

Société Anonyme de Gestion de Stocks de Sécurité

Presentation to Investors

October 2004

Non contractual document

Agenda

- ❑ The Strategic Role of SAGESS and its Links with the French State
- ❑ Company Profile
- ❑ Operational and Financial Profile

The Strategic Role of SAGESSE and its Links with the French State

Why Strategic Oil Reserves are Crucial to Governments

Extensive regulatory environment

- ❑ Most developed countries have set up dedicated strategic oil reserves systems to (i) mitigate dependence on oil imports and (ii) guard against supply crisis
 - 1974 International Energy Agency (IEA) Treaty (OECD agency) with 26 industrialized countries
 - ☞ Reserves set at 90 days of net imports
 - EU directives (December 1968 and amended) and associated controls/reports
 - ☞ Reserves set at 90 days of domestic consumption
 - France
 - ◆ Strategic oil reserves obligation since 1925
 - ◆ December 1992 Oil Law, subsequent 1993 decrees and orders
 - ◆ Reserves set at 27 % (i.e. 98.6 days) of inland consumption, effective in July 2004

- ❑ On a global scale, different systems have been set up, all under close State supervision
 - Privately held stocks: UK, Italy
 - ↓ Dedicated “agency”: Germany (EBV)
 - ↓ Government: USA (DoE), Japan (JOGMEC)
 - ↓ **Privately held stocks and dedicated “agency”**: Holland (COVA), Ireland (NORA), Denmark (FDO), France (SAGESS) since 1988, Portugal since 2004

Overview of France's System

The reserve obligation primarily rests with the oil operators, with significant delegation latitude to a central “mutualization” structure

Oil Operators

- ❑ Finished petroleum products reserve obligation (17.8 MT as of 1st July 2004)
- ❑ 4 product categories: gasoline, distillates, jet fuel, heavy fuel oil
- ❑ Possible delegation of obligation, against fee, to “mutualization” structure (CPSSP / SAGESS)
- ❑ Delegation at 56% or 90 % of obligation / Full responsibility on the rest (44% or 10%)

CPSSP

(“Comité Professionnel des Stocks Stratégiques Pétroliers”)

- ❑ Fulfillment of delegated obligation
- ❑ Coverage
 - Additional products « lent » by oil operators (tickets)
 - SAGESS stocks
- ❑ Commitment to use totality of SAGESS stocks and Delegation of obligation management to SAGESS

Long term agreement (“Convention”) ⁽¹⁾



SAGESS

(“Société Anonyme de Gestion de Stocks de Sécurité”)

