term	End of term
Michel Bousquet 213, boulevard Saint-Germain 75007 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 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.

3. Highlights and selected financial information

3.1. Highlights

In 2005, the Group experienced significant growth sustained by a buoyant situation in the oil industry. Growth was mainly internal with rapid development of Congo, and particularly the M'Boundi field where production increased from 36 772 b/d in January 2005 to 56 879 b/d in the fourth quarter of 2005. Then growth was external, with successive acquisitions of fields in Gabon and Sicily, followed by the major acquisition in August 2005 of Hocol group which holds assets in production in Colombia and Venezuela. In the fourth quarter, Maurel & Prom Group's production reached 96 353 b/d.

In Congo, prospecting and seismic surveys as well as major work in drilling, developing production capacity and transporting production continued throughout the year. Pipeline connection work was also undertaken in 2005 so that the production of the M'Boundi and Kouakouala fields could be shipped out through the "N'Kossa" transmission system under the new marketing contract entered into in 2005 with Total/SOCAP. To continue its investments in Congo, Maurel & Prom obtained, on January 24, 2005, and on July 12, 2005, an extension to $M120 then to $M150 of the existing facility granted by Natexis (in the form of a Reserve Base Loan).

On February 14, 2005, the Company acquired 100% of the shares of Rockover Oil and Gas Limited (renamed Maurel & Prom Gabon Ltd) which owns interests in Gabon that supplements Maurel & Prom's interests on the Ofoubou and MT 2000 permits as well as the Kari permits and the M'Bindji permit.

On February 19, 2005, Maurel & Prom acquired 25% of the shares of Panther Eureka Srl which operates in Sicily on the Fiume Tellaro gas permit. One well was drilled in 2005 and another was taken up again. The first tests, carried out in difficult operating conditions, confirmed the geological model but, in 2005, did not reveal the hoped-for production.

On the basis of the results obtained on June 30, 2005, with the long term test that started in Vietnam in July 2004, the Company decided to write off all the intangible assets relating to the activities conducted hitherto in the country.

As part of the business refocusing programme on prospecting for and producing hydrocarbons, the Group quit the shipping business by selling its two multi-purpose ships during the summer of 2005.

To accelerate and intensify its external growth, on March 9, 2005 Maurel & Prom issued 16 711 129 OCEANEs (convertible bonds) at a unit price of €22.44 maturing on January 1st, 2010, redeemable at par and carrying an annual coupon of 3.5%, meaning a gross issue value of €M375.

On August 4, 2005, the Group acquired from Knightsbridge Petroleum the Hocol group with all its Colombian and Venezuelan assets. This group, now totally owned by Maurel & Prom, has exploration permits and fields in production in Colombia and Venezuela and operates plants for pumping oil away (pipelines).

In Senegal, the first well on the Sebikhotane permit, started on October 28, and was still in progress on December 31, 2005. The Company announced the well's initial results on April 21, 2006 (400 000 cubic feet of gas per day).

In the second half of 2005, the Company resumed its prospecting in Hungary through its previously dormant subsidiary. Exploration drilling was in progress on December 31, 2005. The Company also created a subsidiary in Tanzania in 2005 and finalised the surveys for installing an obligation well to be drilled through 2006. These have been approved by the local authorities.

The year was also marked by a significant expansion in drilling in connection with the growth of the Group's business. Caroil France carried on a major investment policy having, on December 31, 2005, five drilling rigs (compared to three in 2004) that were permanently drilling and three other rigs being built or bought.

The Combined General Meeting of June 29, 2005, approved a dividend of €0.15 per share. This was paid on September 5, 2005. The same Meeting gave the Management Board powers to issue shares in the capital without preferential subscription rights to the benefit of Knightsbridge Group Ltd relating to its inclusion into the capital due to Maurel & Prom's acquisition of the Hocol group. It also authorized the Board to increase capital by issuing shares reserved for employees of the Company and/or its subsidiaries and to grant free shares to employees, officers of the Company or of its subsidiaries. Furthermore, the Group's hydrocarbon reserves were certified by an independant American company that is specialized in this field, DeGolyer & MacNaughton.

3.2.
Selected financial information

	2005	2004
Sales	€M407.7	€M101.3
Operating income	€M161.3	€M46.6
Net income	€M100.2	€M46.6
Net income group share	€M100.2	€M46.6
Net income per share	€0.90	€0.59
Diluted net income per share	€0.88	€0.54
Total noncurrent assets	€M1 037.7	€M265.4
Total current assets	€M343.3	€M75.1
Shareholders' equity	€M458.8	€M224.4
Debt ratio	51.38%	18.50%
Dividend paid per share*	€0.33	€0.15

* 2005 dividend: subject to approval of the Annual General Meeting of June 20, 2006.

3.3.
Reserves

The chart below summarizes the reserves data certified by DeGolyer & MacNaughton ("DMN") on December 31, 2005:

Maurel & Prom reserves (minus royalties) Mboe*	P1	P1+P2	P3	Total reserves
Reserves on January 1st, 2005				
(Release of October 2005)	**98.8**	**310.1**		**310.1**
2005 production	(11.6)	(11.6)		(11.6)
SNPC sales				
(assumed to be effective on January 1st, 2006)	(5.0)	(21.6)		(21.6)
Revision	20.7	(7.9)	222.2	214.3
Reserves on January 1st, 2006	**102.9**	**269.0**	**222.2**	**491.2**

* Million barrels of oil equivalent.

P1 reserves are proven reserves.
P1+P2 reserves include, in addition to P1, probable reserves P2.
P3 reserves are possible reserves.

4.
Risk factors

4.1.
Market risks
4.1.1.
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 to euro. A decrease in the oil price results in a deterioration 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.

Concerning business in Colombia, Hocol group, before it was acquired, had hedged its production in the form of Participating Swaps which offer protection from a price decrease while retaining the possibility of gaining from the upside.

4.1.2.
Liquidity risks

The group current debts on December 31, 2005 and the available lines of credit are described in notes 15 and 16 of the consolidated financial statements' notes appearing in Appendix 2, used to measure any liquidity risk. All the cash held by the Group covers the outstanding bank debts and brings the Group's net consolidated debt to 71% of the outstanding OCEANE bond.

Net debt ratio amounted to 51.38% on December 31, 2005.

4.1.3.
Exchange rate risks

Because of its activities, the Company is exposed to the exchange rate risk of US dollar in euro for all its sales, investments and some of its financing. To minimise this risk, the Company has opted for a strategy that consists in holding cash in US dollars for its commitments in that currency and also in the form of occasional exchange rate options and forward purchases of currencies.

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	USD	Euros
Assets	393,950	333,939
Liabilities	(409,913)	(347,480)
Net position before management	(15,963)	(13,541)
Off-balance sheet position	—	—
Net position after management	(15,963)	(13,541)

The dollar exchange rate was 1.1797 on December 31, 2005. An unfavourable change of 1 US cent relative to the euro would have an impact of €K106 on the net position in the currency.

4.1.4.
Interest rate risks

Except for the OCEANE bond issue, the loans subscribed with financial establishments that were existing on December 31, 2005, are at variable rates. To minimise the cost of its debt and/or reduce its exposure to exchange rate risk, the Company uses variable rate US dollar investments to cover the interest rate risk associated with its variable rate loans in that currency; consequently, the Company considers this risk to be limited.

The chart below reflects the impact of a 1% increase in interest rates for the variable rate loans:

In thousands of euros	
Natexis loan	Approximately 951
Belgolaise loan	Approximately 18
Crédit Syndiqué loan	Approximately 445
Total	**Approximately 1 414**

4.1.5.
Equity risks

A plan to buy back its own shares was implemented on January 12, 2005. In this share buyback programme, 240 915 own shares were purchased in 2005 and are intended to be used under the authorizations to grant warrants and allot free

shares to Company employees. No shares have been sold or cancelled. On December 31, 2005, the Company therefore held 240 915 of its own shares.
The 19.65% interest in Pebercan Inc., a company listed on the Toronto Stock Exchange, is an industrial investment. On December 31, 2005, its value on an equity basis was €M21.984 and the stock market capitalization of the shares held by Maurel & Prom was €M71.186.
As a consequence of the foregoing, the Company does not consider having any equity risk and consequently is not using any specific hedging instrument.

4.2. Legal risks

4.2.1 Political risks

A major 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.
The Company's business was initially focused on Congo, which accounted for more than 90% of its reserves and more than 70% of its sales. 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.

4.2.2. Risks relating to the regulatory procedure for obtaining some permits

The Group's business of oil and gas exploration and exploitation must comply with different 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, is 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 returns 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. Maurel & Prom Group has however carried out a significant geographic diversification during 2005, it is worth noting that this risk has been similarly spread between the countries in which the Group operates.
In the specific case of Venezuela, in 2005 the government nationalized the hydrocarbon production business. Most of the private companies' contracts for services were transferred to mixed economy companies mainly controlled by PDVSA (the Venezuelan national company) during 2006.

4.3. Risks relating to Maurel & Prom Group's business

4.3.1. Risks specific to Maurel & Prom Group's business sector

Reserves

The reserve levels mentionned in this document have been assessed by DeGolyer & MacNaughton according to economic conditions and using existing geological and engineering data to estimate 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.

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, late deliveries of equipment or weather conditions. Such restriction, delay or cancellation could have an impact on the Group's income.

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 on the quality of the hydrocarbons and the uncertainty of being able to extract them.
Furthermore, when exploitation has started, the knowledge of the reserves may sometimes be unreliable and becomes evident only as exploitation progresses. The practical conditions of exploitation and its cost may vary while the reserves are being exploited.

4.3.2. Risks relating to the possible dependence of Maurel & Prom Group on customers, suppliers or subcontractors

Maurel & Prom has no major commercial relationship with any supplier. Except for Romfor which, in addition to drilling activities, supplies operating employees, operational management for drilling, spare parts and construction of new drilling rigs.
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 collects and sells the crude oil from the various fields operated by Maurel & Prom in Congo. With regards to the quality of this agreement, the Company to consider that there is no customer risk in Congo.
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).

4.3.3 Competition risks

The Group is in competition with other oil companies when acquiring rights on oil permits to explore and produce hydrocarbons.
The Group's main competitors are potentially junior or mid-size oil companies.

4.3.4. 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 the oil or 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. To identify, quantify and prevent such hazards, Maurel & Prom uses both its own expertise and that of experts.

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, investigations 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 company.

Approval and permission to install pipelines

In compliance with the 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 or equipments 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

In Congo, Maurel & Prom has installed an environment safety policy and has written safety manuals for all the sites. Maurel & Prom employees have awareness and training policy involving constant improvement of safety and prevention of risks. In its constant policy to improve the prevention of industrial and environmental hazards and to develop the oil activities with a strengthening of the rules for handling the safety of people, installations and intellectual property, the Group's managers created a Safety Manager position on May 1st, 2005.

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 impose on these subcontractors and services providers to take out sufficient insurance to cover their liabilities for such 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 restoring sites is in note 14 of the consolidated financial statements appearing in Appendix 2.

4.3.5. Risks relating to major Company employees

The Company considers that it organisation and management structure would enable 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.

4.4. 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 insurances 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 for 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 between \$M10 and \$M50 per claim;
- general pollution risks for between \$M15 and \$M25 per claim.

The total annual premiums paid by the Group are about \$M3.8.
To date, the Company has decided not to take out insurance for business interruption.

5. Information on the Company

5.1. History and development of the Company

5.1.1. Company name and trading name

Company name: "Établissements Maurel & Prom".

5.1.2. Company location and registration number

The Company is registered with the Paris Commercial and Company Register under number 457 202 331. The Company's NAF code (formerly APE code) is 111Z (hydrocarbon extraction).

5.1.3. Date of incorporation and term

Date of incorporation of the Company: November 1st, 1919.
Term of the Company: 99 years until November 1st, 2018.
It may be wound up in advance or have its term extended.

5.1.4. 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.: 01 53 83 16 00
Fax.: 01 53 83 16 04

The Company is incorporated according to French law.
Maurel & Prom is a *Société Anonyme* with a Management Board and Supervisory Board, under the requirements of Commercial Code (and in particular the requirements of articles L. 225-1 and seq. of Commercial Code) and of decree N° 67-236 of March 23, 1967, on trading companies, and under the other French legal and regulatory requirements that apply to it.
Until December 28, 2004, Maurel & Prom was incorporated as a *Société en commandite par actions.* At the combined General Meeting of December 28, 2004, the shareholders decided 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*.

5.1.5. Important events in the development issuer's business

Originally, Maurel & Prom, founded in 1813, was a company trading between Bordeaux (its original headquarters) and France's West African colonies. It was one of the main shipping companies operating between France and Senegal, Ivory Coast, Cameroon, Gabon and Congo until 1970 when the shipping sector declined.
After selling its real estate investments, the Company refocused its business on the food production sector (chicken raising, aquaculture). Maurel & Prom was controlled at 76% by Électricité et Eaux de Madagascar ("EEM") at the beginning of 1996, it reduced its breading business and gradually developed in the shipping, oil and gas, gold mining and forestry sectors businesses.
The Company and EEM legally split in May 2000 (disposal of EEM) to focus on their own activities.
With its new manager, Jean-François Hénin, Maurel & Prom then progressively refocused on the hydrocarbon exploration and production sector and has now become an recognized player in this field.
During 2005, Maurel & Prom reached a decisive stage in the implementation of its strategy for growth in the oil sector by acquiring, in August, the Hocol group which owned assets in Colombia and Venezuela. Through this acquisition, Maurel & Prom became one of Europe's leading listed companies in terms of reserves, production and consolidated net income. As a result of such ambitious growth strategy, Maurel & Prom now holds a more balanced mining portfolio from a geographic point of view and regarding the exploration/production balance and 2P/3P reserves ratio.

Highlights of 2005:

- February 2005:
  - Acquisition of Rockover Oil & Gas Ltd in Gabon,
  - Acquisition of interests in the Sicilian company Eureka Srl.
- March 2005: Issue of OCEANE for a total amount of €M375.
- July 2005: Disposal of shipping business (sale of the ships Miss Marie and Miss Clémentine).
- August 2005: Acquisition of Hocol group from Knightsbridge group (Colombia and Venezuela).

5.2.
Investments
5.2.1.
Main investments in the last two years

The chart below summarizes the investments relating to the Group's fixed assets over the last two years:

In thousands of euros	2005 IFRS standards	2004 IFRS standards	2004 French standards
Oil businesses	**150 618**	**94 842**	**93 745**
Congo	90 036	86 364	85 267
Gabon	22 445	4 978	4 978
Vietnam	697	744	744
France	5	37	37
Tanzania	248	—	—
Senegal	1 312	—	—
Colombia	34 956	—	—
Venezuela	366	—	—
Other	553	2 719	2 719
Drilling business	**16 210**	**6 572**	**6 572**
Other businesses	**28**	**141**	**141**
Total	**166 856**	**101 555**	**100 458**

For 2005 investments, refer to notes 4 and 5 of the consolidated financial statements in Appendix 2.

5.2.2.
Current main investments

The investments on December 31, 2005, were mainly:

- exploration drilling:
  - in Congo, €M17.9,
  - In Gabon, €M1.1;
- a rig in Congo, €3.5 million.

These investments were self-financed.

5.2.3.
Main planned investments

For 2006, at Group level, oil industry investments amounting €M99 are planned for exploration and €M128 for development.

On December 31, 2005, it was planned to acquire two drilling rigs through 2006 for an amount of €M8.

The part of these investments that are firm contractual commitments amounts to €M156. These investments will be mainly self-financed.

6.
Business overview

6.1.
Maurel & Prom Group's main activities

Maurel & Prom Group's assets, on December 31, 2005, and to date, are split in two sectors:

- hydrocarbon (oil and gas) exploration, production and drilling;
- and other businesses.

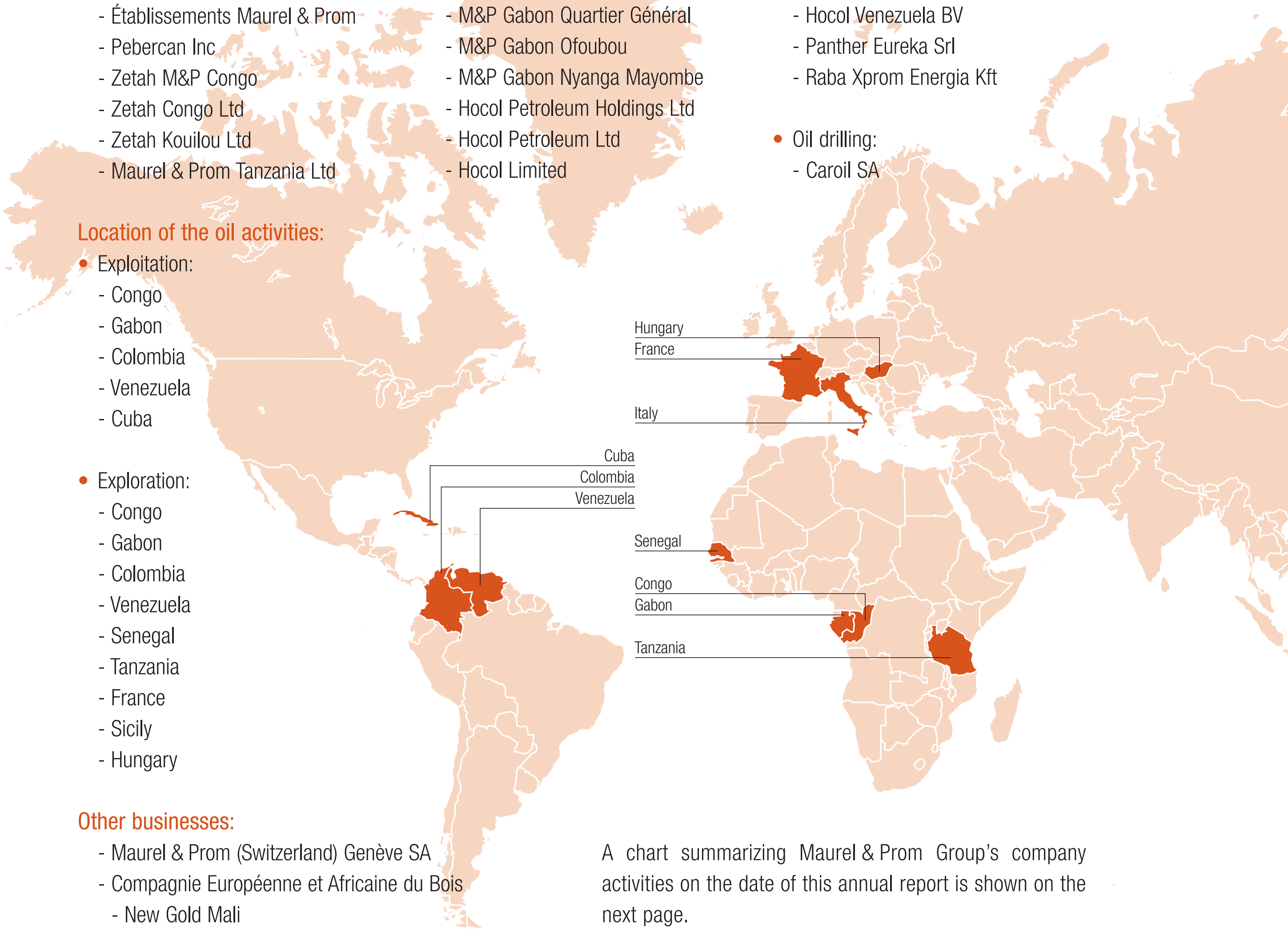
These activities are not dependent on seasonal constraints or specific periods.
The Group's companies are divided by type as follows:

Oil businesses:

- Hydrocarbon (oil and gas) exploration and production:
  - Établissements Maurel & Prom
  - Pebercan Inc
  - Zetah M&P Congo
  - Zetah Congo Ltd
  - Zetah Kouilou Ltd
  - Maurel & Prom Tanzania Ltd
  - Maurel & Prom Gabon Ltd (formerly called Rockover Oil & Gas Ltd)
  - M&P Gabon Quartier Général
  - M&P Gabon Ofoubou
  - M&P Gabon Nyanga Mayombe
  - Hocol Petroleum Holdings Ltd
  - Hocol Petroleum Ltd
  - Hocol Limited
  - Hocol SA
  - Homcol Cayman Inc
  - Hocol (UK) Petroleum Holdings Ltd
  - Hocol Venezuela BV
  - Panther Eureka Srl
  - Raba Xprom Energia Kft
- Oil drilling:
  - Caroil SA

Location of the oil activities:

- Exploitation:
  - Congo
  - Gabon
  - Colombia
  - Venezuela
  - Cuba
- Exploration:
  - Congo
  - Gabon
  - Colombia
  - Venezuela
  - Senegal
  - Tanzania
  - France
  - Sicily
  - Hungary



Other businesses:

- Maurel & Prom (Switzerland) Genève SA
- Compagnie Européenne et Africaine du Bois
  - New Gold Mali

A chart summarizing Maurel & Prom Group's company activities on the date of this annual report is shown on the next page.

Organisation chart at the date of this annual report

Oil and gas businesses

Congo

Permits:
Kouakouala
M&P: 50%
Permit holder:
Zetah Congo Ltd
(M&P 50 %)

Kouilou
M&P: 65%
Permits holder:
Zetah Kouilou Ltd
(M&P 65%)

M'Boundi
M&P: 48%
Permits holder:
Zetah Kouilou Ltd

La Noumbi
M&P: 49%
Permits holder:
Zetah M&P Congo

Operator:
Zetah M&P Congo
(M&P 100%)

Colombia

Hocol stakes:
- **Palermo*:** 50%
- **Rio Paez*:** 33.33%
- **Casanare*:** 15.40%
- **Corocora*:** 31.7%
- **Estero*:** 31.7%
- **Garcero*:** 31.7%
- **Orocué*:** 31.7%
- **Ortega*:** 100%

- **San Jacinto:** 33.33%
- **Mundo Nuevo:** 15%
- **Tangara:** 15%
- **Doima:** 25%
- **Achira:** 50%
- **Upar:** 60%
- **Rio Cabrera:** 100%
- **Guaimaral:** Technical assessment agreement (AET)

Venezuela

Hocol stakes:
Operating agreement B2X-68/79: 80%
Operating agreement B2X-70/80: 100%

Gabon

Permits:
Ofoubou Ankani
M&P: 95%

Nyanga - Mayombé
M&P: 100%

Omoueyi
M&P Gabon Ltd: 100%

Banio
M&P: 50%

AET Kari
M&P Gabon Ltd: 100%

Italy

Société Panther Eureka
(Italian limited liability company)
M&P stake: 30%
Concession

Tanzania

Permits:
Bigwa-Rufiji and Mafia
M&P stakes: 60%

Drilling

Caroil SA
M&P stakes:
97.14%

Cuba

Perbecan Inc
(listed on the Toronto Stock Exchange)
M&P stakes: 19.65%

Senegal

Permits:
Sebikhotane
M&P stakes: 54%

France

Permits:
Lavignolle
M&P: 25%
Concession

Hungary

Société Raba Xprom Energia Kft
M&P: 34.30%
Concession

Gold

Cie Européenne & Africaine du bois (CEAB)
M&P: 100%
Holding

New Gold Mali (NGM)
CEAB: 49.50%

Other

Maurel & Prom (Switzerland) Genève SA
M&P: 99.99%

* Association agreement

6.1.1. Oil and gas activities by geographic area

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

6.1.1.1. Results/Africa

Republic of Congo (Congo-Brazzaville)

The sales of €M231.7, compared to €M80.9 in 2004, result from daily production, Maurel & Prom share net of royalties on the three oil fields of M'Boundi, Kouakouala and Pointe Indienne, amounting to 21 100 b/d in 2005 compared to 9 090 b/d in 2004. The corresponding annual production is 7.7 Mboe, meaning 133% better than 3.3 Mboe in 2004. The average price per barrel sold was $48.16 in 2005 and $35.7 per barrel in 2004.

Production

In the M'Boundi field, 27 wells were drilled and completed in 2005 and four others were being drilled on December 31, 2005.

The capacity of the production installations was increased to 60 000 b/d by adding 30 000 b/d a separating and treatment plant, a new storage tank and additional transmission pumps. In the Kouakouala field, two wells were restarted with a future water injection project in mind.

Connection work was undertaken at the Djeno oil terminal in order to deliver the production of the M'Boundi and Kouakouala fields through the "N'Kossa blend" pumping system and to increase the crude's value. The upgrade to "N'Kossa" quality became effective on January 1st, 2006.

Overall, in 2005 the M'Boundi field was developed with the implementation of 21 wells in production and a new well in Kouakouala. This brought up the operate production from 33 600 b/d (18 120 b/d Maurel & Prom share before royalties) at the end of 2004 to 60 300 b/d (32 540 b/d Maurel & Prom share before royalties) at the end of 2005.

Exploration

In the Kouilou exploration permit, a major program of geological synthesis, seismic data acquisition and processing and detailed geophysical interpretation revealed new areas of exploration and new prospects and leads:

- Trenches found in the Mengo formation, trenches not reached by any of the wells drilled to date on the "Mengo sandstone" feature.
- Consolidation of the Vandji sandstone target structures in the extreme South East of a region untouched by any seismic operations before the 2004/2005 campaign. They are the Loufika, Loufika East and Tioni prospects that are downstream and to the west of Loufika.
- Diosso-1, located at the north of Pointe Indienne, was drilled in May/June but no oil was found.
- The Tchiniambi-1 well was restarted in May 2005, supplemented after drilling through a very narrow interval either side of a fracture in the Mengo formation and flow-tested for three months, with a reduction from 300 b/d to just a few barrels per day at the end of the test. It is planned to drill through a larger interval in 2006.

Regarding Kouakouala permit:

- A new feature was found in the Djeno formation in the Kouakouala region. This feature consists in a stratigraphic trap discovered while restarting all the Kouakouala wells (producer on Vandji).
- In exploration, one well was drilled on the permit in 2005.
- Drilling of the Boubissi-1D exploration well, to recognise the hydrocarbon potential of the Djeno formation, began on January 27, 2006. Drilling this well has revealed hydrocarbon reserves that are too heavy to be exploited with conventional techniques.

The La Noumbi permit was not ratified by Parliament before March 2006 and therefore the beginning of the active phase of its exploration in 2005 was not possible.

However, the high resolution aeromagnetic campaign recorded in advance in 2004 was processed and interpreted, and confirmed the existence of two subwatersheds, the southern watershed forming the extension of the prolific Kouilou watershed.

Gabon

In February 2005, Maurel & Prom completed the acquisition of Rockover Oil and Gas (then valued at 24.3 Mboe 2P) for €M58.5. The transaction allowed the Company to have two Technical Evaluation Agreements (TEA), Kari and M'Bindji, and rights on the two Production-Sharing and Exploration Contracts of Ofoubou Ankani (95%) and Nyanga Mayombe (100%).

In 2005, the oil field work in Gabon was done on three 100%-held permits and one TEA:

- Omoueyi permit (formerly M'Bindji TEA)

On September 27, 2005, the Group concluded a nine-year production-sharing contract allowing to start a drilling campaign on the ONAL structure beginning in January 2006.

• Nyanga Mayombe permit

During April 2005, the BANIO-2 well drilled by Elf Gabon in 1975 was reopened at its initial flow of 1 037 b/d.

• Ofoubou Ankani permit

The two wells drilled in 2005 (OFMA 1b and OFMA 2) confirmed the existence of oil-bearing rocks whose technical features were disappointing it was therefore not possible to operate the OFMA field in production. The two wells were abandoned and the relating costs were recorded as expenses in 2005.

• Kari TEA

The Group requested a 12-month extension of the Kari TEA.

Senegal

From an operational point of view, the drilling of the DN-15 well on the Sebikhotane permit started on October 28, 2005, and was not completed on December 31, 2005. The Company announced the well's initial results on April 21, 2006 (400 000 cubic feet of gas per day).

Tanzania

A production-sharing contract was concluded by the Company in 2004 on the Bigwa-Rufiji and Mafia permits. The studies for installing the obligation well were performed in June 2005 and the Tanzanian authorities approved the location of this first well and the corresponding budget.

6.1.1.2. Results/Latin America

Colombia

Maurel & Prom acquired Hocol group on August 4, 2005, from Knightsbridge Petroleum for a total of €M410.9. Hocol was founded in 1956 and enjoyed a good reputation in Colombia. Its shareholders were Petrobras and Shell and today it has a vast mining sector. The Hocol group's assets are in Latin America (Colombia and Venezuela).

2005 results

For the period going from August 4 to December 31, 2005, sales were €M135.1.

Average daily production regarding Hocol's interests, net of royalties, was 21 203 b/d, meaning a production of 3.2 Mboe including the Tello concession which was 1.3 Mboe for the period going from August 4 to December 31, 2005.

Production

Hocol's activities are mainly located in two regions of Colombia, Huila and Llanos. 2005 showed an intense drilling campaign with 20 wells drilled in the San Francisco field, three in La Hocha and three in Balcon.

Venezuela

During the period going from August 4 to December 31, 2005, sales amounted to €M14.4.

Average daily production regarding Hocol's interests, net of royalties, was 4 960 b/d, meaning for the period going from August 4 to December 31, 2005, a production of 0.7 Mboe.

Production

The activity of the Venezuelan subsidiary is based on the management of two contracts for services (B2X-70/80 and B2X-68/79) with PDVSA (the Venezuelan national oil company), currently producing oil in Lake Maracaibo.

The 2005 well restart campaign, concerning a total of ten rehabilitated wells for a total cost of €M5.1, allowed to generate additional average production of 400 b/d.

Cuba

Maurel & Prom holds 19.65% of the Canadian company Pebercan Inc. whose oil activities are in Cuba. Total 2005 sales generated by Pebercan were $M70.8 compared to $M42.4 in 2004. Income from the sale of oil increased from $M38.9 in 2004 to $M66.4 on December 31, 2005. The average selling price of Cuban heavy crude was $29.87 per barrel in 2005 compared to less than $20 per barrel in 2004. The net company profit generated by Pebercan was $M22 (126% better than 2004). The production of Block 7 amounted to 5 Mboe in 2005, meaning 13 720 b/d, which represents an improvement of 25% compared to 2004. The net Pebercan share increased 2.2 Mboe, meaning 6 095 b/d, an improvement of 13.6% compared to 2004. Pebercan's net contribution to the Group's income in 2005 was €M2.7 after adjusting entities using Maurel & Prom's accounting methods.

Peru

In 2005, a heat process from ITP was tested in a pilot well in the Talara blocks. The results of the test were not very significant and Maurel & Prom recorded as expenses all the expenditures in Peru.

6.1.1.3. Results/Europe

Italy

In February 2005, Maurel & Prom acquired 25% of Panther Eureka Srl, an operator and holder of mining rights of the Fiume Tellaro permit in Sicily. This permit is located next to the 24-inch gas pipeline of Snam Rete Gas connected to the Italian market.

In 2005 works enabled to drill the Eureka-1 well and to restart the Nobile-1 well. The Eureka-1 well did not reveal the hoped-for gas production. The restart of the Nobile-1 well did not show economic gas production, mainly because of the poor state of the well.

Such failures were mainly linked to difficult operating conditions but did not challenge the geological model. On the edge of the permit, two producing wells, Camisso2 (Edison) and Noto3 (AGIP), showed the economic viability of this type of field.

Hungary

Maurel & Prom operates in Hungary on the Nagylengyel West concession granted in 1995 for 35 years.

6.1.1.4. Results/other countries

Iran and Guinea Bissau

In the absence of convincing contractual or technical results, the Company has recorded as expenses its expenditure in Iran and Guinea Bissau.

Vietnam

As a result of the test led on the gas field in 2005 and the permit's economic and contractual environment Maurel & Prom did not consider this project viable and the Vietnam gas assets were depreciated for €M20.9.

6.1.2. Drilling activities

Exploitation

As announced in 2004, Caroil, a 97%-owned subsidiary of Maurel & Prom, experienced a very significant expansion in its activity. Caroil drilled 32 wells in 2005, meaning, 45% increase from on 2004.

The fleet of drilling rigs was increased to five in 2005 while three new rigs were still awaiting for delivery at the end of 2005. It is planned to increase this fleet during 2006.

The growth of Caroil required a restructuring of its organisation and a strengthening of its management with the recruitment of five senior professionals in the international drilling scene.

In 2005, Caroil worked in Congo on behalf of the M'Boundi and Kouakouala partnership, which includes Maurel & Prom, Burren Energy Limited, Tullow Oil Limited, and Heritage Congo Limited. The drilling contracts were granted on competitive terms validated by the international partners. In June 2005, the company geographically diversified its operations by installing a rig in Gabon.

The cooperation agreements with the American company Romfor were entered into in 2005. Under these agreements and in exchange of a 25% interest in the net income generated by the wells drilled by Romfor, Romfor is deemed to do the following at cost price:

- supply operational employees and operational management for the drilling (the responsibility for supervision falling to Caroil);
- supply spare parts;
- and build new drilling rigs.

Financial results

The subsidiary's financial results reflect Caroil's growth. 2005 sales of €M50.2 show a 51% improvement from 2004. The company's profit for the year was €M8.5, meaning an increase of 37%. The small improvement is explained by the financing cost generated by the size of the investment programme carried out in 2005. Caroil's net contribution to the Group's consolidated income in 2005 was €M1.6.

6.1.3. Other activities

6.1.3.1. Gold

BRGM's assessment valued the gold division's assets at €M1.7 (Maurel & Prom share) on the basis of forecast cash flows over six years discounted at 18%. Because of Maurel & Prom's gross asset value of €M2.8, a €M1.1 depreciation has been recorded in the accounts.

