



FINANCIAL REPORT 2003







## Financial report 2003

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# I. MAIN INDICATORS

## 1. NET PROFIT

The net profit for the year 2003 shows a significant increase, passing from 175 billion AD in 2002 to 292 billion AD in 2003, - a development of 67%.

This situation is due to the increase in overall turnover which passed from 1,569 billion AD in 2002 to 1,989 billion AD in 2003, resulting in growth of around 27% which is essentially due to the increase in the average price per barrel from 25.23\$ in 2002 to 28.99\$ in 2003.

## 2. 2. TURNOVER

Exclusive of services supplied to third parties, turnover reached 1,938 billion AD in 2003, compared with 1,531 billion AD in 2002 - an increase of more than 26%, which is due to the following factors:

- The growing development of the value of output sold, expressed in billions of AD

	2003	2002	Variation
Foreign market	1 848	1 447	28 %
National market	90	84	7 %
Total	1 938	1531	27 %

- The development in volume of the output sold, expressed in millions of TOE:

	2003	2002	Variation
Foreign market	130	121	7 %
National market	26	24	8 %
Total	156	145	8 %

Exports for the year 2003 reached 24 billion US\$, as compared with 18 billion US\$ in 2002 - an increase of 33%. This development is the result of the increase in average prices of the following products, expressed in US\$:

Products	2003	2002	Variation
Crude oil	228.33	199.01	15 %
CONDENSATE (NGL)	257.92	206.56	25 %
Refined products	240.91	199.13	21 %
LPG	272.38	217,57	25 %
NG	3.13	2,46	27 %
NGL	3.43	2,77	24 %

The increase was however tempered by the US \$ / AD exchange parity which recorded a drop of 12% passing from 79.84 2002 to 70.31 in 2003.

### 3. CHARGES

The most significant charges undergoing an increase during the 2003 year are the following:

- **Gross remuneration of partners**

This element is made up of oil-profit worth 158 billion AD in 2003 as compared with 117 billion AD in 2002 - an increase of 35% in relation to 2002.

- **Services**

It comes to 174 billion AD in 2003, compared with 163 billion AD in 2002 - an increase of 7%, essentially concerning the elements "Freight and transport on sales", "Oil deposit research and exploitation services" and "Diverse works and services".

- **Personnel costs**

This account records an overall amount of 47 billion AD in 2003, compared with 45 billion AD in 2002, showing an increase of 5% because of the fact that a participation provision of 4.7 billion AD has been taken into account.

- **Depreciation provision account**

The depreciation provision accounts have increased by 20 billion AD - 17% passing from 120 billion AD to 140 billion AD in 2003. This increase is essentially due to new projects being brought into service and acquisitions of production and other equipment.

- **Interest on loans**

Interest on loans has shown a reduction of 6 %, passing from 12 billion AD in 2002 to 11 billion AD in 2003. This reduction is essentially due to reimbursement of external debts and bonded debt as well as to the liquidation of credits concerning lower amounts than those of the previous financial year (31 billion AD in 2003 compared with 48 billion AD in 2002).

- **Taxation on profits (IDP)**

The tax due on profits is 833 billion AD compared with 633 billion AD in 2002, this showing an increase of 200 billion AD and can be broken down, per activity sector, as follows:

Upstream		783
	- Exploration / production	628
	- Association	155
Pipeline transportation		49
Downstream		1

- **Tax on the remuneration of partners**

The tax due on the remuneration of partners amounted to 60 billion AD in 2003, compared with 45 billion AD in 2002.

## 4. LONG-TERM ASSETS

Long-term assets liquidations have diminished by 10%, in 2003, in relation to the previous year. They reached 289 billion AD, compared with 322 billion AD in 2002, and are broken down, per activity, as follows:

Upstream	226
Pipeline transportation	55
Downstream	3
Central activities	5

The partnership associations "in development phase" (situated in the production division prior to 2003) were transferred to the associations division on 1st January 2003. This particularly concerns:

	In billions of AD
SONATRACH BP IN SALAH GAZ	85
SONATRACH BP AMOCO – TIGUENTOURINE	11
SONATRACH BHP OHANET GAZ	67

Sonatrach's long-term asset liquidations "in association" with the foreign partners recorded during this year amount to 320 billion AD and are broken down, per phase, as follows:

Associations (Exploitation and Development)	313
Explorative associations (research)	7

## 5. RECEIVABLES

The gross receivables for an amount of 777 billion AD, excluding cash assets, have shown an increase of 91 billion AD for the financial year 2003, and can be broken down as follows:

- Receivables from related associates and companies for a sum of 354 billion AD;
- Receivables from customers, 192 billion AD, of which 143 billion AD is for foreign customers and 49 billion AD for local customers;
- Operating advances - 103 billion AD, of which 97 billion AD of tax advances
- Investment receivables - 48 billion AD;
- Other receivables, 81 billion AD, of which 70 billion AD is unrealized exchange gains or losses.

## 6. CASH ASSETS

The net cash flow, for this financial year, shows clear progress, reaching 219 billion AD, compared with 143 billion AD in 2002. This situation is essentially due to: the increase in profit; the reduction in debt servicing (prepayment); interest produced by various investments and to large hydrocarbon receipts.

This level of cash flow can be broken down, per financial body, as follows (in billions of AD):

- BEA	216
- CITIBANK	2
- BACE	1

## 7. CAPITAL

The capital has passed from 245 billion AD to 277 billion AD – an increase of 32 billion AD, justified by the incorporation of the entire “property vested by the state” item, and a part of the reserve funds.

## 8. FINANCIAL DEBT

Financial debt for the financial year 2003 is in the sum of 211 billion AD, showing an increase of 11% in relation to the previous financial year, and can be broken down as follows:

External debt	204 billion AD	Equivalent in millions of US \$2,903.
Internal debt	8 billion AD	

- The external debt shows a drop of 9% in relation to the previous financial year, due in part to the evolution of the US\$/AD exchange rate.
- The internal debt for this financial year includes the compulsory loan and the CNEP debt (subrogation of the SIM debt) and shows a reduction of around 47%.

## 9. DEBTS TO ASSOCIATES AND RELATED AFFILIATES

This item is made up of conditional debts undertaken within the context of production sharing contracts, following commercially profitable stripping. They reached 782 billion AD in 2003 compared with 667 billion AD in 2002 - a 17% progression.

The associations that have made significant contributions are as follows

Exploration phase			Development phase		
- ARCO	100	14 %	- BHP BILLINTON	31	4 %
- ANADARKO	127	18 %	- BP AMOCO TIGUENTOURINE	34	4 %
- OURHOUD	84	12 %	- BP IN SALAH GAZ	113	16 %
- TEPA-REPSOL	41	6 %			
- AGIP-ANADARCO	25	8 %			
- AMERADA-HESS	27	4 %			
- BHP OHANET GAZ	73	11 %			
- BURLINGTON MNL	10	1 %			

## 10. SELF-FINANCING CAPACITY

Self-financing capacity has increased by 28 % in 2003, from 320 billion AD to 408 billion AD.

## 11. 11. FINANCIAL STRUCTURE

Analysis of the financial structure of the year 2003 shows financial foundations to be firm.

The financing surplus constitutes a safety measure to cover requirements linked to:

- Debt payment commitments,
- Cash cover for investments,
- Fiscal dues,
- Investment opportunities in financial establishments.

### • Working Capital

Working capital has increased during the financial year 2003 by 97 billion AD - from 455 billion AD to 552 billion AD.

### • Working Capital Requirements

The working capital requirements have also increased by 21 billion AD, to reach 322 billion AD.