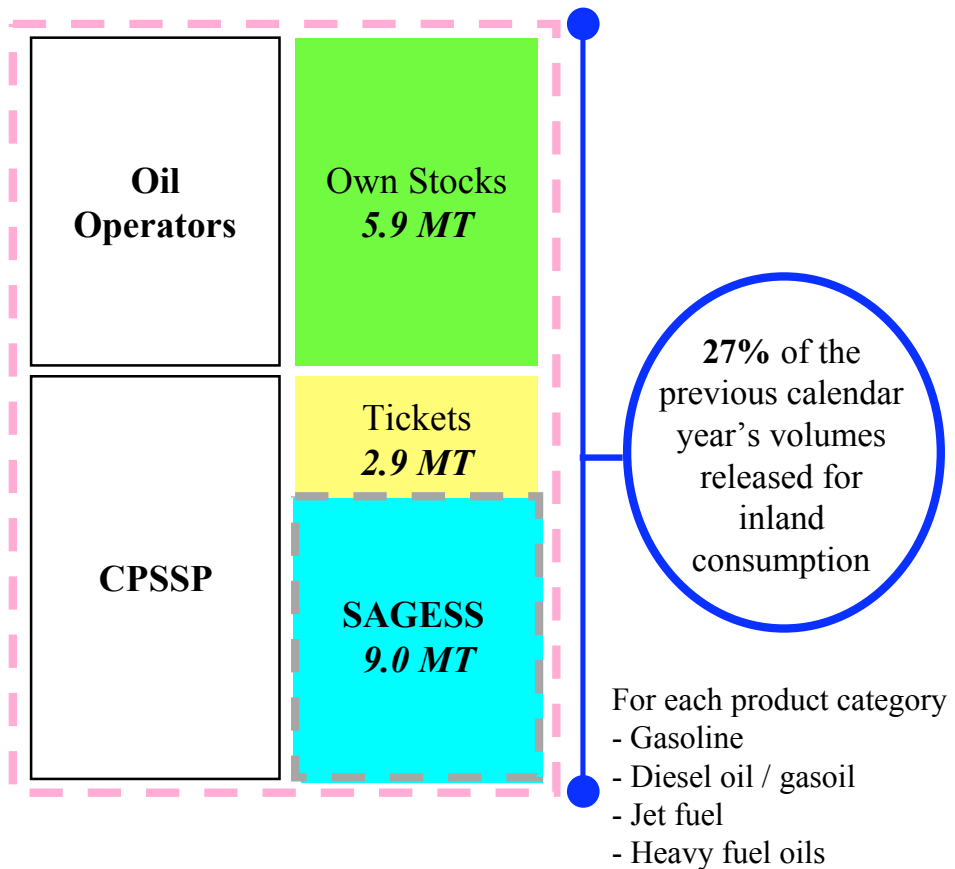
- ❑ Stocks build up and maintenance
- ❑ Operation of CPSSP duties
- ❑ SAGESS' exclusive object is oil reserve management

(1) Long term agreement with a 5-year cancellation notice.

France's Obligation Fulfilment: 17.8 MT as of 1st July 2004

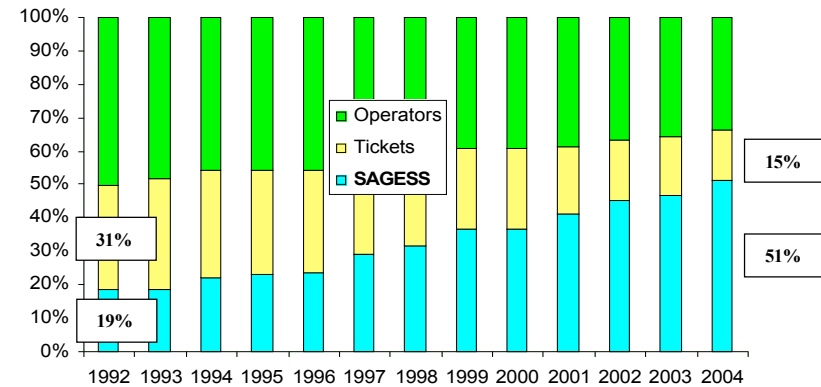
In the long run, a growing central coverage and an increased recourse to SAGESS

Obligation

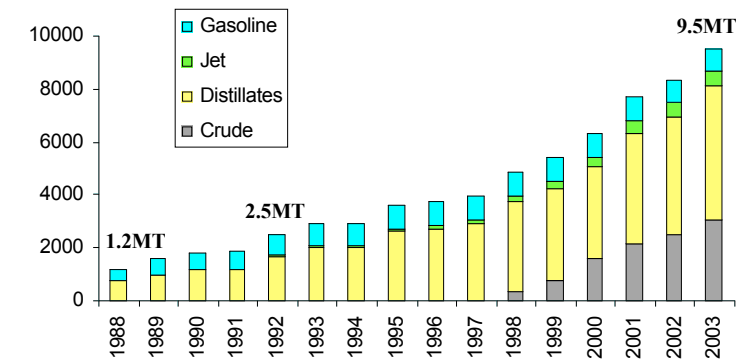


An Increased Recourse to SAGESS

Sources of coverage of the national obligation



SAGESS Stocks (T)



SAGESS' Strategic Mission...