6.1.3.2. Shipping business

Pursuant to the disposal agency commitment given to Socomet at the beginning of 2005, the shipping division was sold. The two ships, Miss Marie and Miss Clémentine, were each sold for $M11 in June and July 2005, generating a gain of €M1.8. The corresponding Lloyds loan was refunded.

Concerning the Energy Searcher court case, the judgment in first instance given in August 2005 ordered Cameron to pay $M1 damages. Since Maurel & Prom requested $M20, the Company initiated appeal proceedings in September 2005. For further information, refer to the consolidated financial statements in Appendix 2 of this annual report.

6.1.3.3.
Maurel & Prom Suisse

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

6.2.
Main markets

6.2.1.
Group's positioning in its markets

At the beginning of 2001, Maurel & Prom was an oil start-up company, with a production of 940 b/d (before royalties) on its own behalf and a workforce of 30 people. At the end of 2005, Maurel & Prom is now a structured oil company with an approximate production close to 60 300 b/d on its own behalf, before royalties, operated production of 98 000 b/d before royalties and a workforce of 302 people.

6.2.2.
Breakdown of Maurel & Prom Group sales and operating income by business category and geographic market

For the breakdown of sales and operating income by business sector, please refer to note 26 "Sector information" in the consolidated financial statements in Appendix 2.

6.3.
Exceptional events

None.

6.4.
Maurel & Prom Group possible dependance on certain major customers or suppliers

6.4.1.
Supplier relations

The company has no major commercial relationship with any supplier except for Romfor which, as part of its drilling business, supplies operating employees, drilling operational management and spare parts and builds new drilling rigs.

6.4.2.
Customer relations

Maurel & Prom does not have a significant customer relationship with any company other than with SOCAP, a 100% subsidiary of Total. This company collects and sells the crude oil from the fields operated by Maurel & Prom in Congo. Because of the quality of the SOCAP agreement, the Company considers that there is no customer risk. The Group is however considering alternative possibilities to reduce its dependence on SOCAP.

6.5.
Competitive position

Not applicable.

6.6.
Sustainable development

Operating in Colombia since 1956, Hocol Colombia is developing a large number of educational and social projects in the regions of the fields in which it operates. It makes a significant contribution to the development and improvement of the lives of local communities in the regions of Llanos and Rio Magdalena.

By giving financial and material aid, Hocol helped to build more than twenty schools in the Casanare region. Hocol has also built buildings and supplied classroom material. A medical education programme has been set up in which the children are strongly encouraged to participate. Currently, these programmes concern more than 1 600 Colombian children. In 2005, the total granted amount for these educational, social and caring programmes was $M1.5.

In Congo, since 2001, Maurel & Prom has worked on several occasions to drill water wells in the villages on the M'Boundi and Kouilou permits.

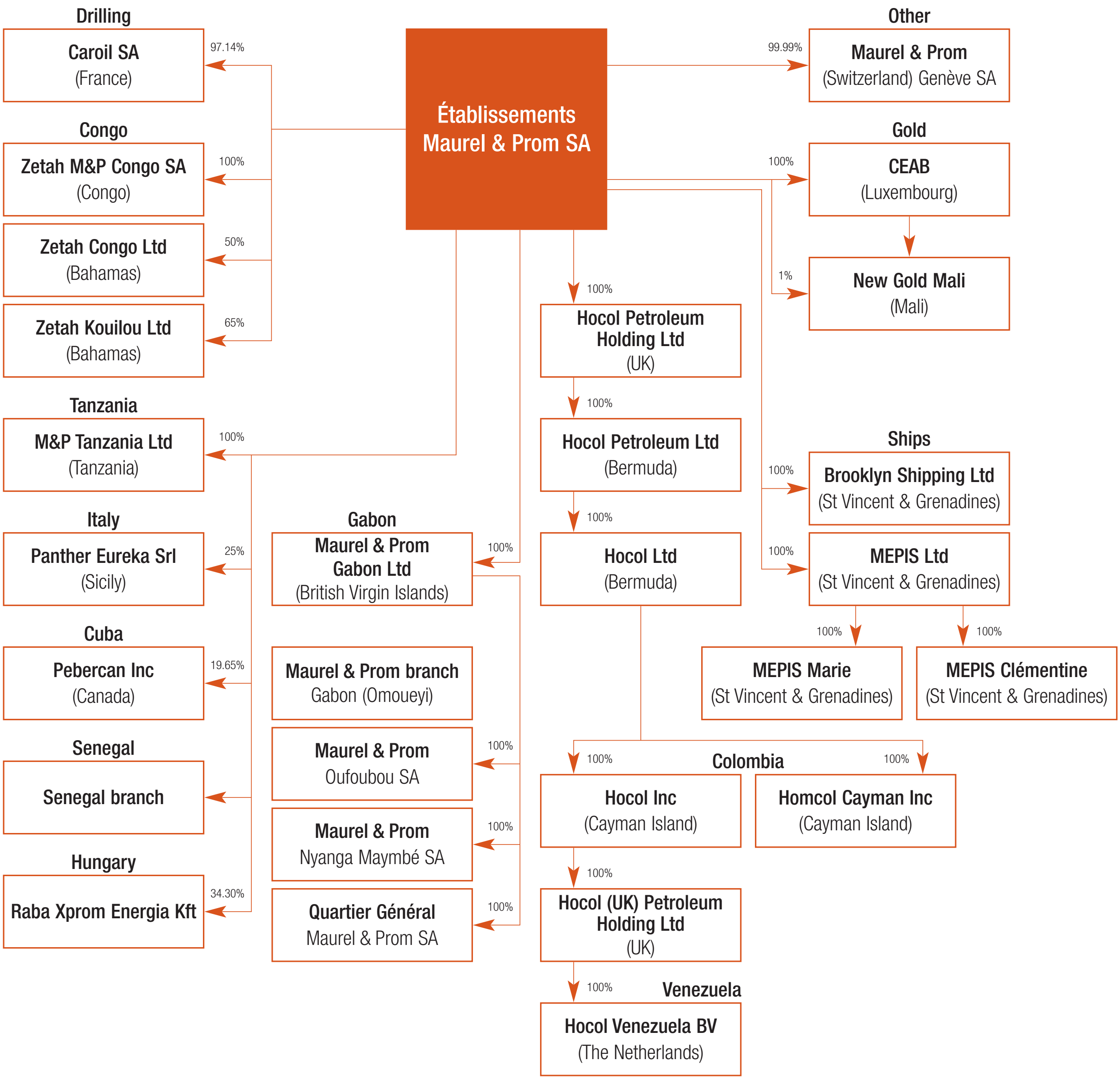
Maurel & Prom has also worked with the Marien Gouabi university in Brazzaville to set up a final year Geology and Geophysical Sciences diploma teaching unit.

7.
Organisation chart

Maurel & Prom Group organisation (hereinafter referred to as "Maurel & Prom Group" or the "Group") on December 31, 2005 is shown below.

Établissements Maurel & Prom is the holding company of Maurel & Prom Group. On December 31, 2005, the Company had only one interest in a French company, Caroil SA (a drilling company).

Percentages shown in this chart reflect a holding in capital and voting rights (except for Zetah Kouilou whose statutes specify that the Company shall hold only 54% of the voting rights on certain matters).



8.
Reserves - Buildings, plant and equipment

8.1.
Reserves
8.1.1.
Description of the fields, estimate of the economically exploitable reserves and probable duration of exploitation (unaudited)

Maurel & Prom Group's reserves were certified at the beginning of 2006 by an independent entity, the American consultancy DeGolyer & MacNaughton (DMN).

The certification methods used are based on the international standards usually used in the hydrocarbon industry.

The chart below summarizes the reserve data certified by DMN on December 31, 2005.

Region	M&P reserves (royalties deducted) - Kboe**	P1	P1+P2	P3*
Africa	Reserves 1.1.2005 (Release October 2005)	42 800	230 600	
	2005 production	(7 715)	(7 715)	
	Purchase/Sale	(4 960)	(21 554)	
	Revision	27 688	(25 033)	
	Reserves (1.1.2006)	57 813	176 297	120 822
Europe	Reserves 1.1.2005 (Release October 2005)			
	2005 production			
	Revision	0	8 723	
	Reserves (1.1.2006)	0	8 723	83 158
Latin America	Reserves 8.4.2005 (Release October 2005)	56 000	79 500	
	2005 production (since August 4)	(3 841)	(3 841)	
	Tello production (January 1st - February 13, 2006)	342	342	
	Revision	(7 413)	8 025	
	Reserves (1.1.2006)	45 088	84 026	18 231
Total	Reserves 1.1.2005 (Release October 2005)	98 800	310 100	
	2005 production	(11 556)	(11 556)	
	Purchase/Sale	(4 960)	(21 554)	
	Tello production (January 1st - February 13, 2006)	342	342	
	Revision	20 275	(8 286)	
	Reserves (1.1.2006)	102 901	269 046	222 212

* P3 1.1.2006: with no exploration plan.
** Kboe = Thousands of barrels of oil equivalent.

P1 reserves are proven reserves.

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

P3 reserves are possible reserves.

On December 31, 2005, proven reserves were 102.9 Mboe (P1) and proven and probable reserves were 269 Mboe (P1+P2). They represent the part of the Company's interests in each of the permits, with royalties deducted.

Compared to January 1st, 2005, proven reserves (P1) have increased in absolute terms by 4.1 Mboe but in reality by 20.3 Mboe if we take into account the change of the Company's interests in the M'Boundi field and the sale of the Pointe Indienne field. This increase in reserves is essentially due to the change from P2 to P1 linked to the development work in the M'Boundi field (+27.7 Mboe) and a slight decrease of proven reserves in Latin America (–7.4 Mboe), fields in which surveys have begun.

The Company's proven and probable reserves (P1+P2) reduced in absolute terms by 40.9 Mboe (they actually reduced by only 8.3 Mboe if we take into account the 2005 production and the changes made to the asset portfolio). This last figure reflects both a decrease of reserves in Africa (–25.0 Mboe) and an increase in Latin America (+8.0 Mboe) and Sicily (+8.7 Mboe).

The Latin American reserves presented in October 2005 already included the retrocession of the Tello field to the ANH (Agencia Nacional de Hydrocarburos) in February 2006. For consistency purposes, reserves on January 1st, 2006 do not include Tello production between January 1st and February 13, 2006 (342 Kboe) which is on a separate line.

On January 1st, 2006, the Company has about seven years of P1 reserves and almost 18 years of P1+P2 reserves at the production rate of 41 540 b/d (Maurel & Prom interest minus royalties and without Tello).

The reserves were evaluated by DMN on the basis of the economic conditions and using the existing geological and engineering data to estimate the quantities of hydrocarbons that could be produced. The evaluation process involves subjective judgments and may lead to later re-evaluations.

Finally, it should be noted that Maurel & Prom, through its production-sharing contracts in Congo, has its expenditure reimbursed in the form of barrels. An increase in the barrel price therefore results in a drop in the number of barrels that Maurel & Prom receives in return for its investments.

8.1.2.
Description of the oilfields at the date of this annual report

Oil and gas businesses

Congo
Permits:
Kouakouala
M&P* 50%
Titulaire du permits:
Zetah Congo Ltd (M&P 50%)

Kouilou
M&P: 65%
Titulaire du permits:
Zetah Kouilou Ltd (M&P 65%)

M'Boundi
M&P: 48%
Permits holder:
Zetah Kouilou Ltd

La Noumbi
M&P : 49%
Permits holder:
Zetah M&P Congo
Operator:
Zetah M&P Congo (M&P 100%)

Colombia
Hocol interests:
- Palermo*: 50%
- Rio Paez*: 33.33%
- Casanare*: 15.40%
- Corocora*: 31.7%
- Estero*: 31.7%
- Garcero*: 31.7%
- Orocué*: 31.7%
- Ortega*: 100%

- San Jacinto: 33.33%
- Mundo Nuevo: 15%
- Tangara: 15%
- Doima: 25%
- Achira: 50%
- Upar: 60%
- Rio Cabrera: 100%
- Guaimaral: AET

Gabon
Permit:
Ofoubou Ankani
M&P: 95%

Nyanga - Mayombé
M&P: 100%

Omoueyi
M&P Gabon Ltd: 100%

Banio
M&P: 50%

AET Kari
M&P: 100%

Senegal
Permit:
Sebikhotane
M&P interests: 90%

Hungary
Société Raba Xprom
Energia Kft
M&P: 34.30%
Concession

Italy
Société Panther Eureka
(Italian limited liability company)
M&P interests: 30%
Concession

France
Permit:
Lavignolle
M&P: 25%
Concession

Venezuela
Hocol interests:
Being negociated

Tanzania
Permit:
Bigwa-Rufiji et Mafia
M&P interests: 60%

* Association agreement

8.2.
Buildings, plant and equipment

No company in Maurel & Prom Group owns buildings. 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 exploitation 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.

8.3
Environmental questions

Because of its activities, currently mainly oil and gas-related, Maurel & Prom Group takes care to comply with the regulatory requirements of the countries in which it operates and, in particular, to carry out systematic impact studies before beginning specific work.

With its exploration, production and development work, Maurel & Prom Group may cause environmental damage. This is covered by ad hoc insurance policies.

Because of the nature of its business, the Group will support the costs of restoring the exploitation sites and the pumping equipment to their original state. A provision for these site restoration costs is recorded in the financial statements.

In its constant desire to improve the prevention of industrial and environmental hazards and to complete the development of the oil activities with a tightening of the management and rules for handling the safety of people, installations and intellectual property, Group's managers created a Safety Manager position on May 1st, 2005.

The objective for the end of 2005 was to produce a general report on the safety and environmental situation for all the sites and all the establishments where Maurel & Prom group operates in order to produce a general diagnosis of the threats and hazards and define an action plan for 2006. The aim of the plan is to develop hazard prevention in all its forms and strengthen action-taking capabilities appropriate to the identified hazards.

During 2005, Maurel & Prom tightened its measures to protect the environment.

The Health-Safety Environment (HSE) department of Zetah Maurel & Prom Congo was strengthened and specific Safety and Environment departments were created with a precise definition of the prevention, intervention and monitoring tasks of each department. Additional specialized employees, at the head of the Safety Department and in each of the other departments, were recruited to accomplish the specific duties of these departments.

The Company set up an environmental watch unit, responsible for preventing pollution, and strengthened that unit in terms of employees. Maurel & Prom also participated at site meetings to require working techniques and methods to prevent erosion and to restore the soil. Maurel & Prom also increased its pipeline route research operations, particularly in urban areas, and its operations for installing posts on the ground indicating where the pipelines are. Maurel & Prom also systematically carries out impact studies for new exploration sites.

The commitments of the Health-Safety Environment (HSE) department in the antipollution actions are:

- to acquire the means to fight hydrocarbon pollution of soil and water;
- to totally clean and rehabilitate polluted sites due to pipeline breaks in open country and in the centre of Pointe-Noire, or due to oil leaks on drilling sites;
- to reinforce the track and platform earthworks to fight erosion caused by rainfall, blocking rivers and destroying crops;
- and to clear up felled trees and forest edges bordering tracks and platforms.

9.
Examination of the financial situation and income

9.1.
Financial situation

In 2005, the Group achieved a very significant increase in income and shareholders' equity, due to the growth of its assets in Congo and the purchase of the Hocol group in Colombia and Venezuela on August 4, 2005.

- **Consolidated sales** grew strongly by 302% to €M407.7 essentially because of the Congo (€M231.7 compared to €M80.9 in 2004) and the integration of Hocol generating €M149.6.

  The number of barrels sold by the Group was 9.9 Mboe (of which 5.9 Mboe in Congo and 4 Mboe for Hocol) compared to 3.9 Mboe in 2004, an increase of 154% (27 123 b/d compared to 10 694 b/d). The average selling price was $46.9 per barrel compared to $35.7 per barrel in 2004, meaning an increase of 31.4%.

  The oil drilling business developed by Caroil generated sales of €M22.1 in 2005 compared to €M15.4 in 2004.
- **Current operating income** is €M181.7, a 330% increase from 2004 (€M42.3), mainly generated by the oil production business.

  The contribution of Caroil (a drilling subsidiary) was €M7.6.

  Current operating income rose from 41.7% of sales in 2004 to 44.5% in 2005. Such improvement is due to the reduction of fixed production expenses relative to significant increased production.

  On the other hand, it recorded a significant charge of €M23.0 for the change over the year of the fair value of the instruments for hedging the price of Brent (see note 10 of the consolidated financial statements in Appendix 2).
- **Consolidated net income** of €M100.2 shows a 115% increase from 2004 (€M46.6).
- **The acquisitions** of the Group in 2005 allowed a wide geographic diversification with the acquisition of a company holding a permit in Sicily for €M1.6, permits in Gabon for €M58.5 and the Hocol group in Colombia and Venezuela for €M410.9.
- **The balance sheet** on December 31, 2005, reflects this major growth of the Group shareholders' equity of €M458.8 compared to €M222.2 in 2004, meaning an increase of 106%.

  Net debt on December 31, 2005 was €M235.7 compared to €M41.4 on December 31, 2004.

  The debt to equity ratio was 51.38% compared to 18.50% at the end of 2004.
- **Cash flow was positive,** the Group's oil activities in Congo and Latin America generated net cash flow during the year.

  Liquid assets on December 31, 2005, were €M235.1.
- **Non-petroleum assets** remained exceptional on the balance sheet and in the Group's business. The multipurpose ships were sold during 2005. The Group still holds a gold exploration permit in Mali.
- **The share price** has varied between a low of €14 and a high of €21.5 since January 1st, 2005.

  The number of Maurel & Prom shares on March 31, 2006, was 116.2 million.

  The potential dilution related to the possible conversion of the OCEANEs (convertible bonds) and the exercise of the BSAR (redeemable share warrants) and the warrants could bring the shares' number to 137.8 million.

  Maurel & Prom's stock market capitalization on the basis of 116.2 million shares and a price of €17.39 stands at €M2.020 on May 11, 2006.

9.2.
Income

9.2.1.
Current operating income

In 2005, the Group's current operating income was €M181.7, 330% better than income on the same basis in 2004 (€M42.3).

This improvement is slightly steeper than the improvement in sales which was 302% (€M407.7 in 2005 compared to €M101.3 in 2004).

In percentage, operating income was 44.5% of 2005 sales compared to 41.7% in 2004.

9.2.2.
Explanation of the change in net sales and net earnings

Sales by business In millions of euros	Total	Oil/gas production	Drilling	Other
2004	101.3	80.9 (79.8%)	15.4 (15.2%)	5.0 (5.0%)
2005	407.7	383.5 (94.1%)	22.1 (5.4%)	2.1 (0.5%)

The overall improvement in sales comes primarily from the oil and gas production business which increased fourfold from 2004 to 2005. Consolidated sales of the Caroil drilling subsidiary increased by 43.5% from €M15.4 to €M22.1.

Sales by geographic region In millions of euros	Total	Congo	Colombia Venezuela	Other
2004	101.3	97.4 (96.1%)	n/a	3.9 (3.9%)
2005	407.7	256.1 (62.8%)	149.5 (36.7%)	2.1 (0.5%)

The geographic evolution in sales shows a decrease of Congo's importance (oil and gas production and drilling activity) from 96.1% in 2004 to 62.8% in 2005. This reflects the geographic diversification achieved with the acquisition of Hocol which was consolidated into the financial statements on August 4, 2005.

9.2.3.
External factors substantially influencing business

At the end of 2005, 94.1% of Group sales were made from oil and gas production.

The external factors having the greatest influence on the Group results were the productivity of the oilfields, international oil prices in dollars and their conversion in euros in the financial statements.

The inclusion of Hocol in the consolidation perimeter greatly influenced income and the balance sheet equilibrium in both assets and liabilities with the issue of the OCEANEs (in the amount of €M375).

Regarding current operating income Hocol's contribution since August 4, 2005, was €M68.8, meaning 42.6% of the year's operating income for the whole Group.

9.3.
Other information on the income statement

In thousands of euros	2005	2004
Current operating income	181 660	42 323
Other operating items	(20 292)	4 342
Operating income	161 368	46 665
Financial income	(45 854)	(1 459)
Income before tax	115 514	45 206
Tax on income	(17 266)	(196)
Net income of consolidated companies	98 248	45 010
Share of companies consolidated on an equity basis	2 033	1 615
Net income of the total consolidation	100 280	46 625

Other items affecting 2005 operating income mainly include the depreciation of the gas assets in Vietnam for €M20.9. These assets have been depreciated because of the results of the test run on the gas deposit in 2005 and the economic and contractual environment of the permit that did not allow us to conclude that the project was viable.

Financial income on December 31, 2005, was €M–45.9 compared to €M–1.5 on December 31, 2004.

This change is mainly explained by:

- the increased net interest charge that rose from €5.4 million in 2004 to €M28.3 in 2005, mainly relating to the issue of the OCEANEs and increased bank borrowings;
- and exchange rate losses of €M16.9 in 2005 compared to an exchange rate gain of €M4 in 2004, the Group's business being sensitive to changes in the euro/dollar parity.

The increase in the 2005 tax charge is mostly due to the acquisition of Hocol group. The effective tax rate was 15% compared to a theoretical tax charge of 33.833%. This difference is mainly due to the taxes paid in kind which are recorded as a deduction from Group sales and which, consequently, are not recorded according to IFRS standards on the tax line.

10.
Cash flow and shareholders' equity

10.1.
Information on the Group's shareholders' equity

In thousands of euros	Equity	Own shares	Premiums
January 1st, 2004	**55 906**		**58 930**
Conversion gains/losses			
Aréopage merger restatement			
Net income posted directly in shareholders' equity	**0**	**0**	**0**
Allocation of income			
Net income			
Total income and expenditure recorded for the year	**0**	**0**	**0**
Capital increase	27 331		10 893
Stock options			90
December 31, 2004	**83 237**	**—**	**69 913**
Unrealised income on cash flow hedging			
January 1st, 2005	**83 237**	**—**	**69 913**
Conversion gains/losses			
OCEANEs			44 003
Deferred taxes on OCEANEs			(14 888)
Financial instruments			
Net income posted directly as shareholders' equity	**0**	**0**	**29 115**
Allocation of income - Dividends			
Net income			
Total income and expenses recorded for the year	**0**	**0**	**29 115**
Capital increase	6 265		96 680
Stock options			4 482
Movements on own shares		(3 707)	
December 31, 2005	**89 502**	**(3 707)**	**200 190**

Reserves	Hedging reserves	Translation gains/losses	Income for the year	Shareholders' equity, Group share	Minority interests	Total shareholders' equity
(12 736)	0	0	24 276	126 376	130	126 506
		(426)		(426)		(426)
11 242				11 242		11 242
11 242	0	(426)		10 816	0	10 816
24 276			(24 276)	0		0
			46 603	46 603	22	46 625
35 518	0	(426)	22 327	57 419	22	57 441
				38 224		38 224
				90		90
22 782	—	(426)	46 603	222 109	152	222 261
(606)	2 752			2 146		2 146
22 176	2 752	(426)	46 603	224 255	152	224 407
		20 630		20 630		20 630
				44 003		44 003
				(14 888)		(14 888)
	(2 752)			(2 752)		(2 752)
0	(2 752)	20 630	0	46 993	0	46 993
29 976			(46 603)	(16 627)		(16 627)
			100 233	100 233	46	100 279
29 976	(2 752)	20 630	53 630	130 599	46	130 645
				102 945		102 945
				4 482		4 482
				(3 707)		(3 707)
52 152	—	20 204	100 233	458 574	198	458 772

10.2.
Source, amount and description of funds

The chart below shows the following cash flows:

In thousand of euros	December 31, 2005	December 31, 2004
Consolidated income before tax	117 547	46 821
Adjustment for:		
- Net payments (writebacks) of amortisation and provisions	93 823	15 859
- Unrealised gains and losses from changes in fair value	22 999	
- Calculated charges and income from stock options and similar	4 482	90
- Other calculated income and charges	14 822	(1 750)
- Disposal gains and losses	(1 777)	(5 548)
- Share in income of companies consolidated by the equity method	(2 033)	(1 615)
Cash flow before tax	**249 864**	**53 857**
Tax paid	**(16 584)**	**(196)**
Variation in cash flow requirement from operations	**40 680**	**33 138**
- Customers	38 295	(1 423)
- Suppliers	42 294	8 820
- Inventories	(2 014)	21
- Other	(37 895)	25 720
Net cash flow from operations	**273 960**	**86 799**
Disbursements for acquisitions of tangible and intangible assets	(166 856)	(98 338)
Receipts from sales of intangible and tangible fixed assets	17 722	5 768
Disbursements for acquisitions of financial assets (non-consolidated shares)	(134)	(1 404)
Receipts from sales of financial assets (non-consolidated shares)	820	49
Acquisitions of subsidiaries	(347 988)	
Variation in loans and advances given	(10 781)	225
Other flows from investment transactions	(1 142)	3 455
Net cash flow from investment transactions	**(508 359)**	**(90 245)**
Amounts received from shareholders during capital increases	83 982	52 827
Dividends paid	(16 627)	
Receipts from new borrowings	425 092	30 083
Repayment of borrowings	(71 521)	(59 585)
Other movements (own shares)	(3 707)	
Net cash flow from finance transactions	**417 220**	**23 325**
Impact of variations in exchange rates	17 297	117
Variation in net cash flow	**200 119**	**19 996**
Cash flow at beginning of year	31 939	11 942
Net cash flow and equivalents at end of year	**232 058**	**31 939**

The change in cash flow and the major improvement in working capital allowed the company to use the cash flow from operations to finance the investments in the search and production activity.

The growth transactions (buying subsidiaries) were mainly financed by the OCEANE convertible bond issue.

The result in 2005 increased in net cash flow of more than €M200 compared to €M20 in 2004.

10.3. 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 1st, 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.

In order to continue investment, Maurel & Prom obtained on January 24, 2005, an extension from $M50 to $M120 in the existing facility granted on September 23, 2003, by Natexis (RBL); this loan facility was then raised to $M150 on July 19, 2005. It is refundable in US dollars and carries interest at the Libor rate +4.5% (on each interest due date); the repayment plan, modified because of the extension, runs from April 25, 2006, and the repayment term is January 25, 2009. This facility comes with an early repayment option. The amount of the loan used on December 31, 2005, was $M112.1, the available amount of this facility therefore being $M37.9.

Pursuant to the terms of this revolving credit agreement of $M150 concluded with Natexis Banques Populaires and other lenders, Maurel & Prom gave some securities. These securities made in favour of the lenders consist mainly in:

- the progressive build-up of a cash security account corresponding to 10% of the highest borrowing base;
- the pledge of the shares the Company holds in Zetah Kouilou Ltd and Zetah Congo Ltd;
- the security of the rights and interests in the Kouilou and Kouakouala production-sharing contracts;
- the sale, as security, of the Company's rights in the oil export contracts for the Kouakouala and Kouilou fields;
- the pledge of a bank account receiving the amounts from the export contracts, the insurance policy and the hedging contracts;
- the sale, as security, of the hedging contracts and insurance policies;
- and taking out an insurance policy covering a minimum billing level of a barrel of crude.

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

- total net borrowings to shareholders' equity of less than 1.4;
- and gross operating surplus to net financial expenses greater than 3.

The outstanding loan on the $10.5 million credit agreement entered into between Caroil and Banque Belgolaise was $M2.2 on December 31, 2005. This loan carries interest at the Libor rate +3.86% (applicable on each interest due date) and matures on June 30, 2006.

Within this finance agreement, Caroil gave the following securities: disposal of its business receivables, pledge of facility account balance and signing of a property security deed relating to the provision account. Also, a first-call guarantee was granted by Maurel & Prom as a guarantee for Caroil's commitments.

The Company signed a bridge facility on July 20, 2005, with BNP Paribas for a total of $M60; this facility ran until October 31, 2005, and was renewable until December 31, 2005; it was fully repaid on November 21, 2005.

An amendment was entered into on October 27, 2005, substituting a $M30 facility granted until January 31, 2006. The facility carries interest at the USD Libor one-month rate plus 4% (applicable on the interest due date). No drawing was made of this line of credit that was therefore fully available on December 31, 2005.

As part of the initial $M60 financing agreement entered into with BNP Paribas on July 20, 2005, Maurel & Prom pledged, as a guarantee of repayment of the loan, the shares acquired in the capital of Hocol Petroleum Holdings Ltd.

In addition, Maurel & Prom undertook:

- 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 to the exception of certain sales;
- not to enter into additional loans, other than the current loans and up to a limit of $M15 for the whole Group;
- and not to grant to third parties, except for routine trading transactions relating to its business, single loans of more than $M1 or more than $M6 in total.

On June 27, 2003, Hocol SA entered into, in the form of a syndicated loan, a loan of 150 000 000 Colombian pesos; this loan, repayable in local currency over five years with an 18-month deferral, carries interest at the FTD rate (90-day fixed term deposit) plus 5.5% (applicable on the interest due date), the outstanding amount on December 31, 2005, on this loan was 120 000 000 Colombian pesos, or $M52.5.
This facility comes with an early repayment option.
Pursuant to such agreement, Hocol SA pledged the rights and interests of Hocol and Homcol in the production-sharing contracts and 13.52% of Hocol Limited shares. It also pledged the bank account receiving the income from its hydrocarbon sales from the production-sharing contract of the Palermo field.

10.4. Capital restrictions having an influence on operations

There are no capital restrictions likely to have a significant influence on operations.

10.5. Investments plans for main future investment

Future investments will be mainly self-financed.

11.
Research and development, patents and licences

Maurel & Prom Group doesn't carry out any research and development activities and holds no patents or any significant licences.

12.
Information on trends

12.1.
Changes in the Company's business

On August 4, 2005, Maurel & Prom acquired from Knightsbridge Petroleum the Hocol group whose assets are in Colombia and Venezuela.

The Tello concession in Colombia was retroceded to the Colombian government on February 14, 2006. This concession was the last one in Colombia and was not renewed by the Colombian government in accordance with its policy to terminate such kind of contract, as the Group had anticipated. The territory previously covered by the Tello concession was under a permit granted to Ecopetrol, Colombia's state company.

12.2.
Known trends, uncertainties, commitments or events likely to significantly influence the outlook for the current year

12.2.1.
Oil and gas activities

12.2.1.1.
Congo

General

Within the agreements entered into in June 2005 between Maurel & Prom, Burren Energy and the SNPC *(Société Nationale des Pétroles du Congo),* Maurel & Prom and its partner Burren Energy sold 10% of their rights on the M'Boundi exploitation permit to the SNPC. As a result of this sale, Maurel & Prom's rights on this permit were reduced from 54% to 48.6%. Also, Maurel & Prom and Burren Energy's rights were extended on the M'Boundi permit from 2017 to 2030 and the Kouakouala exploitation permit will be extended from 2008 to 2023. During its session of March 24, 2006, the Congolese parliament ratified the bills relating the La Noumbi Production-Sharing Contract and the amendments to the Kouilou and Kouakouala Production-Sharing Contract. These legislative process bills protect the Group's development in the country.

Since January 1st, 2006, the Company has been selling its production at the N'Kossa quality price to SOCAP, thereby obtaining a quality-related price difference that is more favourable than the one previously applied (Djeno base).

In March 2006, Maurel & Prom entered into a supply agreement with the Congolese refining company (CORAF) allowing the M'Boundi partnership to sell 5 000 b/d directly.

Development

On the M'Boundi permit, the 2006 development programme plans the implementation of 18 to 24 producer wells and three water injection wells.

The capacity of the production installations will be increased to 90 000 b/d by adding a third 30 000 b/d separation and treatment plant, building a third storage tank and increasing the number of transmission pumps.

Additionally, desalters will be installed to strengthen the export specifications and a unit for treating production water that will be totally reinjected into the oilfield.

A water injection pilot with a capacity of 20 000 b/d should be operational by the end of 2006, with three injector wells. This pilot is a first water injection phase rolled out over the field, which will be used to maintain reservoir pressure and stabilise the production level. A second phase of 60 000 b/d is scheduled and could be operational in the second quarter of 2007.

The Southern extension of the M'Boundi field is under studies with the drilling of the M'Boundi 2001 and 2002 wells in order to confirm the southern extension of the field and, within the water injection programme, three wells will be drilled in 2006.

On the Kouakouala permit, after obtaining the extension of the exploitation permit, the production installations will be rehabilitated for a better operating safety and the water injection project will be reassessed.

Exploration

The exploration activity, mainly consisting in drilling, will be very intense in 2006. All the exploration wells recorded on this year's final budget on 159 Mboe for Maurel & Prom's net share before royalties. The drilling operations recorded on the optional budget (the Mengo and M'Bemba East trenches) are aiming at an additional 39 Mboe. All the exploration prospects identified by Maurel & Prom on the Congolese permits amount to 259 Mboe for Maurel & Prom's net share before royalties.

Kouilou

On the Vandji sandstone feature, in the southeast quarter of the Kouilou permit, the access roads are being constructed for exploration drilling at Loufika and Tioni. It is a region where the entire infrastructure is to be built.

In the north of the permit, construction of access roads got started for the drilling of Kintombo.
The north west and south east structures of M'Boundi are studied so that they can be drilled in the second half of this year.

Kouakouala

The Djeno sandstone feature has been drilled from the Kouakouala permit, opening some of the access to Doungou on the La Noumbi permit which was drilled after Kitombo with the Boubissi-1 well which encountered forty or so metres of impregnated sandstone. Drilling this well has revealed hydrocarbon reserves that are too heavy to be exploited with conventional techniques.