## II. Balance sheet and profit and loss accounts

2/1 Balance sheet on 31st december 2003

### ASSETS

In millions of dinars

Designation	Gross amounts	Depreciated or provis.	Net amounts		
			2003	2002	2001
Investments (NOTES 1-2-3)	2 548 498	1 249 266	1 299 232	1 155 058	957 688
Pre-operating costs (NOTE 1)	12 842	6 159	6 684	6 624	6 443
Intangible assets (NOTE 2)	2 127	1 204	924	550	802
Land (NOTE 3)	4 956	1 699	3 257	3 209	2 491
Production equipment (NOTE 3)	1 827 030	1 080 593	746 438	672 833	623 672
Social facilities (NOTE 3)	63 837	29 805	34 032	25 234	21 406
Hydrocarbon Research Works and Study (NOTE 3)	147 506	129 807	17 698	11 414	8 242
Current investments (NOTE 3)	490 199		490 199	435 194	294 632
Stocks (NOTE 4)	89 836	2 028	87 808	88 371	80 025
Merchandise				1 475	
Materials and supplies	71 935	2 028	69 907	71 752	63 993
Current products and works					
Completed products	16 955		16 955	13 317	13 145
Outside stocks	946		946	1 826	2 887
Receivables (NOTE 5)	996 694	18 784	977 910	819 810	615 917
Investment receivables	47 819	6	47 812	43 862	19 684
Stock receivables	4 172		4 172	1 419	1 008
Sub-associate and affiliate receivables	353 937	7 400	346 537	295 847	247 766
Cash credit	6 687	311	6 376	3 310	5 297
Operating advances	102 712	2 133	100 578	52 279	45 548
Receivables from customers	192 123	8 934	183 189	174 670	129 659
Cash assets	219 294		219 294	143 187	79 308
Accounts receivable - liabilities	69 951		69 951	105 236	87 647
<b>Total assets</b>	<b>3 635 028</b>	<b>1 270 078</b>	<b>2 364 950</b>	<b>2 063 239</b>	<b>1 653 630</b>

## LIABILITIES

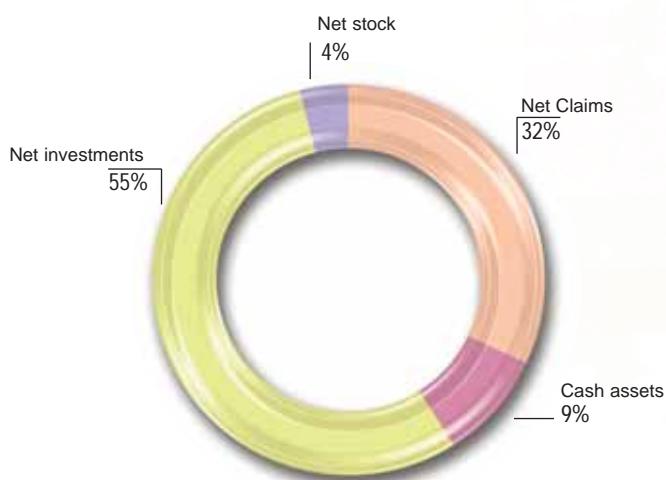
In millions of dinars

Designation	Net amounts		
	2003	2002	2001
Capital (NOTE 6-7)	870 347	800 905	669 671
Statutory partnership capital	277 000	245 000	245 000
Legal reserve	24 500	24 500	17 861
Reserve funds	496 381	391 493	286 053
Subsidies received	184	184	184
Subsidies concerning exceptional products	-68	- 35	- 2
Goods vested by the state		31 984	31 943
Profit pending allocation			
Provisions for losses and charges	72 350	107 779	88 632
Profit for the financial year (before allocation)	291 766	174 904	177 079
Debts (NOTE 8)	1 202 837	1 087 430	806 880
Statutory funds	239 142	266 719	299 601
Stock debts	4 933	4 086	2 849
Withholdings on account	9 147	8 043	4 959
Debts to associates and affiliates	782 028	666 724	404 188
Operating debts	123 654	112 388	66 789
Commercial advances	2 965	2 654	2 471
Financial debts	5 900	-	-
Accounts payable for assets	35 069	26 815	26 023
- Cash assets	186	188	178
- Other accounts	34 883	26 627	25 845
Total liabilities	2 364 950	2 063 239	1 653 629

## 2/2 Social report structure on 31st december 2003

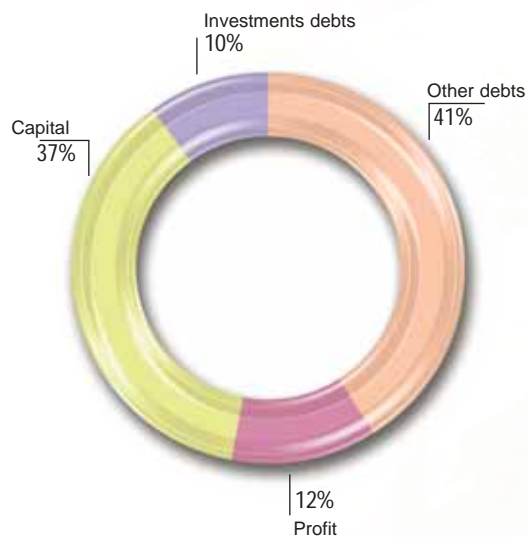
In millions of dinars

	Assets	%
Net investments	1 299 232	55
Net stock	87 808	4
Net Claims	758 615	32
Cash assets	219 265	9
Total assets	2 364 950	100



In millions of dinars

	Liabilities	%
Capital	870 347	37
Investment debts	239 142	10
Other debts	963 695	41
Profit	291 766	12
Total liabilities	2 364 950	100



## 2/3 Profit and loss account 2003

In millions of dinars

Designation	Net amounts		
	2003	2002	2001
Turnover (Note 9)	1 988 655	1 569 477	1 540 256
Stocked production	3 639	172	1 402
Production of liquidations and stocks	57 941	74 715	58 833
Merchandise, materials and services consumed (Notes 10-11-12)	568 069	479 630	464 396
Added value	1 482 166	1 164 734	1 136 095
Diverse products	8 066	11 935	6 138
Personnel costs (Note 13)	46 902	44 542	39 651
Taxes	14 592	11 614	12 137
Financial costs (Note 14)	172 047	131 816	72 768
Diverse expenses	2 923	4 277	1 545
Depreciation and provision accounts (Note 15)	139 931	119 828	111 178
Operating profit	1 113 837	864 592	904 953
Charges exclusive of exploitation	94 053	132 196	124 419
Products exclusive of exploitation	104 599	75 921	73 866
Profit exclusive of operating	10 545	-56 275	-50 553
Operating profit	1 113 837	864 592	904 953
Profits exclusive of exploitation	10 545	-56 275	-50 553
Gross profit	1 124 382	808 317	854 400
Taxation on profit	832 616	633 413	677 321
Net profit	291 766	174 904	177 079

### III. Analysis of balance sheets items

#### NOTE 1 - Pre-operating costs

In millions of dinars

Designation	Gross	Depreciation	Net		
			2003	2002	2001
Loan expenses	11 741	5 363	6 378	6 257	5 780
Investment expenses					1
Training costs	862	720	142	314	594
Pre-start up operational costs	79	51	28	37	46
Research and study costs	160	24	136	16	22
Total pre-operating costs	12 842	6 159	6 684	6 624	6 443

This item represents costs undertaken by the company for the acquisition of permanent means of exploitation and development of its various activities.

This element has fallen by 120 million AD in two financial years.

During the year 2003, new acquisitions were at 1,578 million AD, of which 1,425 million AD can be broken down as follows:

- Loan expenses: Credit liquidation, in terms of the investment programme had the effect of engaging loan expenses of 1,446 million AD – essentially due to the pipeline transportation activity.
- Research and study costs: A sum of 127 million AD was engaged by Head Office.
- Pre-start-up operational costs: A sum of 4 million AD was engaged by head office for bringing projects into operation.

