

No. 11001

**FRANCE
and
ALGERIA**

Convention giving effect to the establishment and operation of the joint company referred to in article 11 of the Agreement of 29 July 1965 concerning the settlement of questions relating to hydrocarbons and the industrial development of Algeria (with annexed Articles of Association of the joint company and exchange of letters). Signed at Algiers on 15 July 1967

Authentic text : French.

Registered by France on 8 March 1971.

**FRANCE
et
ALGÉRIE**

Convention d'application relative aux modalités de constitution et de fonctionnement de la Société mixte prévue à l'article 11 de l'Accord du 29 juillet 1965 concernant le règlement de questions touchant les hydrocarbures et le développement industriel de l'Algérie (avec statuts de la Société mixte en annexe et échange de lettres). Signée à Alger le 15 juillet 1967

Texte authentique : français.

Enregistrée par la France le 8 mars 1971.

[TRANSLATION — TRADUCTION]

CONVENTION¹ GIVING EFFECT TO THE ESTABLISHMENT AND OPERATION OF THE JOINT COMPANY REFERRED TO IN ARTICLE 11 OF THE AGREEMENT OF 29 JULY 1965² BETWEEN THE FRENCH REPUBLIC AND THE DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA CONCERNING THE SETTLEMENT OF QUESTIONS RELATING TO HYDROCARBONS AND THE INDUSTRIAL DEVELOPMENT OF ALGERIA

Article I

For the purposes of giving effect to article 11 of the Agreement between the French Republic and the Democratic and Popular Republic of Algeria concerning the settlement of questions relating to hydrocarbons and the industrial development of Algeria of 29 July 1965,² hereinafter referred to as “the Agreement”, the two Governments have decided upon the organization, by SONATRACH on the one hand and by ERAP acting on behalf of the French Group on the other, of the joint company referred to in the above article.

The joint company, hereinafter referred to as “the Company”, shall be deemed to exist as from the date of entry into force of this Convention.

The registered office of the Company shall be situated at Algiers. The Company shall be governed by the provisions of articles 11, 12, 13, 14 and 52 of the Agreement and by articles 109 and 113 of the Protocol on the Co-operative Association annexed to the said Agreement, by the present Convention to which are attached the Articles of Association which are an integral part thereof, and by the company law in force, in so far as such law does not provide otherwise.

The special regime defined in this Convention and its annexes shall apply only to industrial operations corresponding to obligations accruing during the period to which the Agreement applies.

Upon the termination of the said Agreement, accrued obligations shall, in accordance with the provisions of article 52 of the Agreement, continue to be discharged according to the régime defined in this Convention, but not any new obligations entered into at a later date.

¹ Came into force on 2 September 1967, the date of its publication in the *Journal officiel* of the French Republic and in the *Journal officiel* of the Democratic and Popular Republic of Algeria, in accordance with article XI.

² United Nations, *Treaty Series*, vol. 739, p. 143.

The Company shall remain in existence for ninety-nine (99) years. Notwithstanding, the Company shall automatically be dissolved at an earlier date at the request of either of the parties, following expiry of the last gas supply contract.

The Board of Directors shall submit for the approval of both Governments such amendments to the Articles of Association as may prove necessary for the satisfactory operation of the Company. Both Governments shall be informed thereof by the Chairman of the Board and General Manager of the Company within 14 clear days of the Board's recommendation. Such recommendation shall be deemed to be approved automatically if neither of the Contracting Parties objects thereto within 45 days of the date on which the Governments were informed thereof.

Upon expiry of the Agreement, the Board of Directors may amend the Articles of Association, in whole or in part, provided that such amendment does not affect the régime established by this Convention or the discharge of obligations incurred during the period of validity of the Agreement.

Article II

The purpose of the Company and the nature and scope of its activities shall be as laid down in articles 11, 12, 13 and 14 of the Agreement and articles 109 and 113 of the Protocol on the Co-operative Association annexed to the said Agreement, and in particular :

- to supply the French market and, if necessary, consumer countries other than France with Algerian gas, in the manner prescribed by the Agreement,
- to study and undertake, by itself or through third parties, all appropriate industrial liquefaction programmes and sea transport by methane tankers of Algerian gas intended for the said markets.

More generally, the Company may also carry out all such activities as come within its mandate and all such operations as may reasonably be deemed to affect its purpose or to derive therefrom.