12.2.1.2.
Colombia

The 2006 exploration campaign in Colombia requires significant investments.
The 2006 campaign is aiming at producing a maximum of eight exploration wells and 47 development wells. All the exploration prospects identified by Maurel & Prom on the Colombian permits amount to 295 Mboe for Maurel & Prom net share before royalties. The planned development expenditure will be made mainly with Hocol's partners on the San Francisco (Hocol operator) and Llanos (Hocol not operator) fields.
According to the initial agreements, the Tello concession was retroceded to ANH (Agencia Nacional de Hydrocarburos) on February 14, 2006.

12.2.1.3.
Venezuela

In 2005 the Venezuelan government started to nationalize the oil companies' assets operating in the country. This results in a change in the status of private oil companies to mixed economy companies *"Empresa mixta"* through 2006. Interests in a new company in partnership with PDVSA, Venezuela's state oil company, and other private local associates will therefore replace former rights on permits.
In 2005, tax inspections were led on all oil companies operating in Venezuela; these inspections relate mainly to retroactively raising the tax rate that has been 34% since 2001 to 50%. This rate change, which was known about when Hocol was acquired, was taken into account in 2005.

12.2.1.4.
Other countries

In Gabon, based on the initial results obtained on the ONAL well (Omoueyi permit), the Group will step up its drilling programme (five additional wells are planned in the first half of 2006) on one or two neighbouring structures. A 900 km modern 2D seismic acquisition is also planned in 2006 plan for the north and south of the permit.
On the Nyanga Mayombe permit, a long term production test with temporary installations will be run through 2006 to establish a better idea of the reservoir, subject to economic solutions for the export from this marginal field. The required authorizations have been obtained from the regulatory authorities and discussions with an oil operator for the evacuation of the resultant production are in progress.
Maurel & Prom is looking for a new partnership on the Sebikhotane permit in Senegal. After buying Orchard, a long -standing partner in the Sebikhotane permit, other possibilities are being explored. The decision in the arbitration with Orchard was given at the beginning of 2006. Maurel & Prom has paid €135 000 in settlement plus arbitration costs. Thereafter, in May 2006, Maurel & Prom acquired Orchard that owns a 35% interest in the project.
In Tanzania, a drilling rig has been very recently chosen; first exploration well (Mkuranga #1) should begin in the second half of 2006.
In Hungary, because of disappointing results on the Cs-DOR1 gas exploration drilling, discussions are ongoing with new partners on the possibility of continuing the work in the first quarter of 2006.
On February 19, 2006, in accordance with the option provided at the beginning of 2005 on the initial acquisition, Maurel & Prom increased its interests in Panther Eureka Srl from 25% to 30% for an additional $M8.

12.2.2.
Drilling activities - Caroil

Caroil intends to become a pure drilling company, gaining independence based on an expanding fleet and new finance. Marketing its knowledge to international oil companies operating in Congo is one of this subsidiary's possibilities of growth. A programme to buy ten or so drilling rigs is planned over the next two years.
Operationally, in 2006, Caroil plans to drill some 40 wells with a fleet of nine drilling rigs at the end of the year.

13.
Estimated sales and investment budgets

Maurel & Prom does not announce its income forecast within the meaning of CE Regulation N° 809/2004 dated April 29, 2004.

13.1.
Sales and investment budget estimates for 2006

Since the beginning of 2006, the environment change was in favour of crude oil prices. After the significant growth and geographic diversification achieved in 2005, Maurel & Prom will continue its internal growth with development investments in Congo and Colombia throughout 2006. A very dynamic exploration policy has also been carried out throughout the year mostly on the Colombian permits for Latin America and the Congolese and Gabonese permits in the Gulf of Guinea.

The scheduled investments for 2006 are estimated at €M128 for development and €M99 for exploration.

2006 sales are budgeted for €M556 assuming a Brent price of $57 per barrel (April to December 2006) and an average euro/US dollar exchange rate of 1.20. 2006 sales include the negative impact of the Tello retrocession in Colombia on February 14, 2006, and the disposal of 10% of the M'Boundi rights to the SNPC *(Société Nationale des Pétroles du Congo)* as of January 1st, 2006.

The sensitivity analysis on budgeted sales for 2006 according to the oil price and the euro/US dollar exchange rate are as follows:

- Average annual euro/US dollar exchange rate +5% from 1.20 to 1.26: annual sales of €M529.3 instead of €M555.6, meaning €M–26.3 or €M–4.7% on budgeted annual sales.
- Price per barrel of Brent +15% from $57 per barrel to $65.6 per barrel over the period from April to December 2006 and euro/US dollar exchange rate of 1.20: annual sales of €602.7 million instead of €555.6 million, meaning €+47.1 million or +8.5% on budgeted annual sales.

Because of the budgeted increase in the selling price of the barrel produced by the Company and the stability of its unit costs (exploitation, transport and amortisation), current operating income before the impact of exploration should increase more than sales. Negative results of the 2006 dynamic exploration programme would directly affect the level of current operating income.

13.2.
Assumptions on funding the 2006 estimated sales and investment budget

In addition to the Brent price and exchange rate assumptions (point 13.1), the change in 2006 sales includes the Group's production outlook in Congo and Latin America. Exploitation, transport costs, the budgeted development and exploration investments corresponds to the Group's estimates on technical cost.

The amortization is calculated on the basis of the level of reserves certified by DeGolyer & MacNaughton.

14.
Administrative, management and supervisory entities and general management

On December 28, 2004, the Combined General 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.
The current composition and operation of the corporate entities are described below.

Management Board

J.-F. Hénin	(Chairman)
R. Gozalo	(Chief Executive)
D. Pèlerin	(Exploration Director)

Supervisory Board

G. Andreck	(Chairman)
E. de Marion de Glatigny	(Vice-Chairman)
C. Bellon de Chassy	
F. Chalandon	
Financière de Rosario	represented by J.-F. Michaud
A. Gomez	
R. d'Hauteville	
A. Vilgrain	

"Censeur"

G. Brac de la Perrière

Appointment and Remunerations Committee

F. Chalandon
A. Gomez

Audit Committee

G. Brac de la Perrière
F. Chalandon

14.1. Information on the members of the administrative and corporate entities

14.1.1 Composition of the corporate entities

14.1.1.1. Composition of the Management Board

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

- Jean-François Hénin, Chairman,
- Roman Gozalo, member of the Board, Chief Executive,
- Daniel Pèlerin, member of the Board, Exploration Director.

Jean-François Hénin, 62
Maurel & Prom
12, rue Volney
75002 Paris - France

Management background

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

Roman Gozalo, 60
Maurel & Prom
12, rue Volney
75002 Paris - France

Roman Gozalo is also Chief Executive of Maurel & Prom.

Management background

Mr Gozalo developed his management background through the General Management with three Total's subsidiaries between 1979 and 2002 and also as Administration Director (General Secretary) of Elf group between 1995 and 1999.

Daniel Pèlerin, 60
Maurel & Prom
12, rue Volney
75002 Paris - France

Daniel Pèlerin is also Exploration Director of Maurel & Prom.

Management background

Head of the of geophysics department of Elf Aquitaine in Congo and then Exploration Director of several Elf Aquitaine subsidiaries, Mr Pelerin was the Director of an Elf Aquitaine Exploration entity in the Latin America/Caribbean region.
The Supervisory Board appointed Daniel Pèlerin and Roman Gozalo to the Management Board on April 22, 2005 and October 24, 2005.
Two members of the Management Board resigned in 2005: Frédéric Boulet, appointed on December 28, 2004 left its duties on August 18, 2005, and Marc Sengès, appointed to the Supervisory Board on April 22, 2005, left its duties on September 23, 2005.

14.1.1.2. Other information

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

- has been found guilty of fraud in at least the last five years;
- has been involved in any bankruptcy, sequestration or liquidation;
- has been accused by the statutory or regulatory authorities, except Jean-François Hénin who was found guilty by the Cour de Discipline Budgétaire et Financière in the Altus Finance case and fined (Judgement of February 24, 2006);
- 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.

14.1.1.3. Members of the Supervisory Board

On this annual report's date, the members of the Company's Supervisory Board are:
- Gérard Andreck, Chairman,
- Emmanuel de Marion de Glatigny, Vice Chairman,
- Christian Bellon de Chassy,
- Fabien Chalandon,
- Financière de Rosario, represented by Jean-François Michaud,
- Alain Gomez,
- Roland d'Hauteville
- and Alexandre Vilgrain.

Gérard Andreck, 61
MACIF
2/4, rue de Pied-de-fond
79037 Niort Cedex - France

Management background

As a manager of the MACIF (Chief Executive) and of the MACIF group, Mr Andreck has knowledge and expertise in financial, strategic and corporate governance matters.

Emmanuel de Marion de Glatigny, 59
40, rue des Hauts-Fresnays
92500 Rueil-Malmaison - France

Management background

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

Christian Bellon de Chassy, 73
42, rue des Rosiers
75004 Paris - France

Management background

Christian Bellon de Chassy acts is an expert for international courts and arbitration entities. He is a science graduate (chemistry and geology) and is an 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 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 the World Bank budgets.

Fabien Chalandon, 53
1, rue Auguste-Vacquerie
75116 Paris - France

Management background
Mr Chalandon acquired a management background through the Chairmanship of five companies, one of which (Otor) is listed and four are not listed (Terraillon, Sogeres, Madison/Chart Energy, New World Trust). Mr Chalandon is also deputy general manager and co-founder of an American investment bank and a director of several private equity funds (France, Ireland, USA). He also has experience in restructuring (Terraillon, 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
RCS Paris number 716 580 477
Registered office: 20, rue Royale - 75008 Paris - France

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

Alain Gomez, 67
Maurel & Prom
12, rue Volney
75002 Paris - France

Management background
Alain Gomez has management experience since he has been a Chief Executive Officer and held office in many companies since 1973.

Roland d'Hauteville, 64
8, rue de Villersexel
75007 Paris - France

Management background
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 Banque de Financement et de Trésorerie (BFT) and was Chief Executive Officer until Crédit Agricole's takeover in 1990. He was then Chief Executive of Banque Elkann and then of the listed company 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, 50
39, rue Jean-Jacques Rousseau
75001 Paris - France

Management background
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 become Chairman of Delifrance Asia Ltd. Under his chairmanship, the company was listed on the Singapore stock exchange in 1996. Since 1995, Mr Vilgrain, who succeeded to his father, has been Chief Executive Officer of Somdiaa. 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 (CIAN). Mr Vilgrain has also been appointed Vice Chairman of the Supervisory Board of Fromentiers de France and then Chairman of the Board of the same company in 2005.
Mr Vilgrain received legal training at the faculty of 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, Guillaume Verspieren resigned on April 10, 2006, and Laurent Lafond on April 21, 2006. At the Supervisory Board Meeting of 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.

14.1.1.4.
Other information

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

- has been found guilty of fraud in the last five years;
- has been involved in any bankruptcy, sequestration or liquidation;
- has been accused by the statutory or regulatory authorities, except Jean-François Hénin who was found guilty by the Cour de Discipline Budgétaire et Financière in the Altus Finance case and fined (decision of February 24, 2006);
- 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.

14.1.1.5
Members of the other company entities

Gilles Brac de la Perrière, during the Supervisory Board's session of January 24, 2005, was appointed Company "censeur" which role is to attend all meetings of the Company's Supervisory Board in a advisory capacity.

Gilles Brac de la Perrière, 79
8, rue de la Boétie
75008 Paris - France

Management background

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.

14.1.2.
Offices and duties carried out in other companies by members of the corporate entities over the last five years

14.1.2.1.
Members of the Management Board

Jean-François Hénin, Chairman of the Board
Mr Hénin was General Manager of Pacifico SCA; he is currently Chairman of the Board of Pacifico SA (after the company's transformation into a *Société Anonyme* with Management Board and Supervisory Board).

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

Roman Gozalo, Chief Executive and Member of the Board
Roman Gozalo is also Chairman of the Supervisory Board of Caroil SA, a subsidiary of Maurel & Prom.
In the last five years, he was Chief Executive of TotalFinaElf Norway. He carries no other position.

Daniel Pèlerin, Member of the Board
Daniel Pèlerin is an employee of Maurel & Prom carrying out the position of Exploration Director. He holds no other corporate office.

14.1.2.2.
Members of the Supervisory Board

Gérard Andreck, Chairman of the Supervisory Board

Other offices

Director

. Director of CCR SA (reinsurance company)
. Chairman of Mutuelle Santé
. Chairman of the Board of CEMM SAS
. Chairman of the OFI MIDCAP mutual fund
. Member of the Supervisory Board
. Member of the Supervisory Board of IMA SA
. Member of the Supervisory Board of MACIF Gestion
. Vice Chairman of OFIVALMO Gestion SA
. Member of the Supervisory Board of OFIVALMO SA

"Censeur"

. Foncière de Lutèce SA
. Macifilia SA
. Socram SA

. Mutavie SA
. Altima SA
. SICAV OFI MA Tresor

Ex officio 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

Abroad

. Director: Atlantis Seguro (Spain)
. Director: Atlantis Vida (Spain)
. Director: MACIF Zycïc (Poland)
. Permanent representative of the 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

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 collective restaurateur
. Director then Chairman of Terraillon Holding (Ireland), industry
. Director of the General Partner of Hibernia Capital Partners (Ireland) a buy-out fund
. General 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
. Director and Secretary of Telnic Ltd (Great Britain), Icann licensee for the .tel 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
. Deputy Director of Comcell Investissements
. Director of Copagno
. Director of Copagmont
. Director of Taxis Paris Ile-de-France
. Director of JDP Lux
. Managing Director of Krizertax
. Managing Director of Lahire Taxis
. Managing Director of Lavi Taxis
. Managing Director of Loches Taxis
. Managing Director of Loire Taxis
. Managing Director of Micpol
. Managing Director of Montfort Taxis
. Managing Director of Orléans Taxis
. Managing Director of Patay
. Managing Director of Pierrefonds Taxis
. Managing Director of Polmic
. Managing Director of Ablis Taxis
. Managing Director of Amboise Taxis
. Managing Director of Apollonia Taxis
. Managing Director of Arras Taxis
. Managing Director of Atols Location
. Managing Director of Benyamin Taxis
. Managing Director of Blois Taxis
. Managing Director of Bréhat Taxis
Managing Director of Caesara
. Managing Director of Chartres Taxis
. Managing Director of Chaumont Taxis
. Managing Director of Clisson Taxis
. Managing Director of Domremy Taxis
. Managing Director of Dyka
. Managing Director of Fredalex
. Managing Director of Joutred
. Managing Director of Kady

. Managing Director of Karam
. Managing Director of Kitax
. Managing Director of Pyrénées Taxis
. Managing Director of Reims Taxis
. Managing Director of Rochefort Taxis
. Managing Director of Saint-Cloud Taxis
. Managing Director of Seva
. Managing Director of Ste Nouvelle Atelier 60
. Managing Director of Splendid Taxis
. Managing Director of Taxis Alex
. Managing Director of Taxibis
. Managing Director of Taxicap
. Managing Director of Taxigar
. Managing Director of Taxipac
. Managing Director of Taxiray
. Managing Director of Taxivanes
. Managing Director of Tolbiac Taxis
. Managing Director of Valisa Taxis
. Managing Director of Vaucouleurs Taxis
. Managing Director of Vaucresson Taxis
. Managing Director 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
. Chief Executive Officer of Facom SA

Christian Bellon de Chassy,
Member of the Supervisory Board

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

Roland d'Hauteville, Member of the Supervisory Board

Other offices
. 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

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 Sominfor
. Permanent representative of Somdiaa on the Management Board of Sominfor
. 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 Management Board of Fromenterie Développement
. Managing Director of Fromimo
. Chairman of the Board of Alexandre Vilgrain Holding
. Representative of Somdiaa on the Board of CIAN

Offices held in foreign companies

. Chairman of Gabonaise SMAG
. Chairman of Sucrière du Cameroun (SOSUCAM)
. Chairman of Saris-Congo
. Chairman of Compagnie Sucrière du Tchad (CST)
. Chairman of Partenaires et Finances du Cameroun
. Chairman of Food Research Corporation (FRC)

14.1.2.3. "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 Gioix SA

14.2. 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.

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 payment of an annual rent of €951 000 excluding taxes.

Under a contract for services between Maurel & Prom and Pacifico SA (Mr Hénin is Chairman of the Board), Pacifico received a total of €366 095.60.

15.
Remuneration and benefits

15.1.
Remuneration paid for the last fiscal year to each Management Board and Supervisory Board member

Management Board

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

In euros

Members of the Board	Fixed remuneration in euros	Variable remuneration in euros[1]	Exceptional remuneration
Jean-François Hénin	517 500	0	0
Daniel Pèlerin	210 125	0	10 000
Roman Gozalo*	83 751	15 534	0
Former Members of the Board			
Frédéric Boulet	2 055 535**	0	0
Marc Sengès	186 024 **	0	0

* Mr Gozalo joined the Company in October 2005.

** Includes severance payments and allowances paid for exercising corporate offices in Maurel & Prom and its subsidiaries.

1. Variable remuneration is calculated on achievement of objectives jointly agreed at the beginning of the year.

According to the recommendations made by the Appointments and Remuneration Committee in its report to the Supervisory Board, few members of the Management Board (currently Mr Pèlerin and Mr Gozalo) receive a severance payment equivalent to two years remuneration (bonus included).

Supervisory Board

The members of the Maurel & Prom Supervisory Board were paid the following amounts in attendance fees for 2005, payment being made in 2006:

	Fixed attendance fees	Variable attendance fees	Total
Mr Jacquard	24 750	41 597	66 347
Mr Chambon	13 500	20 798	34 298
Mr Gomez	27 000	20 798	47 798
Mr Michaud	27 000	13 235	40 235
Mr Lafond	27 000	30 252	57 252
Mr De Marion de Glatigny	27 000	20 798	47 798
Mr Verspieren	27 000	22 689	49 689
Mr Chalandon	27 000	37 815	64 815
Mr Andreck	13 500	9 454	22 954
Mr Vilgrain	11 250	7 563	18 813
Total	**225 000**	**225 000**	**450 000**

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

The office-holders have no particular benefits in kind, except for the Chief Executive's company vehicle.

The allotments of stock options are detailed in section 17.2.2 and the allotment of free shares in section 17.2.3 below.

2006

The Annual General Meeting called on June 20, 2006, will be asked to approve the remuneration of the members of the Supervisory Board as corporate officer-shareholder for the total amount of €450 000 as attendance fees for 2006.

15.2. Amounts provisioned or reported for pensions, retirements or other benefits

A retirement benefit of €8 122 has been recorded for Daniel Pèlerin.

16.
Operation of the administrative and corporate entities

First of all, please note that there is no specific internal regulations about the Management Board or Supervisory Board operate. The Supervisory Board has begun to draft internal regulations and it should be completed during 2006.
Furthermore, the legal and regulatory requirements concerning members of the Management Board or Supervisory Board interdictions to deal with the Company's shares are applicable since no specific rule has been adopted by the Company on this issue.

16.1.
Current terms of office expiry dates and dates of taking office

16.1.1.
Members of the Management Board

Jean-François Hénin

Chairman of the Management Board for three years from December 28, 2004 to December 27, 2007.
Before Maurel & Prom was transformed into a *Société Anonyme* with a Management Board and Supervisory Board, Jean-François Hénin was Managing Director of Maurel & Prom *(Société en commandite par actions)* and Chief Executive Officer of Aréopage, Managing Director and limited partner of Maurel & Prom *(Société en commandite par actions).*

Roman Gozalo

Member of the Management Board since October 24, 2005, and for the remainder of the terms of office of the other members of the Management Board, that is until December 27, 2007.
Roman Gozalo is also Chief Executive of Maurel & Prom.

Daniel Pèlerin

Member of the Management Board since April 22, 2005, and, for the remainder of the terms of office of the other members of the Management Board, that is until December 27, 2007.
Daniel Pèlerin is also Maurel & Prom's Exploration Director.

16.1.2.
Members of the Supervisory Board

Gérard Andreck

Chairman of Maurel & Prom Supervisory Board since the Supervisory Board meeting of November 7, 2005, and replacing Pierre Jacquard, until the end of the Ordinary General Meeting called to vote on the financial statements of 2006.
First appointed on June 29, 2005, as the MACIF permanent representative at the Board, then member of the Board in his own right since November 7, 2005. The co-opting of Gérard Andreck will be submitted for ratification at the next General Meeting.

Emmanuel de Marion de Glatigny

Member of Maurel & Prom Supervisory Board since the General Meeting of December 28, 2004, and until the end of the General Meeting called to vote on the financial statements of 2006.
Vice-Chairman of the Supervisory Board since the Supervisory Board meeting of August 18, 2005.
First appointed on June 19, 2001, as a member of Maurel & Prom Supervisory Board *(Société en commandite par actions).*

Fabien Chalandon

Member of Maurel & Prom Supervisory Board since the General Meeting of December 28, 2004, and until the end of the Ordinary General Meeting called to vote on the financial statements of 2006.
First appointed on March 4, 2004, as a member of Maurel & Prom Supervisory Board *(Société en commandite par actions).*

Financière de Rosario

Member of Maurel & Prom Supervisory Board since the General Meeting of December 28, 2004, and until the end of the Ordinary General Meeting called to vote on the financial statements for 2006.
First appointed on June 14, 2002 as a member of Maurel & Prom Supervisory Board *(Société en commandite par actions).*

Alain Gomez

Member of Maurel & Prom Supervisory Board since the General Meeting of December 28, 2004, and until the end of the General Meeting called to vote on the financial statements of 2006 (first appointment within Maurel & Prom).

Christian Bellon de Chassy

Member of Maurel & Prom Supervisory Board co-opted by Maurel & Prom Supervisory Board meeting on May 11, 2006, to replace Laurent Lafond, who had resigned. The co-opting of Christian Bellon de Chassy will be submitted for ratification at the next General Meeting.

Roland d'Hauteville

Member of Maurel & Prom Supervisory Board co-opted by Maurel & Prom Supervisory Board Meeting on May 11, 2006, to replace Guillaume Verspieren, who had resigned. Guillaume Verspieren resigned as a member of the Supervisory Board on April 21, 2006. The co-opting of Roland d'Hauteville will be submitted for ratification at the next General Meeting.

Alexandre Vilgrain

Member of Maurel & Prom Supervisory Board co-opted by Maurel & Prom Supervisory Board on August 18, 2005, to replace Jean-Louis Chambon, until the General Meeting called to vote on the financial statements of 2006. The co-opting of Alexandre Vilgrain will be submitted for ratification at the next General Meeting.

16.1.3. "Censeur"

Gilles Brac de la Perrière

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.

16.2. 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 benefits.

- A contract for services was entered into on June 21, 2005, between Maurel & Prom and Pacifico SCA (now Pacifico SA). Jean-François Hénin as shareholder and Chairman of the Management Board of this company, this agreement was submitted to the Supervisory Board meeting of December 22, 2005. The services provided by Pacifico for Maurel & Prom are:
  - to find strategic partners in the oil or gas industry;
  - to study investment and divestment projects, to establish the targets parameters;
  - to find new markets and new growth opportunities;
  - to design development of acquisition or disposal scenarios and establish the finance policy;
  - to advice and monitor 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:
  - the payment of an annual fixed fee of €100 000 excl. VAT for 2005;
  - and the payment of additional fees calculated according to the services performed and the actual cost of the services in the financial consultancy and drilling projects of Maurel & Prom subsidiary. For 2005, additional fees amounted to €68 700 excl. VAT per month.
- Commercial lease between the Company and Volney 12 SAS (see section 14.2).

16.3. Information on the Company Audit Committee and Appointments and Remuneration Committee

16.3.1. Audit Committee

An Audit Committee was founded by the Supervisory Board on December 28, 2004.
Its current members are:
- Gilles Brac de la Perrière, "censeur";
- and Fabien Chalandon, member of the Supervisory Board.

The Audit Committee's main duties are:
- to inspect Company and Maurel & Prom Group consolidated financial statements;
- to verify the relevance and permanence of the accounting methods used (I) for the consolidated financial statements and (II) for the consolidation perimeter;

- to inspect the internal and external auditing procedures implemented within Maurel & Prom Group, to assess internal audit reliability, relevance, means, efficiency and independence of the;
- to analyse, in collaboration with Maurel & Prom project team, all the IFRS accounting standards and in particular those likely to have an influence on the Group;
- to inspect the major operations 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.

At the meeting of December 15, 2005, the Supervisory Board also decided to appoint the Audit Committee the inspection for procedures and internal auditing.

During 2005, the Audit Committee met five times:

- on April 18, 2005;
- on October 6, 2005;
- on October 19, 2005;
- on November 7, 2005;
- and on December 13, 2005.

16.3.2. Remuneration Committee

A Remuneration Committee was founded by the Supervisory Board during the meeting of December 28, 2004.

Its current members are:

- Fabien Chalandon;
- and Alain Gomez,

both members of the Supervisory Board.

At the Supervisory Board Meeting of November 7, 2005, the Remuneration Committee was renamed the Appointments and Remuneration Committee.

The Appointments and Remunerations Committee's main duty is to make proposals concerning the remuneration of the members of the Management Board and, when necessary, of the Chairman and Vice Chairman of the Supervisory Board.

Concerning the members of the Supervisory Board, the Appointments and Remuneration Committee is responsible for fixing, every year, the total amount of attendance fees submitted to the approval of the General Meeting and the distribution methods of such attendance fees in between the members of the Supervisory Board, taking into account that those members are present for such meetings of the Board and the committees where they sit.

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

Concerning the members of the Management Board, the Appointments and Remuneration Committee proposes every year to the Supervisory Board the amount of fixed remunerations and variable remunerations methods, when necessary.

The Remunerations Committee also makes recommendations about pension and life insurance schemes, benefits in kind and representatives various financial entitlements including termination severance.

The Appointments and Remuneration Committee met five times during 2005 on the following dates:

- March 17, 2005;
- April 5, 2005;
- May 9, 2005;
- May 19, 2005;
- and May 24, 2005.

16.4. Internal audit

It should be noted that Maurel & Prom complies with french corporate governance.

The following informations are an extense to the mentioned information of the Chairman of the Supervisory Board's report. The informations mentioned in the report come mainly from the information provided by the Management Board and is particularly based on work done by the Group's financial departments. It was examined as a draft form by the Audit Committee at its meeting of May 11, 2006.

16.4.1. Preparation and organization of the working sessions of the Supervisory Board

16.4.1.1. Introduction to the Supervisory Board

Maurel & Prom is organised as a *Société Anonyme* with a Management Board and Supervisory Board which separates the management and audit 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 Meeting. Today, the Board has eight members who provide, through their varied experience, a balance of financial and oil industry skills and international experience.
Currently, the members of the Board are:

Members of the Board	Date appointed	Date term of office expires
Gérard Andreck	November 7, 2005	Annual General Meeting for 2006
Emmanuel de Marion de Glatigny	December 28, 2004	Annual General Meeting for 2006
Fabien Chalandon	December 28, 2004	Annual General Meeting for 2006
Financière de Rosario, represented by Jean-François Michaud	December 28, 2004	Annual General Meeting for 2006
Alain Gomez	December 28, 2004	Annual General Meeting for 2006
Alexandre Vilgrain	August 18, 2005	Annual General Meeting for 2006
Bellon de Chassy	May 11, 2006	Annual General Meeting for 2006
Roland d'Hauteville	May 11, 2006	Annual General Meeting for 2006

During 2005, Jean-Louis Chambon resigned from the Supervisory Board on July 6, 2005 and Pierre Jacquard on November 7, 2005.
Please note, concerning the members of the Supervisory Board, that Laurent Lafond and Guillaume Verspieren informed the Supervisory Board on April 21, 2006 of their decision to resign from the Board.

16.4.1.2. Chairmanship and convening Supervisory Board meetings

The members of the Board elect among them a Chairman and Vice Chairman.
The Board decided to replace Pierre Jacquard by Gérard Andreck as Chairman on November 7, 2005.
Emmanuel de Marion de Glatigny was appointed Vice Chairman by the Board on December 28, 2004.
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 sittings may be held when justified by business evolution.
It should be noted that the Board's activity substantially increased in 2005 compare to 2004 giving that ten meetings took place during the year and that the attendance rate of the Board members was of 93%.
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 2005.

16.4.1.3. "Censeur"

At the Board Meeting of January 24, 2005, it was decided to appoint a "censeur" on the Board with an advisory duty. The "censeur", a notorious and extremely experienced person, participates at the Board's deliberations and gives his advice on matters of governance and on accounting matters.
Gilles Brac de la Perrière was appointed for this duty.

16.4.1.4.
The Board's deliberations

To date, the running of the Board is not governed by any internal regulations.
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.
When the Board deliberates at least half of its members must be present. ecisions are adopted with a majority vote 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 casting vote.
Every member is informed of its responsibilities and the confidentiality of the information received for every Board Meetings.
The minutes of the meetings are recorded in a special register; the minutes of each meeting are expressly approved at the next Board Meeting.
Considerations about internal regulations on the Supervisory Board's running should be concluded during 2006.

16.4.1.5.
Assignment of the Board

a. Permanent audit

According to the law regarding *Sociétés Anonymes* with a Management Board and Supervisory Board and articles of association, the Board's main role is to constantly audit the Company's management of the Management Board. Its main role is to ensure that the standards of good management and care are followed in the establishment of the financial statements and that the risks throughout Company's business are handled, and provide the management with assistance and advice in its growth and organisational strategy.
At any time, the Board provides the checks and audits considered appropriate and may demand the documents considered necessary to the accomplishment of its assignments. It is currently considering the creation of an Audit Director post within the Company (see below, Internal Audit section).
The Board audit is independent from 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.
As part of its ongoing auditing duty, the Board decided, during the meeting of November 7, 2005, to give the Company Secretary the mission of investigating about two identified problems of communication to the Board and to the market:

- forecast results communicated before and after the Hocol group was purchased;
- the volume of reserves of the Hocol group that was acquired on June 10, 2005.

In his report, the Secretary emphasized especially on elements that led the Supervisory Board to question the relevance and effectiveness of the auditing systems. Consequently, the Supervisory Board and Management Board have worked together to implement the following measures:

- the certification of oil reserves by a notorious firm in this sector, DeGolyer & MacNaughton;
- a financial communication policy more convenient for the Company's new dimension in cooperation with a new financial communication agency (Financial Dynamics);
- a significant strengthening of the management accounting team and improved reporting procedures;
- and finally, the imminent creation of an Audit Director who would report to the Board enabling it to adequately carry out this auditing assignment (see below, Internal Audit section).

b. Appointment and dismissal of the Management Board members

The Supervisory Board appoints the members of the Management Board, appoints the Chairman and, when necessary, the Chief Executive. It can revoke members from the Board, terminate the term of office of the Chairman and, when necessary, of the Chief Executives. The Supervisory Board fixes the remuneration of the members of the Management Board and reports to the Annual General Meeting providing comments on the financial statements and the Management Report.
The Management Board currently has three members, Jean-François Hénin, Chairman (appointed on December 28, 2004), Daniel Pèlerin (appointed on April 22, 2005) and Roman Gozalo (appointed on October 24, 2005).
Please note that Frédéric Boulet (appointed on December 28, 2004) and Marc Sengès (appointed on April 22, 2005) resigned of the Management Board on August 28, 2005.

c. Decisions requiring prior authorization of the Board

Some transactions require prior approval of the Board. During 2005, 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 interests exceeding €M20;

- giving securities for more than €M20;
- any asset acquisitions exceeding €M20;
- total or partial sales of significant assets;
- and any pledges, authorizations or guarantees granted by the Company for an amount exceeding €M20. The Management Board may however grant pledges, authorizations or guarantees for a maximum unitary amount of €M20 on behalf of the Company during the year 2005 up to a total limit of €M20. During this period, the Management Board may also grant pledges, authorizations or guarantees for an unlimited amount on behalf of the Company in favour of tax and customs authorities.

d. Board's Activity throughout 2005 fiscal year

The main subjects submitted to the Board during 2005 were:

- the financial statements for 2004, the management report and Board report projects, and provisional documents;
- the budget procedure and the Company's budget project;
- the consolidated financial statements on June 30, 2005;
- the Management Board's activity report;
- the draft resolutions to be submitted to the General Meeting;
- the approval of the draft agreement with the Republic of Congo relating to the Kouilou, M'Boundi, Kouakouala and La Noumbi permits;
- the composition and remuneration of the Management Board;
- the appointment and remuneration of the members of the committees, distribution of attendance fees;
- the authorization to conclude finance contracts;
- the approval of the acquisition of Rockover Oil & Gas Ltd and Panther Eureka Srl;
- the renegotiation of the SOCAP marketing contract;
- the approval of the acquisition of Hocol's assets in Latin America;
- the approval of regulated agreements;
- and The governance considerations.

16.4.1.6.
Limitations of the Management Board powers

The members of the Management Board handle the management of the Company collegially.

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, which has, according to the law and with respect to third parties, the most extensive powers to act in all circumstances on behalf of the Company. The Management Board exercises its powers in the limit of the corporate purpose and in accordance with the limits that the law expressly imposes on shareholder meetings and the Supervisory Board.

16.4.2.
Information provided to the Board

16.4.2.1.
Information prior to each Board meeting

A 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 the minutes of the previous meeting, key figures of the Company and its subsidiaries, the highlights since the last Board meeting and, when necessary, the ongoing or contemplated transactions. 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.

16.4.2.2.
Financial and Company's activity information

a. Financial information

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

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

During the meetings convened to approve half-year or annual financial statements for 2005, the Board listened to the Statutory Auditors, the Chief Financial Officer and the Chief Executive.