Concerning the absorption of pre-operational costs, for a sum of 1,697 million AD, their absorption spread over five (05) years in compliance with the legislation in force.

#### NOTE 2 - Intangible assets

In millions of dinars

Designation	Gross	Depreciation	Net		
			2003	2002	2001
Industrial and commercial property rights	2 127	1 204	923	550	802

Intangible assets have increased, in gross value, by 645 million AD. Also, because of the acquisition of the exploitation rights for software programmes in 2003, for a sum of 621 million AD, of which 88% via the Upstream.

## NOTE 3 - Physical investments

In millions of dinars

Elements	Gross Depreciation		Net		
			2003	2002	2001
Land	4 956	1 699	3 257	3 209	2 491
Production equipment	1 827 030	1 080 593	746 438	672 833	623 672
Social facilities	63 837	29 805	34 032	25 234	21 406
Hydrocarbon Research Works and Study	147 506	129 807	17 698	11 414	8 242
Current investments	490 199	-	490 199	435 194	294 632
All other investments	2 533 529	1 241 904	1 291 624	1 147 884	950 443

## 3-1. LAND:

The increase in the gross value of land and developments amounts to 107 million AD, and can be broken down as follows:

Land and construction sites	93
Other land	4
Developments	10

The acquisitions of these properties can be broken down as follows:

Upstream	30
Pipeline transportation	21
Central activities	56

## 3-2. PRODUCTION EQUIPMENT:

This item includes the fixed and production facilities equipment which has increased, in gross value, from 192,358 million AD, and can be broken down as follows:

- 4,596 million AD for the liquidations of the financial year.
- 188,296 million AD for reclassification of current investments.
- 534 million AD for investment disposals.

### 3-2-1. PRODUCTIVE INVESTMENTS:

This item includes fixed and facility installations represented by integrated assemblies or specific units necessary to hydrocarbon production, transport and processing. It shows a rise of 180,706 million AD, concerning the following items:

• The investment reclassifications	178 182
Wells and extraction installations	89 781
Processing and transformation installation	59 273
Extra production installations	9 742
Pipeline transportation installations	16 713
Installations for reception, storage and dispatch	2 673
• The company's production for its own use	1 695
• Third party acquisitions	829

### 3-2-2. OTHER PRODUCTION EQUIPMENT:

This item has developed from 11,703 million AD gross value for which the flux can be broken down by element as follows:

	Acquisitions	Reclassification	Disposals and others
Materials and tools	735	592	72
Transport equipment	368	586	184
Office equipment	177	-909	11
Fittings and installations	328	5 890	172
Computer equipment	352	1 023	27
Buildings	24	-413	
Infrastructure works	2	3 336	
Other	46	9	17

### 3-3. SOCIAL FACILITIES:

This item includes furnished and unfurnished properties constituting the company's social infrastructure, such as: Living areas, canteens, tied housing, health and safety centres, etc.

The increase in this element, for this financial year, amounts to 11,693 million AD, and broken down as follows:

	Acquisitions	Reclassification	Disposals and others
Social buildings	17	11 158	65
Materials	244	-5	12
Furnishings and household equipment	66	79	4
Developments	13	202	
Total	340	11 434	81

### 3-4. HYDROCARBON RESEARCH WORKS AND STUDY

This item records the hydrocarbon research effort concerning:

- Field geology,
- Geological interpretation,
- Geophysics,
- Seismic Interpretation
- Exploratory drilling.

It has increased by 24,434 million AD, corresponding to the following items:

• Reclassification of current investments	14 916
• Company production for its own needs	9,868
• Disposals and others	-350

### 3-5- CURRENT INVESTMENTS:

The sum of current investments in 2003 amounted to 490,199 million AD, compared with 435,194 million AD in 2002.

Liquidations for the financial year reached 269,911 million AD, corresponding to:

• Production of investments for its own use	46 301
• Third party acquisitions	221 200
• Adjustments	2 410

Liquidations per activity, under the element current investments, exclusive of advances and deposits on investments, expressed in millions of AD, are broken down as follows:

• Upstream	215 445
• Downstream	1 621
• Pipeline transportation	48 646
• Central activities	4 199

Reclassifications of outstanding amounts on the investment accounts appropriated amounts to 214,677 million AD - an increase of 2,410 million AD.

### 3-5-1. INVESTMENT LIQUIDATIONS PER ACTIVITY:

The investment liquidations for the financial year are made up of acquisitions from third parties, company production for its own use as well as the advances and deposits on investments and adjustments relating to the previous year.

#### 3-5-1-1 INVESTMENT LIQUIDATIONS PER ACTIVITY:

In millions of dinars

Activity	Investment receivable (balance)	Third party acquisitions	Production of company for its own use	Adjustments	Total
Central activities	19	4 356	678	159	5 212
Upstream	-59	170 895	52 959	2 658	226453
Downstream	85	2 451	105	-136	2 505
Pipeline transportation	2 352	48 748	4 147	-3	55 243
Total	2 397	226 450	57 889	2 678	289 412

The sum of current investments in 2003 amounted to 289,412 million AD, compared with 322,020 million AD in 2002.

#### 3-5-1-2. INVESTMENT LIQUIDATIONS BY NATURE:

In millions of dinars

Elements	Liquidations 2003
Pre-operating costs	1 578
Intangible assets	621
Land	100
Production equipment	4 597
Social facilities	341
Hydrocarbon Research Works and Study	9 868
Current investments	269 911
Investment receivables - (balance)	2 396
Total liquidations	289 412

### NOTE 4 - Stocks

In millions of dinars

Elements	Gross	Provision	Net		
			2003	2002	2001
Merchandise				1 475	
Material and supplies	71 935	2 028	69 907	71 752	63 993
Complete products	16 955	16 955	13 317	13 145	
Outside stocks	946	946	1 826	2 887	
Total stocks	89 836	2 028	87 808	88 371	80 025

#### 4-1 MATERIALS AND SUPPLIES:

The initial stock for a gross value of 74,206 million AD, has increased in 2003 to reach a level of 100,508 million AD.

Destocking carried out during the financial year for functional requirement amounted to 28, 573 million AD.

Consumption of materials and supplies has in general followed the rhythm of production growth.

Destocking, in millions of AD, has essentially concerned the following products:

Casing	12 583
Spare parts for material	2 659
Spare material	3 787
Construction and drilling materials	2 726
Chemical and petrochemical products	1 448

#### 4-2. COMPLETED PRODUCTS:

The item "Stocks of completed products" amounts to 16,955 million AD, and can be broken down as follows:

- Crude oil	9 686
- CONDENSATE (NGL)	2 789
- NGL	2 926
- Other petrol products	1 554

#### 4-3. OUTSIDE STOCKS:

Outside stocks, for a sum of 946 million AD, constituted essentially of materials and supplies, has shown a drop of 48% in relation to 2002.