Article III

(1) The Company shall employ Algerian professional or non-professional personnel who meet the requisite standards of technical and practical skill. To this end the Company shall make it incumbent upon the operator to arrange for the training of the Algerian personnel as laid down in article IX of this Convention,

(2) As required, the Company may recruit non-Algerian skilled personnel, particularly through the secondment of such personnel by the shareholders.

(3) French personnel so recruited or seconded shall be subject, in respect of the transfer of savings from salaries, to the provisions of article 149 of the Protocol on the Co-operative Association annexed to the Agreement.

Article IV

(1) The Governments of France and Algeria undertake to facilitate the performance of the activities devolving upon the Company by all means in their power.

To that end, and each in so far as it is concerned, they shall make every effort to grant or ensure the granting of such official permits as may be necessary particularly in respect of the performance of work, the occupation and free use of land and installations of every kind required for exploitation, building, and the transit of equipment, subject only to such reservations as derive from laws and regulations applicable generally and without distinction to all natural or legal persons.

(2) Without prejudice to the measures taken to protect Algerian industry under Algerian foreign trade regulations, the Algerian Government shall grant all such permits as are necessary for the importation of tools, materials and capital goods required for the construction of the liquefaction plant, and for any expansion, improvement or completion thereof, to the extent that such goods cannot be provided by the Algerian economy on terms close to those of the international market particularly in respect of terms of payment, quality, price and delivery date. The same shall apply in respect of all activities relevant to the Company's purpose.

(3) The Company shall give preference to Algerian enterprises for the rendering of the services it requires, provided that the terms offered by such enterprises come close to the international terms.

Such preference shall be accorded on the following basis :

- (a) The Board of Directors of the Company may grant, in respect of services rendered by Algerian enterprises, a preference amounting to not more than 10 % (ten per cent) of the over-all cost of such activities. For that purpose, the enterprises consulted shall make a distinction between the services to which the preference shall apply and the supply of tangible goods to which the preference shall not apply.
- (b) For the purposes of this article, the Board of Directors of the Company shall consider as " Algerian enterprises ", in addition to enterprises in which Algeria holds a majority interest, those which are situated in Algeria and incorporate a substantial part of the added value of their products in that country.

(4) Companies holding contracts concluded with the Company for the construction of the plant, assembly of installations, maintenance and, in general, all operations required for the fulfilment of the Company's purpose, may, upon expiry of such contracts, freely re-export without payment of duty the equipment imported without charge for the execution of the said contracts.

Article V

In order to enable the Company to fulfil its purpose and to carry on its activities in a normal manner, the following provisions shall apply in respect of transfers :

(1) The Company shall be obliged to encash its export receipts in accordance with the provisions of ordinary law laid down in the Algerian exchange regulations.

(2) All financial and commercial settlements relating to transactions by the Company, and particularly the transfer operations referred to in this article, shall be effected in accordance with the provisions of article 156 of the Protocol on the Co-operative Association annexed to this Agreement.

(3) Payment in respect of the importation of goods into Algeria and of services performed outside Algeria for the purposes of the Company shall be effected in accordance with Algerian exchange and foreign trade regulations. Consequently, the Company shall be granted the transfer permits necessary for such payments.

(4) During the period of construction only, companies holding contracts concluded with the Company which are not covered by the provisions of paragraph (3) above, shall obtain for each contract, and before fulfilling it, a single transfer permit covering the payment of that part of their external costs pertaining directly to the contract in question, in respect of both the variable and the fixed costs, including costs pertaining to depreciation of equipment imported without payment.

This permit shall be obtained from the Banque centrale d'Algérie, or from any such authorized agents as may be appointed for that purpose, within thirty days from the deposit of the request; it shall be granted on the recommendation of the Board of Directors of the Company, which shall assess the percentage of the total amount of the contract likely to be covered by a transfer. After fulfilment of the contract, the Board of Directors shall inform the Banque centrale d'Algérie of the breakdown of expenses in local or foreign currency.

(5) The Company shall be authorized to transfer the amounts necessary for the repayment of suppliers' credits and for servicing loans contracted

outside Algeria with third parties who are not shareholders, and for the payment of interest and incidental costs on the aforesaid credits and loans.

(6) The Company shall maintain an account in French francs with the Banque centrale d'Algérie, subject to the latter's control, to which transfers to Algeria of funds provided by French shareholders as capital contributions and advances on current account or loans shall be credited, and to which the subsequent remittal of such sums to their country of origin shall be debited. This account shall be balanced annually on 31 December.