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 Meeting with its comments on the Management Report and on the financial statements for the year.

b. Information on the Company's activity

Regarding external growth operations, the Board analyzes the data provided by the Management Board on the transactions and the strategy, comments the relevance of the documentation and, when necessary, authorizes the Management Board to proceed with the transactions. That was the case during 2005 when Hocol Group was acquired.

c. Ongoing information

The Supervisory Board may also request to the Management Board and management, when necessary, any information, analysis or presentations it considers appropriate.

Between meetings, the members of the Board have been regularly informed of significant events or transactions.

16.4.3. Committees

According to the recommendations of the *Autorité des marchés financiers,* the Board has implemented committees:

16.4.3.1. Audit Committee

a. Composition of the Audit Committee

The Audit Committee, created on December 28, 2004, in connection with the Company's transformation into a *Société Anonyme,* has three members.

During 2005, the Audit Committee members were:

- Gilles Brac de la Perrière, "censeur" on the Board;
- Fabien Chalandon, member of the Board (appointed to replace Jean-Louis Chambon);
- and Laurent Lafond, member of the Board in 2005 (resigned in April 2006).

b. Audit Committee duties

The Committee's main role is to assist the Board so that the latter gets the information and resources to ensure the quality of the internal audits and the reliability of the financial information given to the shareholders and the financial market.

The Audit Committee's main objectives are:

- to analyze the Company and Maurel & Prom Group consolidated financial statements;
- to control the relevance and permanence of the accounting methods adopted (i) for the consolidated financial statements and (ii) for the consolidation perimeter are relevant and permanent;
- to analyze the internal and external audit procedures implemented in Maurel & Prom Group;
- to assess the reliability, pertinence, means, efficiency and independence of the internal audit;
- to analyze with Maurel & Prom project team, all the 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 monitor the independence and objectivity of the Statutory Auditors.

c. Activity of the Audit Committee in 2005

During 2005, the Audit Committee held five working sessions with the Company's Financial Department and the Statutory Auditors:

- On April 18, 2005, a session devoted mainly to the financial statements approval for 2004 and the estimate of the oil assets considerations within the planned external growth transactions;
- On October 6, 2005, a session devoted to an analysis of IFRS standards on Maurel & Prom;
- On October 19, 2005, a session devoted to the analysis of the financial statements project for the first half of 2005, and of the Company's oil reserves level; and
- On November 7 and December 13, 2005, sessions devoted to the Company to the presentation of the company project budget for 2006 and the progress report of the project to implement improved reporting procedures.

16.4.3.2. Appointments and Remuneration Committee

a. Appointments and Remuneration Committee members

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

During 2005, the Committee's members were:

- Fabien Chalandon, member of the Board;
- Alain Gomez, member of the Board (appointed to replace Jean-Louis Chambon);
- and Laurent Lafond, member of the Board (appointed to replace Guillaume Verspieren) and resigned in April 2006.

At the Supervisory Board meeting on November 7, 2005, the Board decided to grant broader powers to the committee and to rename the Appointments and Remuneration Committee.

b. Appointments and Remuneration Committee duties

The Committee's main role is to make proposals regarding the remuneration of members of the Management Board

(amount of fixed remuneration and the modalities for variable remuneration when necessary) 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 Remuneration Committee is responsible for determining each year the overall envelope of attendance fees that will be submitted to the approval of the General Meeting, and the distribution method of these attendance fees between the members of the Supervisory Board, taking into account the members attendance at Board and committees meetings.
The Appointments and Remuneration 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 Remuneration Committee also makes recommendations concerning retirement and life insurance schemes, benefits in kind and representatives' various financial entitlement including termination severances.

c. Appointments and Remuneration Committee activity during 2005

At the meetings held during the first half of 2005, the Committee mainly discussed the remuneration of the members of the Management Board and the remuneration of the committee members. In order to make its recommendations to the Board regarding the remuneration of the members of the Management Board, the Committee resorted to the expertise of a notorious consultant firm. In the second half, the Committee provided the Board of its recommendations concerning the distribution of attendance fees, such recommendations are mainly based on assiduity of Supervisory Board members and their commitment to special committees' work.

d. Strategic and Technical Committee

The Supervisory Board decided at its meeting of December 28, 2004, to create a Strategic and Technical Committee, which already existed when Maurel & Prom was a *Société en commandite par actions*. This Committee was informed of the strategic plan presented by the Management Board and was consulted on the main planned transactions. Within its considerations on governance, the Supervisory Board meeting of November 7, 2005, decided to dissolve this committee, considering that its existence could lead to a misunderstanding with the Management Board responsibilities.

16.4.4. Internal audit system

16.4.4.1. Definition of the internal audit

The internal audit consist in all the auditing policies and procedures carried out by the Management and employees of the Company to ensure:

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

Internal audit purpose is to ensure compliance with rules and regulations, assets protection and transactions effectiveness. It cannot however provide an absolute guarantee that these risks are totally eliminated.

16.4.4.2. Key elements of the internal audit system

a. Organisation and supervision of the internal audit

The Company's Management establishes internal audit rules and ensures its application. Management sets up organisation, methods and procedures for the Company's activities to ensure audited and supervision of company activities. The management also sets internal rules of operation, management and risk prevention relating to activities.
Management Board, the Secretary, the Finance Department and the Supervisory Board are the major actors in internal audit. Their work is based on central management control and local subsidiaries accountants.
The Management meets on a regular basis to discuss questions of management in and out of the normal course of business. Management Board and the Director of Operations, the Chief Financial Officer, the Secretary and the Development Director, meets every two weeks to deal with the Company's management questions and analyze the results of the action taken.

b. Carrying out the internal audit at operational level

Maurel & Prom Group is made of operating subsidiaries, locally managed that reports 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 almost holds 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.

The corporate offices and the legal representation of the subsidiaries are grouped in the Company management. The subsidiaries' operating and financial directors, on individual basis, are granted limited authority depending on management appreciation. The major decisions are submitted to the Company management's approval. The legal department centralizes the preparation and approval of the major legal acts within the Group's subsidiaries. The Group's core business, except for the holding company role, is in the oil industry. In most cases, the exploitation of the mining domain is carried out through a regulatory framework involving the participation of the partners and host states. The day-to-day auditing activities are based on the main operating cycles specific to the Group's business which are the exploration, development, production and sale of crude oil and financing and treasury operations.

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

- to draft an initial and reviewed annual budget for each permit discussed with the partners and submitted to local authorities for approval;
- to obtain partners' approval for major expenditure, particularly for drilling wells, building new implementations or seismic surveys;
- and calls for fund raising noticed to partners in order to finance the work in progress.

Furthermore, the partners must be informed on any overspend 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.

Actual expenditures are officially submitted to the Local Authorities within the Management Committees for approval as "oil cost" (or recoverable expenditure: 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 an operational internal audit under which the cost centre managers approval is required at each operating stage (exploration, drilling, exploitation) and at both local and head office level.

Group's hydrocarbon reserves have been certified according to an independent procedure carried out by an American company specialized in the sector, DeGolyer & MacNaughton (certification work carried out between December 2005 and April 2006).

The Management Board has implemented and progressively completed an internal audit 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.

c. Financial control

The Management Board, responsible for publishing the financial and accounting information, works along with the Group's Financial Department composed of the finance, accounts and management control sections.

The Group's Accounts Department constantly monitors the changes in accounting regulations, particularly the international accounting standards. The Group switched over its accounts to the IFRS standards and adapted its control system to the changes implied. The consolidated financial statement for 2005 have been prepared in line with accounting and valuation principles of IFRS standards such as adopted by the European Union.

The consolidated financial statements are prepared twice a year; before consolidation Caroil financial statements are monitored by an outside consultant. Monthly accounting data relating to the operating subsidiaries are reviewed by the head office in Paris before being recorded into the accounts.

The financial reports are drafted by the Company's Accounts 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. A process of improving the accounting and management software is ongoing in 2006, as well as the improvement of the computer hardware and networks of the operating subsidiaries.
The Finance Department controls and manages the risks relating to treasury activities and financial instruments, particularly the exchange rate risks. Liquid assets, positions and management of financial instruments are systematically centralised by the Finance Department in order to optimize cash flow management.
During the second half of 2005, the Finance Department implemented a budget preparation process for 2006 that is more convenient the Company's new dimension. During the second half of 2005, the inclusion of Hocol group (located in Latin America and acquired on August 4, 2005) into the consolided accounts and reporting system was successfully completed. The Finance Department decided to implement a unified group-wide reporting system based mainly on installing new software.
Financial communication is under the responsibility of the Management Board, the Chief Financial Officer and the Secretary. Each quarter, the Company reports its sales to the financial markets, and in the months following the end of the half year, provides an income statement, a balance sheet and a funds flow chart for each 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 yearly financial documents prior to their issue.

The Finance Department started a hiring programme to strengthen the budgetary and internal control procedures.

d. Audit Committee - Internal audit

To have an efficient ongoing audit, it is planned to create an Audit Director position in the Company.
The Audit Director will receive instructions from the Supervisory Board and to which he will report the result of his inspections and controls.
The Audit Director will be responsible for verifying if the Group's companies standards required are being followed. These standards are:

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

The preparation of the guideline 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 its application control.
Statutory Auditors notified the Company of their comments that were taken into account.

e. Risk coverage - 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 concluded 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 installations damage, losses of assets and pollution risks.

16.4.4.3. 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 or auditors according to local laws. The Statutory Auditors, through their various audits, apply the due diligence specific to their profession.

They are informed in advance of the accounts establishment process and present to the Finance Department and the Management Board as well as to the Supervisory Board their comments.

16.4.4.4. Ongoing actions and discussions

As already mentioned in this report, the Company is still working on the internal audit systems improvement. The Company's objective is to improve the establishment and the processing of accounting and financial information. Therefore, the main programmes initiated at the beginning of 2006 were:

- to make a better application of the accounting and financial methods used for the establishment of the financial statements;
- to reinforce the monitoring of the internal procedures related to collecting and auditing the provided financial and accounting information to implement appropriate softwares;
- to ensure that all employees remain particularly aware of the risk prevention of fraud while working on improvement of the current internal audit methods.

17. Employees

17.1. Employees

2005 showed a significant strengthening of the organisation. The Company continued to boost its workforce during 2005, particularly in Congo.

Breakdown by activity	2005	2004	2003
Oil and gas activities	236	64	40
Oil drilling	8	7	10
Gold activity	13	18	18
Maurel & Prom holding	45	34	21
Total	**302**	**123**	**89**

Geographic breakdown	2005	2004	2003
Africa	90	84	68
Asia	0	5	0
Latin America	167		
Europe	45	34	21
Total	**302**	**123**	**89**

As part of its business' evolution, the Company intends to strengthen its workforce in 2006 (operational and administrative employees).

Workforce on December 31, 2005

The Company's total workforce on December 31, 2005, was composed of 44 employees.

The total payroll amounts to €4 304 293 (compared to €3 290 211 in 2004). Social Security contributions for the year amounted to €7 176 725 (compared to €1 466 743 in 2004). This increase is due to social security contributions implied by the exercise of the stock options throughout the year.

Temporary workers during 2005 represented a total expense of €231 001 for the Company.

Recruitments throughout 2005

24 employees were recruited throughout 2005. The breakdown is as follows:

- 22 people were recruited under open-ended contracts, eight of them are under expatriate status;
- 1 person was recruited under a fixed-term contract;
- and 1 apprentice.

In addition, four training contracts were signed in 2005.

Discharges throughout 2005

Three employees have been discharged in 2005.

Other

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

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

17.2. Profit-sharing and stock options of the corporate officers

17.2.1. Managers' profit sharing in the Company's capital

On May 1st, 2006, and to the Company's knowledge, the members of the Company's Management Board and Supervisory Board altogether hold 30 592 572 shares in the Company, meaning 26.31% of the share capital and 26.27% 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 are as follows:

	Shares	BSAR	OCEANE
Management Board			
Jean-François Hénin[1]	28 619 750	7 270	126 236
Roman Gozalo	0	0	0
Daniel Pèlerin	153 800	0	0
Supervisory Board			
Gérard Andreck	1	0	0
Emmanuel de Marion de Glatigny[2]	134 430	2 215	0
Fabien Chalandon	10	1	0
Financière de Rosario	1 684 530	1	0
Alain Gomez	50	0	0
Alexandre Vilgrain	1	0	0
Christian Bellon de Chassy	1	0	0
Roland d'Hauteville	42 200	16 160	0
Total	**30 592 572**	**9 487**	**126 236**

1. Through Pacifico SA, controlled by Jean-François Hénin and the members of his family.
2. Jointly with his wife.

In addition, Mr Brac de la Perrière, the "censeur" of the Supervisory Board, holds directly and indirectly 8 000 Maurel & Prom shares (of which 1 575 shares are held by his wife and 5 250 by GLP Conseil, whose Chief Executive is Mr Brac de la Perrière).

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 dealing.

17.2.2. Stock options granted to corporate officer and options exercised

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

No stock option was granted to Company's corporate officers in 2002, 2003 and 2004 nor by the Company, Maurel & Prom Group companies, Aréopage nor by Pacifico.

Frédéric Boulet, Marc Sengès and Daniel Pèlerin were granted stock options by the Company when they were employees.

Plan	Allotment date	Exercise price in €	Start of exercise period	Expiry date	Number of options alloted	Number of options exercised	Number of options remaining
Former Management Board members							
Frédéric Boulet (member of the Management Board from December 28, 2004, to August 18, 2005)							
Plan N° 1	October 25, 2001	1.185	October 26, 2004	None	410 130	410 130	0
Plan N° 1a	June 16, 2003	1.949	May 23, 2005	June 16, 2008	266 540	266 540	0
Plan N° 2	July 29, 2003	1.738	July 30, 2003	July 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	March 16, 2005	13.59	March 17, 2005	March 16, 2010	220 000	220 000	0
Current members of the Management Board							
Daniel Pèlerin							
Plan N° 1	October 25, 2001	1.185	October 26, 2004	None	153 800	153 800	0
Roman Gozalo							
Plan N° 3	December 21, 2005	12.91	December 22, 2005	December 21, 2010	100 000	0	100 000

No other stock option has been granted to Company's corporate officers by the Company or by Maurel & Prom Group companies.

17.2.3. Free shares granted to corporate officer

A programme to give free 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, who is the only one to have been granted free shares, received 15 000 free shares on December 21, 2005.

For Roman Gozalo (member of the Management Board since October 24, 2005):

	Plan n °1
Alloted date	December 21, 2005
Acquisition period	December 21, 2007
Detention period	December 21, 2009
Number of free shares	15 000

No other free shares have been granted to the Company's corporate officers neither by the company nor by Maurel & Prom Group companies.

17.3. Employees interest

On May 2, 2006, four employees of Maurel & Prom Group held 247 610 Company's shares. Some employees hold Maurel & Prom shares within the salary savings scheme that has been implemented.

17.3.1. Profit-sharing and salary savings

The Company carries on 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 a salary savings plan.

a. Profit-sharing plan

A new profit-sharing agreement was implemented on January 1st, 2005, due to the termination of the first profit-sharing agreement concluded in 2002. The agreement is in force 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 one'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 when collective and individual targets are achieved.

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

The corresponding profit-sharing scheme calculated in 2005 amounts to a total of €420 207 (compared to €327 674 in 2004). It is paid in cash totally or partly to the Corporate Savings Plan, and in such case receives a Company contribution.

b. Salary savings plan

On March 1st, 2002, the Company implemented a dynamic salary savings policy offering its employees the benefits of a Corporate Savings Plan and a Voluntary Salary Savings Partnership Plan; such schemes are in force since 2003.

On May 17, 2006, 41 employees have interests in the capital of Maurel & Prom that amounts to 73 780 shares under such scheme.

Corporate Savings Plan ("PEE")

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

The PEE may be supplied by all or part of the employee's profit-sharing allocation as the case may be, voluntary payments by the beneficiaries (within the limits stipulated by law), additional contributions from the Company and transfers from the beneficiary's savings into the plan, the 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.

Employees savings are encouraged through a contribution that alters according to a rule that applies to all beneficiaries. The plan, which was in force on March 1st, 2002, for one year can be tacitly renewed for one year terms.

The Company's 2005 contribution to the Corporate Savings Plan (into the PEE for current employees) amounted to €106 943.

Voluntary Salary Savings Partnership Plan with sliding 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 withdrown. The amount allocated to the PPESV may be transferred to a shorter -term savings plan.

17.3.2. Stock options granted to employees and options exercised

Some Company employees hold Maurel & Prom stock options, which terms are set forth in the chart below.

Table summarizing Maurel & Prom stock options - Information on April 30, 2006

Plan	Date of AGM authorisation	Allotment date	Beneficiaries	Number of options alloted	Initial exercise price in euros	Date exercise begins	Maturity date	Number of options after readjustment of July 2004	Exercise price in euros	Number of options after readjustment of December 2004	Exercise price in euros	Number of options exercised	Residual number of options
1.	Sep 11, 2001	Oct 25, 2001	12 people	154 000	12.15	Oct 26, 2004	none	157 903	11.85	1 579 030	1.185	1 497 000	82 030
			1 corporate officer [1]	*8 000*				*8 203*		*82 030*		*82 030*	*0*
			and 11 employees not corporate officers [2]	*146 000*				*149 700*		*1 497 000* [7]		*1 350 430* *5 127* [6]	*82 030*
1.a	Sep 11, 2001	Jun 16, 2003	1 employee [3]	26 000	19.98	May 23, 2005	Jun 16, 2008	26 654	19.49	266 540	1.949	266 540	0
2.	Jun 26, 2003	July 29, 2003	5 employees not corporate officers [4]	123 000	17.82	July 30, 2003	July 29, 2008	126 116	17.38	1 261 160	1.738	1 163 750	97 410
2.a	Jun 26, 2003	Jun 22, 2004	3 employees not corporate officers	13 500	66.94	Jun 23, 2004	Jun 22, 2009	13 842	65.29	138 420	6.529	15 380	123 040
3.	Dec 28, 2004	Mar 16, 2005	1 employee [5]	220 000	13.59	Mar 17, 2005	Mar 16, 2010	N/A	N/A	N/A	N/A	173 000	47 000
3.a	Dec 28, 2004	Apr 6, 2005	8 employees not corporate officers	480 000	13.44	Apr 7, 2005	Apr 6, 2010	N/A	N/A	N/A	N/A	50 000	430 000
3.b	Dec 28, 2004	Dec 21, 2005	2 people	170 000	12.91	Dec 22, 2005	Dec 21, 2010	N/A	N/A	N/A	N/A	0	170 000
			1 corporate officer [8]	*100 000*								*0*	*100 000*
			and 1 employee not corporate officer	*70 000*								*0*	*70 000*
3.c	Dec 28, 2004	Jan 3, 2006	1 employee not corporate officer	80 000	12.86	Jan 4, 2006	Jan 3, 2011	N/A	N/A	N/A	N/A	N/A	80 000
3.d	Dec 28, 2004	Apr 10, 2006	1 employee not corporate officer	80 000	14.72	Apr 11, 2006	Apr 10, 2011	N/A	N/A	N/A	N/A	0	80 000
Total													**1 109 480**

1. Of Maurel & Prom subsidiaries.
2. Of these options, (i) 410 130 were held by Frédéric Boulet, an employee of Maurel & Prom at the time of the allotment, but becoming a member of the Management Board on December 28, 2004, and (ii) 153 800 by Daniel Pèlerin, an employee of Maurel & Prom at the time of the allotment, but becoming a member of the Management Board on April 22, 2005.
3. Frédéric Boulet, an employee at the time of the allotment, becoming a member of the Management Board on December 28, 2004, and leaving the Company on August 18, 2005.
4. Of these options, 1 025 320 were held by Frédéric Boulet, an employee of Maurel & Prom at the time of the allotment, but becoming a member of the Management Board on December 28, 2004, and leaving the Company on August 18, 2005.
5. Marc Sengès, an employee at the time of the allotment, becoming a member of the Management Board on April 22, 2005, and leaving the Company on September 23, 2005. The remaining options were exercised but had not been reported as of the date of this document.
6. Exercise of options before the share's par value was divided in ten.
7. Takes into account the exercise of 5 127 options before the readjustment of December 2004.
8. Roman Gozalo, Chief Executive and a member of the Management Board of the Company since October 24, 2005.

Notes:
- Each option thus existing provides the right to subscribe to one Maurel & Prom share with a par value of €0.77.
- No alloted option has been cancelled.
- For all the options, no clause banning the immediate resale of some or all of the shares resulting from the exercise of the options was provided, and no deadline for the detention of the shares from the time of taking up the option was stipulated.

18.
Main shareholders

18.1.
Company's current shareholders

18.1.1.
Shareholders of the Company on March 30, 2006

On March 30, 2006 the distribution of capital and voting rights was as follows:

March 30, 2006	Number of shares	% of capital	Number of voting rights	% of voting rights
Bearer institutions				
including:	21 817 270	18.76%	21 817 270	18.74%
- Macif	*7 811 054*	*6.72%*	*7 811 054*	*6.70%*
*- Pacifico**	*8 514 460*	*7.32%*	*8 514 460*	*7.31%*
- Halisol	*3 807 226*	*3.27%*	*3 807 226*	*3.27%*
- Financière de Rosario	*1 684 530*	*1.45%*	*1 684 530*	*1.45%*
Nominal institutions				
including:	22 845 447	19.65%	23 019 628	19.77%
*- Pacifico**	*20 105 290*	*17.29%*	*20 105 290*	*17.27%*
Note - double votes			174 181	0.15%
Public	**71 599 800**	**61.59%**	**71 599 800**	**61.49%**
Total	**116 262 517**	**100%**	**116 436 698**	**100%**

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

The changes in Company's share capital during the last three years are shown in the following chart.
On June 1st, 2005, the distribution of capital and voting rights was as follows:

June 1st, 2005	Number of shares	% of capital	Number of voting rights	% of voting rights
Bearer institutions	**20 913 989**	**19.00%**	**20 913 989**	**19.03%**
including:				
- Macif	*8 392 500*	*7.62%*	*8 392 500*	*7.64%*
- Pacifico	*8 514 460*	*7.73%*	*8 514 460*	*7.75%*
- Halisol	*4 007 029*	*3.64%*	*4 007 029*	*3.65%*
Nominal institutions	**20 482 519**	**18.60%**	**20 610 899**	**18.75%**
including:				
*- Pacifico**	*20 105 290*	*18.26%*	*20 105 290*	*18.29%*
- Cogepa	*27 200*	*0.02%*	*54 400*	*0.05%*
Note - Double votes			64 190	0.06%
Public	**68 702 342**	**62.40%**	**68 435 802**	**62.27%**
Total	**110 098 850**	**100%**	**110 163 040**	**100%**

* Pacifico thus holds a total of 28 619 750 shares, representing 26.06% of the share capital and 26.04% of the voting rights.

On December 31, 2004, the distribution of capital and voting rights was as follows:

December 31, 2004	Shares held out of 108 099 990 at €0.77	% of capital out of €83 236 992.30	Voting rights	% of voting rights out of 108 107 530
Bearer institutions				
including:				
- Macif	*9 295 470*	*8.60%*	*9 295 470*	*8.56%*
- Pacifico	*28 679 750*	*26.53%*	*28 679 750*	*26.40%*
- Halisol	*4 325 000*	*4%*	*4 325 000*	*3.98%*
Sub-total	42 300 220	39.13%	42 300 220	38.94%
Nominal				
including:				
- Cogepa	*40 000*	*0.04%*	*80 000*	*0.07%*
- Delburn	*450 000*	*0.42%*	*900 000*	*0.83%*
Note - Double votes			528 280	
Sub-total	702 800	0.65%	702 800	0.65%
Public	**65 096 970**	**60.22%**	**65 096 970**	**59.93%**
including:				
- 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%**	**108 628 270**	**100%**

On December 31, 2003, the distribution of capital and voting rights was as follows:

December 31, 2003	Shares held out of 7 260 484 at €7,70	% of capital out of €55 905 726,80	Voting rights	% of voting rights out of 7 311 137
Bearing institutions				
including:				
- Macif	*1 073 906*	*14.79%*	*1 073 906*	*14.69%*
- Pacifico (managing shareholder)	*798 493*	*11.00%*	*798 493*	*10.92%*
- Aréopage (managing shareholder)	*106 438*	*1.47%*	*106 438*	*1.46%*
Sub-total	1 978 837	27.26%	1 978 837	27.07%
Nominal				
including:				
- Cogepa	*4 000*	*0.06%*	*8 000*	*0.11%*
- Delburn	*45 000*	*0.62%*	*90 000*	*1.23%*
Sub-total	67 491	0.93%	118 144	1.61%
Note - Double votes			50 653	
Public	**5 214 156**	**71.81%**	**5 214 156**	**71.32%**
Total	**7 260 484**	**100%**	**7 311 137**	**100%**

18.1.2.
Number of shareholders

The Company does not know the exact number of its shareholders.

However, the identification of bearer securities requested from Euroclear France and carried out on May 5, 2006, indicates that 56 588 shareholders held 93 900 750 bearer shares. The distribution of these 93 900 750 shares as a percentage of the total in circulation, meaning 116 262 517, is as follows:

- Individuals: 29.98%;
- Entities: 45.29% broken down as follows:
  - companies: 30.69%,
  - financial institutions: 13.33% (of which trading accounts: 0.88%, and financial intermediaries: 12.44%),
  - other: 1.27%.
- Mutual funds: 5.74%

At the same time, the Company had 147 nominal shareholders holding 21 179 252 shares (including Pacifico), representing 18.22% of the capital.

18.1.3.
Shareholders holding more than 5% of the capital

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 Hénin, Chairman of the Management Board, and his family (more than 99% of the capital and voting rights).

18.2.
Main shareholders voting rights exceeding their share in the capital

To the Company's knowledge, the Company's main shareholders have no different voting rights.

18.3.
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.

18.4.
Agreement known by the issuer likely to cause a change in its control

To the Company's knowledge, there is no agreement between Company's shareholders nor any clauses of an agreement specifying preferential terms for buying or selling Maurel & Prom shares and relating to more than 0.5% of the capital or voting rights in the Company that, if implemented, could cause the Company to be taken over.

19.
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 subsidiary Zetah M&P Congo SA in Congo. This service was invoiced at cost.

The special report of Maurel & Prom Statutory Auditors on the regulated agreements for 2005 is in Appendix 7.
Transactions with related companies are analyzed in note 24 (Appendix 2).

20.

Financial information on the assets, financial situation and income of the issuer

20.1. Historic financial information

The management report and the report on the consolidated financial statements for the years ending on December 31, 2003 and on December 31, 2004, including the reports of the Statutory Auditors on the latter, appear respectively in the annual report filed on June 4, 2004 with the *Autorité des marchés financiers* under number D. 04-870 and on June 13, 2005, under number D. 05-875 that are included by reference in the present annual report.

20.2. Proforma financial information

On February 19, 2005, Maurel & Prom acquired 100% of the shares of Rockover Oil and Gas (renamed Maurel & Prom Gabon Limited).

On August 4, 2005, Maurel & Prom also acquired 100% of the shares of Hocol Petroleum Holdings Ltd, the parent company of Hocol group.

The consolidated proforma income statement, assuming that the acquisitions would have taken place on the first day of the year, is based on the income statement over 12 months of the companies that were acquired after adjustment to comply with the Group's methods and adjusted to take into account the impact of the issue of OCEANEs on January 1st, 2005, and one year amortization of the oil reserves acquired; this results in a Group sales of €M588.5 and a net income of €M125.7 for 2005.

Proforma income statement

In thousands of euros	2005	Adjustments	2005 proforma
Sales	407 722	180 799	588 521
Other operating income	298	(254)	44
Change in inventory	(41)	(860)	(901)
Other purchases and operating expenses	94 591	30 625	125 216
Taxes	15 756	14 903	30 659
Personnel expenses	24 939	7 309	32 248
Amortization	63 539	49 594	113 132
Provisions	3 977	6 926	10 903
Other expenses	23 598	20 859	44 457
Current operating income	**181 660**	**51 189**	**232 850**
Income from sales of assets	1 777	(160)	1 617
Depreciation		(22 069)	(22 069)
Other operating expenses			
Operating income	**161 368**	**51 029**	**212 398**
Gross cost of borrowing	(34 323)	(6 086)	(40 409)
Income from cash flow	5 986	4 583	10 569
Net cost of borrowing	(28 337)	(1 503)	(29 840)
Other financial income	12 987	5 123	18 110
Other financial expenses	(30 506)	(5 992)	(36 498)
Income before tax	**115 514**	**48 658**	**164 170**
Corporation tax	17 266	23 219	40 485
Net income of consolidated companies	**98 248**	**25 439**	**123 685**
Share in income of companies consolidated by the equity method	**2 033**		**2 033**
Net consolidated income	**100 280**	**25 439**	**125 718**
Including:			
- Net income - group share	100 234	25 439	125 672
- Minority interests	(46)		(46)
Income per share:			
- basic	0.90		1.13
- diluted	0.88		1.10

20.3. Financial reports

20.3.1. Consolidated financial statements

The consolidated financial statements appear in Appendix 2 of this annual report.

20.4. Verification of the historic annual financial information

20.4.1. Verification of the historic financial information

For verifications of the historic financial information, please refer to the reports of the Statutory Auditors on the consolidated financial statements in Appendix 2 of this annual report.

20.4.2. Other information appearing in the annual report and verified by the Statutory Auditors

For the other information appearing in the annual report and verified by the Statutory Auditors, please refer to the report on the proforma information in Appendix 3 of this annual report.
The reports of the Statutory Auditors on the Chairman's report on the internal audit and the regulated agreements appear respectively in Appendices 4 and 5.

20.4.3. Financial information appearing in the annual report and not based on the issuer's certified financial statements

None.

20.5. Latest date of the verified financial information

The date of the latest verified financial information is December 31, 2005.

20.6. Intermediate and other information

20.6.1. Quarterly or half-yearly financial information provided since the last verified financial statements

The sales for the first quarter 2006 were €M160.5, compared to €M46.1 in the first quarter of 2005 (an increase of 248% and 81% on a constant basis).

20.6.2. Intermediate financial information on the first six months of the year following the end of the verified year

Not applicable.

20.7. Distribution policy

No dividend was distributed for 2002 and 2003.
The Combined General Meeting of June 29, 2005, decided to pay a dividend of €0.15 per share for the year ending on 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 current shares on December 31, 2004, representing 108 099 990 shares, and €16 214 998.50 and (ii) the dividends paid for the shares arising from the exercise of Maurel & Prom warrants that occurred between January 1st, 2005, and the payment date, representing 2 743 530 shares, and €411 529.50 according to the Company's warrants regulations.
The Combined General Meeting convened on June 20, 2006, will be asked to approve the distribution of a dividend of €0.33 per share for the year ending December 31, 2005.

20.8. Legal and arbitration procedures

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.

20.8.1
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 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.
Stratus Oil & Gas decided, on February 13, 2006, 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 invalidation of the agreement. The compensation has not been evaluated yet and the Company is unable to assess such claim.

20.8.2
Trials

a. Energy Searcher trial

In 2001, the Company brought an action before the Singapore courts against Cooper Cameron Pte Ltd and Stork Technology Asia Pte Ltd for the damage caused on the drilling ship Energy Searcher.
On March 16, 2001, a major part of the blowout prevention system detached causing major damage to a vessel owned by Maurel & Prom (which since have been sold). For the Company, such accident could not be prevented due to the defective repair done by Cooper Cameron Pte Ltd and/or its subcontractor Stork Technology Asia Pte Ltd.
The case was heard at the end of 2004 - beginning of 2005. The judgment in first instance in August 2005 condemned Cameron Pte Ltd to pay $M1 compensation. Since Maurel & Prom was demanding $M20, the Company appealed in September 2005.
A hearing was held at the beginning of 2006 and the Company is still waiting for the judgement.

b. Maurel & Prom/Orchard arbitration

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 has been recorded in the financial statements.
In May 2006, Maurel & Prom acquired Orchard.

c. Agri Cher-Transagra trial

No evolution to this insignificant trial.

20.9.
Significant change in the financial or commercial situation

To the Company's knowledge, nothing happened since December 31, 2005, that is likely to have a significant influence on the financial or commercial situation of the Company.

21.
Additional information

21.1.
Share capital
21.1.1.
Subscribed capital and authorized capital
21.1.1.1.
Subscribed capital

Maurel & Prom's share capital on April 10, 2006, was €89 522 138.09; it is divided into 116 262 517 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.