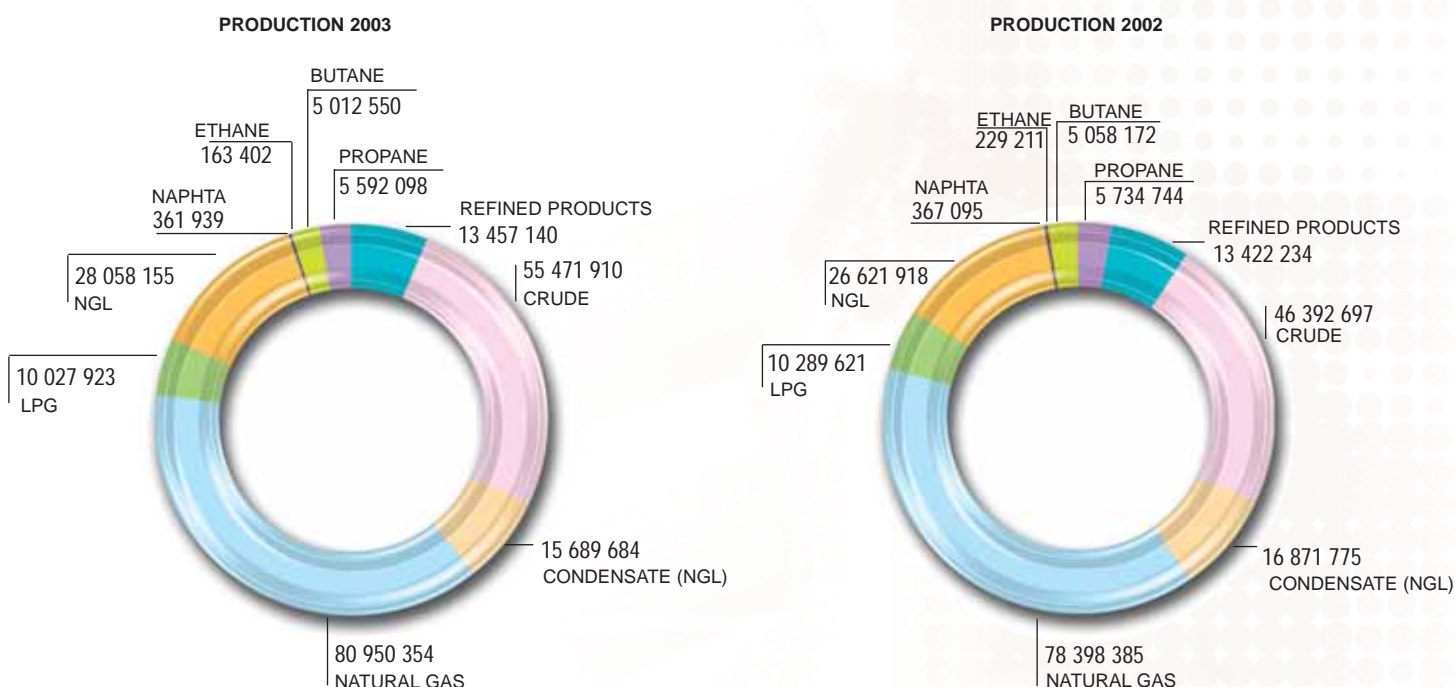
#### STOCKS OF COMPLETED PRODUCTS

31 décembre 2003 Products designation	MASS UNIT PRODUCTION MOVEMENT					
	UM	Initial stock	Production for the financial year	Available production	Destocked production	Final stock
		1	2	3=1+2	4	5=3-4
CRUDE(*)	TM	1 390 822	55 682 247	57 073 069	55 471 910	1 601 159
CONDENSATE NGL (**)	TM	479 029	14 174 242	14 653 271	14 084 097	569 174
NATURAL GAS	10 <sup>3</sup> M3		85 661 750	85 661 750	85 661 750	
LPG	TM	12 386	8 696 517	8 708 903	8 697 245	11 658
NGL	M3	408 806	47 593 582	48 002 388	47 235 951	766 437
NAPHTA	TM	16 198	323 436	339 634	329 035	10 599
ETHANE	TM		141 719	141 719	141 719	
BUTANE	TM	149 112	4 298 117	4 447 229	4 347 398	99 831
PROPANE	TM	111 719	4 849 894	4 961 613	4 850 042	111 571
REFINED PRODUCTS	TM		12 233 764	12 233 764	12 233 764	

Products Designation	TOE PRODUCT MOVEMENT				
	Initial stock	Production for the financial year	Available production	Destocked production	Final stock
	1	2	3=1+2	4	5=3-4
CRUDE (*)	1 390 822	55 682 247	57 073 069	55 471 910	1 601 159
CONDENSATE NGL (**)	533 638	15 790 106	16 323 744	15 689 684	634 060
NATURAL GAS		80 950 354	80 950 354	80 950 354	
LPG	14 281	10 027 084	10 041 365	10 027 923	13 442
LNG	242 831	28 270 588	28 513 418	28 058 155	455 264
NAPHTA	17 818	355 780	373 597	361 939	11 659
ETHANE		163 402	163 402	163 402	
BUTANE	171 926	4 955 729	5 127 655	5 012 550	115 105
PROPANE	128 812	5 591 928	5 720 740	5 592 098	128 641
REFINED PRODUCTS		13 457 140	13 457 140	13 457 140	
TOTAL	2 500 128	215 244 357	217 744 485	214 785 155	2 959 329

TOE conversion factors					
Crude oil	Condensate (NGL)	Refined products	Natural gaz	LPG	NGL
1,00	1,114	1,10	0,945	1,153	0,594

### EVOLUTION OF THE DESTOCKED TOE PRODUCTION



## NOTE 5 - Receivables

In millions of dinars

Elements	Gross	Provision	Net		
			2003	2002	2001
Investment receivables	47 819	6	47 812	43 862	19 684
Stock receivables	4 172		4 172	1 419	1 008
Sub-associate and affiliate receivables	353 937	7 400	346 537	295 847	247 766
Cash credit	6 687	311	6 376	3 310	5 297
Operating advances	102 712	2 133	100 578	52 279	45 548
Receivables from customers	192 123	8 934	183 189	174 670	129 659
Cash assets	219 295		219 295	143 187	79 308
Account receivable - liabilities	69 951		69 951	105 236	87 647
Total receivables	996 696	18 784	977 910	819 810	615 917

Receivables expressed in gross value have increased by 167,261 million AD - up 20% in relation to the previous year

## 5-1. INVESTMENT RECEIVABLES:

Gross investment receivables show an amount of 47,819 million AD at the end of the financial year. They have been the subject of a depreciation provision of 6 million AD to reach the sum of 47,812 million AD compared with 43,862 million AD, in 2002.

The gross amount of these receivables, expressed in millions of AD, relates to the following elements:

Investments	6 480
Investments held in subsidiaries(*)	28 658
Loans	2 044
Advances and deposits on investments	10 507
Indemnity bonds paid	128

(\*) The investments acquired amount to 1,769 million AD and concern:

SHARIKET KAHRAMA SKIKDA	90
Holding RCH	1 000
GALSI	181
MEDGAZ	182
SIHC	279
NUMHYD	36

## 5-2. STOCK RECEIVABLES:

In 2003, the stock receivables gross value, amounted to 4,172 million AD and have increased by 2,753 million AD in relation to 2002.

This item, expressed in millions of AD, is structured as follows:

Advances to suppliers	4 158
Deposits paid	14

## 5-3. RECEIVABLES FROM SUB-ASSOCIATES AND AFFILIATES:

These receivables amount to 353,937 million AD – an increase of 20 % in relation to the previous financial year. They represent, essentially, partners' lifting rights and calls carried out in the context of production sharing contracts linked to jointly-owned sources.

Concerning this matter, please note that liftings effected during the financial year, which come to reduce the debts of the same nature, reached 170,241 million AD, compared with 127,859 million AD in 2002.

## 5-4. OPERATING ADVANCES:

The gross sum of operating advances amounts to 102,712 million AD. A depreciation provision of 2,133 million AD has been constituted during this financial year.