French shareholders shall have the right to remit to France sums received from the Company in repayment of advances on current account or of loans in respect of funds previously transferred to Algeria, up to the amount of 15 per cent *per annum* of such funds. This right may be carried over, provided that the sums so repatriated in any single year do not exceed 20 per cent of those funds during the first five years of operation of the Company and 30 per cent thereafter.

In respect of funds contributed as capital and credited to the above-mentioned account, French shareholders shall have the right to transfer sums in respect of either the redemption of capital shares following the creation of *jouissance* shares, or of the refund of these shares following winding-up or the sale of the Company's assets.

(7) French shareholders shall also receive transfer permits covering :

- interest and incidental costs relating to loans or advances they have made, as laid down in (6) above,
- earnings in respect of the invested capital referred to in article VI of this Convention,
- profits accruing to the said shareholders, as defined in article VII of this Convention,
- the share due to them from the surplus of the proceeds of the Company's liquidation.

Article VI

Notwithstanding any laws or regulations to the contrary and in accordance with the provisions of article 14 of the Agreement, shareholders shall have the right, before any profits are distributed and tax is collected on industrial and commercial profits, to a payment net of tax equal to 8 % (eight per cent) of the nominal value of the paid-up shares which they hold.

Should the Company's financial situation prevent this payment from being effected during any one financial year, it shall be cumulatively deferred to subsequent financial years and allocated to the shareholders prior to any distribution of profits.

Article VII

(1) Profits resulting from operations of any kind carried out in connexion with the delivery of gas to third markets other than the French market as defined in article 14 of the Agreement shall be allocated exclusively to the Algerian shareholders, after collection of the tax on industrial and commercial profits.

(2) Profits resulting from operations of any kind carried out in connexion with the delivery of gas to the French market shall be computed and distributed as indicated in article XIV of the Agreement, namely : 75 per cent to the Algerian interests in the form of taxes or dividends, and 25 per cent to the French shareholders after payment of all taxes.

(3) It is understood that the tax on industrial and commercial profits referred to in paragraph (1) of this article shall not be included in the computation of the 75 per cent mentioned in paragraph (2) of this article.

Article VIII

(1) (a) Assets of any kind brought into the Company shall be exempt from all taxes, as shall all transfers of shares in the Company.

(b) The real estate activities of the Company shall be exempt from all conveyancing or other duties.

(c) The importation of tools, materials and capital equipment required for the construction and operation of the liquefaction plant and its annexes, and for any future extension, improvement and completion thereof, shall be exempt from all entry and customs duties, and from all taxes on turnover.

All equipment required for fitting out the plant which is to be re-exported shall be subject to the rules applying to temporary admission and as such shall not be liable to any customs or other duty or tax.

The foregoing provisions shall apply to companies contracting with the Company in respect of contracts concluded with the Company.

(d) Natural gas entering the liquefaction plant shall be received free of all taxes.

(e) Raw materials required for the liquefaction process shall be imported, to the extent that they are not produced or available in Algeria, completely free of existing or future duties or taxes of any kind.

(2) The income of the French group as described in articles VI and VII of this Convention shall be exempt from any tax applicable at the time of distribution; the same shall apply to the interest charges or other incidental costs connected with the loans or advances granted by the members of the group.

Article IX

It is agreed that the Company shall seek the services of an operator who shall undertake to operate the plant during the three years following its inauguration.

The operator shall, in addition, undertake to train Algerian personnel in such a way that the personnel so trained can operate the plant at the latest upon expiry of his contract.

To that end, a detailed programme, to be drawn up by mutual agreement between the Company and the operator, shall specify the methods and periods of training for all the posts to be filled.

He shall provide the personnel required for operating the plant with the participation of the Company.

The operator's foreign personnel engaged in operating the plant shall be covered during the term of the contract by the provisions of article III of this Convention.

Article X

The following disputes shall be settled exclusively in accordance with the procedure laid down in articles 157 to 178 of the Protocol on the Co-operative Association annexed to the Agreement, subject to the provisions set forth in the Articles of Association appended hereto :

- all disputes in respect of the interpretation and implementation of the Articles of Association and in respect of the rights, obligations and responsibilities deriving therefrom,
- all disputes between shareholders or between shareholders and the Company concerning the purposes of the Company or the rights of shareholders.

Article XI

This Convention shall enter into force from the date of its publication in the *Journal officiel* of the French Republic and in the *Journal officiel* of the Democratic and Popular Republic of Algeria.