21.1.1.2.
Authorized capital

Outstanding authorizations

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 and 2006 up to the date of this annual report are as follows:

Type of authority	Limit in euros	Use
Issues with detention of preferential subscription rights		
Securities issue giving access to the capital	• 450 million (issue amount)[1] • 300 million (par value of capital increase)[2]	0
Capital increase by incorporation of reserves, income or issue, merger or contribution premiums	• 300 million (par value of capital increase)	0
Issues with removal of preferential subscription rights		
Issue of share capital and securities giving access to the capital	• 450 million (issue amount)[1] • 300 million (par value of capital increase)[2]	0
Issue of share capital or securities giving access to the capital to pay contributions of shares in the case of a public offering initiated by the Company	• 450 million (issue amount)[1] • 300 million (par value of capital increase)[2]	0
Issue of share capital or securities giving access to the capital to pay contributions in kind consisting of share capital or securities giving access to the capital	• 450 million (issue amount)[1] • 10% of the Company's capital, and • 300 million (par value of capital increase)[2]	0
Issue, by initial public offering, of share capital or securities giving access to the capital by setting the issue price	• 450 million (issue amount)[1] • 10% of the Company's capital, and • 300 million (par value of capital increase)[2]	0
Warrants	• 5% of share capital (on the date on which the Board decides to allot the options)	Allocation of a total of 1 030 000 warrants
Free allotment of shares to employees	• 3 million (par value of capital increase)[2]	Allotment of a total of 23 000 free shares
Issue of shares reserved for employees	• 5% of the share capital (on the day of the Meeting of June 29, 2005)	0
Issue of shares reserved for Knightsbridge Group Ltd	• 10% of Maurel & Prom capital on the date of the Meeting of June 29, 2005[3]	Issue value: €75 454 717.80 Capital increase value: €3 772 735 89
Authorizations relating to 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	• 450 million (issue amount)[1] • 300 million (par value of capital increase)[2]	0
Other		
Issue of securities giving right to allocation of loan notes	• 300 million (par value of capital increase)[1]	0

1. This amount is applied to the overall limit of €450 million (par value of the issue) applicable to the other issues.

2. This amount is applied to the overall limit of €300 million (par value of the capital increase) applicable to the other issues.

3. This amount is not applied to the overall limit of €300 million (par value of the capital increase) applicable to the other issues.

Balance available to date	Authorization date	Duration of authorization
• 450 million (issue amount)[1] • 300 million (par value of capital increase)[2]	Meeting of June 29, 2005	26 months, or to August 29, 2007
• 300 million (par value of capital increase)	Meeting of June 29, 2005	26 months, or to August 29, 2007
• 450 million (issue amount)[1] • 300 million (par value of capital increase)[2]	Meeting of June 29, 2005	26 months, or to August 29, 2007
• 450 million (issue amount)[1] • 300 million (par value of capital increase)[2]	Meeting of June 29, 2005	26 months, or to August 29, 2007
• 450 million (issue amount)[1] • 10% of the Company's capital, and • 300 million (par value of capital increase)[2]	Meeting of June 29, 2005	26 months, or to August 29, 2007
• 450 million (issue amount)[1] • 10% of the Company's capital, and • 300 million (par value of capital increase)[2]	Meeting of June 29, 2005	26 months, or to August 29, 2007
	Meeting of December 28, 2004	38 months, or to February 28, 2008
	Meeting of June 29, 2005	26 months, or to August 29, 2007
	Meeting of June 29, 2005	38 months, or to August 29, 2008
0	Meeting of June 29, 2005	18 months, or to December 29, 2006
• 450 million (issue amount)[1] • 300 million (par value of capital increase)[2]	Meeting of June 29, 2005	26 months, or to August 29, 2007
• 450 million (issue amount)[1] • 300 million (par value of capital increase)[2]	Meeting of June 29, 2005	26 months, or to August 29, 2007

New authorizations

At the General Meeting of June 20, 2006, Maurel & Prom shareholders will be asked to grant the Management Board a new authorization to allot free shares. This new authorization will supersede the existing authorization in order to reduce the authorization limits up to a maximum issue of €M1 at par.

Type of authority	Maximum par value of the issue in euros	Limit of the capital increase in euros (in percentage)	Duration of authorisation	Expiry date
Free allotment of shares to employees	1 000 000	0.5%	38 months	August 19, 2009

21.1.2. Shares not representative of the capital

Not applicable.

21.1.3. Purchase by the company of its own shares

21.1.3.1. Authorization given by the Combined General Meeting of December 28, 2004

The Combined General Meeting of shareholders held on December 28, 2004, 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 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 the Company's shares to the holders of securities giving access to the Company's share capital;

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 €17 per share and shall sell at a minimum price of €11 per share.

The implementation of this authorization was detailed in a prospectus which was approved by the Autorité des marchés financiers, N° 05-053, dated January 31, 2005.

Maurel & Prom carried out this share buyback programme from November 28 to December 23, 2005, purchasing 240 915 shares for a total of €3 706 800.02. The details of such purchase are as follows:

Session		Number of shares[1]	Weighted average price (in euros)	Amount (in euros)
Week of November 28 to December 2, 2005 - Intermediary: Exane BNP Paribas				
November 28, 2005	Acquisition	**25 000**	**16.03**	**400 700.00**
November 29, 2005	Acquisition	**20 000**	**15.63**	**312 680.00**
December 1, 2005	Acquisition	**10 000**	**16.05**	**160 520.00**
December 2, 2005	Acquisition	**10 000**	**16.31**	**163 060.00**
Sub-total	Acquisition	**65 000**	**15.95**	**1 036 960.00**
Week of December 2, 2005 to December 16, 2005 - Intermediary: Natexis Bleichroeder				
December 13, 2005	Acquisition	**12 570**	**16.03**	**201 497.10**
December 14, 2005	Acquisition	**10 000**	**16.05**	**160 500.00**
December 15, 2005	Acquisition	**10 000**	**16.06**	**160 550.00**
December 16, 2005	Acquisition	**9 000**	**16.00**	**144 000.00**
Sub-total	Acquisition	**41 570**	**16.03**	**666 547.10**
Week of December 19, 2005, to December 23, 2005 - Intermediary: Exane BNP Paribas				
December 19, 2005	Acquisition	**15 000**	**15.52**	**232 815.00**
December 20, 2005	Acquisition	**104 345**	**14.81**	**1 545 672.92**
December 21, 2005	Acquisition	**15 000**	**14.99**	**224 805.00**
Sub-total	Acquisition	**134 345**	**14.91**	**2 003 282.92**
TOTAL	Acquisition	**240 915**	**15.39**	**3 706 800.02**

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 February 2, 2006, €M3.6 were credited to a liquidities account in order to carry on such agreement.

21.1.3.2. Authorization project to be submitted to the shareholders' Combined General Meeting convened for June 20, 2006

The Combined General Meeting of the Company's shareholders convened on June 20, 2006, is asked to approve, under the ninth and fourteenth resolutions, a share buyback programme authorising the Management Board, in compliance with articles L. 225-209 and seq. of the Commercial Code, and for a period of eighteen months, meaning until December 20, 2007, to buy, sell and cancel Company's shares.

The Company may buy its own shares at a maximum price of €25 and may sell the shares at a minimum price of €15 per share. In the event the Company uses the mechanisms provided by paragraph 3 of aforementioned article L. 225-209 of the Commercial Code, the selling price will then be determined according to applicable laws.

The maximum number of shares that may be acquired under this authorization may not exceed 10% of the share capital. 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, paragraph 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, through such purchases the Company shall not directly or indirectly hold more than 10% of its share capital.

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 the Company shares to the holders of securities giving access to the Company's share capital;

Operations mentioned in the last two paragraphs mentioned above 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.

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 transactions may occur at any time, in compliance with applicable regulations, including during the period of an initial public offering launched or aimed at the Company's shares of the latter, except when such an initial public offering partly or wholly includes the delivery of shares, subject to applicable legal and regulatory requirements.
This authorization would supersede any former equivalent authorization, and in particular the authorization granted under the sixteenth resolution of the General Meeting of December 28, 2004.

21.1.4. Securities providing future access to the issuer's capital

21.1.4.1. 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 (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 such date the unexercised BSARs shall become void and lose their value.
At the time of the issue, 20 BSARs allowed holders the subscribtion 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 in 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 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 FR0010096719.
A prospectus relating to this issue was approved by the *Autorité des marchés financiers* on June 25, 2004, under number 04-634, and is available on the *Autorité des marchés financiers* web site.
Between July 29, 2004 and March 30, 2006, 599 940 BSARs were exercised which resulted in the creation of 170 400 shares and therefore to capital increases that amount to €230 976.90. Consequently, on March 30, 2006, 7 717 698 outstanding BSARs were likely to cause a capital increase of €2 971 313.73 with the creation of 3 858 849 new shares at a par value of €0.77 each.

21.1.4.2. 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 (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 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 SA, ISIN number FR0010173690.

A prospectus relating to the issue of the OCEANEs was approved by the *Autorité des marchés financiers* on March 1st, 2005, under number 05-122, and is available on the *Autorité des marchés financiers* web site.

Between March 9, 2005 and June 15, 2006, 5 029 OCEANEs were converted into or exchanged for shares. Consequently, on June 15, 2006, 16 706 200 outstanding OCEANEs were likely to cause a capital increase of €12 863 774 with the creation of 16 706 200 new shares with at a par value of €0.77 each.

21.1.5. Terms governing any right to buy and/or any obligation attached to subscribed capital not paid up, or to any capital increase

Not applicable.

21.1.6. Capital of any member of Maurel & Prom Group subjected to an option

Not applicable.

21.1.7.
History of the share capital

The chart below shows the changes in Maurel & Prom capital over the last five years up to the date of the present annual report:

Transactions and dates		Change in capital: Amount of share capital	Change in capital: Number of shares	Amount of share capital after transaction	Total number of outstanding shares
		in Francs		in Francs	
2000	January 2000 Issue of ABSAs	120 970 400 (or €18 441 818.59)	2 419 408	302 426 000 (or €46 104 546.49)	6 048 520
2001	June 18, 2001 Conversion of BSAs (from ABSAs issued in January 2000)	15 050 (or €2 294.36)	301	302 441 050 (or €46 106 840.84)	6 048 821
	December 3, 2001 Conversion of BSAs (issued on June 20, 2001)	102 250 (or €15 587.91)	2 045	302 543 300 (or €46 122 428.76)	6 050 866
		in Euros		in Euros	
	December 3, 2001 Capital converted into euros and increase in par value	46 122 726.08	0	46 591 668.20	6 050 866
2002	January 11, 2002				
	Conversion of BSAs (issued on June 20, 2001)	2 756.60	358	46 594 424.80	6 051 224
	April 5, 2002 Conversion of BSAs (issued on June 20, 2001)	22 961.40	2 982	46 617 386.20	6 054 206
	December 31, 2002 Conversion of BSAs (issued on June 20, 2001)	53 237.80	6 914	46 670 624	6 061 120
	December 31, 2002 Conversion of OCEANEs into new shares (issued in February 2002)	84.70	11	46 670 708.70	6 061 131
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 BSAs (issued on June 20, 2001)	16 970.80	2 204	50 592 850	6 570 500
	October 31, 2003 Conversion of BSAs (issued on June 20, 2001)	220 913	28 690	50 813 763	6 599 190

Transactions and dates		Change in capital: Amount of share capital	Change in capital: Number of shares	Amount of share capital after transaction	Total number of outstanding shares
		in Euros		in Euros	
2003	October 31, 2003 Conversion of OCEANEs into new shares (issued in February 2002)	304 519.60	39 548	51 118 282.60	6 638 738
	December 31, 2003 Conversion of BSAs (issued on June 20, 2001)	4 231 604.30	549 559	55 349 886.90	7 188 297
	December 31, 2003 Conversion of OCEANEs into new shares (issued in February 2002)	555 839.90	72 187	55 905 726.80	7 260 484
2004	April 30, 2004 Conversion of OCEANEs into new shares (issued in February 2002)	1 379 763	179 190	57 285 489.80	7 439 674
	June 24, 2004 Conversion of OCEANEs into new shares (issued in February 2002)	2 471 353.50	320 955	59 756 843.30	7 760 629
	July 19, 2004 Conversion of OCEANEs into new shares (issued in February 2002)	4 288 969.30	557 099	64 045 812.60	8 317 638
	September 30, 2004 Conversion of OCEANEs into new shares (issued in February 2002)	191 452.80	24 864	64 237 265.40	8 342 502
	September 30, 2004 Exercise of BSARs (issued in July, 2004)	60 506.60	7 858	64 297 772	8 350 360
	November 8, 2004 Conversion of OCEANEs into new shares (issued in February 2002)	2 429 095.90	315 467	66 726 867.90	8 665 827
	November 8, 2004 Exercise of BSARs (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 Merger by absorption of Aréopage by Maurel & Prom	16 414 498.10	2 131 753	83 231 186.50	10 809 245
	December 28, 2004 Maurel & Prom share par value divided by ten	—	—	83 231 186.50	108 092 450
	December 31, 2004 Exercise of BSARs (issued in July 2004)	5 805.80	7 540	83 236 992.30	108 099 990

Transactions and dates		Change in capital: Amount of share capital	Change in capital: Number of shares	Amount of share capital after transaction	Total number of outstanding shares
		in Euros		in Euros	
2005	January 1st, 2005 Exercise of options (October 2001)	181 589.10	235 830	83 418 581.40	108 335 820
	January 31, 2005 Exercise of BSARs (issued in July 2004)	16 300.90	21 170	83 434 882.30	108 356 990
	March 2, 2005 Exercise of options (October 2001)	10 010	13 000	83 444 892.30	108 369 990
	March 31, 2005 Exercise of BSARs (issued in July 2004)	17 047.80	22 140	83 461 940.10	108 392 130
	May 11, 2005 Exercise of BSARs	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 BSARs	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 Knightsbridge Group reserved issue	3 772 735.89	4 899 657	88 769 886.59	115 285 567
	August 31, 2005 Exercise of BSARs	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 16, 2005 Exercise of BSARs	13 675.20	17 760	88 932 117.89	115 496 257
	September 16, 2005 Exercise of options	305 474.40	396720	89 237 592.29	115 892 977
	November 24, 2005 Exercise of BSARs	8 239	10 700	89 245 831.29	115 903 677
	December 21, 2005 Exercise of BSARs	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
2006	February 16, 2006 Exercise of BSARs	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 BSARs	716.10	930	89 516 755.79	116 255 527
	April 10, 2006 Exercise of BSARs	5 382.30	6 990	89 522 138.09	116 262 517

21.1.8.
Potential capital dilution

The chart below shows the maximum potential dilution of the Company's capital resulting from the conversion or exercise of all the securities giving access to the Company's capital existing on June 1st, 2006 (stock options, OCEANEs and BSARs):

	Issue date	Conversion period		Number of securities	Number of shares		Potential dilution
		Beginning	End		Current	Potential	
Capital at 10/04/2006					116 262 517		
Stock options	10.25.01	10.26.04	unlimited	82 030		82 030	0.07%
Stock options	6.16.03	5.23.05	6.16.08	0		0	0%
Stock options	7.29.03	7.30.03	7.29.08	97 410		97 410	0.08%
Stock options	6.22.04	6.23.04	6.22.09	123 040		123 040	0.04%
Stock options	3.16.05	3.17.05	3.16.10	47 000		47 000	0.04%
Stock options	4.6.05	4.7.05	4.6.10	430 000		430 000	0.37%
Stock options	12.21.05	12.22.05	12.21.10	170 000		170 000	0.15%
Stock options	1.3.06	1.4.06	1.3.11	80 000		80 000	0.07%
Stock options	4.10.06	4.11.06	4.10.11	80 000		80 000	0.07%
Total stock options	—	—	—	***1 109 480***		***1 109 480***	***0.95%***
Free shares	12.21.05			15 000		15 000	0.013%
Free shares	1.3.06			8 000		8 000	0.007%
BSAR	6.17.04	7.28.04	7.28.06	7 717 698		3 858 849	3.32%
OCEANE	3.1.05	3.9.05	12.31.09	16 706 200		16 706 200	14.37%
Total	—	—	—	—	—	**21 710 799**	**18.66%**

21.2.
Articles of association
21.2.1.
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 with all means of the shares or corporate rights;
- prospecting for and exploiting all mineral oilfields, particularly all liquid or gaseous hydrocarbon oilfields and related products;
- leasing, purchasing, disposing of, or selling all wells, real estate, oilfields, concessions, exploitation permits or prospecting permits, either on its own behalf or on behalf of third parties, jointly or otherwise; transporting, storing, processing, converting in and trading any natural or synthetic hydrocarbons, any liquid or gaseous products or bi-products from subsoil, any minerals 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.

21.2.2. 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 members of the Management Board or Supervisory Board restrictions from Company's shares dealing are applicable since no specific rule has been adopted by the Company on this issue.

21.2.2.1. 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, with respect to 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 out of the corporate purpose scope, 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, it being excluded that the only publication of the articles of association is sufficient to prove it.
The Management Board may delegate some its powers when appropriate.
The members of the Management Board, with the authorization of the Supervisory Board, may distribute the management tasks in between them. However, this division may in no circumstances deprive the Management Board from its collegial nature.
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 year-old 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 members of the Management Board are listed in section 14.1.1.1 above.

Remuneration

The Supervisory Board fixes the method and the remuneration of each Management Board member. See section 15.1 for procedures regarding the distribution of fixed and variable attendance fees.

Deliberations

The Management Board meets as often as the interests of the Company require, convened by its Chairman or of 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 videoconference 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 mentioned on a specific register and signed by the meeting Chairman and a member of the Management Board attending the meeting.

21.2.2.2. Supervisory Board

Powers of the Supervisory Board

The Supervisory Board's main role is to exercise constant supervision of the Company's management by the Management Board. At any time, it verifies audits and request documents it considers necessary to carry out its duties.
It appoints the members of the Management Board, its Chairman and when necessary Chief Executives. It may dismiss the members of the Management Board, terminate Chairman's

office and Chief Executive's when necessary. The Supervisory Board sets the remuneration of the members of the Management Board and reports to the General Meeting, providing comments on the financial statements and the Management Report.
Some transactions require prior approval of the Board:

- the sale of buildings for more than €M20;
- total or partial sales of stakeholdings exceeding €M20;
- granting securities for more than €M20;
- any asset acquisitions exceeding €M20;
- total or partial sales of significant assets;
- and any pledges, authorizations or guarantees granted by the Company for an amount exceeding €M20. The Management Board may however grant pledges, authorizations or guarantees for a maximum unitary amount of €M20 on behalf of the Company during the year 2005 for a total amount of €M200. During this period, the Management Board may also grant pledges, authorizations or guarantees for an unlimited amount on behalf of the Company in favour of tax and customs authorities.

The absence of authorization can not be alledged unless the Company proves that third parties knowledged or could not ignore the absence of authorization.

Composition

The Supervisory Board is composed of 3 to 18 members appointed by the General Meeting for three-year term that expires after the Annual Ordinary General Meeting for the year during which the term of office falls due. They may always be reappointed and may be dismissed at any time by the Ordinary General Meeting.
The composition of the Supervisory Board (described in section 14.1.1.3 above) is supposed to balance financial, oil industry expertise and international experience.
According to the applicable regulations, each member of Supervisory Board must hold at least one Maurel & Prom share.
Board members that are over 70 year-old may not account for more than one third of the serving members.
The Supervisory Board elects from its individual members a Chairman and Vice Chairman responsible for convening Board meetings and regulating its discussions, and fixes the term, which duration can not exceed supervisory board members term.

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 freedom of opinion".[1]

1. MEDEF/AFEP - AGREF report, 2002: "for better 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 an Company employee or corporate officer, or an consolidated company employee or director 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 significant customer, supplier, investment banker or finance banker;
  - of the Company or its Group,
  - or for which the Company or its Group represents a significant part of the business,
- 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 Remuneration Committee considered on June 13, 2006, that three members of the Board should be considered independent:
- Alexandre Vilgrain,
- Fabien Chalandon,
- and Alain Gomez.

Remuneration

The General Meeting fixes the total remuneration of the members of the Supervisory Board and it distributes that

amount in between its members. Any remuneration of the Chairman and Vice Chairman is fixed by the Board. Such remunerations may be fixed and/or proportional.
Please refer to section 15.1 for the remuneration paid for the year ended.

Deliberations

The Supervisory Board meets as often as the interests of the Company require, convened by its Chairman or Vice Chairman, or, when appropriate, or at least a third of its members. Its deliberations 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 casting vote. Those participating in the meeting by videoconference are considered present with regards to *quorum* and majority of members of the Management Board.
During 2005, the Supervisory Board met twelve times with the following attendance rates:

Supervisory Board	Attendance rate
January 24, 2005	100%
March 18, 2005	100%
April 22, 2005	100%
May 23, 2005	100%
June 8, 2005	100%
June 13, 2005	7 out of 8 members
August 18, 2005	7 out of 9 members
October 24, 2005	8 out of 9 members
November 7, 2005	8 out of 9 members
December 15, 2005	7 out of 8 members
Average attendance	**93%**

The agendas of the Board's meetings during 2005 convened mainly on the following points:
January 24, 2005: appointment of committee members, approval of the Swiss subsidiary creation, regarding a finance agreement and related securities, approval of the acquisition of Rockover Oil & Gas.
March 18, 2005: renegotiation of the SOCAP trading contract.
April 22, 2005: control of the financial statements for 2004, draft management report and report of the Supervisory Board, presentation of the provisional documents, ratification of the contract to acquire Panther Eureka Srl.
May 23, 2005: budget procedure, report of the Remuneration Committee, approval of the resolutions to be submitted to the General Meeting.
June 8, 2005: proposal to the General Meeting of June 29, 2005, to appoint a new member of the Supervisory Board and to acquire the Hocol group.
June 13, 2005: remuneration of the Management Board members, report of the Management Board's activity.
August 18, 2005: new Board member co-optation, resignation of two members of the Management Board.
October 24, 2005: control of the consolidated financial statements on June 30, 2005, agreement entered into with the Republic of Congo, composition and remuneration of the Management Board, BNP Paribas finance agreement, appointment of a new Management Board member.
November 7, 2005: remuneration of the members of the Management Board and distribution of attendance fees within the Board, approval of a contract for services between Maurel & Prom and Pacifico.
December 15, 2005: discussions concerning governance, creation of a procedures committee and internal audit.

21.2.3.
Rights, privileges and restrictions attached to each category of existing shares

21.2.3.1
Conditions for exercising voting rights

- Dual voting rights

In all General Meetings, the number of voting rights is equivalent to the number of shares the shareholders own or represent, with no other limitations than those resulting from legal requirements.
Each share entitle 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 alloted 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 an 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.
Dual voting rights are detailed in the shareholding charts in section 18.1 above.

21.2.3.2.
Disposal and transfer of shares

The shares are freely negotiable, providing that legal and regulatory requirements are met. They are credited and transmitted by transfer from an account to another.

21.2.4.
Modification of shareholders' rights

Any modification of the articles of association must be decided upon or authorized by the General Meeting taking its decisions under the *quorum* and majority required by applicable laws or regulations for Extraordinary General Meetings.

21.2.5.
Convening and admission to Shareholders' meetings

21.2.5.1.
Convened General Meetings

General Meetings are convened as required by law, by the Management Board or the Supervisory Board.

21.2.5.2.
Shareholders' admission to and participation in General Meetings

The properly constituted General Meeting represents the whole body of the 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 to all shareholders.
Any shareholder may be represented by its spouse or another shareholder. For this purpose, the proxy must prove the agency.
Any shareholder may also provide the Company with an agency without stating the name of the agent. Any agency 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.
Each shareholder may vote through 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 option of the Management Board, shareholders may participate to meetings by videoconference or by teleconferences allowing their identification according to the terms of the applicable regulations.

a. Ordinary General Meeting

Ordinary General 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 Meetings.
The Ordinary General Meeting is convened each year by the Management Board within six months of the fiscal year end. Ordinary General Meetings may also be convened extraordinarily.
Since the "Loi Breton" N° 2005-842 adopted on July 26, 2005, the applicable *quorum* for Ordinary General Meetings on first convening is 1/5 of the shareholders present, represented or voting by proxy having the right to vote (previously the applicable *quorum* was 1/4 of the shareholders having voting rights).
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 deliberates to the majority of the votes of the shareholders present, represented or voting by correspondence.

b. Extraordinary General Meetings

In accordance with articles L. 225-06 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 Company's interest requires.

Since the "Loi Breton", the *quorum* that is now required for Extraordinary General Meetings on the first convening is 1/4 of the shareholders present, represented or voting by correspondence having the right to vote (previously the applicable *quorum* was 1/3 of the shareholders having voting rights).

If these conditions are not met, the Meeting is convened again. It validly deliberates only if the shareholders present, represented or voting by correspondence own at least, on the second convening, 1/5 of the shares having voting rights (prior to the "Loi Breton", the *quorum* was 1/4 of the shares having 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 deliberates on 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 deliberates under *quorum* and majority required by Ordinary General Meetings.

21.2.6. Articles of association provisions 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 does not mention any specific requirements.

21.2.7. Statutory thresholds

The "Loi Breton" adopted on July 26, 2005, set five new thresholds which, if exceeded, involve an obligation of declaration to the issuer, the *Autorité des marchés financiers,* and the public. These new thresholds are now 15%, 25%, 90% and 95% of the share capital or voting rights. As a reminder, the six other pre-existing thresholds that remain applicable are 5%, 10%, 20%, 33$^{1/3}$%, 50% and 66$^{2/3}$%. Holding direct or indirect shares or voting rights is subject to such regime.

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, 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 to 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 identity of the holders of shares conferring immediately or on a later date voting rights, and the quantity of shares held by each of them and, when appropriate, the restrictions applicable to the shares.

21.2.8. Measures reinforcing 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.

22. Major contracts

Throughout 2005, 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 and containing terms imposing on any member of Maurel & Prom Group an significant obligation or commitment for Maurel & Prom Group.

23.
Information from third parties, declarations of experts and declarations of interests

The Company asked the American consultant DeGolyer & MacNaughton, an independent entity, to certify Maurel & Prom Group's hydrocarbon reserves. The results were released by the Company on April 21, 2006. Any information relating to Maurel & Prom Group's hydrocarbon reserves appearing in this annual report is based on the independent certification of DeGolyer & MacNaughton.

24.
Documents on display

24.1.
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 economic and financial press when sales, results and other important events occur in the life of the Company or of Maurel & Prom Group.

Information on the Company are available on:
www.maureletprom.fr so that shareholders, employees and public may obtain a general presentation of Maurel & Prom Group and to 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 communication agency:
Financial Dynamics
20, rue des Pyramides
75001 Paris - France
Shareholder contact: MaureletProm@fd.com
Tel: 01 47 03 68 10

The 2005 annual report, established according to the terms of article L. 221-1-1 of the *Règlement Général* of the *Autorité des marchés financiers* is attached as Appendix 5.

24.2.
Financial communications indicated in the timetable

April 21, 2006	2005 results
May 15, 2006	First quarter sales 2006
June 20, 2006	Combined General Meeting
August 15, 2006	Second quarter sales 2006
October 2006	First half sales 2006
October 26, 2006	First half results 2006
November 15, 2006	Third quarter sales 2006

This timetable, available on:
www.maureletprom.fr
is given as an indication and may be changed.

25.
Information on interests

The data on the main Maurel & Prom Group subsidiaries concerning its hydrocarbon exploration and exploitation activity appear in the chart below. This presentation of the interests is not exhaustive and covers only the main subsidiaries.

Company	Head office	Percentage holding		
		12.31.2005	12.31.2004	12.312003
France - Drilling				
Caroil SA	Paris	97.14	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
Colombia and Venezuela				
Hocol Petroleum Holdings Ltd	London, Great Britain	100.00	—	—
Hocol Petroleum Ltd	Bermuda	100.00	—	—
Hocol Ltd	Bermuda	100.00	—	—
Hocol SA	Cayman Islands	100.00	—	—
Homcol Cayman Inc	Cayman Islands	100.00	—	—
Hocol (UK) Petroleum Holdings Ltd	London, Great Britain	100.00	—	—
Hocol Venezuela BV	The Netherlands	100.00	—	—
Gabon				
Maurel & Prom Gabon Ltd British	Virgin Islands	100.00		
SA M&P Quartier Général	Libreville, Gabon	100.00	—	—
SA M&P Gabon Ofoubou	Libreville, Gabon	100.00	—	—
SA M&P Gabon Nyanga Mayombé	Libreville, Gabon	100.00	—	—
Cuba				
Pebercan Inc	Montreal, Canada	19.65	19.89	20.02
Tanzania				
Maurel & Prom Tanzania Ltd	Dar es Salaam,Tanzania	100.00	100.00	—
Sicily				
Panther Eureka Srl	Ragusa, Italy	25.00	—	—
Hungary				
Raba Xprom Energia Kft	Hungary	34.30	34.30	34.30

* 54% of the voting rights on certain subjects.

26.
Appendices to the annual report

26.1.
Appendix 1 - Glossary

Below is a list of the main terms, symbols or abbreviations used in the annual report:

$	US dollar
$M	millions of US dollars.
€	euro
€K	thousands of euros.
€M	millions of euros.
1P reserves	proved reserves are those quantities of hydrocarbons which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward.
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.
2P reserves	probable reserves are those unproved reserves which analysis of geological and engineering data suggests are likely to be recoverable particularly 1. by extension drilling inside the perimeter defined by the oil-water contact, 2. and by putting in place secondary recovery methods.
3P reserves	Possible reserves are those unproved reserves which, based on geological interpretations 1. could possibly exist beyond areas classified as probable, 2. reserves in an area of the formation that appears to be separated from the proved area by faulting, 3. the subject area is structurally lower than the proved area but above the structural closure of the field.
b (barrel)	the unit of volume of crude oil, 159 litres (42 American gallons). A ton of oil is approximately 7.5 barrels.
b/d	barrels per day.
CAPEX	Capital expenditure: tangible and intangible investments/development expenditure.
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, holes are drilled obliquely, not necessarily towards precise objectives, as in directional drilling.
EPSC	the exploration and production-sharing contract.
Kboe	thousands of barrels of oil equivalent.
Lead	a pre-prospect (see below for the definition of "prospect").
Mboe	millions of barrels of oil equivalent.

Multipurpose ships	ships that can be used for a variety of purposes.
OPEX	Operating expenses.
Pipeline	a pipeline for conveying fluids.
Production-sharing contract (PSC)	the contract entered into the State and the company exploiting the permit; this contract determines all the operator's rights and obligations, and particularly the percentage of cost oil (by which the operator recovers the exploration and development costs borne by the operating company) and the level of profit oil.
Prospect	the region in which, after surveys, the geologists believe hydrocarbons can be found.
Reservoir	the stratum that contains the hydrocarbons in a oilfield. The reservoir may consists of several productive strata, of very different characters, separated by sterile strata.
Rig	drilling rig.
TEA	Technical Evaluation Agreement.
Work over	an operation to reopen wells.