This item includes, in particular:

Advances on services	1 348
Advances on taxes (*)	97 178
Expenses entered into accounts in advance	1 236
Expenses awaiting allocation	2 921
Advances to personnel and others	28

(\*) These advances, in millions of AD, are made up essentially of a tax deduction at source, relating to the following activities:

Upstream (exclusive of associations)	26 856
Associations	70 204
Downstream	118

## 5-5. RECEIVABLES FROM LOCAL AND FOREIGN CUSTOMERS:

In millions of dinars

Designation	Financial year			Variation 2003-2002
	2003	2002	2001	
Local customers	49 489	42 552	35 738	6 937
Foreign customers	142 634	137 842	101 085	4 792
<b>Total Receivables from customers</b>	<b>192 123</b>	<b>180 394</b>	<b>136 823</b>	<b>11 729</b>
Provisions on questionable customers	8 934	5 724	7 164	3 210
<b>Net Amount</b>	<b>183 189</b>	<b>174 670</b>	<b>129 659</b>	<b>8 519</b>

The gross Receivables from foreign customers, for which the recovery timescale is one month (01), have increased by 3%. Those relating to local customers, with a recovery timescale of six (06) months, have only developed by 16%.

Certain receivables have necessitated a provision for questionable receivables, in the amount of 8,934 million AD.

## 5-6. CASH ASSETS:

Cash assets have shown a rise of 76,108 million AD in relation to the previous financial year, showing a balance at closure, of 219,295 million AD.

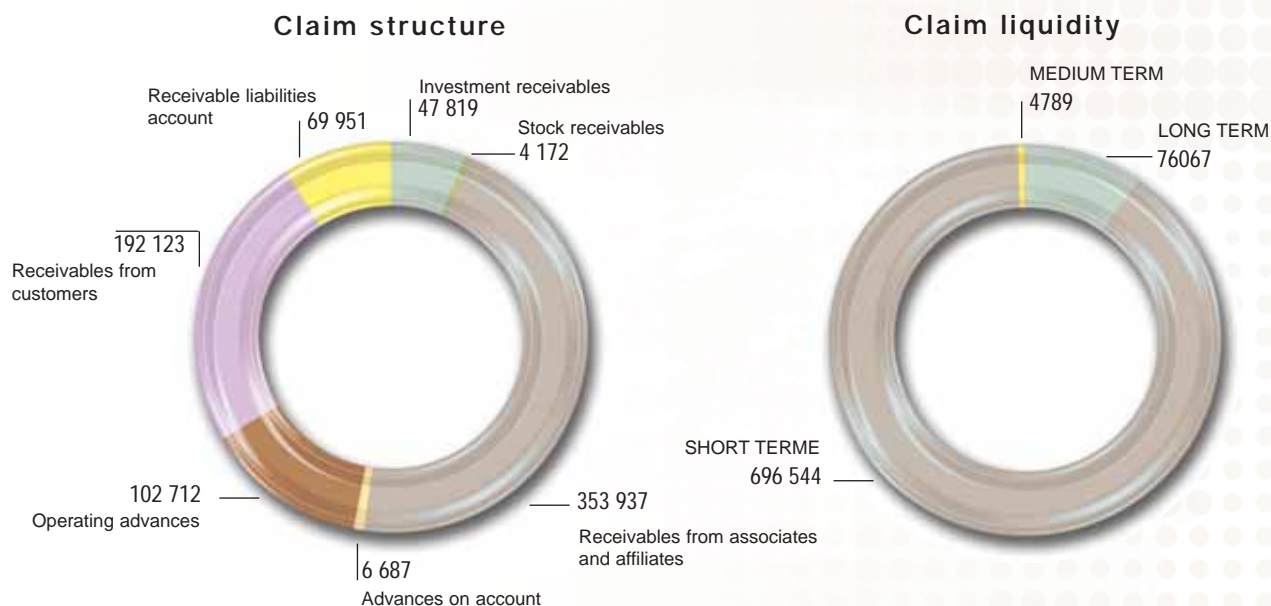
## 5-7. RECEIVABLE LIABILITIES ACCOUNTS:

The receivable liabilities accounts show a sum of 69,951 million AD, of which 69,852 million AD is due to the discounting of debts and receivables made out in foreign currencies. This item has diminished by 35,286 million AD - 34 % - in relation to the previous financial year.

## 5-8. LIQUIDITY OF GROSS RECEIVABLES FROM 31ST DECEMBER 2003

In millions of dinars

Designation	Receivables liquidity			Total
	Short term.	Medium term	Long term	
Investment receivables	7 790	4 760	35 269	47 819
Stock receivables	4 172			4 172
Receivables from associates and affiliates:	313 110	29	40 798	353 937
Advances on account	6 687			6 687
Operating advances	102 712			102 712
Receivables from customers	192 123			192 123
Receivable liabilities account	69 951			69 951
<b>TOTAL</b>	<b>696 544</b>	<b>4 789</b>	<b>76 067</b>	<b>777 400</b>
<b>LIQUIDITY AS A %</b>	<b>89</b>	<b>1</b>	<b>10</b>	<b>100</b>



## NOTE 6 - Capital

In millions of dinars

Designation	2003	2002	2001
Statutory partnership capital	277 000	245 000	245 000
Legal reserve	24 500	24 500	17 861
Reserve funds	496 381	391 493	286 053
Subsidies received	184	184	184
Subsidies concerning exceptional products	-68	-35	-2
Goods vested by the state		31 984	31 943
Provisions for losses and charges	72 350	107 779	88 632
Profit for the financial year	291 766	174 904	177 079
<b>Total capital</b>	<b>1 162 113</b>	<b>975 809</b>	<b>846 750</b>

### 6-1. PARTNERSHIP CAPITAL:

Partnership capital passed from 245,000 million AD, in 2002 to 277,000 million AD in 2003.

This increase of 32,000 million AD is due to the incorporation of the entire "goods vested by the state" item as well as a part of the reserve funds. The partnership capital is made up of 277,000 shares with a unitary value of 1 million AD.

### 6-2. LEGAL RESERVE:

No amount has been allocated for the legal reserve since the financial year 2002. This is because the legal threshold – which is 10% of the capital amount – has been reached. This item will evolve following the increase of capital recorded this year.

### 6-3. GOODS VESTED BY THE STATE:

The 'Goods vested by the state' item has been incorporated in its entirety into an increase in partnership capital. They represent the transfer (free of charge) by the Treasury of its share in the energy sector companies' capital to SONATRACH.

**6-4. NET PROFIT FOR THE FINANCIAL YEAR:**

The net profit for the year 2003 translates into a net profit of 291,766 million AD, testifying to an increase of 116,862 million AD (67%), in relation to the previous financial year.

This situation is due to an improvement in the overall turnover, expressed in millions of AD, passing from 1,569,477 in 2002 to 1,988,655 in 2003, that is, 27% - and also to the increase in the price of a barrel of crude oil, which was 28.99\$ in 2003, compared with 25.23\$ in 2002.

**NOTE 7 - Provisions for losses and charges**

In millions of dinars

Elements	2003	2002	2001
Provisions for disputes	2 625	2 646	184
Provisions for exchange rate losses	69 725	105 133	87 551
Other risk provisions			898
<b>Total</b>	<b>72 350</b>	<b>107 779</b>	<b>88 632</b>

This item records provisions for losses and charges intended to meet charges arising rendered probable by current events.

The discounting of debts and receivables made out in foreign currencies, has resulted in a provision for exchange rate losses in the amount of 69,725 million AD, reduced by 34,408 million AD in relation to the previous year.

**NOTE 8 - Debts**

In millions of dinars

Elements	2003	2002	2001
Statutory funds	239 142	266 719	299 601
Stock debts	4 933	4 086	2 849
Withholdings on account	9 147	8 043	4 959
Debts towards associates and affiliates	782 028	666 724	404 188
Operating debts	123 654	112 388	66 789
Commercial advances	2 965	2 654	2 471
Financial debts	5 900		
Accounts payable for assets	35 069	26 815	26 022
- Cash assets	186	188	178
- Other accounts	34 883	26 627	25 845
<b>Total</b>	<b>1 202 837</b>	<b>1 087 430</b>	<b>806 879</b>

A special analysis will be made of the following debts:

### 8-1. STATUTORY FUNDS:

These debts have diminished by 27,578 million AD in relation to the previous financial year. They are made up of:

- Investment supplier debts amounting to 223,952 million AD, of which the sum of 20,858 million relates to jointly-owned sources.
- Financial debt of 212,265 million AD, which can be broken down as follows:
  - External debt: 204,137 million AD
  - Internal debt: 8,128 million AD, it has been signalled that:
    - Reimbursement of the bonded loan dated 04 January 2003 for a principal sum of 12,076 million AD and interest of 1,570 million AD;
    - Subrogation of the debt concerning the liquidation of the SIM subsidiary for 3,128 million AD.