DONE at Algiers, in duplicate in the French language, on 15 July 1967.

For the Government
of the French Republic :

[Signed]

PIERRE DE LEUSSE
Ambassador, High Representative
of the French Republic

[SEAL]

For the Government
of the Democratic and Popular
Republic of Algeria :

[Signed]

BELAÏD ABDESSELAM
Minister of Industry
and Energy

[SEAL]

ARTICLES OF ASSOCIATION OF THE FRANCO-ALGERIAN JOINT COMPANY REFERRED TO IN ARTICLE 11 OF THE AGREEMENT BETWEEN THE FRENCH REPUBLIC AND THE DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA CONCERNING THE SETTLEMENT OF QUESTIONS RELATING TO HYDROCARBONS AND THE INDUSTRIAL DEVELOPMENT OF ALGERIA OF 29 JULY 1965

Article I

ESTABLISHMENT

There shall be established in Algeria, between the holders of the shares hereinafter created and of such shares as may be created subsequently, a Company constituting a legal entity and known as the Société mixte algérienne du gaz or, in abbreviated form, SOMALGAZ, hereinafter referred to as "the Company".

The Company shall be of Algerian nationality; it shall be governed by the provisions of articles 11, 12, 13, 14 and 52 of the Agreement between the French Republic and the Democratic and Popular Republic of Algeria concerning the settlement of questions relating to hydrocarbons and the industrial development of Algeria of 29 July 1965, hereinafter referred to as "the Agreement", and by articles 109 and 113 of the Protocol on the Co-operative Association annexed to the said Agreement, by the Convention of 15 July 1967,¹ hereinafter referred to as "the Convention", to which are attached these Articles of Association which are an integral part thereof, and by the company law in force, in so far as such law does not provide otherwise.

Article II

PURPOSE

(a) The purpose of the Company and the nature and scope of its activities shall be as laid down in articles 11, 12, 13 and 14 of the Agreement and articles 109 and 113 of the Protocol on the Co-operative Association annexed to the said Agreement.

In consequence whereof, the purpose of the Company shall be :

- (1) To supply the French market with Algerian gas;
- (2) To supply consumer countries other than France with Algerian gas, on the understanding that such markets shall be served on the basis and within the limits of the provisions of article 13 of the Agreement;
- (3) To study, promote, and execute all appropriate industrial liquefaction programmes and sea transport by methane tankers of Algerian natural gas intended for the French market;
- (4) To purchase, process, market, transport and deliver the necessary quantities of Algerian gas on the basis and within the limits of the relevant provisions of articles 11, 12, 13 and 14 of the Agreement;
- (5) To negotiate and conclude the contracts referred to in article 109, paragraph 3, of the Protocol on the Co-operative Association annexed to the Agreement.

¹ See page 15 of this volume.

(b) In order to fulfil its purpose and within the limits laid down in articles 11, 12, 13 and 14 of the Agreement, the Company shall have the right :

- (1) To carry out by itself, or through third parties, the successive stages of condensation and delivery of gas, including sea transport ;
- (2) To establish other companies, the purpose of which shall be directly or indirectly linked with its own, and to participate in and administer such companies ;
- (3) To undertake and control, either by itself or through third parties or in co-operation with them, all such operations of an administrative, technical, financial, industrial or commercial nature as may be necessary for the fulfilment of its purpose ;
- (4) To carry out all such operations as come within its mandate in accordance with the present memorandum and articles of association or with the laws and regulations in force in Algeria in the manner prescribed in article I, paragraph 2, and, more generally, all such operations as may reasonably be considered to have an effect upon its purpose or to derive therefrom.

Article III

REGISTERED OFFICE

The registered office of the Company shall be situated at Algiers. However, the Board of Directors may decide to transfer the registered office to any other place on Algerian territory. The Board of Directors may also establish branches, offices or agencies wherever it may consider such action to be of use.

Article IV

PERIOD OF EXISTENCE

The Company shall remain in existence for 99 years.

Notwithstanding, it may be dissolved at an earlier date under the conditions laid down in article I of the Convention.

Article V

REGISTERED CAPITAL

(a) The initial registered capital of the Company shall be one million dinars.

It shall be divided into 1,000 shares having a value of 1,000 dinars each and comprising :

- (1) Five hundred shares known as "A" shares, numbered "A 1" to "A 500", and
- (2) Five hundred shares, known as "B" shares, numbered "B 1" to "B 500".