26.2.
Appendix 2
Consolidated financial statements on December 31, 2005
26.2.1.
Consolidated financial statements on December 31, 2005

Balance sheet

Assets

In thousands of euros	Notes	12.31.2005	1.1.2005*	12.31.2004
Intangible assets	4	624 182	93 313	93 313
Tangible assets	5	357 232	153 841	153 841
Investments and loans	6	4 389	1 543	1 543
Investments accounted under the equity method	7	22 968	16 666	16 666
Deferred taxes, assets	22	28 890	—	—
Non-current assets		**1 037 661**	**265 363**	**265 363**
Inventories	8	6 884	234	234
Trade receivables	9	50 042	12 094	12 094
Other assets	9	43 978	18 869	26 788
Tax liability assets		324	—	—
Financial instruments	10	6 870	9 694	0
Cash and cash equivalent	12	235 172	34 221	34 221
Current assets		**343 271**	**75 112**	**73 337**
Assets for sale	11	82	—	—
Total assets		**1 381 015**	**340 475**	**338 701**

* Impact of the first application of IAS 32 - IAS 39 (see note 29)

Balance sheet continued

Liabilities

In thousands of euros	Notes	12.31.2005	1.1.2005*	12.31.2004
Shareholders' equity	13	89 502	83 237	83 237
Additional paid-in capital	13	200 190	69 913	69 913
Consolidated reserves	13	72 355	24 502	22 355
Treasury shares	13	(3 707)	—	0
Income - Group share		100 234	46 603	46 603
Shareholders' equity, group share		**458 574**	**224 255**	**222 109**
Minority interests		**199**	**152**	**152**
Total shareholders' equity		**458 772**	**224 407**	**222 261**
Non-current provisions	14	16 532	1 987	1 987
Non-current bonded loans	15	328 577	—	0
Other non-current loans and borrowings	16	74 455	19 237	19 628
Deferred tax, liabilities	22	209 572	—	0
Non-current liabilities		**629 136**	**21 224**	**21 615**
Other current loans and borrowings	16	67 842	54 300	55 702
Trade payables	17	84 505	26 297	26 297
Tax liabilities		64 164	—	—
Current liabilities	17	66 037	12 307	12 307
Financial instruments	10	1 397	1 421	—
Current provisions	14	9 161	519	519
Current liabilities		**293 106**	**94 844**	**94 825**
Total liabilities		**1 381 015**	**340 475**	**338 701**

* Impact of the first application of IAS 32 - IAS 39 (see note 29)

Income statement

In thousands of euros	Notes	2005	2004
Sales	26	407 722	101 377
Other income		298	407
Variation in inventory	8	(41)	(24)
Other purchases and operating expenses		94 591	33 949
Income and other taxes		15 756	3 427
Payroll	18	24 939	7 577
Amortization		63 539	12 742
Provisions		3 977	1 407
Other expenses		23 598	382
Current operating income		**181 660**	**42 323**
Income from sale of assets	19	1 777	5 548
Depreciation	20	(22 069)	
Other operating expenses			(1 206)
Operating income		**161 368**	**46 665**
Gross financial interests	21	(34 323)	(5 691)
Financial income	21	5 986	329
Net financial interests	21	(28 337)	(5 362)
Other financial income	21	12 987	8 428
Other financial expenses	21	(30 506)	(4 525)
Income before tax		**115 514**	**45 206**
Corporate income tax	22	17 266	196
Net income of consolidated companies		**98 248**	**45 010**
Share in income of companies included on an equity basis	7	2 033	1 615
Net consolidated income		**100 280**	**46 625**
Including: - Group net income		100 234	46 603
- Minority interests		(46)	(22)
Income per share:	23		
- basic		0.90	0.59
- diluted		0.88	0.54

Cash flow

In thousands of euros	Notes	12.31.2005	12.31.2004
Consolidated income before tax		117 547	46 821
Adjustment for:			
- Net contributions (writebacks) of amortization and provisions		93 823	15 859
- Unrealised gains and losses from variations in fair value		22 999	—
- Calculated expenses and income from stock options and similar items		4 482	90
- Other calculated income and expenses		14 822	(1 750)
- Gains and losses from sales of assets		(1 777)	(5 548)
- Share of income from companies carried on an equity basis		(2 033)	(1 615)
Cash flow before tax		**249 864**	**53 857**
Tax paid		**(16 584)**	**(196)**
Variation in working capital requirement from operations		**40 680**	**33 138**
- Trade		38 295	(1 423)
- Suppliers		42 294	8 820
- Inventory		(2 014)	21
- Other		(37 895)	25 720
Net cash flow from operations		**273 960**	**86 799**
Disbursements for acquisitions of tangible and intangible assets		(166 856)	(98 338)
Receipts from sales of intangible and tangible assets		17 722	5 768
Disbursements for acquisitions of financial assets (unconsolidated securities)		(134)	(1 404)
Receipts from sales of financial assets (unconsolidated securities)		820	49
Acquisitions of subsidiaries		(347 988)	—
Variations in loans and advances granted		(10 781)	225
Other cash flows from investment transactions		(1 142)	3 455
Net cash flow from investment transactions		**(508 359)**	**(90 245)**
Amounts received from shareholders during capital increases		83 982	52 827
Dividends paid		(16 627)	—
Receipts from new loans		425 092	30 083
Loan repayments		(71 521)	(59 585)
Other movements (own shares)		(3 707)	—
Net cash flow from financial transactions		**417 220**	**23 325**
Impact of changes in exchange rates		17 297	117
Change in cash flow		**200 119**	**19 996**
Cash at beginning of year	13	31 939	11 942
Net cash flow and cash flow equivalent at year end	13	**232 058**	**31 939**

Variation in shareholders' equity

In thousands of euros	Capital	Own shares	Premiums
January 1st, 2004	**55 906**		**58 930**
Conversion gains/losses			
Aréopage merger restatement			
Net income posted directly in shareholders' equity	**0**	**0**	**0**
Allocation of income			
Net income			
Total income and expenditure recorded for the year	**0**	**0**	**0**
Capital increase	27 331		10 893
Stock options			90
December 31, 2004	**83 237**	**—**	**69 913**
Unrealised income on cash flow hedging			
January 1st, 2005	**83 237**	**—**	**69 913**
Conversion gains/losses			
OCEANEs			44 003
Deferred taxes on OCEANEs			(14 888)
Financial instruments			
Net income posted directly as shareholders' equity	**0**	**0**	**29 115**
Allocation of income - Dividends			
Net income			
Total income and expenses recorded for the year	**0**	**0**	**29 115**
Capital increase	6 265		96 680
Stock options			4 482
Movements on own shares		(3 707)	
December 31, 2005	**89 502**	**(3 707)**	**200 190**

Reserves	Reserve balance	Conversion difference	Income for the year	Shareholders' equity, Group share	Minority interests	Total shareholders' equity
(12 736)	**0**	**0**	**24 276**	**126 376**	130	**126 506**
		(426)		**(426)**		**(426)**
11 242				**11 242**		**11 242**
11 242	**0**	**(426)**	**0**	**10 816**	**0**	**10 816**
24 276			(24 276)	**0**		**0**
			46 603	**46 603**	22	**46 625**
35 518	**0**	**(426)**	**22 327**	**57 419**	**22**	**57 441**
				38 224		**38 224**
				90		**90**
22 782	**—**	**(426)**	**46 603**	**222 109**	**152**	**222 261**
(606)	2 752			**2 146**		**2 146**
22 176	**2 752**	**(426)**	**46 603**	**224 255**	**152**	**224 407**
		20 630		**20 630**		**20 630**
				44 003		**44 003**
				(14 888)		**(14 888)**
	(2 752)			**(2 752)**		**(2 752)**
0	**(2 752)**	**20 630**	**0**	**46 993**	**0**	**46 993**
29 976			(46 603)	**(16 627)**		**(16 627)**
			100 233	**100 233**	46	**100 279**
29 976	**(2 752)**	**20 630**	**53 630**	**130 599**	**46**	**130 645**
				102 945		**102 945**
				4 482		**4 482**
				(3 707)		**(3 707)**
52 152	**—**	**20 204**	**100 233**	**458 574**	**198**	**458 772**

Content of notes

Notes of the consolidated financial statements

Note 1. General

1.1. General information

Maurel & Prom is a *Société Anonyme* with a Management Board and Supervisory Board incorporated under the laws in France, and registered with the *Paris Registre du Commerce et des Sociétés.*

The group's core business is the exploration and production of hydrocarbons oil drilling.

The consolidated financial statements on December 31, 2005 show the financial situation of Maurel & Prom and its subsidiaries (hereinafter refer to as the "Group"), and Group's interests in associated companies. The Management Board approved the consolidated financial statements on December 31, 2005, and authorized the publication of these statements on April 21, 2006. These financial statements will be definitive only after they have been approved by the General Meeting of shareholders.

1.2. Accounting reference standards

Establishment of the consolidated financial statements involves for the Group to make some estimates and assumptions affecting the 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.

Until December 31, 2004, Maurel & Prom Group established and presented its consolidated financial statements in compliance with regulation 99-02 of the *Comité de la Réglementation Comptable.*

Pursuant to European Regulation 1606/2002, Maurel & Prom's consolidated financial statements on December 31, 2005, have been established in compliance IFRS standards (International Financial Reporting Standards) adopted by the European Union on December 31, 2005, with retrospective effect as required by IFRS 1 (First-time adoption of international financial reporting standards).

IFRS 6 "Exploration for and evaluation of mineral resources", adopted in Europe (Official Journal of November 24, 2005), has been applied to Maurel & Prom Group financial statements since January 1st, 2004.

These principles have been applied consistently by the Group for all the periods presented, except for the treatment of the financial instruments specified by the IAS 32 standard "Financial instruments - disclosure and presentation" and the IAS 39 standard "Financial instruments - recognition and measurement" which Maurel & Prom Group decided to apply for the first time on January 1st, 2005, according to the requirements of the IFRS 1 standard "First-time application of international financial reporting standards".

The reconciliation statements for the transition period (balance sheets at January 1st, 2004, December 31, 2004 and income statement 2004) are mentioned in note 29.

Note 2. Accounting methods

Consolidated financial statements are presented in euros, rounded to the nearest thousand.

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.

a. 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.

The intra-group balances, transactions, income and expenses are adjusted within the 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; when it is less, significant influence is determined by Maurel & Prom's active participation in the strategy and financial decisions of the entity.

Joint ventures are consolidated proportionally.

b. Company consolidations and goodwill

Company consolidations after January 1st, 2004, are recorded using 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. 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 when 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".

c. 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 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 must compensate the investments and operating costs borne; the production balance (profit oil) is then distributed in variable proportions with the Government; 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

Expenditure 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 to the ratio between the field's hydrocarbon production during the year and re-estimated hydrocarbon reserves at the beginning of the same year.

Exploration expenditure

Exploration surveys and work, including the geological and geophysical expenditure, are recorded in 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 do not end up in a commercial discovery and causing the decision to stop work on a region or geological structure are recorded as expenses in the year of such decision.
The amortization of exploration expenses is deferred until the transfer to tangible assets at the time of the discovery. These expenses then become operating expenses.
If evidences of loss of value arise (expiry of a permit, subsequent unbudgeted expenditure, etc.), an impairment test is carried out to check that the book value of the expenses incurred does not exceed the recoverable value.
Regarding exploration expenses, 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 fields 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 to 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.

Cost of sites restoration

Provisions for site restoration are realized when the Group must dismantle and to 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 of such asset.

d. Other intangible assets

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.
Amortizations are calculated with the straight line method and the amortization period is based on the estimated service life of the various categories of intangible assets (essentially software amortized over one to three years).

e. Other tangible assets

The gross value of 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:

Buildings	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

Leases are classified as lease finance agreements if they transfer to the lessee all the risks and advantages relating to the ownership of the leased assets.
Regarding normal rentals, the costs and income are recorded when services are received or given.

f. Depreciation of assets

When events are likely to cause a loss of value of tangible or intangible assets, in such case a detailed analysis is carried on assets in order to establish whether their net book value is inferior to their recoverable value, the latter being defined as the highest of the fair value (minus the selling costs) and the utility value. The utility value is establishes 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.
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.

g. 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 these 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.

h. 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.
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.

i. Trade receivables

Trade receivables are initially recorded at their fair value.
At the year-end, depreciations are recorded if there are evident risk of irrecoverability.

j. 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".

k. Conversion of the annual financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries located out of the euro zone are converted at their year-end exchange rate. The asset and liability elements, including purchase price discrepancies and consolidated goodwill on foreign subsidiaries are converted at the exchange rate applicable on the year-end date. Income and expenditure is 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.

l. Derivatives

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

- initially, the option is recorded at is fair value;
- at the 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 in operating expenses and income;
- the fair value variance recorded in shareholders' equity is recycled in 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.

m. 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, the variances of this value is recorded in financial income.
Fair value means the stock market price on the last day of the period.

n. Convertible loans

Some financial instruments contain both a debt component and a shareholders' 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 the coupons and the redemption) discounted at the market rate (taking into account the credit risk on issue) of a similar instrument having the same terms (maturity, cash flow) but without conversion option, plus the impact of the issue expenses (the 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;
- 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.

o. Other loans

According to the IAS 39 standard "Financial instruments - recognition and measurement", loans are initially recorded at their fair value. Loans are recorded on the balance sheet for their amortized cost. Such measure entails the recording of the issue expense 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 (meaning the actuarial rate taking into account the issue expense).

p. 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.

q. Contingencies and loss provision

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 dismentling cost; the impact of time sparing is measured by applying to the provision a risk-free interest rate varying from 4% to 10% depending on the geographic region.
The effect of de-actualisation is recorded in "Other financial expenses".

r. Employees benefits

The Group's obligations on pensions and similar benefits are limited to the payment of contributions to general bond-related schemes or to the payment of retirement benefits; these are defined either by the applicable collective agreements or on the basis of voluntary plans (Latin America).
The retirement benefits are provisioned 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 of the investments market value are recorded and amortized on the employees average residual worktime.

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.

s. 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.

t. Payments in shares

Stock options and free shares alloted 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.

u. Deferred taxes

Deferred taxes realized with the temporary differences between the book value of the assets and liabilities and their tax bases. Deferred taxes are not discounted.
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;
- forecast of future tax income allowing to charge earlier tax losses.

v. 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.

w. 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) that are not yet in force on December 31, 2005, are as follows:

- IFRS 7 and IAS1 amendment: "Presentation of financial statements" (applicable from January 1st, 2007);
- IAS 19 amendment: "Employee benefits" (applicable from January 1st, 2006);
- IAS 39 amendment: "Financial instruments - recognition and measurement" (applicable from January 1st, 2006);
- IAS 21 amendment: "Effects of changes in foreign exchange rates" (applicable from January 1st, 2006);
- IFRIC 4: "Emission rights - determining whether an arrangement contains a lease" (applicable from January 1st, 2006);
- IFRIC 5: "Rights to interests arising from decommissioning, restoration and environmental funds" (applicable from January 1st, 2006);
- IFRIC 7: "Applying the restatement approach under IAS 29" (applicable from January 1st, 2006).

These standards are being analysed; the Group does not expect them to have a significant impact on 2006.

Note 3.
Perimeter and perimeter changes
3.1.
Perimeter

Company	Head office	Consolidation method	% control 12.31.2005	% control 12.31.2004
Établissements Maurel & Prom	Paris	Consolidating company	Consolidating company	
Maurel et Prom (Suisse) Genève SA	Geneva, Switzerland	Full integration	99.99%	99.99%
Multipurpose ships				
Brooklyn Shipping Limited	St Vincent and Grenadines	Full integration	100.00%	100.00%
Maurel & Prom International Shipping Limited (Mepis)	St Vincent and Grenadines	Full integration	100.00%	100.00%
Mepis Clémentine Limited	St Vincent and Grenadines	Full integration	100.00%	100.00%
Mepis Marie Limited	St Vincent and Grenadines	Full integration	100.00%	100.00%
Oil and gas activities				
Caroil	Paris	Full integration	97.14%	97.14%
Panther Eureka Srl	Ragusa, Sicily	Equity method	25.00%	
Maurel & Prom Gabon Ltd (formerly Rockover Oil and Gas)	British Virgin Islands	Full integration	100.00%	
SA M&P Gabon Ofoubou	Libreville	Full integration	100.00%	
SA M&P Gabon Nyanga Mayombe	Libreville	Full integration	100.00%	
SA M&P Gabon Quartier Général	Libreville	Full integration	100.00%	
Hocol Petroleum Holdings Ltd	United Kingdom	Full integration	100.00%	
Hocol Petroleum Ltd	Bermuda	Full integration	100.00%	
Hocol Ltd	Bermuda	Full integration	100.00%	
Hocol SA	Cayman Islands	Full integration	100.00%	
Homcol Cayman Inc.	Cayman Islands	Full integration	100.00%	
Hocol (UK) Petroleum Holdings Ltd	United Kingdom	Full integration	100.00%	
Hocol Venezuela BV	The Netherlands	Full integration	100.00%	
Oleoducto de Colombia SA	Colombia	Partial integration	21.72%	
Pebercan Inc	Montreal, Canada	Equity methods	19.65%	19.89%
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%
Maurel & Prom Tanzania Ltd	Tanzania	Full integration	100.00%	
Raba Xprom Energia Kft.	Hungary	Equity methods	34.30%	
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%

3.2.
Perimeter changes

On February 14, 2005, Maurel & Prom acquired 100% of the shares of Rockover Oil and Gas (renamed Maurel & Prom Gabon Limited) which, in Gabon, owns interests that supplement Maurel & Prom's on the Ofoubou and MT 2000 permits and on the Kari and M'Bindji permits.

Through this transaction, the company owns 100% of the three offshore permits (Kari, M'Bindji and Ofoubou), 95% of MT 2000 and 50% of the Banio permit.

Maurel & Prom has created three local subsidiaries to operate its permits.

On February 19, 2005, it also acquired 25% of Panther Eureka Srl operating on the Fiume Tellaro gas permit in Sicily.

Furthermore, on August 4, 2005, the group acquired all the Colombian and Venezuelan assets of the Hocol group. This group, which is totally owned by Maurel & Prom, has exploration and production fields in Colombia and Venezuela and also operates hydrocarbon pumping installations (pipelines); since Hocol exercises joint control over the pipeline operating company in Colombia (ODC), this entity is consolidated according to the proportional consolidation method.

Following the capital increase of Perbercan Inc., generated by exercising employees' warrants, Maurel & Prom's percentage interest was reduced to 19.65% on December 31, 2005.

Members of the Pebercan Inc. Board, Maurel & Prom has a significant influence on that entity.

In the second half of 2005, the company restarted its exploration activities in Hungary through its previously dormant partner company. Following the bankruptcy of a partner (holding a 29.3% interest) the share of income in the consolidation rose from 34.3% to 63.6%.

The company also turned its Tanzanian business into a subsidiary in 2005.

Since Maurel & Prom has effective control over NGM; this entity is fully consolidated.

3.3.
Acquisitions throughout the year

Total cost of acquisitions

In thousands of euros	Hocol	Maurel & Prom Gabon Ltd	Panther Eureka Srl
Acquisition price	392 584	57 364	1 532
Acquisition costs	8 640	1 178	76
Earn out	9 636		
Total acquisition price	**410 860**	**58 542**	**1 608**
Of which paid in cash	391 898	58 542	1 608
Cash acquired	**101 407**	**2 647**	**0**

Acquisition of Hocol

On August 4, 2005, the company acquired 100% of the shares (and voting rights) of HPHL, a company incorporated in Britain domiciled at *1 Knightsbridge, London SW1X 7UP,* for a total of €410 860 000:

In thousands of euros	Fair value
Assets taken over	732 192
Cash acquired	101 407
Liabilities assumed	(422 739)
Net assets	410 860
Acquisition price	410 860
Goodwill	0

The values attributed to the assets and liabilities and the acquisition cost have been temporarily determined; an earn out clause is likely to affect the total acquisition cost.

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.

In consolidation, 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 added to the acquisition price and is reported as such in the amount of €18 962 000.

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 €58 542 000, represented by:

In thousands of euros	Fair value
Assets taken over	55 921
Cash acquired	2 647
Liabilities assumed	(26)
Net assets	58 542
Acquisition price	58 542
Goodwill	0

The values attributed to the assets and liabilities and the acquisition cost have been temporarily established; a bonus clause is likely to affect the total acquisition cost.

Acquisition of Panther Eureka Srl

On February 19, 2005, the company also acquired 25% of the shares and voting rights of Panther Eureka Srl, a company incorporated in Italy, domiciled at *Via Grazia Deledda 97100 Ragusa RG- Sicily,* for a total of €1 608 000 generating a goodwill of €1 523 000.

Contributions made by the newly acquired companies to the consolidated figures

In thousands of euros	Hocol	Maurel &Prom Gabon Ltd	Total
Sales	149 560		149 560
Net income	38 227	(6 153)	32 074

If Maurel & Prom had acquired Hocol and Rockover Oil & Gas on January 1st, 2005, consolidated sales would amounted to €M588.5 and net income would have amounted to €M125.7 for 2005.

Note 4.
Intangible assets

Changes in intangible assets

In thousands of euros	Goodwill	Oil search and exploitation rights	Exploration expenses	Other	Total
Gross value on 1.1.2004	**0**	**38 297**	**34 430**	**439**	**73 165**
Acquisitions	0	30 554	7 733	106	38 394
Disposals	0	0	(2 325)	(20)	(2 345)
Perimeter changes	0	0	0	0	0
Conversion differences	0	0	0	0	0
Transfers	0	0	0	0	0
Gross value on 12.31.2004	**0**	**68 851**	**39 838**	**526**	**109 215**
Acquisitions	0	804	39 804	283	40 891
Disposals	0	(1 268)	(19 418)	(171)	(20 858)
Perimeter changes	0	526 852	8 960	5 894	541 706
Conversion differences	0	22 056	575	501	23 132
Transfers	0	0	(1 752)	37	(1 714)
Gross value on 12.31.2005	**0**	**617 295**	**68 007**	**7 070**	**692 372**
Cumulative amortisations and depreciations on 1.1.2004	**0**	**3 310**	**10 252**	**128**	**13 690**
Amortizations	0	1 001	2 120	163	3 283
Amortization writebacks	0	0	(1 053)	(20)	(1 072)
Conversion differences	0	0	0	0	0
Depreciations	0	0	0	0	0
Depreciation writebacks	0	0	0	0	0
Transfers	0	0	0	0	0
Cumulative amortisations and depreciations on 12.31.2004	**0**	**4 311**	**11 319**	**271**	**15 901**
Amortizations	0	28 068	0	234	28 302
Amortization writebacks	0	0	0	0	0
Conversion differences	0	1 658	0	242	1 901
Depreciations	0	0	22 069	0	22 069
Depreciation writebacks	0	0	0	0	0
Transfers	0	0	0	17	17
Cumulative amortizations and depreciations on 12.31.2005	**0**	**34 038**	**33 388**	**764**	**68 190**
Net book value on 12.31.2005	**0**	**583 257**	**34 620**	**6 305**	**624 182**
Net book value on 12.31.2004	**0**	**64 540**	**28 519**	**255**	**93 313**

The variation in intangible assets arises essentially from:

- the acquisition, by entry into the consolidation perimeter, of mining reserves in Gabon for the amount of €M55.151 and the right of entry into the Omoueyi (Bindji in Gabon) production-sharing contract for €K804;
- the continuation of the current exploration in Congo for €M11.723 mainly in the seismic campaign and the drilling of two exploration wells on Kouilou;
- the development of the exploration work in Gabon for €M13.165;
- the beginning of exploration drilling work in Senegal for €M1.312M;
- and the acquisition, by entry into the consolidation perimeter, of Hocol mining reserves and exploration expenses for €M486.555 and the beginning of new exploration wells in Latin America for €M12.336.

On the basis of the results obtained on June 30, 2005, with the long term test that begun in Vietnam in July 2004, the company has decided to write off the assets in the financial statements, and recorded a depreciation for the year of €M20.945.

The exploration of the Banankoro permit in Mali revealed a high gold content in some veins.

According to the decision taken when finalising the financial statements on December 31, 2004, a survey has been carried out, reviewed by BRGM (an independent expert) to obtain an economic evaluation of the exploitation of this quarry.

This survey showed that on the bases of a six-year cash flow discounted at 18%, this mining project could be valued at €M1.633 for Maurel & Prom's share.

The capitalized value in the financial statements amounting to €M2.757, a provision for depreciation of €M1.124 has been recorded in 2005 in the search expenses.

The search expenses recorded in income in 2005 (expenditure prior to obtaining the permit and costs of dry exploration wells) amount to €M20.686 (€M1.061 in 2004). They relate in particular to the Kouilou permit in Congo for €M2.047, the Ofoubou field in Gabon for €M13.046 and the Tangara field in Colombia for €M5.3.

Note 5.
Tangible assets
5.1.
Change in tangible assets

In thousands of euros	Land and buildings	Plant and machinery	Downpayments and constructions in progress	Other fixed assets	Total
Gross value on 1.1.2004	**13**	**81 136**	**29 519**	**866**	**111 534**
Acquisitions	0	39 261	21 961	1 939	63 161
Disposals	0	(29)	0	(142)	(171)
Perimeter changes	0	0	0	0	0
Conversion differences	0	0	0	0	0
Transfers	0	37 917	(37 917)	0	0
Gross value on 12.31.2004	**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)
Perimeter changes	3 548	122 031	0	0	125 579
Conversion differences	292	16 644	55	3	16 994
Transfers	9	2 970	(1 265)	0	1 715
Gross value on 12.31.2005	**2 322**	**384 886**	**27 185**	**3 835**	**418 229**
Cumulative amortization and depreciation on 1.1.2004	**3**	**10 878**	**0**	**297**	**11 178**
Amortization	9	9 120	0	332	9 463
Amortization writebacks	0	(24)	0	(125)	(149)
Conversion differences	0	0	0	0	0
Depreciation	0	0	0	0	0
Depreciation writebacks	0	0	0	0	0
Transfers	0	75	0	118	193
Cumulative amortization and depreciation on 12.31.2004	**13**	**20 049**	**0**	**621**	**20 683**
Amortization	156	37 319	0	406	37 881
Amortization writebacks	0	(8 689)	0	(13)	(8 702)
Conversion differences	169	10 571	0	0	10 741
Depreciation	0	0	0	0	0
Depreciation writebacks	0	0	0	0	0
Transfers	0	11	0	303	313
Cumulative amortization and depreciation on 12.31.2005	**338**	**59 261**	**0**	**1 317**	**60 916**
Net book value on 12.31.2005	**1 985**	**325 626**	**27 185**	**2 518**	**357 315**
Net book value on 12.31.2004	**0**	**138 235**	**13 563**	**2 042**	**153 841**
Of which net assets intended for sale		82			82

The increase in tangible assets in terms of acquisitions arises from:

- the continuation of the investment in a plant for the production, oil transport and development of production wells on the M'Boundi permit (€M73.316) and on the Kouakouala permit (€M3.780);
- new Caroil investments in drilling rigs and associated plant for €M7.220 (acquisition of two rigs), a third rig being under construction (€M3.487) and downpayments of €M5.383 to acquire two additional rigs have already been paid;
- progress in the surface installations to start new searches in Gabon on the Omoueyi field for €M8.394;
- the integration into the consolidation perimeter of Hocol for €M125.579 and investments in production plant begun during the period in Colombia for €M22.986 (mainly on the Balcon field for €M8.981, the San Francisco field for €M7.685 and the la Hocha field for €M4.156).

The disposal of tangible assets essentially relates to the sale in 2005 of two multipurpose ships for €M24.378.

On December 13, 2005, the company entered into an agreement to sell the oil assets attached to its Pointe Indienne concession in Congo; the conditions precedent should be fulfilled in the early months of 2006 finally releasing the sale. The net value of the corresponding assets of €M0.082 is shown as assets intended for sale.

On July 1st, 2005, the company supplying and operating Caroil's rigs was granted a forward option to purchase 50% of the seven drilling rigs that existed or were in construction at the time; this option may be exercised from July 1st, 2007 for a price of 50% of the net book value of the assets at the time the option is exercised (on the basis of amortization over five years).

Maurel & Prom, for its part, has a facility to buy back this option at any time.

5.2. Goods under a direct financing lease

Goods under a direct financing lease relate to industrial transport equipment: its gross value on December 31, 2005, was €K181 and its net value was €K176.

5.3. Goods under straightforward rental

In thousands of euros	12.31.2005	12.31.2004
Minimum payments for rentals booked during the period	**1 471**	**1 278**
Payments due at year-end:	**8 240**	**9 189**
< 1 year	1 183	1 416
between 1 and 5 years	4 579	4 360
> 5 years	2 478	3 413

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 2005 was €K135 excluding VAT (€K134 excluding VAT in 2004).

Income to be received on uncancellable sub-letting contracts at the year end was €K71 (2004: €K82).

Note 6.
Financial assets

The capital assets are broken down as follows:

In thousands of euros	Shares in affiliates	Loans	Other	Total
Value on 1.1.2004	**24**	**59**	**138**	**221**
Perimeter changes	0	0	0	0
Increases	0	0	1 402	1 402
Reductions	0	(49)	0	(50)
Depreciation	(24)	0	0	(24)
Depreciation writebacks	0	0	0	0
Conversion differences	0	0	(1)	(1)
Value on 12.31.2004	**0**	**10**	**1 538**	**1 548**
Perimeter changes	0	2 168	1 879	4 047
Increases	0	0	134	134
Reductions	(24)	(367)	(429)	(820)
Depreciation	0	0	0	0
Depreciation writebacks	24	0	0	24
Conversion differences	0	88	88	176
Value on 12.31.2005	**0**	**1 900**	**3 210**	**5 109**
including non-current	0	1 403	2 986	4 389
including current	0	497	224	720

The loans are mainly granted to employees in Latin America for the amount of €M1.895.

The other financial assets represent:

- deposits and guarantees paid: they mainly consist in deposits on real estate leases (€K474) and also a security deposit for a current legal action (€K238);
- long term bank deposits covering mandatory financial guarantees granted as part of the oil activities, mainly in Latin America (€M1.985) and Senegal (€K513).

Note 7.
Investments accounted under the equity method

This section includes Pebercan Inc., Panther Eureka Srl and Raba Xprom Energia Kft's shares:

In thousands of euros

2004	Shares	Goodwill	Total	Share of income for the year
Pebercan Inc	16 246	420	16 666	1 615
Total	**16 246**	**420**	**16 666**	**1 615**

In thousands of euros

2005	Shares	Goodwill	Total	Share of income for the year
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**

On December 31, 2005, the stock market value of the Pebercan Inc. shares held by Maurel & Prom was €M71.186. The significant financial information on these companies are as follows:

In thousands of euros	Pebercan	Panther Eureka Srl	Raba Xprom Energia Kft
Assets	142 646	7 999	1 357
Liabilities	33 679	9 853	1 471
Sales	53 420	0	0
Net income	17 754	(2 195)	(242)

Note 8.
Inventories

In thousands of euros	12.31.2005	12.31.2004
Hydrocarbon inventories	4 156	50
Work in progress	840	0
Consumables	1 896	184
Total	**6 892**	**234**
Depreciation to be deducted	(8)	
Net value	**6 884**	**234**

Depreciation relates to the consumable inventories (€8 000) and reflects the depreciation for the year.
The inventory variation recorded in income for hydrocarbons for 2005 was €K41 (2004: €K24).

Note 9.
Receivables and other assets

In thousands of euros	12.31.2005	12.31.2004
Receivables		
- oil and gas business	46 009	7 391
- drilling business	3 792	4 167
Other	346	621
Total	**50 147**	**12 179**
Depreciation to be deducted	(105)	(85)
Net value	**50 042**	**12 094**

Depreciation of €K20 was recorded in 2005.

In thousands of euros	12.31.2005	1.1.2005	12.31.2004
Other assets			
Receivables on Transagra	1 528	1 528	1 528
Advance paid for the Rockover acquisition agreement	—	10 834	10 834
Receivable on disposal of STCPA shares	2 873	3 150	3 150
Prepaid expenses	3 119	1 241	6 756
Receivables on companies carried on an equity basis	10 785	—	—
Tax and social security receivables	21 391	585	585
Loan issue expenses	—	—	2 404
Other	10 471	3 841	3 841
Gross value	**50 167**	**21 179**	**29 098**
Depreciation to be deducted	(6 189)	(2 310)	(2 310)
Net value	**43 978**	**18 869**	**26 788**

In February 2005, when the acquisition of Rockover Oil & Gas was finalised, the advance given in December 2004 on the company's share price was liquidated.
As part of contractual financing agreements entered into when purchasing Panther Eureka Srl, an advance of €M9.678 (including €K345 of interest) was made by the company to its subsidiary.
In order to allow the search activity in Hungary to start, the company also made downpayments to its Hungarian subsidiary of €M1.107 (of which €2 000 was interest).
The social security and tax receivables mainly consist in a one-off tax of €M4.157 generated by the dividends payment in 2005 to shareholders and an outstanding VAT deductible in Colombia of €M15.706.

On December 31, 2005, the depreciation items were:
- a depreciation on a receivable on Transagra for €M1.528;
- a depreciation of €M1.380 on receivables on Production-Sharing Contract partners;
- and other depreciations of €M3.281 on other receivables.

The depreciations recorded for the year amount to €M3.814.
The management considers the book value of these assets close to their fair value.

Note 10.
Financial instruments

To minimize its exposure to the risk of oil price fluctuations, the group hedges its production (see note 28).

On December 31, 2005, the company had hedged its Congolese production for 2006 and the current hedging in Colombia runs until March 31, 2006.

Assets (€M6.870) as well as liabilities (€M1.397) represent the fair value on December 31, 2005, of the Brent hedging instruments for 2006 for Congo and Colombia.

The variation for 2005 in the fair value of the hedging instruments represents a charge of €M23 appearing in other expenses items within the current operating income and an impact in recyclable shareholders' equity of €M2.8.

Note 11.
Assets to be sold

The assets shown as assets to be sold are oil assets relating to the Pointe Indienne oil concession in Congo for which a sale agreement was entered into on December 13, 2005.

The company considers that the sale will be effective starting 2006.

The depreciation reported following the fair value assessment (minus the disposal costs) of these assets (€K82) is €K346.

Note 12.
Cash and cash equivalents

In assets, the cash equivalents consist in liquidities and investments with terms of less than three months.

In thousands of euros	12.31.2005	12.31.2004
liquidities - Banks	215 512	23 139
Short term bank deposits	19 160	—
Short term investments	500	11 082
Total	**235 172**	**34 221**
Bank loans	3 114	2 281
Net cash and cash equivalents at year-end	**232 058**	**31 940**

This includes €M4.238 ($M5) frozen as security for the RBL loan (2004: $M5).

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

Note 13.
Shareholders' equity

On December 31, 2004, the share capital was composed of 108 099 990 shares at a par value of €0.77, meaning total capital of €83 236 992.30.

Instruments giving access to the share capital

Redeemable share warrants (BSAR)

On the basis of the authority granted by the Combined 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 in 10 decided by the Combined 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, 2004, 303 000 warrants had been exercised and 21 936 new shares were issued, therefore 8 014 638 warrants were oustanding.

During 2005, 271 580 warrants were exercised and 135 790 new shares created generating a capital increase of €K105 and a gross issue premium of €M1.112 (or €M1.089 net of expenses).

On December 31, 2005, 7 743 058 outstanding warrants were likely to cause the creation of 3 871 529 new shares at a par value of €0.77.

Stock options

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

Thus, on October 25, 2001, the 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 in ten of the par value, the new exercise prices have respectively been changed to €1.185 and €1.949 per share.

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 in 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 in 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 sotck options were granted at an exercise price of €12.91 to two people, one of which was a corporate officer.

During 2005, 3 101 130 stock options were exercised, entailing the creation of 3 101 130 shares, or a capital increase of €M2.388 and a gross issue premium of €M4.975.

On December 31, 2005, 962 750 stock options remained to be exercised, likely to cause the creation of 962 750 new shares. (See the chart of movements on plans below).

The stock options valuation is based on the Black & Scholes model.

Volatility has been established on the basis of a one-year history and maturity estimated according to the observed exercise behaviours.

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. The amendment impact was €K69 on 2005 income.

The total cost recorded in 2005 for the current plans amounts to €M4.482, €M4.317 of which are for the plans issued on March 16, April 6 and December 21, 2005.