### 8-2. DEBTS TOWARDS ASSOCIATES AND AFFILIATES:

Debts towards associates and affiliated companies amount to 782,028 million AD and show an increase of 115,304 million AD (17%).

These debts are made up of:

Conditional liabilities engaged within the context of shared production contracts for a sum of 770,917 million AD. These liabilities are paid by the lifting rights from the foreign partners' share of production.

The conditional liabilities relating to investments made in:

Exploitation	516 174
Development	178 214
Exploration	76 529

500 million AD represent the non-distributed part belonging to the workers.

8-3. OPERATING DEBTS:

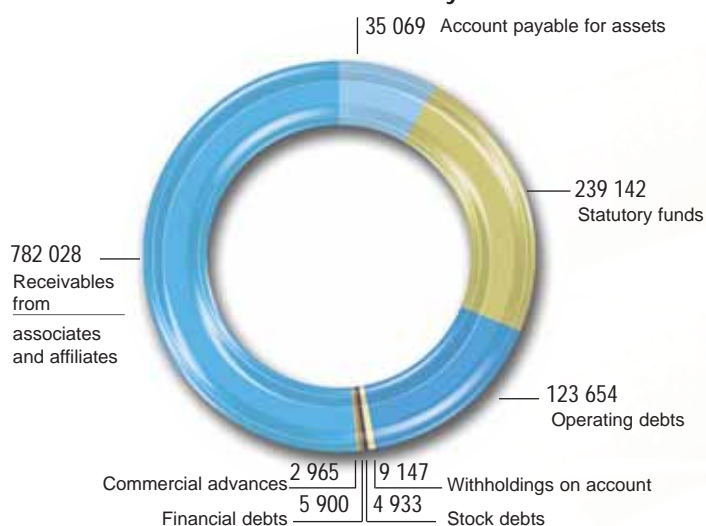
This account records debts relating essentially to fiscal and social costs, salaries, services and third part remuneration. These debts have increased by 10 % in relation to the previous financial year, passing from 112,388 millions AD to 123,654 million AD in 2003.

8-4. ADMISSIBILITY OF DEBTS:

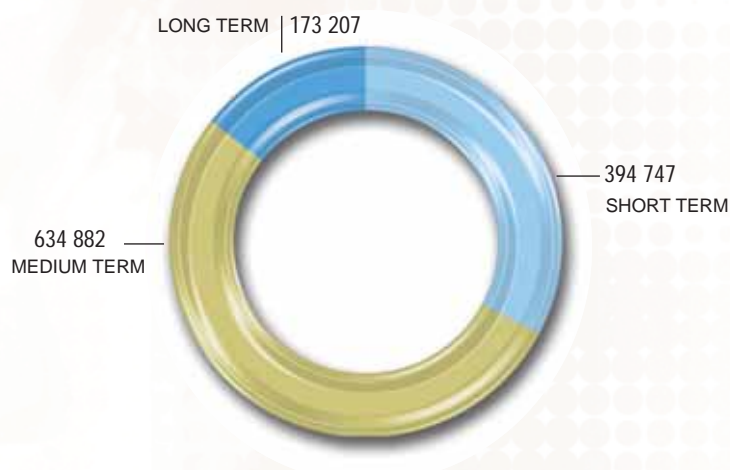
In millions of dinars

Designation	Short term	Admissibility Medium term	Long term	Total
Statutory funds	48 234	164 511	26 397	239 142
Stock debts	4 933			4 933
Withholdings on account	9 147			9 147
Receivables from associates and affiliates	164 846	470 372	146 810	782 028
Operating debts	123 654			123 654
Commercial advances	2 965			2 965
Financial debts	5 900			5 900
Accounts payable for assets	35 069			35 069
<b>TOTAL</b>	<b>394 747</b>	<b>634 882</b>	<b>173 207</b>	<b>1 202 837</b>
<b>ADMISSIBILITY AS A %</b>	<b>33</b>	<b>53</b>	<b>14</b>	<b>101</b>

Structure and admissibility of debts



Payability of the debt



On 31st December 2003

# IV. Analysis of management items

## PRODUCT ANALYSIS

### NOTE 9 - Comparative Table of Overall Turnover

In millions of dinars

Designation	2003	2002	2001
Sales of merchandise	8 840	138	178
Production sold	1 928 902	1 530 828	1 509 116
Services supplied to third parties	50 913	38 512	30 961
Total Turnover	1 988 655	1 569 477	1 540 256

The overall turnover for 2003 amounts to 1,988,655 million AD compared with 1,569,477 million AD in 2002 - an increase of 27 %. It is made up essentially of production sold, which can be broken down as follows:

	2003	2002
External market	1 848 003	1 447 000
National market	89 739	83 828

This improvement is justified overall by:

- the increase in price of the barrel of crude oil from 25.23 US\$ in 2002 to 28.99 US\$ in 2003;
- the sales of the following products:

	2003	2002
Gross	589 326	405 113
NG	286 622	228 045
NGL	290 004	230 567
Condensate	274 512	243 945

The table of production sold to third parties is as follows:

Le tableau de la production vendue aux tiers se présente comme suit :

In millions of dinars

Products	Market		Total
	National	Extérieur	
GROSS	71 959	589 326	661 284
CONDENSATE (NGL)		274 512	274 512
NATURAL GAS	14 214	286 622	300 837
NGL	16	290 004	290 020
BUTANE	2 236	69 657	71 893
PROPANE	710	96 664	97 374
LIGHT NAPHTHA		6 648	6 648
ETHANE	34		34
ESSENCE SUPER		215	215
HEAVY NAPHTHA		84 308	84 308
KEROSENE (KERO – JET)		18 967	18 967
DIESEL		24 821	24 821
BTS FUEL		95 764	95 764
HTS FUEL		1 157	1 157
ARTICLES ACCESSORIES		600	600
SUB TOTAL	89 169	1 839 266	1 928 435
LIQUEFACTION SALES (UPSTREAM)	467		467
TOTAL PRODUCTION SOLD	89 636	1 839 266	1 928 902

## ANALYSIS OF CHARGES

TABLE OF CHARGES

In millions of dinars

Designation	2003	2002	2001
Merchandise consumed	8 828	150	190
Materials and supplies	24 770	24 326	28 805
Services	174 328	163 485	142 450
Personnel costs	46 902	44 542	39 651
Financial costs (bank charges + commissions)	2 711	2 839	3 559
Gross pay of partners	158 226	177 188	51 342
Diverse expenses	2 923	4 277	1 545
SUB-TOTAL (A)	418 688	356 807	267 544
Tax on hydrocarbon production	360 143	291 669	292 950
Taxes	14 592	11 614	12 137
SUB-TOTAL (B)	374 735	303 283	305 087
Financial costs (interest on loans)	11 110	11 788	17 867
Depreciation provision account	139 931	119 828	111 178
SUB-TOTAL (C)	151 041	131 616	129 045
TOTAL CHARGES (A+B+C)	944 464	791 707	701 676

The charges relating to the financial year amounted to 944,464 million AD, of which 57,941 million AD have been devoted, essentially, to the production of investments. They have increased overall, in relation to the financial year 2002, by 19%.