(b) The "A" shares may belong only to the Algerian State or to Algerian public bodies designated by the State; the "B" shares may belong only to French public companies or institutions having an interest in the production of hydrocarbons and designated by the French Government.

The holders of "A" shares shall constitute the "A" group;

The holders of "B" shares shall constitute the "B" group.

Transfer of shares may be freely effected between shareholders in the same group :

- “A” shares and the subscription or allotment rights pertaining thereto shall be freely transferable between Algeria and the Algerian public bodies which hold them;
- “B” shares and the subscription or allotment rights pertaining thereto shall be freely transferable either to the original holders of this category of shares, or to other French public companies or institutions meeting the conditions defined above, provided that the said French public bodies at all times hold at least 20 per cent of the “B” shares.

Each of the two categories of “A” and “B” shares shall at all times constitute and continue to represent half the capital of the Company, even following an increase or a reduction in that capital.

(c) The shares shall be paid up in whole or in part, either in cash or in kind.

The nature of such payments in kind and all other questions relating thereto shall be considered by the Board of Directors, which shall decide whether the said payments are acceptable and determine the manner in which they are to be made.

The initial capital must be paid up in cash.

(d) The Board of Directors shall appoint two regular Auditors and two alternate Auditors. One of the two regular Auditors and one of the two alternate Auditors must be Algerian and the other French. Each shall be nominated by the group of directors of his own nationality.

The Board of Directors shall determine the procedure whereby these Auditors are to settle all disputes concerning the valuation of the payments referred to in paragraph (c) above. The conclusions of the Auditors shall be submitted to the Board of Directors for approval within a period to be established in advance by the Board.

Article VI

REGISTRATION AND CONDITIONS OF VALIDITY OF SHARES

All shares must be registered, even when fully paid up. Furthermore, so far as the Company is concerned, no share shall be deemed to have more than one owner.

Article VII

REPRESENTATION OF SHARES

A shareholder's title shall derive from this memorandum and articles of association and from any subsequent documents which alter the registered capital or confirm duly authorized transfers; a copy of, or extract from, these documents, certified by the Chairman of the Board and General Manager, may be provided to any shareholder at his request.

Article VIII

INCREASE AND REDUCTION OF REGISTERED CAPITAL

The Company's capital may be increased one or more times, in accordance with the legislation in force at the time, by decision of the Board of Directors.

No increase in capital may be made by the issuance of cash shares unless the capital has previously been fully paid up.

Where capital is increased by the issuance of cash shares, shareholders who have effected all payments for which they are liable, shall have preference, in proportion to their holdings, as regards applications for the new shares.

The registered capital may also be reduced one or more times, by decision of the Board of Directors, in any manner whatsoever and even by the exchange of shares against an equivalent or lesser number of new shares, whether or not they have the same value, together with the mandatory transfer or purchase of shares if this is required in order or enable the exchange to be made, with or without compensation.

Article IX

PAYING UP SHARES

Cash shares shall be paid up in cash to the registered office or to banks designated for the purpose; at least one quarter shall be paid up on subscription and the rest in one or more amounts, within not more than five years from the date of entry into force of the present memorandum and articles of association or of an increase in capital, at the times and in the amounts to be determined by the Board of Directors.

All calls of capital for the last three quarters shall be transmitted to the shareholders by registered letter to each shareholder at least thirty (30) days before the time fixed for each payment. Interest shall automatically be charged on arrears of payment in favour of the Company at the rate of 7 % (seven per cent) with effect from the due date and without formal notice.

The Board of Directors shall be authorized to decide whether payments have been made as required and in good faith.

Payment in kind authorized by the Board of Directors in accordance with the provisions or article V (c) and (d) shall be made within the periods fixed by the Board.

Where the Board of Directors decides that payment in kind is unacceptable, the holding concerned shall be paid up in cash within a period of thirty (30) days with effect from notification of the Board's decision to the shareholders concerned.

Article X

PROCEDURE FOR TRANSFERRING SHARES

The Company shall be notified of transfers of shares by a declaration of transfer and a declaration of acceptance of transfer, the former to be signed by the transferor, and the latter by the transferee.

Only shares on which all payments due have been effected may be transferred.

Article XI

BORROWING AND DEBENTURES

The Company may borrow money, with or without security, by issuing debentures or bonds, or otherwise, in Algerian or other currency.

The decision to contract such loans shall be made by the Board of Directors, which shall establish the amount, the terms and the methods of issue and redemption.