In euros

Movements on plans	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Total
Allocation date	**10.25.01**	**6.16.03**	**7.29.03**	**6.22.04**	**3.16.05**	**4.6.05**	**12.21.05**	
Exercise price	1.185	1.949	1.738	6.529	13.59	13.44	12.91	
Expiry date	none	6.16.08	7.29.08	6.22.09	3.16.10	4.6.10	12.12.10	
Average exercise price 2005	16.84	15.45	17.14	18.52	19.92	20.18	—	17.06
Number of options								
on 1.1.2004	**1 579 030**	**266 540**	**1 261 160**	**—**	**—**	**—**	**—**	**3 106 730**
allocated in 2004	—	—	—	138 420	—	—	—	138 420
cancelled in 2004	—	—	—	—	—	—	—	0
exercised in 2004	51 270	—	—	—	—	—	—	51 270
outstanding on 12.31.2004	**1 527 760**	**266 540**	**1 261 160**	**138 420**	**0**	**0**	**0**	**3 193 880**
exercisable on 12.31.2004	**1 527 760**	**266 540**	**1 261 160**	**138 420**	**0**	**0**	**0**	**3 193 880**
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	3 101 130
outstanding on 12.31.2005	**95 300**	**0**	**97 410**	**123 040**	**47 000**	**430 000**	**170 000**	**962 750**

The assumptions made to assess the fair value of the stock options using the Black & Scholes model are as follows:

Black & Scholes assumptions	June 16 03	March 16, 2005	April 06, 2005	Dec 21, 2005
Exercise price	1.949	13.59	13.44	12.91
Volatility*	41%	44%	42%	38%
Maturity	3 years	1 year	1 year	1 year
Interest rate	4%	4%	4%	4%
Reference price	22.98	16.52	17.28	16.14
Expected dividends	—	—	—	—

* volatility is assessed over a one-year period preceding the date of allocation.

Shares reserved for employees and free shares

The General Meeting of June 29, 2005, authorized the Management Board, for a period of 26 months, to issue new shares (up to the limit of a par value of €M3) reserved Company's employees without preferential rights and gave the Management board all the powers to determine the subscription's terms.

At this 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 is fixed at a two-year.

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 is fixed at a two-year.

The fair value of the granted free shares was established according to the stock market price on the allocation, a 20%

discount was applied to take into account the unavailability of the shares for a mandatory minimum detention period.
The cost of this allocation is spread linearly over the period of acquisition of the rights; it represents €3 000 for 2005.

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 €M75.454, caused a capital increase of €M3.773 and a net issue premium of €M71.653 (or a gross premium of €M71.682 before expenses of €K29).
In consolidation, the differential between the price of €15.40 and the price on August 4, 2005, which is the date when Hocol was taken over, represents an additional price for the acquisition of Hocol an offset of which is recorded as an issue premium, representing an additional issue premium of €M18.962 with respect to the reserve capital increase.

Share buy-back programme

Under the authorization given by the Combined General Meeting of December 28, 2004, the Management Board determined the modalities of a share buy-back programme 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.
As part of this buy-back programme, in 2005, 240 915 shares were bought at an average price of €15.39; no shares were sold and none were cancelled.
On December 31, 2005, the number of own shares held by the company amounted therefore 240 915 for a total purchase value of €M3.707.
On December 31, 2005, according to the capital movements chart below, the number of the Company's shares was 116 236 567 and the share capital was €89 502 156.59.

Summary of capital movements

	Number of shares	Own shares
on 1.1.2004	7 260 484	
- Issue by exercise of BSARs (before division of par value)	14 396	
- Issue by exercise of options to subscribe for shares	5 127	
- Conversion of OCEANEs	1 397 485	
- Shares issued at the time of the Aréopage merger	2 131 753	
on December 28, 2004	10 809 245	
after division of the par value	108 092 450	
- Issue by exercise of BSARs	7 540	
on 12.31.2004	108 099 990	
- Issue by exercise of BSARs	135 790	
- Issue by exercise of options to subscribe for shares	3 101 130	
- Issue of reserved shares	4 899 657	
- Buy-back of own shares*		240 915
Hence on 12.31.2005	**116 236 567**	**240 915**

* these shares are intended to be used with respect to the authorizations to grant stock options and free shares to employees and/or corporate officers.

Distribution

The General Meeting of June 29, 2005, decided to pay a dividend of €0.15 per share on the basis of the number of shares existing on that date and resulting in a dividend of €16 214 998.50; the total dividend payable on September 5 was €16 626 528 due to the creation between June 29 and September 5, 2005, of new shares entitling to dividend, meaning an additional €411 529.50.

No dividend was paid for the previous year.

The General Meeting convened to approve the financial statements will be asked to approve the payment of a dividend of €0.33 per share for 2005 with no tax impact on the Group.

Note 14.
Provisions

In thousands of euros

2004	Site restoration	Staff benefits	Other	Total
Balance on January 1st, 2004	799	50		849
Perimeter change				
Provisions for the period	1 098	8	518	1 624
Use				
Writeback				
Effect of de-actualisation	31	2		33
Balance on December 31, 2004	**1 928**	**60**	**518**	**2 506**
Current part			518	518
Non-current part	1 928	60		1 988

In thousands of euros

2005	Site restoration	Staff benefits	Other	Total
Balance on January 1st, 2005	1 928	60	518	2 506
Perimeter change	8 509	11 731	2 044	22 284
Provisions for the period	1 521	922	1 180	3 623
Use	(411)	(961)	(1 269)	(2 641)
Writeback	(316)		(518)	(834)
Effect of de-actualisation	179	576		755
Balance on 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

14.1.
Site restoration

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, 2005, generated an additional provision for contingencies of €M1.521 for 2005; the effect of de-actualisation (other financial charges) amounted to €K179.

14.2.
Employee benefits

The most recent valuation of this actuarial debt for retirement benefits is €M12.328.

The effect of de-actualisation (other financial charges) is €K576 for the period.

The key actuarial assumptions are:

- discount rate: France and Congo 5%, Latin America 14%;
- rate of salary increase: France and Congo 3%, Latin America 10%.

The mortality rate used comes from the INSEE mortality charts for France and the official mortality charts published locally in Latin America.

Because of the recent acquisition of Hocol, the group is still analysing the staff benefits and is not able to provide the information in the form required by the IAS 19 standard "Employee benefits".

14.3.
Other provisions

Other provisions essentially relate to tax-related trials in Congo and Colombia for a total of €M1.798.

Note 15.
Bonds

On March 9, 2005, the company issued 16 711 229 bonds with the option of conversion into and/or exchange for new or existing shares (OCEANEs) for a total amount of €M374.999. The bonds carry interest at 3.5% per year (*coupons payable* on the first day of each year) and will be fully amortized by redemption at par on January 1st, 2010. The conversion or exchange may be exercised at any time at the rate of one share per bond. The bonds were fully subscribed.

Initially, the bonded debt was recorded as financial debt at its amortized cost, meaning €M327.658. This amortized cost was established by discounting the future contractual cash flows at an effective 7.17% interest rate.

The shareholders' equity was also credited with the value of the conversion option for €M44.003 gross, or €M29.115 net of deferred tax.

On December 31, 2005, the bonded debt appears in the balance sheet at €M328.577; no bond has been converted.

Note 16.
Other borrowings

On December 31, 2005, other borrowings were broken down as follows:

Change in borrowings, debts and bank loans

Borrowings, debts and bank loans In thousands of euros	Currency	12.31.2005	1.1.2005	12.31.2004
Lloyds	USD		9 296	9 296
Natexis Banques Populaires	USD	92 710	35 553	36 708
Faisal Finance	USD		5 806	5 873
ABC International Bank	USD		7 269	7 380
Faisal Finance	USD		2 780	2 937
SGPBG	EURO		4 968	5 024
Banque Belgolaise	USD	1 760	4 540	4 785
Solinvest	EURO		1 044	1 045
Syndicated loan -Colombia	COP/USD	44 532		
Debts on lease financing		181		
Bank loans		3 114	2 281	2 281
Total		**142 297**	**73 537**	**75 329**
of which current part		67 842	54 300	55 702
of which non-current part		74 455	19 237	19 628

Due dates of long term borrowings and debts

In thousands of euros

Schedule	2005	2004
between 1 and 5 years	74 455	18 313
beyond 5 years		924
Total	**74 455**	**19 237**

Changes in borrowings

- the loan concluded with Lloyds in April 2001 by the Mépis group was early repaid following the withdrawal from the shipping business by the sale of the two multipurpose ships;
- the loans from Faisal Finance matured on March 25 and October 20, 2005; a Solinvest and SGPBG loan was repaid on maturity, meaning on February 13, 2005 and December 31, 2005; the loan concluded with ABC International Bank was early repaid on April 1st, 2005;
- in order to continue its investments, Maurel & Prom obtained on January 24, 2005, an extension from $M50 to $M120 in the existing facility granted on September 23, 2003 by Natexis (RBL); on July 19, 2005, this facility was brought to $M150.

Such facility is refundable in dollars and carries interest at the Libor rate +4.5% (applicable on the date that interest falls due); the repayment plan, modified following the extension, runs from April 25, 2006, and redemption falls due on January 25, 2009.
This facility carries an early redemption option.
The amount of the loan used on December 31, 2005, was $M112.1; the amount available on this facility is therefore $M37.9.
Under the terms of this $M150 revolving credit agreement with Natexis Banques Populaires and other lenders, Maurel & Prom granted some securities as a guarantee for the loans.
These securities granted to lenders consist mainly in:

- progressive constitution of a cash security account corresponding to 10% of the highest borrowing base;
- pledge of the shares held by the Company in Zetah Kouilou Ltd and Zetah Congo Ltd;
- pledge of the rights and interests in the Kouilou and Kouakouala production-sharing contracts;
- sell, as a security, the Company's rights in the oil export contracts for the Kouakouala and Kouilou fields;
- pledge of a bank account receiving the amounts resulting from the export contracts, the insurance policy and the hedging contracts;
- selling, as a security, the hedging contracts and insurance policies;
- and conclusion an insurance policy insuring a minimum billing level of a barrel of crude.

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

- total net borrowings to shareholders' equity of less than 1.4;
- and gross operating surplus to net financial expenses greater than 3.

The outstanding loan on the $M10.5 credit agreement entered into between Caroil and Banque Belgolaise amounted to $M2.2 on December 31, 2005. This loan carries interest at the Libor rate +3.86% (applicable on each interest due date) and matures on June 30, 2006.
Under this finance agreement, Caroil gave the following securities: sale of its business receivables, pledge of facility account balance and execution of a property security deed relating to the provision account. A first-call guarantee was also granted by Maurel & Prom as a guarantee for Caroil's commitments.
A bridge facility was signed by the Company on July 20, 2005, with BNP Paribas for a total of $M60; this facility ran until October 31, 2005, and was renewable until December 31, 2005; This was fully repaid on November 21, 2005.
An amendment to this agreement was entered into on October 27, 2005, substituting a $M30 facility granted until January 31, 2006. The facility carries interest at the USD Libor one-month rate plus 4% (applicable on the interest due date).
No drawing was made on this line of credit which was therefore fully available on December 31, 2005.
Under the initial $M60 financing agreement entered into with BNP Paribas on July 20, 2005, Maurel & Prom pledged, as a guarantee of repayment of the loan, the shares acquired in the capital of Hocol Petroleum Holdings Ltd.
In addition, Maurel & Prom agreed:

- not to grant securities or guarantees on the assets of a member of Maurel & Prom Group exceeding more than $M2;
- not to sell a Group asset except its full market value and in the context of ordinary management and to the except for certain sales;

- not to enter into additional loans, other than with respect to the outstanding loans and up to a limit of $M15 for the entire 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.

On June 27, 2003, Hocol SA enterred into, in the form of a syndicated loan, a loan of 150 000 000 Colombian pesos; this loan, repayable in local currency over five years with an 18-month deferral, carries interest at the FTD rate (90-day fixed term deposit) plus 5.5% (applicable on the interest due date), the outstanding amount on December 31, 2005, on this loan was 120 000 000 Colombian pesos, meaning $M52.5. This facility stipulates an early repayment option.

Under this finance agreement, Hocol SA pledged the rights and interests of Hocol and Homcol in the production-sharing contracts and 13.52% of Hocol Limited shares. It also pledged the bank account receiving the income from its hydrocarbon sales of the Palermo field production-sharing contract.

The average rate of the bank loans in 2005 varies from 3 to 12% depending on the country.

Note 17.
Trade payables - Other liabilities

In thousands of euros	12.31.2005		12.31.2004	
	< 1 year	> 1 year	< 1 year	> 1 year
Trade payables	**84 505**		**26 297**	
Trade payables	69 949		22 280	
Accrued expenses	14 556		4 017	
Other debts and sundry liabilities	**66 037**		**12 307**	
Social security	4 564		989	
Tax	4 741		1 710	
Suppliers of fixed assets	4 519		4 052	
Other liabilities	52 213		5 556	

The other liabilities include deferred income for the amount of €M2.860 (2004: €K757) and customer downpayments in Latin America for the amount of €M18.8.

The change in all the payables is linked to the business growth essentially due to Hocol's inclusion in the consolidation perimeter.

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:

In thousands of euros	2005	2004
Salaries	9 999	5 576
Profit-sharing	527	557
Social security charges	9 006	1 346
Stock options	4 482	90
Retirement benefit	925	8
Total	**24 939**	**7 577**

Note 19.
Income from assets disposal

The income from the disposal of assets mainly consists in the gain made when the Mepis group's two ships were sold on June 27 and July 12, 2005, for a total amount of €M1.881.

Note 20.
Depreciation

This consists in the depreciation of the gas assets in Vietnam and the gold exploration assets in Mali for the amounts of €M20.945 and €M1.124.

Note 21.
Financial income

In thousands of euros	2005	2004
Cost of borrowings		
- overdraft interest	367	31
- OCEANE interest	18 640	13
- interest on other loans	15 316	5 647
Gross cost of borrowing	**34 323**	**5 691**
- interest received	5 986	329
Net cost of borrowing	**28 337**	**5 362**
Other financial income	**12 987**	**8 428**
- exchange rate differences	12 865	8 428
- other	122	
Other financial expenses	**30 506**	**4 525**
- exchange rate differences	29 755	4 467
- other	751	58

Note 22.
Corporate income tax
22.1.
Detail of charges of the year

In thousands of euros	12.31.2005	12.31.2004
Tax payable for the year	28 966	196
Activation of earlier tax deficits		
Tax adjustment payable for the previous year		
	28 966	196
Deferred tax charge	3 187	
Deferred tax adjustment resulting from the change of rate		
Deferred tax income resulting from an earlier deficit	(14 887)	
Earlier deferred tax asset cancellation charge		
	(11 700)	0
Total	**17 266**	**196**

The Group recorded €M14.887 as deferred tax liabilities with respect to the shareholders' equity component of the convertible bond loan; this liability was constituted by drawing from shareholders' equity (the OCEANEs conversion option component). The deferred tax income is due to reporting for the first time an asset resulting from deficits that can be carried forward; such asset was recorded due to the tax liability regarding the record of the OCEANE limited to the value of the latter. It amounted to €M12.8 on December 31, 2005.

22.2.
Change in deferred taxes

In thousands of euros	Total
Change in deferred taxes, assets	
Balance on 1.1.2005	0
Change of consolidation perimeter	19 180
Activation of deficit	14 888
Charge for the year	(6 051)
Conversion differences	873
Balance on 12.31.2005	28 890
Variation in deferred tax, liabilities	
Balance on 1.1.2005	0
Change of consolidation perimeter	189 628
Charge for the year	(2 865)
OCEANE shareholders' equity component	14 888
Conversion differences	7 921
Balance on 12.31.2005	209 572

22.3.
Origin of deferred tax, assets and liabilities

In thousands of euros	2005	2004
Tax deficits	**12 800**	
Provision for decommissioning	**2 925**	
Provision for pensions/retirement	**4 285**	
Other	**8 880**	
Deferred tax, assets	**28 890**	**0**
Differences in oil reserves valuation	**167 585**	
Accelerated amortization	**13 754**	
OCEANE shareholders' equity component	**12 800**	
Other	**15 433**	
Deferred tax, liabilities	**209 572**	**0**
Net	**180 682**	**0**

22.4.
Schedule of tax deficits and credits

On December 31, the deficits that can be carried forward with no time limit amounted €M87.744 (2004: €33.812). Furthermore, the group has long term losses amounting to €M5.020 (2004: €M4.976) that can be charged to future long term gains.

In thousands of euros

2004	Gross	Total deferred tax assets	Recognised	Not recognised
Deficits	33 812	11 439	0	11 439
Other (long term losses)	4 976	796	0	796
Total	**38 788**	**12 235**	**0**	**12 235**

2005	Gross	Total deferred tax assets	Recognised	Not recognised
Deficits	87 744	29 687	14 887	14 800
Other (long term losses)	5 020	402	0	402
Total	**92 764**	**30 089**	**14 887**	**15 202**

22.5.
Reconciliation between the tax charge and income before tax

In thousands of euros	2005	2004
Income before tax	117 547	46 821
- Net income of companies carried on an equity basis	(2 033)	(1 615)
Income before tax excl. companies carried on an equity basis	115 514	45 206
Theoretical tax charge (33.833% in 2005 and 33.833% in 2004)	39 083	15 229
Reconciliation:		
- Taxes paid in kind	(62 542)	(18 923)
- Divergence of tax rates	1 786	174
- Unactivated deficits	53 827	3 716
- Activation of earlier deficits	(14 888)	0
Real tax charge	17 266	196

Note 23.
Income per share

In thousands of euros, excepted shares and BSAR	12.31.2005	12.31.2004
Net income - Group share	100 234	46 603
Average number of shares in circulation	111 552 122	78 474 939
Stock options (weighted number)	338 526	3 128 652
BSAR (weighted number)	1 894 977	4 007 319
Average diluted number of shares	113 785 625	85 610 910

The convertible bonds have not been used for calculating the number of diluted shares because they are antidilutive.

Note 24.
Related parties

The transactions between Maurel & Prom and its subsidiaries have been eliminated and no specific information are given.

24.1.
Commercial and financial transactions

In thousands of euros

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

2004	Income	Expenses	Amounts payable by related parties*	Amounts due to related parties
Other related parties				
- Pacifico	2	0	0	0

* see note 9

With respect to transactions with the companies held 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 interest-bearing advance was also granted at the end of 2005 to the Hungarian subsidiary to start exploration work.

As for related parties, the transactions conclude under normal competitive terms relate partly to leasing services and partly to support services.
So Maurel & Prom agreed a sub-lease agreement with Pacifico, a 24.62% shareholder on December 31, 2005.
Since January 1st, 2005, Pacifico has provided Maurel & Prom with a technical and financial support.

24.2.
Remuneration of the top managers

In thousands of euros	2005	2004
Short term benefits	5 267	2 474
Severance benefits	321	
Benefits after employment	15	8
Payment in shares	2 583	90
Total	**8 186**	**2 572**

“Top managers” are the members of the Management Board, of the Supervisory Board and heads of departments.

Note 25.
Potential assets and liabilities

Commitments received

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;
- 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 report provision for it.

In accordance with the sale of 11% of the M'Boundi permit to Energy Africa, it was agreed that Energy Africa would pay a royalty of \$1.50 per barrel of oil for each barrel produced on the M'Boundi permit over and above 15 400 000 barrels on the basis of the barrels allocated to Energy Africa for its rights in the M'Boundi permit.

This potential future profit has not been recorded on the balance sheet.

Commitments given

- As part of the agreement of June 9, 2004 relating to the buy back of the royalty due on Kouilou production from Heritage Oil, it is stipulated that, if Maurel & Prom, within 18 months of the agreement closing (meaning until January 9, 2006), sells some or all of the assets upon which the royalty is based, on the basis of a global valuation of 1 billion euros, it agrees to pay Heritage Oil €M8.3; in the event of a partial sale, such amount will be proportioned.
- As part of the Share Purchase Agreement (the "SPA") entered into on February 14, 2005, relating to the acquisition of Rockover Oil & Gas, it is stipulated that:
  . Maurel & Prom must pay each of the two vendors a bonus of \$0.45 per barrel of carried over reserves produced in excess of the reserves limit estimated on the date of the SPA (30 Mb) up to a limit of 50 Mb produced over this threshold; maximum limit of \$M45.
  . 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.
  . 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.

- Under an agreement entered into with Taurus Petroleum Limited, Hocol agreed to deliver from November 1st, 2005, to February 28, 2006, 3 million barrels of oil (+/–5%); on December 31, 2005, it had delivered 1.462 million barrels; the deliveries of January and February 2006 under this agreement amounted to 1.496 million barrels; Hocol has therefore complied with its commitments to date.
- On August 4, 2005, when Hocol group was acquired, Maurel & Prom entered into with Knightsbridge an operating and financial support contract running until December 31, 2006. This agreement was cancelled by both parties on March 23, 2006.

Guarantees given

A first call guarantee was granted by the Dexia bank for Maurel & Prom's fulfilment of its work commitments under Sebikhotane PSC, in Senegal. This \$K600 guarantee remains in force until March 31, 2006.

Maurel & Prom granted a first call guarantee on September 29, 2005, to the Republic of Gabon as a guarantee for Maurel & Prom Gabon Ltd's fulfilment of its commitments under the M'Bindji/Omoueyi PSC.

Hocol Petroleum Holdings Limited stood surety, for the guarantees granted by Hocol Venezuela BV under the two production-sharing contracts in Venezuela, to undertake on behalf of PDVSA (the Venezuelan national oil company), a programme of work mainly on block B2X-70/80 within a defined period and a fixed budget. The guarantee granted related to \$M4.818.

The minimum work obligation was fulfilled on time.

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.

In thousands of euros	Congo	Gabon	Colombia	Venezuela	Other	Total
Income statements 2004						
Sales	97 402	—	—	—	3 975	101 377
Interzone sales						0
Total	**97 402**	**0**	**0**	**0**	**3 975**	**101 377**
Operating income	65 798				(19 133)	46 665
Amortization	10 988				1 754	12 742
Depreciation						0
Other expenses without cash offset	(5 298)				1 207	(4 091)
Share in income of companies carried on an equity basis					1 615	1 615
Balance sheet						
Sector assets	252 978	4 978			30 089	288 045
Investments in companies carried on an equity basis					16 666	16 666
Unallocated assets						35 764
Total consolidated assets	**252 978**	**4 978**	**0**	**0**	**46 755**	**340 475**
Sector liabilities	25 316	—	—	—	14 709	40 025
Unallocated liabilities						300 450
Total consolidated liabilities	**25 316**	**0**	**0**	**0**	**14 709**	**340 475**
Acquisitions of tangible and intangible assets	100 663	—	—	—	892	101 555
Income statements 2005						
Sales	256 087		135 143	14 417	2 075	407 722
Interzone sales						0
Total	**256 087**	**0**	**135 143**	**14 417**	**2 075**	**407 722**
Operating income	182 221	(5 764)	62 797	6 089	(83 975)	161 368
Amortization	25 123		36 067	1 310	1 041	63 539
Depreciation					22 069	22 069
Other expenses without cash offset	4 302	13 652	9 298	—	21 490	48 742
Share in income of companies carried on an equity basis					2 033	2 033
Balance sheet						
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

26.2.
Information by activity

In thousands of euros

2004	Oil and gas exploration/production	Oil drilling	Other	Total
Sales	80 903	15 441	5 033	**101 377**
Sector assets	225 516	32 440	30 089	**288 045**
Acquisitions of tangible and intangible assets	93 369	6 568	1 618	**101 555**

2005	Oil and gas exploration/production	Oil drilling	Other	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**

Note 27. Events after the year-end

Congo

Under the agreements initiated on June 25 between Maurel & Prom, Burren and the SNPC *(Société Nationale des Pétroles du Congo),* Maurel & Prom and its partner Burren sold 10% of their rights in the M'Boundi exploitation permit to the SNPC. Following this sale, Maurel & Prom's rights in the permit were reduced from 54% to 48.6%, the date of effect will be agreed in the coming weeks.

At the same time, Maurel & Prom and Burren's rights on the M'Boundi permit were extended from 2017 to 2030 and the Kouakouala exploitation permit extended from 2008 to 2023.

During the session of March 24, 2006, the Congolese Parliament ratified the bills approving the La Noumbi production sharing contract and the supplementary clauses of the Kouilou and Kouakouala production-sharing contracts.

All these legislative processes protect the Group's growth in the country.

Since January 1st, 2006, the company has been selling its production at N'Kossa quality price to SOCAP thus benefiting from a quality-related price difference that is more favourable than previously applied (the Djéno basis).

In March 2006, Maurel & Prom entered into a supply agreement with the Congolese Refining Company allowing the M'Boundi parternship to sell directly 5 000 barrels per day; allowing to improve the marketing production conditions in Congo, this agreement will become effective in 2006.

Venezuela

In 2005, the Venezuelan government implemented a nationalization policy regarding the capital of the oil companies operating in the country.

This causes a change of status, from April 1st, 2006, from private oil companies into mixed economy companies *"Empresa mixta"*.

The former permit rights will in the future be replaced with a shareholding in a new company in partnership with PDVSA, the Venezuelan national oil company, and other local private partners.

At the same time in 2005, the tax departments started to investigate on all the oil companies operating in Venezuela; the investigations relate mainly about retroactively raising tax rate from 34% since 2001 to 50%; this rate change was taken into account in 2005, because it was known at the time of Hocol acquisition.

Italy

On February 19, 2006, pursuant to the option offered at the beginning of 2005 at the time of the initial acquisition, Maurel & Prom extended its interest in Panther Eureka Srl from 25 to 30% for an additional $M8. The work to be done on this permit will be carried out under the control and with the knowledge of Maurel & Prom's technical and operational teams.

Note 28. Risks

Exchange rate 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 minimise the risk, the Company has implemented in 2004 and throughout 2005 a prudent hedging strategy through exchange rate options and forward purchasing.

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.

For its activities in Congo, the Company has, since 2004, been hedging its future production by buying in October 2004, an Asian put covering production for 2005 of 10 000 b/d with an exercise price of $40 then in April 2005 by buying an Asian put on 15 000 b/d for the year with an exercise price of $50.

Concerning the business in Colombia, Hocol group, before it was acquired, had hedged its production in the form of Participating Swaps which offer downside price protection at the exercise price for fixed monthly quantities while retaining the possibility of gaining from the upside.

Interest rate and liquidity risk

The Group's current loans on December 31, 2005, and the available credit lines are described in notes 15 and 16 so that liquidity and interest rate risk can be measured.

Except for the OCEANE bond issue, current loans from financial establishments on December 31, 2005, 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 71% of the OCEANE alone.

The net debt ratio amounted to 51.38% on December 31, 2005.

Share risk

The 19.65% interest in Pebercan Inc., a company listed on the Toronto Stock Exchange, is a long term industrial investment. On December 31, 2005, the equity value was €M21.984 and the stock market capitalization of the shares held by Maurel & Prom was €M71.186.

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 2005 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 is therefore 240 915.

As a consequence of the foregoing, the Company does not consider having any share risk and consequently is not using any specific hedging instrument.

Offset risk

Because of its relationship with customers, the Group does not consider having any 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.

Note 29. Transition to the IFRS

29.1. Impact of the change to IFRS standards on the transitional annual financial statements

Maurel & Prom presents the information in order to assess the impact of the change of standard:

- the information relating to the first-time adoption options (section 29.2);
- the summary of main impacts (section 29.3);
- the balance sheet on the date of the change, meaning January 1st, 2004, the date on which the impacts of conversion will be reported in shareholders' equity (section 29.4);
- the balance sheet on December 31, 2004 (section 29.5);
- the income statement for 2004 (section 29.6).

29.2. Information on the options associated with first-time adoption

The transition to the IFRS standards has been done according to IFRS 1 (First-time adoption of international financial reporting standards). This standard requires specific arrangements for the first-time implementation of the international accounting standard. Maurel & Prom Group has adopted the following options:

- deferring until January 1st, 2005, the application of the IAS 32 and IAS 39 standards on financial instruments; consequently, the impact of these two standards will not appear in the opening balance sheet of January 1st, 2004, but in the balance sheet of January 1st, 2005 (notes 29.7 and 29.8);
- transferring to reserves, on the transition date, the total translation differences relating to overseas activities (€M1.2);
- estimating the provision for site restoration and the corresponding assets on the transition date, without retrospective restatement of the adjustments that have affected these items;
- no restatement of company consolidations recognised before January 1st, 2004;
- no distinction in shareholders' equity of the conversion option relating to the OCEANE convertible bond of February 7, 2002, that was totally unreavelled on the transition date;
- restatement of only those stock option plans allocated after November 7, 2002, whose rights were not totally acquired on January 1st, 2005.

The group has not adopted the following options:

- the possibility of using the fair value as the presumed cost for fixed assets;
- resetting actuarial differences: since the group recognized its obligations concerning retirement benefits for the first time on January 1st, 2004, no earlier actuarial difference existed.

Furthermore, other options do not apply to the group.

29.3.
Summary of the main impacts

The impact of the IFRS standards application is relatively limited; shareholders' equity on January 1st, 2004, is reduced by 1.3%, net income for 2004 by 1.8% and the current operating margin drops from 43.5% to 41.7%.
The reclassifications imposed by the IFRS standards have a more significant effect on the various aggregates of the income statement for 2004, in particular:

- restated sales are reduced by €M31.0, meaning 23.4%, the counterpart affecting the tax accounts;
- this reclassification leads to a reduction in operating income of €M14.3.

The reclassifications have no impact on net income.
The change to IFRS standards has no significant impact on the other indicators of performance and structure, particularly the debt ratio on December 31, 2004 which amounts to 18.5% compared to 18.3% under the previous standard.

29.4.
Balance sheet on the transition date (January 1st, 2004)

In thousands of euros	Note	French standards	Impact of IFRS restatements	Impact of IFRS reclassifications	IFRS (opening balance sheet)
Intangible assets	1, 2	60 307	(832)	—	59 475
Goodwill		420	—	(420)	—
Tangible assets	1, 2, 3	99 846	516	—	100 362
Investments and loans		221	—	(51)	170
Investments carried on an equity basis		15 930	—	420	16 350
Non-current assets		**176 725**	**(316)**	**(51)**	**176 358**
Inventory and work in progress		253	—	—	253
Trade receivables	4	70 032	(624)	51	69 460
Cash on hand and in the bank		11 943	—	—	11 943
Current assets		**82 229**	**(624)**	**51**	**81 656**
Total assets		**258 954**	**(939)**	**0**	**258 014**
Capital, premiums, reserves		103 783	(1 684)	—	102 099
Income, Group share		24 276	—	—	24 276
Minority interests		130	—	—	130
Total shareholders' equity		**128 190**	**(1 684)**	**0**	**126 506**
Long term provisions for contingencies	3, 5	104	745	—	849
Long term loans		103 147	—	(33 734)	69 413
Non-current liabilities		**103 251**	**745**	**(33 734)**	**70 262**
Short term provisions for contingencies		—	—	—	—
Short term loans		—	—	33 734	33 734
Other short term debts		27 512	—	—	27 512
Current liabilities		**27 512**	**0**	**33 734**	**61 246**
Total liabilities		**258 954**	**(939)**	**0**	**258 014**

Shareholders' equity according to previous standard	**128 190**
1. Pre-exploration expenses - IFRS 6	(987)
2. Fixed asset entry value - IAS 16 and IAS 38	(55)
3. Depreciation of gold mining activity - IAS 36	0
4. Site restoration - IAS 16	32
5. Expenditure to be charged over several periods	(624)
6. Provision for retirement benefits - IAS 19	(50)
7. Stock options - IFRS 2	0
8. Goodwill amortization - IFRS 3	0
Total restatements	***(1 684)***
Shareholders' equity according to IFRS	**126 506**

29.5.
Balance sheet on December 31, 2004

Impact on the balance sheet of IFRS standards adoption

Maurel & Prom consolidated financial statements

In thousands of euros	Note	French standards	Impact of IFRS restatements	Impact of IFRS reclassifications	IFRS
Intangible assets	1, 2	95 206	(1 893)	—	93 313
Goodwill	7	213	207	(420)	—
Tangible assets	1, 2, 3	152 325	1 516	—	153 841
Investments and loans		1 548	—	(5)	1 543
Investments carried on an equity basis		16 246	—	420	16 666
Non-current assets		**265 539**	**(171)**	**(5)**	**265 363**
Inventory and work in progress		234	—	—	234
Trade receivables	4	39 492	(615)	5	38 882
Cash on hand and in the bank		34 222	—	—	34 222
Current assets		**73 948**	**(615)**	**5**	**73 337**
Total assets		**339 487**	**(786)**	**—**	**338 701**
Capital, premiums, reserves		177 099	(1 594)	—	175 505
Income, Group share		47 436	(832)	—	46 603
Minority interests		152	—	—	152
Total shareholders' equity		**224 687**	**(2 426)**	**—**	**222 261**
Long term provisions for contingencies	3, 5	866	1 640	(519)	1 988
Long term loans		75 330	—	(55 702)	19 628
Non-current liabilities		**76 196**	**1 640**	**(56 221)**	**21 616**
Short term provisions for contingencies		—	—	519	519
Short term loans		—	—	55 702	55 702
Other short term debts		38 604	—	—	38 604
Current liabilities		**38 604**	**—**	**56 221**	**94 825**
Total liabilities		**339 487**	**(786)**	**—**	**338 701**

Figures according to previous standard	**Share-holders'equity**	**Income**
	224 687	**47 436**
1. Pre-exploration expenses - IFRS 6	(1 246)	(258)
2. Fixed asset entry value -IAS 16 and IAS 38	(838)	(783)
3. Site restoration - IAS 16	126	94
4. Expenditure to be charged over several periods	(615)	8
5. Provision for retirement benefits - IAS 19	(60)	(10)
6. Stock options - IFRS 2	0	(90)
7. Goodwill amortization - IFRS 3	207	207
Total restatements	***(2 426)***	***(832)***
Figures according to IFRS	**222 261**	**46 603**

29.6.
Income statement 2004

In thousands of euros	Note	French standards	Impact of IFRS restatements	Impact of IFRS reclassifications	IFRS
Operating income					
Sales		132 414	—	(31 037)	101 377
Other income		18 959	—	(18 553)	407
Total		**151 373**	**0**	**(49 589)**	**101 784**
Operating expenses					
Change in inventory		(156)	—	132	(24)
Other purchases and operating expenses	1, 2, 3	46 810	2 672	(15 533)	33 949
Income and other taxes		20 199	—	(16 772)	3 427
Payroll	6	9 544	98	(2 065)	7 577
Amortization	1, 2, 3, 4	16 216	(1 521)	(1 085)	13 609
Provisions	3	783	(243)	—	540
Other expenses		311	—	71	382
Total		**93 709**	**(1 005)**	**(35 254)**	**59 460**
Current operating income		**57 664**	**(1 005)**	**(14 336)**	**42 323**
Other operating income and expenses		4 271		71	4 342
Operating income		**61 935**	**(1 005)**	**(14 265)**	**46 665**
Financial income	3	(1 425)	(34)		(1 459)
Corporate income tax		14 461	—	(14 265)	196
Net income of consolidated companies		**46 049**	**(1 039)**	**(0)**	**45 010**
Share in income of companies carried on an equity basis		1 615	—	—	1 615
Amortization of goodwill*	7	(207)	207	—	0
Net consolidated income		**47 458**	**(832)**	**(0)**	**46 625**
Minority interests		(22)	—	—	(22)
Net income - Group share		**47 436**	**(832)**	**(0)**	**46 603**

* line disappearing in IFRS

Income according to previous standard	**47 436**
1. Pre-exploration expenses - IFRS 6	(258)
2. Fixed asset entry value -IAS 16 and IAS 38	(783)
3. Depreciation of gold mining activity - IAS 36	0
4. Site restoration - IAS 16	94
5. Expenditure to be charged over several periods	8
6. Provision for retirement benefits - IAS 19	(10)
7. Stock options - IFRS 2	(90)
8. Goodwill amortization - IFRS	3 207
Total restatements	***(832)***
IFRS income	**46 603**

Explanatory notes

The accounts transformation has consequences in terms of valuation (restatements affecting shareholders' equity and/or income) and presentation (reclassifications having no impact on shareholders' equity and income).