### NOTE 10 - Materials and supplies consumed

This item records materials and supplies leaving the warehouse to go into production and for functional uses.

They have seen an increase of 444 million AD – 2% in relation to the financial year 2002.

### NOTE 11 - Services

The services (exclusive of tax on hydrocarbon production) have increased by 10,843 million AD - 7% and can be broken down, by millions of AD, as follows:

Freight and transport on sales	39 063
Transport of personnel	2 887
Maintenance and repairs	5 738
Technical assistance	477
Works, oil deposit research and exploitation services	103 942
Other third party remunerations	12 841
Transit and customs services	280
Rent and hire charges	3 622
Other fees	1 127
Diverse services	4 351

### NOTE 12 - Tax on hydrocarbon production

The tax for the financial year 2003 has increased in relation to the previous financial year. It has passed from 291,669 million AD in 2002 to 360,143 million AD in 2003 – an increase of 23 % due, essentially, to the variation of product pricing.

### NOTE 13 - Personnel costs

Personnel costs have seen an increase of 2 360 million AD – 5% in relation to the financial year 2002.

### NOTE 14 - Financial costs

The financial costs are made up of: interest on loans, bank charges, commissions and gross remuneration of partners for oil profit, and amount to 172,047 million AD.

- Interest on loans, for 11,110 million AD has seen a reduction of 678 million AD – a drop of 6% in relation to the previous financial year, justified by the prepayment of bank loans from the BEA, SG and BNP.
- Bank charges and commissions amounted to 2,711 million AD in 2003, compared with 2,839 million AD in 2002 – a drop of 5%.
- The remuneration of partners in association within the context of shared production (oil profit) has seen an increase of 41,038 million AD, passing from 117,188 million AD in 2002 to 158,226 million AD in 2003.

### NOTE 15 - Depreciation provision accounts

The depreciation provision accounts have seen an increase of 17%. This progression is due to new acquisitions and to investments brought into service during the financial year 2003, passing from 119,828 million AD in 2002 to 139,931 million AD in 2003. The following projects are particularly concerned:

- Association BHP Ohanet Gaz
- Association SINOPEC Zarzaitine
- Association BURLINGTON MLN
- Association AGIP ROME 1

Depreciation provision covers 48% of investments made during the financial year 2003, in terms of cash flow.

# V. Investments

## ALGERIAN COMPANIES ON 31ST DECEMBER 2003

In millions of dinars

Designation	Denomination	Capital in original currency	Dinars Sonatrach participation	
			Historical cost	Amount after actualisation
Investment and share company	SIP	DA 200	200	200
Hydrocarbon refinememnt and chemicals GRP	RCH	DA 1200	1200	1200
Oil-related services	SPP	DA 400	400	400
New Energy Company	NEAL	DA 200	90	90
Group distribution	SVH	DA 200	200	200
Company for the construction and operation of a liquid helium and nitrogen factory	HELIOS	DA 691	352	352
Algerian-libyan company for the exploitation and production of oil products	ALEPCO	\$ 1 000 000	3	3
Engineering maintenance company	INMA	DA 6	0,5	0,5
Algerian Energy Company	AEC	DA 200	100	100
BAOSEM	BAOSEM	DA 1	0,35	0,35
Shariket kahraba skikda	SKS	DA 300	90	90
<b>TOTAL</b>			<b>2 636</b>	<b>2 636</b>

\* Fusion SEC et SSP = SPP/CAPITAL = 400 000 000 Dinars

## FOREIGN COMPANIES ON 31ST DECEMBER 2003

In millions of dinars

Designation	Denomination	Capital in original currency	Dinars Sonatrach participation	
			Historical cost	Amount after actualisation
Mariconsult SPA	MARICONSULT	LIT 200 000 000	0,5	5
Limited company (SAGL)	SAMCO	F.S. 20 000		
MEDGAZ	MEDGAZ	Euros 16 500 000	290	301
Sonatrach international holding corporat.	SIHC	\$US 111 616 500	4 864	8 106
In salah gas limited company	ISGL	£ 180		
In salah gas services limited company	ISGSL	£ 180		
Anadarko	ANADARKO	\$US 239 464 035,8	5 881	17 390
Joint venture algeria nippon gas transp corp	JV ANGT	\$US 100 000	2	2
Galsi	GALSI	Euros 5 000 000	181	183
Numhyd	NUMHYD	USD 1 000 000	36	36
<b>TOTAL</b>			<b>11 255</b>	<b>26 022</b>

## VI. Financial structure

In millions of dinars

Designation		2003	2002	2001
Capital		1 960	1 700	1 381
Fixed assets		1 408	1 245	1 021
Working capital	C = (A-B)	551	454	359
Operating		730	667	546
Short term		397	355	265
Working capital requirements	F = (D-E)	332	311	280
Financial surplus	G = (C-F)	219	142	79

## VII. Main ratios

ratios	2003	2002	2001	Titled
Operating profit / Capital	57%	51%	66%	Economic profitability
Operating profit / Turnover	56%	55%	59%	Generated by the current activity
Operating profit / Production for the financial year	55%	53%	57%	
Investment debt / Equity capital	22%	31%	40%	Borrowing power ( $\leq \leq 100\%$ )
Self-financing capacity / MLT debt	46%	38%	50%	Reimbursement capacity ( $\leq \leq 1/3$ )
Operating assets / Short term debt	1,84	1,88	2,06	Liquidity ration ( $\leq \leq 1$ )
Financial coasts / MLT debt	1%	1%	3%	Debt service ( $\leq \leq 9\%$ )
Financial coasts / Turnover	1%	1%	1%	Weight of interest ( $\leq \leq 1$ )
Total debts / Total assets	0,54	0,58	0,64	Weight of interest on the company
Total assets / Total assets ( exclusive of 44)	0,63	0,68	0,64	assets ( $\leq \leq 1$ )

# VIII. Presentation of accounting principles

The accounts for the financial year 2003 have been closed in compliance with: the rules prescribed by the National Algerian Accountancy Plan; generally accepted accountancy principles, and standards specific to the hydrocarbon sector.

The balance sheet for the financial year 2003 for SONATRACH does not consolidate the accounts of its subsidiaries, including those over which exclusive control is exercised. However, a list of titles is annexed to this document and the company has launched an implementation project for the group accounts consolidation system, in collaboration with the international cabinet Ernst Young.

The investments held by on the group subsidiaries are recorded at the level of investment receivables in the "Investment" account, at their acquisition value. Investments held on subsidiaries abroad are systematically the subject of a discounting of their book value in the course of closure of the given financial year.

## 1. INVESTMENTS:

### 1-1. DEPRECIATION METHOD FOR INVESTMENTS AND ABSORPTION:

- The company investments are depreciated according to the linear depreciation method. The amended 86.14 law of 19 August 1986, specific to the oil industry, defined the depreciation rates applicable to investments. These rates are differentiated according to the duty station for personal assets and real estate. Existing investments at the level of the southern regions benefit from a higher rate of depreciation than those in force in the northern regions.
- The pre-operating costs must be absorbed within the shortest possible time and at the most within five years. Once they are completely written off, the corresponding pre-operating costs accounts and absorption accounts are systematically closed.

### 1-2. PRE-OPERATING COSTS:

Pre-operating costs include costs undertaken at the creation of the company for its acquisition of permanent means of exploitation and development of its various activities.

Pre-operating costs are recorded in accounts of charges by nature and are transferred at the end of the financial year, into a "Pre-operating costs" assets account, offset by a charges transfer account. They are recorded at acquisition or cost price.

Pre-operating costs are never carried straight over to the accounts 200 to 208.

### 1-3. INTANGIBLE ASSETS:

Intangible assets include the following various elements:

- Stock in trade;
- Industrial and commercial property rights.