No debentures or bonds may be issued until the initial capital has been fully paid up.

Article XII

MANAGEMENT OF THE COMPANY — MEMBERSHIP OF THE BOARD OF DIRECTORS

(a) The Company shall be managed by a Board of Directors comprising twelve (12) members. Six (6) Directors shall be appointed by the holder(s) of the "A" shares. The other six (6) Directors, who shall include at least one representative of ERAP, shall be appointed by the holder(s) of the "B" shares.

Members of the Board of Directors shall serve for a term of two years. Their appointments may be renewed or revoked.

(b) The group of shareholders which appoints a Director shall have the right to replace him if necessary. It shall also have the right to fill any vacancy within its own group on the Board of Directors.

The Board of Directors shall be notified of decisions to replace a Director by the spokesman of the group to which he belongs at least fifteen (15) days prior to the date on which such replacement is to be made. The replacement shall serve only for the unexpired portion of the term of his predecessor.

Each group shall notify the Board of Directors of the identity of the shareholder to serve as spokesman of the group; the term of the spokesman shall be two (2) years, with effect from the first meeting of the Board of Directors; it shall be renewable.

(c) Directors shall not be required to hold qualification shares.

(d) The first Directors shall be appointed within not more than thirty (30) days from the date of entry into force of the Convention referred to in article I, upon the recommendation of SONATRACH for group "A", and of ERAP for group "B" respectively.

The first meeting of the Board of Directors shall be held within not more than fifteen (15) days from the date of the appointment of the Directors.

*Article XIII*APPOINTMENT OF THE CHAIRMAN OF THE BOARD AND GENERAL MANAGER
AND OF THE ASSISTANT GENERAL MANAGER

At its first meeting, the Board of Directors shall proceed to appoint the Chairman of the Board and General Manager, who shall be chosen from among and on the proposal of the Directors representing group "A".

It shall also appoint an Assistant General Manager, of French nationality, on the proposal of group "B"; the Assistant General Manager may be chosen from outside the Board of Directors.

Article XIV

BOARD MEETINGS AND PROCEEDINGS

The Board of Directors shall meet as often as the interests of the Company require and at least four (4) times per year, in quarterly meetings when convened by its Chairman. Convening shall be automatic if requested by four (4) Directors.

The convocation, which shall specify the agenda and place of the meeting, shall be issued at least eight (8) days prior to the meeting.

The Chairman shall preside at meetings of the Board of Directors; if he is absent or otherwise incapacitated, the Board shall appoint one of its members to preside over the meeting.

A Director who is unable to attend a meeting may be represented by a Director from his own group. The power of proxy shall be valid for a single meeting.

A meeting shall be valid only if at least eight (8) Directors, of whom four (4) belong to group "A" and four (4) to group "B", are present or represented.

Decisions shall be adopted by a two-thirds (2/3) majority of the members present or represented.

The proceedings of the Board shall be recorded in minutes to be entered in a minutes-book kept at the registered office and to be signed by the Chairman of the meeting and one of the participating Directors; the two signatories shall belong to different groups of shareholders.

Proof to third parties of the participation of Directors in a meeting shall be provided by the enumeration during the meeting of the Directors present or represented and of those absent or excused.

Copies of or extracts from these proceedings, to be produced in a court of law or elsewhere, shall be certified by a Director, whether or not he has taken part in the meeting.

In the event of liquidation, these copies or extracts shall be certified by the official receiver or one of the official receivers.

Article XV

POWERS OF THE BOARD OF DIRECTORS

The widest powers, without limit or restriction, to act on behalf of the Company and to do all things necessary and expedient pertaining to its purpose shall be vested in the Board of Directors.

The Board of Directors shall delegate to the Chairman of the Board and General Manager all his powers with the exception of those which are vested in him by the Convention and by articles III, V (*c* and *d*), VIII, IX, XIII, XVII, XX, XXII, XXIII, XXIV, XXV and XXVI of the present Articles of Association and of those which relate to the matters listed below :

- (1) Contracts for the sale of hydrocarbons concluded for a period exceeding thirty (30) days and any amendments to the said contracts;