In terms of valuation, the impacts mainly result in the application of the standards concerning fixed assets, meaning IAS 16, IAS 38, to which we should add IFRS 6 specific to the exploration and valuation of mineral resources.

On presentation, as indicated in section 29-3, the most significant reclassification results from IAS 18 "Revenue" that leads Maurel & Prom to redefine the concept of sales.

Differing valuations

Note 1. Petroleum assets

The standards relating to fixed assets (IAS 16 and IAS 38) have excluded from their scope the assets associated with the exploration and measurement of mineral resources. Consequently, the IASB published a special standard (IFRS 6) for the extractive industries allowing the use of earlier accounting rules for measuring and recognising these assets. This standard also defines the nature of exploration assets.

Maurel & Prom decided to apply this IFRS 6 standard from January 1st, 2004, and consequently to maintain the earlier accounting rules for recognising the expenses associated with the exploration and measurement of oil and gas resources.

Taking into account this standard's definition of assets, some pre-exploration expenses, capitalized according to the earlier standard, have been eliminated; the impact on shareholders' equity on January 1st, 2004 is €K987.

Note 2. Entry value of fixed assets (IAS 16 and IAS 38)

Incidental expenses that cannot be directly assigned to fixed assets have been eliminated from the net book value of the assets; they were €K55 on January 1st, 2004 and €K838 on December 31, 2004. This restatement therefore reduces net profit for 2004 by €K783.

Note 3. Site restoration (IAS 16 and IFRIC 1)

IAS 16 provides that the cost of the asset includes the cost of sites dismentling and restoring when, at the entry date, there is an obligation to dismantle and restore the site. A provision for charge is reported as a counterpart.

Maurel & Prom Group has chosen to apply the exemption specified by IFRS 1:

- valued on the transition date (January 1st, 2004) taking into account the assumptions on that date;
- the gross value of the asset associated with dismentling is determined by discounting the amount of the provision on the date the asset was commissioned.

This treatment has led to report in the opening balance sheet a dismentled asset with a net value of €K727 and a provision of €K799. The provision that existed on January 1st, 2004, in the financial statements established according to previous standard (€K104) was cancelled. The net profit for 2004 is slightly improved because of this restatement (€K94).

Note 4. Expenditure to be charged over several periods

According to French principles, some expenses were charged over several years and appeared in assets at €K624 on December 31, 2003. These expenses reflect neither the definition nor the terms of recognising an asset according to the IFRS standards. Consequently, this item has been eliminated from the opening balance sheet, income for 2004 being only slightly affected (€8 000).

Note 5. Provision for retirement benefits

According to IAS 19, the group has provisioned retirement benefits in its financial statements which were hitherto not recognised because they were insignificant. This has a minor impact on the opening balance sheet and on 2004 income (€K50 on January 1st, 2004, €K60 on December 31, 2004).

Note 6. Share-based payments (IFRS 2)

According to French principles, no remuneration expense is reported when alloting stock options. Application of IFRS 2 "Share-based payments" results in the valuation and recognition as expenses of the share options that Maurel & Prom allocted to its employees.

This standard affects only one share option plan (that of May 16, 2003) set up after November 7, 2002, whose rights were not fully acquired on January 1st, 2005.

The fair value of the options was measured according to the Black & Scholes model.

In the opening balance sheet, the total expense corresponding to the fair value of these options was €K41 with no impact on total shareholders' equity.

During 2004, a charge of €K90 was recorded for this plan.

Note 7. Non-amortization of goodwill (IFRS 3)

According to IFRS 3, goodwill is no longer amortized after January 1st, 2004. The positive impact of this restatement on net income for 2004 is €K207.

Differences of presentation

IAS 18 "Revenue"

In terms of presentation, the main impact results from the application of the IAS 18 standard, "Revenue"; this standard requires the recognition of revenue only for the entity's share of production that is sold, excluding the amounts collected on behalf of third parties, such as sales taxes; in the standard that was applied hitherto, Maurel & Prom sales also included the share of production relating to the payment of taxes, which was offset as tax expenses and income tax; a change in presentation (with no impact on income) has been made and has the consequence of reducing sales by €M31.0 for 2004; an equivalent adjustment has been reported in Taxes and Income taxes accounts.

Furthermore, capitalised production, changes in inventory and transfers of expenses do not reflect the definition of income for the preparation and the presentation of the financial statements; consequently, the corresponding items have been recorded as a reduction or increase in the operating expense accounts concerned.

IAS 1 "Presentation of financial statements"

IAS 1 does not allow the presentation of exceptional income, which consequently disappears from the income statement. However, according to the CNC recommendation and for the accounts clear thinking, Maurel & Prom has chosen to isolate the significant non-recurring items in its operating income.

Furthermore, IAS 1 requires the balance sheet elements to be classified as current/non-current.

29.7. Impact of first-time adoption of IAS 32 and IAS 39 on 1.1.2005

Derivatives

According to the options specified in IFRS 1, the requirements of IAS 32 and IAS 39 have not been applied in the presentation of the 2004 data. They will be applied starting January 1st, 2005.

Maurel & Prom Group uses derivatives to hedge the selling price of oil. These instruments usually take the form of put options.

According to the IAS 39 rules relating to financial instruments, cash flow hedging, intended to hedge highly probable future transactions, are recorded at their fair value on the balance sheet. The losses and gains representing the change in market value of these financial instruments at the year-end are reported in:

- shareholders' equity for the effective part of the hedge (intrinsic value);
- income for the ineffective part (time value).

The amount recorded in shareholders' equity is reclassified as income when the hedged item itself affects the income.

So, the recording of derivatives according to IAS 32-39 has a positive impact of €M2.146 on shareholders' equity on January 1st, 2005.

Amortized cost of borrowing

According to IAS 39, borrowings are recorded on the balance sheet at their amortized value. This measure reports the issue expenses as a deduction from the initial fair value of the loan. Furthermore, the financial expenses are calculated on the basis of the effective loan interest rate (that is the actuarial rate taking into account the issue expenses).

The difference between the valuation of the borrowings at the amortized cost and the amount of the debt net of the expenses remaining to be distributed (according to the previous standard) is not significant.

So, the application of this arrangement simply leads to a reclassification in the opening balance sheet of the expenses recorded hitherto as expenses to be charged over several periods, as a reduction of the debt on the balance sheet. On the other hand, the amortization of this cost will constitute, in the IFRS income statement, a financial expense instead of an operating expense in current accounting practice.

29.8.
Balance sheet on January 1st, 2005

In thousands of euros	Note	IFRS 12.31.2004	Impact of IAS 32 & 39	IFRS 1.1.2005 after IAS 32 & 39
Intangible assets		93 313	0	93 313
Acquisition premiums		—	0	—
Tangible assets		153 841	0	153 841
Investments and loans		1 543	0	1 543
Investments carried on an equity basis		16 666	0	16 666
Non-current assets		**265 363**	**0**	**265 363**
Inventory and work in progress		234	0	234
Trade receivables		38 882	(7 919)	30 963
Hedging instruments		—	9 693	9 693
Cash flow		34 222	0	34 222
Current assets		**73 337**	**1 774**	**75 112**
Total assets		**338 701**	**1 774**	**340 475**
Capital, premiums, reserves		175 505	2 146	177 651
Income, Group share		46 603	0	46 603
Minority interests		152	0	152
Total shareholders' equity		**222 261**	**2 146**	**224 407**
Long term provisions for contingencies		2 216	0	2 216
Long term loans		19 628	(391)	19 237
Non-current liabilities		**21 844**	**(391)**	**21 453**
Short term provisions for contingencies		290	0	290
Short term loans		55 702	(1 402)	54 300
Hedging instruments		—	1 421	1 421
Other short term debts		38 604	0	38 604
Current liabilities		**94 596**	**19**	**94 615**
Total liabilities		**338 701**	**1 774**	**340 475**

	Shareholders' equity
Figures according to the previous standard	**222 261**
Variation in fair value of hedging instruments	***2 146***
Figures according to IFRS	**224 407**

26.2.2 Statutory Auditors's report on the consolidated financial statements

Établissements Maurel & Prom, SA

Year ending on December 31, 2005

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 31 December 2005.

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. These financial statements have been prepared for the first time in accordance with IFRSs as adopted by the European Union. They include comparative information restated in accordance with the same standards in respect of financial year 2004, with except for IAS 32 and IAS 39 which, according to the option offered by IFRS 1, have been applied as from 1st January, 2005.

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.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2005 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

Without qualifying our opinion, we draw attention to note 27 relating to the events after the year-end, which describes the significant events for the group that occurred since December 31, 2005.

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 notes 3.2 and 3.3, your company acquired various oil assets in 2005. 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 assessment of the valuation of the corresponding assets is based on the conclusions of the independent expert engaged by your company.
- 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 the your company's management in these estimates.

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

In accordance with professional standards applicable in France, we have also verified the information given in the group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris, Paris-la Défense, June 1st, 2006

Statutory Auditors

Michel Bousquet

Ernst & Young Audit
François Carrega

26.3. Appendix 3 - Statutory Auditors's report on the proforma information

Établissements Maurel & Prom, SA

Year ending on December 31, 2005

Statutory Auditors's report
on the proforma information

To the Chairman of the Management Board,

In our capacity as Statutory Auditors and in application of (EC) regulation N° 809/2004, we have established this report on the pro forma information of Établissements Maurel & Prom for the year ended 31 December 2005 included in part 20.2 of its 2005 annual report.

This proforma information has been prepared solely to illustrate the effect that the acquisitions of Hocol Petroleum Holdings Limited and Rockover Oil and Gas could have had on Etablissements Maurel & Prom's income statement at 31 December 2005, if the transactions had taken effect on 1st January 2005. By its very nature, it describes a hypothetical situation and is not necessarily representative of the financial situation or performance that could have been reported if the transaction or the event had occurred at a date prior to that on which it actually occurred.

This proforma information have been prepared under your responsibility in accordance with the requirements of (EC) regulation N° 809/2004 and the CESR recommendations on proforma information.

On the basis of our audit, our role is to express a conclusion, in the terms required by Annex II point 7 of the (EC) regulation N° 809/2004, on the adequacy of the proforma information.

We conducted our work in accordance with professional doctrine applicable in France. This work which involves no examination of the financial information underlying the proforma information consisted mainly in verifying that the basis on which the proforma information has been established complies with the source documents as described in the notes to the proforma financial statements, in examining the probative elements justifying the proforma restatements and in interviewing Établissements Maurel & Prom management to collect the information and explanations we considered necessary.

In our opinion:

- the proforma information has been adequately produced on the specified basis,
- this basis complies with the issuer's accounting methods.

This report is issued for the sole purpose of public offering in France and in the other countries of the European Union in which the prospectus approved by the AMF will be notified and cannot be used in another context.

Paris, Paris-la Défense, June 19, 2006

Statutory Auditors

Michel Bousquet

Ernst & Young Audit
François Carrega

26.4
Appendix 4 - Report of Statutory Auditors on the report of the Chairman of the Supervisory Board of Établissements Maurel & Prom with respect to the internal audit procedures relating to the preparation and processing of financial and the accounting information

Établissements Maurel & Prom, SA

Year ending on December 31, 2005

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Company Law *(Code de Commerce),* on the report prepared by the President of the Board of Établissements Maurel & Prom, on the internal control procedures relating to the preparation and processing of financial and accounting information.

To the shareholders,

In our capacity as Statutory Auditors of Établissements Maurel & Prom and in accordance with article L. 225-235 of the French Company Law *(Code de Commerce),* we report to you on the report prepared by the President of your Company in accordance with article L. 225-68 of the of the French Company Law *(Code de Commerce)* for the year ended on December 31, 2005.

It is for the Chairman of the Supervisory Board's to give an account, in his report, notably of the conditions in which the duties of the Supervisory Board are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the President's report;
- obtaining an understanding of the work performed to support the information given in the report.

We would draw your attention to the internal audit problems relating to communication to the Board and the market, that are mentioned in the Chairman's report on the internal audit procedures and that have required corrective actions.

On the basis of these procedures, we have no matters to report in connection with the information given on the Company's internal control procedures relating to the preparation and processing of the accounting and financial information contained, in the report of the President of the Board, prepared in accordance with the article L. 225-68 of the French Company Law *(Code de Commerce).*

Paris, Paris-la Défense, June 6, 2006

Statutory Auditors

Michel Bousquet

Ernst & Young Audit
François Carrega

26.5.
Appendix 5 - Special report of the Statutory Auditors on Certain Related Party Transaction

Établissements Maurel & Prom, SA

Year ending on December 31, 2005

Special report of the Statutory Auditors
on Certain Related Party Transactions

To the shareholders,

In our capacity as statutory auditors of your Company, we are required to report on certain contractual agreements with certain related parties of which we have been advised. We are not required to ascertain whether such agreements exist. In accordance with Article L. 225-88 of French Company Law *(Code de Commerce),* we have been advised of certain contractual agreements which where authorized by your Supervisory Board.
We are not required to ascertain whether any other contractual agreements exist but to inform you, on the basis of the information provided to us, of the terms and conditions of agreements indicated to us. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of Article 117 of the March 23, 1967 Decree, to evaluate the benefits resulting from these agreements prior to their approval.
We conducted our work in accordance with French professional standards. These standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.

1. With Panther Eureka Srl

Members of the Management Board concerned

Jean-François Hénin
Frédéric Boulet

Nature and purpose

As part of the Panther Eureka share purchase agreement entered into on February 19, 2005, and authorized by the Supervisory Board of your Company on April 22, 2005, the Company opened a current account with Panther Eureka.

Terms

The agreement provides for the account to earn 8.30% per annum.
On December 31, 2005, the current account amounts to €9 678 154 (nine million six hundred and seventy eight thousand one hundred and fifty four euros) to the benefit of the company.
Interest was €345 064 (three hundred and forty five thousand and sixty four euros) for 2005.

2. With Pacifico Financière

Member of the Management Board concerned

Jean-François Hénin

Nature and purpose

The Supervisory Board of your company, on April 22, 2005, authorized the signing of a domiciliation agreement between Pacifico Financière and your company.

Terms

This agreement, made on April 25, 2005, took effect on June 15, 2005. The annual amount of the domiciliation is set at €640 (six hundred and forty euros) excluding VAT. This agreement was cancelled on December 27, 2005 because of Pacifico Financière's absorption by Pacifico.

3. With Pacifico, SCA

Member of the Management Board concerned

Jean-François Hénin

Nature and purpose

The Supervisory Board of your Company, on June 13, 2005, authorized the signing of a support and consultancy agreement between Pacifico and your Company. In application of the Supervisory Board's decision of December 15, 2005, a new contract for services was entered into on December 22, 2005, to take into account the Board's comments.

Terms

The services performed by Pacifico for the Company are:

- finding strategic partners in oil or gas,
- studying investment and divestment projects, determining the parameter of the targets,
- searching for new markets and new growth opportunities;
- designing the development of buying or selling scenarios and determining the finance policy;
- advice and monitoring of the negotiations assigned to it (contractual agreement projects, growth of the group), particularly concerning technical cooperation projects,
- technical, accounting, financial and administrative monitoring and assistance of the drilling activities.

The financial terms of this agreement are:

- the payment of an annual fixed fee: €100 000 excluding VAT for 2005;
- the payment of additional fees calculated according to the services rendered and the actual cost of the services in the financial advice and missions relating to the drilling sector of the Maurel & Prom subsidiary. For 2005, the additional fees were set at €68 700 excluding VAT per month.

Furthermore, in application of the decree of March 23, 1967, we have been informed that the execution of the following agreements, approved during previous years, continued during the last year.

1. With Pacifico, SCA

a. Nature and purpose

Your Supervisory Board, on October 4, 2000, authorized a cash pooling agreement between Pacifico and your Company.

Terms

The interest on the current account advances is at the three month EURIBOR rate +2%. No advance balance is reported on December 31, 2005. No interest was recorded for 2005.

b. Nature and purpose

The Supervisory Board of your company, on April 15, 2004, authorized the signing of a domiciliation agreement between Pacifico and your Company.

Terms

This agreement, entered into on June 16, 2004, became effective on June 21, 2004. The annual domiciliation is set at €1 600 excluding VAT.

2. With Caroil, SA

a. Nature and purpose

Your Supervisory Board, on October 7, 2003, authorized a cash pooling agreement between Caroil and your Company.

Terms

This agreement, entered into on October 9, 2003, became effective on January 1st, 2003, for one year, tacitly renewable. The interest on the advances in the current account is at the tax-deductible rate. On December 31, 2005, the current account (interest included) amounts to €21 439 682 to the benefit of your Company. The interest generated is €816 981 for 2005.

b. Nature and purpose

The Supervisory Board of your Company, on April 15, 2004, authorized the signing of a domiciliation agreement between Caroil and your Company.

Terms

This agreement, entered into on June 16, 2004, became effective on June 21, 2004. The annual domiciliation is set at €20 558 excluding VAT.

3. With Compagnie Européenne et Africaine du Bois (CEAB)

Nature and purpose

Your Supervisory Board, on September 30, 1999, authorized a cash pooling agreement between CEAB and your Company.

Terms

This agreement, entered into on March 20, 2000, became effective on January 1st, 2000, for one year, tacitly renewable for equivalent periods. The interest on the advances into the current account is at the tax-deductible rate. On December 31, 2005, the current account (interest included) amounted to €250 005 for the benefit of your Company. The interest is €9 881 for 2005.

4. With New Gold Mali, SA

Nature and purpose

Your Supervisory Board, on September 30, 1999, authorized a cash advance agreement between New Gold Mali and your Company.

Terms

This agreement, entered into on October 5, 2000, became effective on January 1st, 2000, for one year, tacitly renewable for equivalent periods. The interest on advances into the current account is at the tax-deductible rate. On December 31, 2005, the current account (interest included) amounted to €7 304 552 for the benefit of your Company. The interest is €289 521 for 2005.

5. With Finances Publiques Audit et Solutions, SAS (FIPAS)

Nature and purpose

The Supervisory Board of your Company authorized, on April 15, 2004, the signing of a domiciliation agreement between FIPAS and your Company.

Terms

This agreement, entered into on June 16, 2004, became effective on June 21, 2004. The annual domiciliation is set at €1 600 excluding VAT. Following the liquidation of FIPAS on June 7, 2005, this domiciliation agreement was cancelled.

Paris, Paris-la Défense, June 1st, 2006

Statutory Auditors

Michel Bousquet

Ernst & Young Audit
François Carrega

26.6. Appendix 6 - Fees paid by the Maurel & Prom Group to the Statutory Auditors

	Ernst & Young				Michel Bousquet				Other			
	Amount in €		%		Amount in €		%		Amount in €		%	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Audit Statutory audit, certification and examination of financial statements	**738 993**	266 145	**60.68%**	76.91%	**317 180**	254 230	**81.05%**	91.68%	**21 848**	34 987	**100%**	100%
Corporate and consolidated												
Additional projects	**275 821**	66 098	**22.65%**	19.10%	**74 142**	23 083	**18.95%**	8.32%	**0**			
Sub-total	**1 014 814**	332 243	**83%**	96%	**391 322**	277 313	**100%**	100%	**21 848**	34 987	**100%**	100%
Other services, as appropriate												
Legal, tax, social	**123 144**	13 784	**10.11%**	3.98%								
Information technology												
Internal audit	**79 923**		**6.56%**									
Other												
Sub-total	**203 067**	13 784	**17%**	4%	**0**	0			**0**	0		
Total	1 217 881	346 027	100%	100%	391 322	277 313	100%	100%	21 848	34 987	100%	

26.7.
Appendix 7 - Annual information document

According to article 221-1-1 of the General Regulation of the *Autorité des marchés financiers,* Établissements Maurel & Prom SA, a company listed on Eurolist, compartment B, of Euronext Paris, has prepared this document giving all the information that it has published or made public during the last twelve months in France in order to fulfil its legal or regulatory obligations in matters of financial instruments, issuers of financial instruments and dealings in financial instruments.

1. Published information

1.1. Financial information

Date of publication	Topic	Medium
January 31, 2005	Bulletin - Effective launch of the share buyback programme	AMF
February 3, 2005	Summary of the prospectus of the share buyback programme	Press release (Les Échos) M&P web site and AMF
February 7, 2005	Consolidated sales, 2004	Press release (Les Échos) M&P web site and AMF
February 16, 2005	4th quarter sales, 2004	BALO (affaire 82644)
March 1st, 2005	Prospectus - Issue of OCEANEs	M&P web site and AMF
March 1st, 2005	Launch of an OCEANE issue	Press release (Les Échos) M&P web site and AMF
March 4, 2005	Issue of OCEANEs	BALO (affaire 83581)
March 10, 2005	Success of the OCEANEs	Press release (Les Échos) M&P web site and AMF
March 11, 2005	Success of the OCEANEs, supersedes the press release of March 10, 2005	Press release (Les Échos) M&P web site and AMF
April 28, 2005	2004 performance	Press release (Les Échos) M&P web site and AMF
April 29, 2005	2004 annual accounting documents	BALO (affaire 86845)
May 11, 2005	1st quarter sales, 2005	Press release (Les Échos) M&P web site and AMF
May 13, 2005	1st quarter sales, 2005	BALO (affaire 88261)
May 27, 2005	Maurel & Prom Group consolidated financial statements for the period ending December 31, 2004	Press release (La Tribune) M&P web site and AMF
August 11, 2005	1st half sales, 2005	BALO (affaire 95831)
August 12, 2005	1st half sales, 2005	Press release (Les Échos) M&P web site and AMF
August 16, 2005	*Erratum* - 1st half sales, 2005	Press release (Les Échos) M&P web site and AMF
August 17, 2005	*Erratum* - First half sales, 2005 and partnership agreement with the Congo government	BALO (affaire 96040)
October 27, 2005	Half-year results, 2005	Press release (La Tribune) M&P web site and AMF
October 31, 2005	Additional information on the half-year results, 2005	Press release (La Tribune) M&P web site and AMF

Date of publication	Topic	Medium
November 2, 2005	Half-year consolidated financial statements to June 30, 2005	BALO (affaire 99091)
November 9, 2005	3rd quarter consolidated sales, 2005	Press release (La Tribune) M&P web site and AMF
November 16, 2005	3rd quarter consolidated sales (IFRS), 2005	BALO (affaire 5515)
January 20, 2006	First half activity report, 2005	BALO (affaire 8523)
February 15, 2006	4th quarter and full year 2005 sales	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF web site
February 17, 2006	4th quarter sales (IFRS), 2005	BALO (affaire 1368)
April 21, 2006	Presentation of 2005 results	M&P and AMF web site
April 22, 2006	Additional information on the 2005 results presentation	M&P and AMF web site
May 15, 2006	1st quarter sales, 2006 Production before royalties, 1st quarter 2006 Exploration programme continues	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF web site
June 16, 2006	Annual financial statements BALO (affaire 6858)	

1.2. Information on the Company's activity

Date of publication	Topic	Medium
March 29, 2005	Congo: northward extension confirmed Agreement with Total to market and transport production	Press release (Les Échos) M&P web site and AMF
May 2, 2005	Gabon: successful commissioning of the Banio 2 well tested at 1 500 b/d	Press release (Les Échos) M&P web site and AMF
May 7, 2005	Gabon: successful commissioning of the Banio 2 well tested at 1 500 b/d	Press release (Investir)
May 17, 2005	M'Boundi: delivery of well 1002 tested at 4 000 b/d	Press release (Les Échos) M&P web site and AMF
June 13, 2005	Acquisition of the Hocol group	Press release (Investir) M&P web site and AMF
June 16, 2005	Acquisition of the Hocol group	Press release (Le Monde)
June 18, 2005	Acquisition of the Hocol group	Press release (La Tribune)
June 29, 2005	Presentation made to the General Meeting	M&P web site
August 5, 2005	Achievement of the capital increase reserved for Knightsbridge Group Ltd	Press release (Les Échos) M&P web site and AMF
October 26, 2005	Presentation to analysts	M&P web site
November 3, 2005	Congo production increase	Press release (La Tribune) M&P web site and AMF
December 22, 2005	Three wells begin production virtually simultaneously in the M'Boundi field	Press release (La Tribune) M&P web site and AMF
January 6, 2006	Clarifications on the releases made by Pacific Stratus Energy	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF web site
January 16, 2006	Three new wells tested in the M'Boundi field	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF web site

Date of publication	Topic	Medium
February 13, 2006	Extension of the Vandji feature confirmed in Gabon	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF web site
March 6, 2006	Three new wells start production in Gabon - Positive results of the tests of the ONAL 3 well in Gabon	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF web site
March 30, 2006	Final settlement of Maurel & Prom rights and extension of the mining rights in Congo	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF web site
April 21, 2006	Activity progresses rapidly. Reserves certified, secured and valued. Exceptional exploration area and research programme. Successful geographic diversification.	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF web site
May 15, 2006	1st quarter sales, 2006 1st quarter production before royalties, 2006 Exploration programme continues	Press release (Reuters, Bloomberg, Boursorama) M&P and AMF web site
June 1st, 2006	Colombia - Tangara 1 exploration drilling suspended Congo - Success of the MBD - 2001 well	Press release (Reuters, Bloomberg, Boursorama)
		M&P and AMF web site

1.3. Corporate information

Date	Subject	Where published
January 7, 2005	Notice of the conversion to a *Société Anonyme*	BALO (affaire 80250)
January 10, 2005	Notice on the voting rights during the Extraordinary General Meeting of December 28, 2004	BALO (affaire 80506)
January 20, 2005	Mr Boulet terminates a discretionary term of office	M&P web site and AMF
January 26, 2005	Dealing in M&P shares (BSAR) by Pacifico	M&P web site and AMF
February 4, 2005	Threshold exceeded - Halisol	M&P web site and AMF
February 23, 2005	Denial following the publication of an article in the Financial Times	Press release (Les Échos) M&P web site and AMF
March 15, 2005	Dealings in M&P shares by Halisol	M&P web site and AMF
April 1, 2005	Dealings in M&P shares by Pacifico	M&P web site and AMF
May 6, 2005	Dealings in M&P shares by Mr Boulet	M&P web site and AMF
May 30, 2005	Notice of Annual General Meeting	Press release (Les Échos) M&P web site and AMF
May 30, 2005	Notice of Annual General Meeting	BALO (affaire 89830)
May 31, 2005	Dealings in M&P shares by Mr Boulet	M&P web site and AMF
June 13, 2005	Annual report - 2004	M&P web site and AMF
June 13, 2005	Notice of Annual General Meeting	Press release (Les Échos and la Tribune) M&P web site and AMF
June 13, 2005	Notice of Annual General Meeting	BALO (affaire 90979) - Les Petites Affiches
June 20, 2005	Dealings in M&P shares by Mr Marion de Glatigny	M&P web site and AMF
June 22, 2005	Correction of the notice of the Annual General Meeting	BALO (affaire 91692)

Date	Subject	Where published
June 30, 2005	Dealings in M&P shares by Halisol	M&P web site and AMF
July 1st, 2005	Minutes of the Annual General meeting	Press release (Les Échos) M&P web site and AMF
July 11, 2005	Notification of voting rights during Annual General Meeting of June 29, 2005	BALO (affaire 93214)
July 15, 2005	Notice of the Annual General Meeting's approval of the financial statements on June 29, 2005	BALO (affaire 93544)
August 5, 2005	Dealings in M&P shares by Mr Sengès	M&P web site and AMF
August 23, 2005	Departure of Mr Boulet	Press release (Les Échos) M&P web site and AMF
September 7, 2005	Dealings in M&P shares by Mr Sengès	M&P web site and AMF
September 23, 2005	Management team strengthened	Press release (Les Échos) M&P web site and AMF
October 3, 2005	Mr Gozalo, Chief Executive of M&P - Reinforcing corporate presence in Gabon	Press release (Les Échos) M&P web site and AMF
November 8, 2005	Mr Andreck becomes new Chairman of the Supervisory Board - 3rd quarter consolidated sales (IFRS), 2005	Press release (La Tribune) M&P web site and AMF
November 25, 2005	Dealings in M&P shares by Financière de Rosario	M&P web site and AMF
November 28, 2005	Correction - Dealings in shares by Financière de Rosario	M&P web site and AMF
December 2, 2005	M&P's formal denial of a possible acquisition by Indian Oil Corporation	Press release (La Tribune) M&P web site and AMF
December 5, 2005	Declaration of dealings in own shares	M&P web site and AMF
December 15, 2005	Dealings in M&P shares by Mr Marion de Glatigny	M&P web site and AMF
December 19, 2005	Dealings in M&P shares by Financière de Rosario	M&P web site and AMF
December 19, 2005	Dealings in M&P shares by Mr Pèlerin	M&P web site and AMF
December 20, 2005	Declaration of dealings in own shares	M&P web site and AMF
December 22, 2005	Additional information - Dealings in M&P shares by Mr Pèlerin	M&P web site and AMF
January 5, 2006	Declaration of dealings in own shares	M&P web site and AMF
January 16, 2006	Dealings in M&P shares by Mr Marion de Glatigny	M&P web site and AMF
February 3, 2006	Liquidity agreement with Exane BNP Paribas	M&P web site and AMF
May 19, 2006	Notice of General Meeting	BALO (affaire 6997)
June 5, 2006	Notice of General Meeting	BALO (affaire 8379) Petites Affiches June 2, 2006

2. Availability of information

2.1. Electronically

All the information mentionned above is available on the Company's web site:
www.maureletprom.fr

The press releases, declarations, annual report and prospectuses are available on the AMF web site:
www.amf-france.org

and on the Euronext web site:
www.euronext.com

The press releases are also available on the Les Échos web site:
http://www.lesechos-comfi.fr

The BALO publications are available on the web site of the Bulletin des Annonces Légales Obligatoires:
http://balo.journal-officiel.gouv.fr

The financial statements are filed with the clerk of the *Tribunal de Commerce de Paris* and can be read on:
http://www.infogreffe.fr

2.2. In print

All the documents mentionned in this annual information document are available free of charge upon request from the Company:
Établissements Maurel & Prom
12, rue Volney
75002 Paris
France

26.8.
Appendix 8 - Cross reference table (European regulation N° 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 of April 24, 2004 implementing Directive 2003/71/CE of the European Parliament and the Council.

This annual report was filed with the *Autorité des Marchés Financiers* on June 20, 2006, in accordance with 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 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 28 of European Commission regulations N° 809/2004 dated April 29, 2004, the reader is referred to the previous annual reports for certain information:

1. information on fiscal year 2004

the management report and consolidated financial statements, including the report of the Statutory Auditors on the latter, appearing in the annual report filed on June 13, 2005, with the *Autorité des marchés financiers* under number D. 05-875;

2. information on fiscal year 2003

the management report and consolidated financial statements, including the report of the Statutory Auditors on the latter, appearing in the annual report filed on June 4, 2004, with the *Autorité des marchés financiers* under number D. 04-870.

These documents are available on the Company's website www.maureletprom.fr and the *Autorité des marchés financiers* website www.amf-france.org

Établissements Maurel & Prom
Société Anonyme with Management Board and Supervisory Board
with registered capital €89 522 138,09
Registered Office: 12, rue Volney - 75002 Paris - France
Tel. 01 53 83 16 00 - Fax 01 53 83 16 04
RCS Paris B 457 202 331 - SIRET 457 202 331 00064 - APE 111 Z

Établissements Maurel & Prom
Société Anonyme with Management Board and Supervisory Board
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RCS Paris B 457 202 331 - SIRET 457 202 331 00064 - APE 111 Z