Intangible assets are entered into the accounts at their acquisition, creation or vendor asset value.

### 1-4. PRODUCTION EQUIPMENT:

The "Production equipment" account includes, in particular:

- Fixed and production facility equipment: These are complex units for specialised use, fixed in place, including all materials, parts or elements which, although separable by nature, are technically indispensable to their functioning and are irrevocable incorporated into the assembly. This incorporation makes them susceptible to the same depreciation rhythm. They are recorded at acquisition, or cost of manufacturing, price.
- Other production equipment: these are goods of any nature, furnishings or property, acquired or created by the company to be used as instruments of work.

### 1-5. SOCIAL FACILITIES:

This item records goods of any nature, furnishings or property, with the exception of land, acquired or created by the company and used for non-professional operations.

### 1-6. HYDROCARBON RESEARCH WORKS AND STUDY

The costs engaged in Hydrocarbon Research Works and Study are entered as charges by nature in the course of their being carried out. These costs are taken up in the "Hydrocarbon Research Works and Study" investment account at the end of the financial year if the investments are unfinished. They are carried over to "Current investments" if they are not completed at the closure of the balance sheet, offset by a "self-constructed assets" products account.

The cost of research that does not result in the discovery of commercially exploitable sources is depreciated massively in the financial year, in compliance with the dispositions of the 86.14 law.

## 2. ACCOUNTING TREATMENT OF OPERATIONS CONNECTED TO JOINTLY-OWNED SOURCES:

The accounting treatment of operations linked to jointly-owned sources is carried out by phases:

- Exploration
- Development
- Exploitation

### 2-1. ACCOUNTANCY TREATMENT OF COSTS FOR EACH PHASE:

#### 2-1-1. EXPLORATION COSTS:

Exploration costs are financed by the partners and therefore recorded in the appropriate investment accounts, offset by a liability account conditional on the discovery of a commercially exploitable source.

The conclusion of the conditional liabilities translates either by:

- The reimbursement of a part of the production (in case of discovery of a commercially exploitable source) as defined in the contract;
- The cancellation of this liability in case of the research works not culminating in the discovery of a commercially exploitable source. In this case, the investment costs are massively depreciated.

#### 2-1-2. DEVELOPMENT COSTS:

The development costs are recorded in the appropriate investment accounts, offset by a conditional liability account, for the part that is financed by the partner.

This liability conditioned by sufficient production of discovered sources, is diminished, in line with the partner's lifting of his share of the production.

#### 2-1-3. OPERATING COSTS:

The operating costs (Cost oil) incurred by the partners, are recorded in the appropriate accounts, offset by a liability account conditioned by the continuity of the source exploitation.

This conditioned liability is reimbursable in line with the liftings, as defined in the shared production contract.

### 2-2. ACCOUNTANCY TREATMENT OF PARTNER REMUNERATION (OIL PROFIT):

Partner remuneration is determined on the basis of contractual dispositions. It is recorded in the "Financial costs" account, in compliance with the 86.14 law.

This remuneration is subjected to a 38% tax on the profit that SONATRACH is bound to pay on the partner's behalf.

### 3. HYDROCARBON STOCKS:

Hydrocarbon stocks are evaluated at cost price and accounted for on the basis of the last known cost or at the realisable value, when this is lower.

### 4. RECEIVABLES AND DEBTS TO ASSOCIATES AND AFFILIATED COMPANIES:

#### 4-1. RECEIVABLES FROM SUB-ASSOCIATES AND AFFILIATED COMPANIES:

This assets account records advances and receivables from the associates and affiliated companies, as well as the liftings of foreign partners for their share of production.

#### 4-2. DEBTS TOWARDS ASSOCIATES AND AFFILIATED COMPANIES:

This liability account records debts on the associates and affiliated companies, as well as foreign partners' conditional debt.

### 5. RECEIVABLES AND DEBTS (MADE OUT IN FOREIGN CURRENCIES):

The receivables and debts (made out in foreign currencies) are recorded in the appropriate accounts at the exchange rates in force, on the date of closure of the accounts for the financial year.

Conversion discrepancies due to changing exchange rates, are recorded in the latent loss accounts (assets) or latent gain accounts (liabilities), as appropriate.

Latent gains are not taken into consideration in determining the profit. But latent losses are systematically the subject of a provision worth 100% of the amount, and this is in compliance with the principle of prudence.

#### 5-1. PARTICULARITIES RELATING TO RECEIVABLES FROM LOCAL AND FOREIGN CUSTOMERS:

With respect to the volatility of the price per barrel of crude oil and the fluctuation in exchange rates, particular attention is reserved for the receivables held on foreign customers.

During the financial year invoices made out in currencies are accounted for in dinars as soon as they are paid. On the date the accounts are closed, if the invoices have not been paid, they are accounted for in dinars at the rate on 31st December of the financial year. The readjustment of these receivables is made in the course of the following year, as they are paid. The resulting discrepancy is recorded in the account "Differences in exchange", chargeable to the profit and loss account.

## 6. PRICING AND ACCOUNTANCY TREATMENT OF SALES:

### 6-1. SALES PRICING:

#### 6-1-1. NATIONAL MARKET:

Sales to meet the needs of the national market are priced at the price notified by legal channels.

#### 6-1-2. EXTERNAL MARKET:

Sales for export are priced at the price of the international market or at the contractual price, depending on the products.

### 6-2. ACCOUNTANCY TREATMENT OF SALES:

Sales of the company's products are entered into the "Production sold" account.

## 7. TAX ARRANGEMENTS:

SONATRACH spa is subject to two tax regimes defined by the 86.14. law. The activities of research and production of hydrocarbons are subject to the oil taxation regime. The other activities are subject to the general law regime.

### 7-1. OIL TAXATION REGIME:

The 86.14 law lays down two specific taxes: tax on the production of hydrocarbons and tax on the profit.

#### 7-1-1. TAX ON PRODUCTION OF HYDROCARBONS:

The rate of taxation, applicable to the value of the hydrocarbons extracted from the source, is fixed at 20% (outside of zones A and B).

When the economic conditions for research and exploitation of sources require it, the rate of the tax can be reduced, depending on the zones, to the rate of:

- 16.25 % in zone A;
- 12.50 % in zone B.

The tax on the production of hydrocarbons is recorded for accountancy purposes in the "Services" account. It is not assimilated as a tax, it is an operating charge.

#### 7-1-2. TAXATION ON PROFITS:

The gross profit for the financial year is subject to tax on the profit at a rate of 85% (outside of zones A and B) for activities of prospection, research and exploitation of hydrocarbon sources.

When the economic conditions for research and exploitation defined by the 86.14. law are fulfilled, the rate given above can be reduced to:

- 75% in zone A;
- 65% in zone B.

#### 7-2. GENERAL LAW REGIME:

Profits realised during the financial year by means of the activity of pipeline transportation and the Downstream activity (liquefaction and separation of LPG) are subjected to taxation at 38%.

# X. Opinion of the statutory auditors

At the conclusion of the work we have carried out, we guarantee the honesty and conformity of the accounts submitted for our approval for the financial year ending 31st December 2003. The financial statements reflect a true image, as much of the heritage as for the profits made by the activity of your company.

Alger, 6th June 2004

BENMANSOUR M.B  
12, Bd KRIM Belkacem

ALGER

KECHELAL Ali  
Résidence HAMIZI  
DELY IBRAHIM

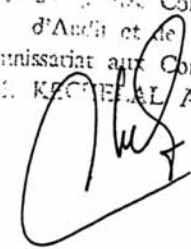
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BADSI Moncef  
7, Av du 1<sup>er</sup> Novembre

ALGER

GUERZA Ahmed  
Cité Ain ALLAH  
DELY IBRAHIM  
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