- (2) Contracts for the rendering of services for a period exceeding 1 year or involving an amount exceeding one million dinars and contracts delegating all or part of the construction or operation of the plant to a third party;
- (3) Decisions relating to the transition from the preparatory stage to that of the performance of all or part of the activities relevant to the purpose and to any extension of the activities of the Company;
- (4) Approval of multi-annual investment and production plans and of annual capital investment and operating programmes and budgets;
- (5) Preparation of annual accounts and balance sheets and determination of all depreciation, reserves and dividends, and the allocation of profits;
- (6) Participation in any companies or partnerships; contributions to companies formed or to be formed; subscription for the purchase and resale of all shares, debentures and interests;
- (7) Appointment of the representative(s) of the Company on the decision-making bodies of subsidiary and affiliated companies;
- (8) Purchases, sales or exchanges relating to assets exceeding one million dinars, other than those referred to in (1) above;
- (9) Any loan which is either for a term exceeding one year, or for an amount exceeding one million dinars;
- (10) Any guarantee, surety or security in respect of an amount exceeding one million dinars;
- (11) Any partial or total remission of debts which exceeds five thousand dinars;
- (12) Appointment of the Assistant General Manager, determination of his powers as laid down in article XVI below, determination of his remuneration and termination of his functions;
- (13) Determination of maximum staff, of the general terms of recruitment and service and of the salary scale, insurance scheme and retirement scheme for Company employees, and of the vocational training scheme;
- (14) Appointment and termination of Company staff at the higher levels.

Article XVI

POWERS OF THE CHAIRMAN OF THE BOARD AND GENERAL MANAGER
AND OF THE ASSISTANT GENERAL MANAGER

Within the limits of the powers vested in him by the Board of Directors in accordance with article XV, the Chairman of the Board and General Manager shall be responsible for the management of the Company.

Any proposal of the Chairman of the Board and General Manager for delegating power to the Assistant General Manager shall be subject to approval by the Board of Directors.

The Chairman of the Board and General Manager and the Assistant General Manager may authorize the delegation of powers to agents of the Company. Such delegation of powers shall be renewable and shall always be granted for a specified purpose and period. Such delegation shall be reported to the Board of Directors.

Documents legally binding upon the Company shall be signed by the Chairman

of the Board and General Manager, or, within the limits of the powers delegated to them, by the Assistant General Manager or the agents of the Company designated for that purpose.

The Chairman of the Board and General Manager may, with the authorization of the Board of Directors, authorize third parties to act on behalf of the Company.

Article XVII

AGREEMENT BETWEEN THE COMPANY AND THE DIRECTORS

Agreements concluded between the Company and one of its Directors, whether directly or indirectly, or through an intermediary, shall be submitted for the prior approval of the Board of Directors.

Directors of the Company, other than bodies corporates, shall not be permitted to contract in any manner whatsoever loans from the Company, to obtain the Company's consent to an overdraft on their current accounts or otherwise, or to have their commitments with third parties secured or guaranteed by the Company. The same shall apply to the representatives of bodies corporate in respect of their personal dealings.

Article XVIII

RESPONSIBILITY OF THE DIRECTORS

The Chairman of the Board and General Manager and the members of the Board of Directors shall be responsible for the execution of their mandates, as prescribed by law.

Article XIX

INTERNAL CONTROL

(1) Internal control of the Company shall be exercised by one representative of group "A" and one representative of group "B" acting together or separately. Each representative, who shall be chosen freely by the members of his group, may enlist the aid of two experts for each inspection.

(2) The spokesman of the group of shareholders wishing to institute an inspection shall previously notify the Company of the name, first names, profession and domicile of its representative, and of those of the two experts who are to assist him.

(3) In discharging his functions, the shareholder's representative and the two experts may consult all necessary files, documents, papers, correspondence, books and registers and hear any agent of the Company.

(4) Each group may institute only one inspection per financial year. The duration of each inspection shall not exceed one month.

(5) All expenses incurred during the inspection and the fees of the representative and of the experts shall be chargeable to the group(s) requesting the inspection.

(6) The representatives and the experts shall abide by the rules of professional secrecy.

Article XX

AUDITORS

The Board shall annually appoint two Auditors: one proposed by the "A" group, and the other, of French nationality, by the "B" group.

The Auditors shall be responsible for inspecting accounts of the Company and shall act jointly in all cases; they shall report to the Board of Directors prior to the approval of the annual accounts.

In the event of the decease, resignation or refusal to serve of an auditor during a given financial year, the Board shall take action to replace him as rapidly as possible.

The Auditors shall be entitled to remuneration, the amount of which shall be fixed by the Board.

The Auditors may, in an emergency, convene a meeting of the Board.

Article XXI

FINANCIAL YEAR

The Company's financial year shall commence on 1 January and end on 31 December.

By way of exception, the first financial year shall comprise the period from the formation of the Company until 31 December.

Article XXII

ANNUAL ACCOUNTS

At the close of each financial year, the Board of Directors shall draw up, in accordance with the legal provisions in force, the list of assets and liabilities, the balance sheet, the trading account and the profit and loss account. It shall further prepare a progress report to the shareholders on the preceding financial year.

The various items comprising the fixed assets shall be depreciated at the rates determined by the Board of Directors.

The list of assets and liabilities, balance sheet, trading account and profit and loss account shall be placed at the disposal of the Auditors, at least forty (40) days prior to the date of the Board meeting called to approve the accounts for the financial year.

Article XXIII

PAYMENT OF DIVIDENDS

Dividends shall be paid annually, at the times and places designated by the Board of Directors.

Article XXIV

REDEMPTION OF SHARES

If the Board decides to redeem shares, redemption shall be effected by the payment of an equal fraction in respect of each share.

Article XXV

EARLY DISSOLUTION

In the event of the loss of three-quarters of the registered capital, the Board of Directors shall decide whether it is advisable to continue the Company or to announce its dissolution.

Article XXVI

LIQUIDATION

Upon the expiry of the Company's mandate or in the event of early dissolution, the Board of Directors shall determine the method of liquidation and shall appoint one or more liquidators, whose powers it shall determine.

In the event of the resignation, death or incapacity of the liquidators, the Board shall provide for their replacement.

The Board shall retain during the liquidation the power to approve the final accounts and to discharge the liquidators.

After settlement of the Company's liabilities and deferred expenses, the net product of the liquidation shall be used to redeem the share capital in full, where such redemption has not already taken place.

The shareholders shall divide the assets, including, where appropriate, that part of the liquidation surplus which results from the appreciation of such assets, in proportion to the number of fully paid-up shares they hold in the Company.

Any surplus resulting from profits held in reserve shall be distributed among the shareholders in the proportion in which such profits would have been allocated, had they been distributed during the existence of the Company.

EXCHANGE OF LETTERS

I

DEMOCRATIC AND POPULAR REPUBLIC OF ALGERIA
MINISTER OF INDUSTRY AND ENERGY
ALGIERS

Algiers, 15 July 1967

Sir,

During the negotiations on the Convention giving effect to the establishment and operation of the Joint Company referred to in article 11 of the Agreement of 29 July 1965 concerning the settlement of questions relating to hydrocarbons and the industrial development of Algeria which we have signed this day, both delegations agreed that the guarantee of the stabilization of the fiscal régime which the Algerian Government agreed to grant to the Joint Company would not be mentioned in the said Convention

but would be the subject of an exchange of letters, it being understood that those letters would not be published in either the *Journal officiel* of the Democratic and Popular Republic of Algeria or the *Journal officiel* of the French Republic.

This guarantee of stabilization shall be worded as follows :

“ Algeria guarantees to the Company the stabilization of its fiscal régime in respect both of the taxes for which it will be liable and of the taxes mentioned in article 14 of the Agreement of 29 July 1965.

“ This stabilization is granted only for operations contracted for during the period of validity of the Agreement of 29 July 1965.

“ In consequence whereof, the rules in force on the date of signature of this Convention relating both to the method of assessment and to the collection and rates of the said taxes shall remain applicable to the Company during the period referred to above, subject to the adjustments specified in the said Convention and to the application of article 52 of the Agreement of 29 July 1965. During that period and unless the Board of Directors decides otherwise, the Company shall not be subject to taxes, duties and levies of any kind established as the result of a law or regulation introduced after the date of signature of this Convention.”

Both our Governments agreed to bring the said provisions to the knowledge of the Joint Company which shall be authorized to avail itself thereof, both in its relations with the competent Algerian authorities and before any court called upon to rule on the matter.

Accept, Sir, etc.

[BELAÏD ABDESSELAM]

His Excellency Mr. Pierre de Leusse
Ambassador, High Representative of the French Republic
in Algeria
Algiers

II

EMBASSY IN ALGERIA
THE AMBASSADOR

Algiers, 15 July 1967

Sir,

In your letter of today's date, you advised me as follows :

[*See letter I*]

I have the honour to inform you that my Government agrees to the foregoing.

Accept, Sir, etc.

[PIERRE DE LEUSSE]

His Excellency Mr. Belaïd Abdesselam
Minister of Industry and Energy
Algiers