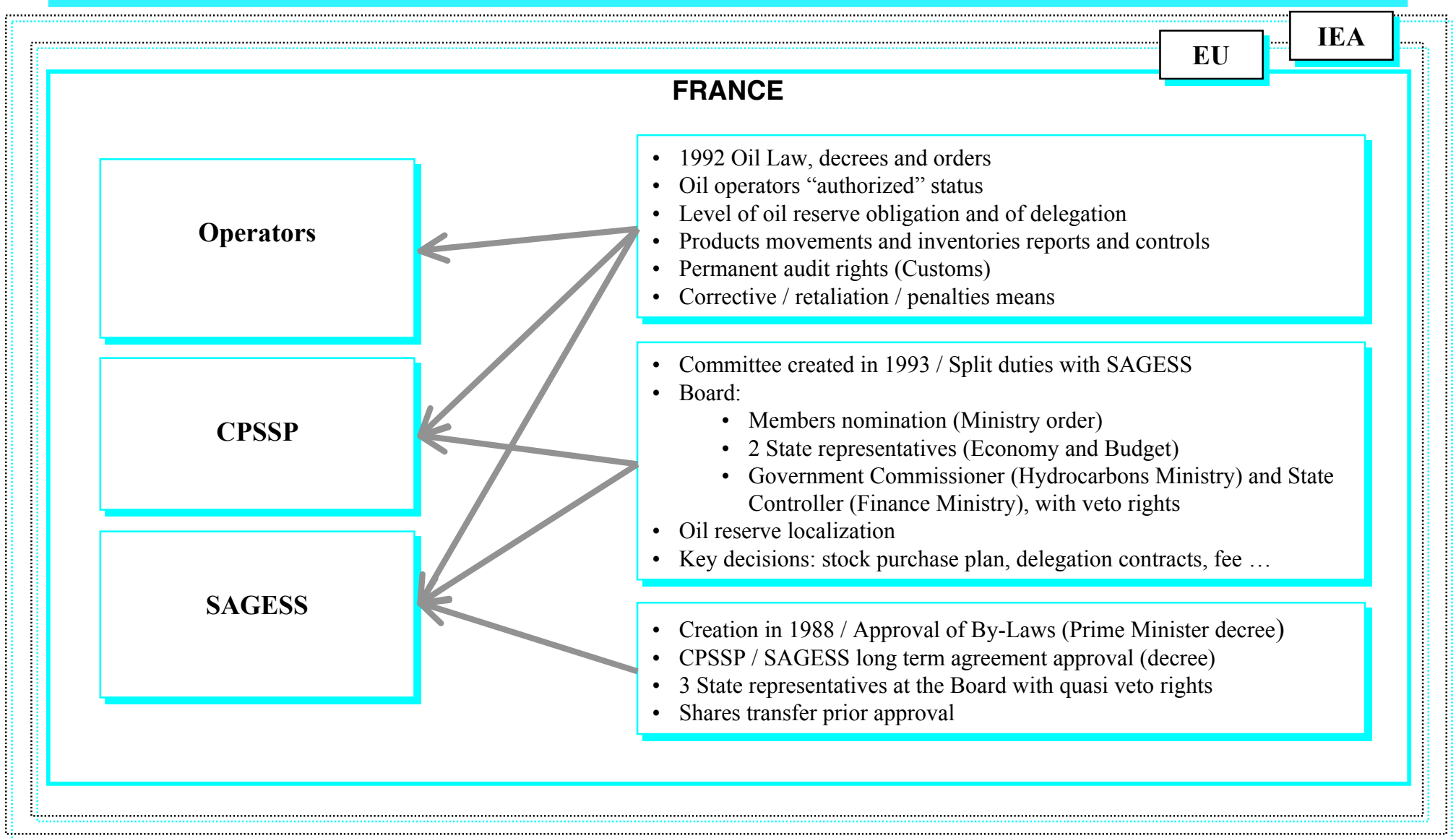
SAGESS has been entrusted with the mission of holding and controlling a major part of France's strategic oil reserves

- ❑ SAGESS was created in 1988 by government legislation to:
 - Ensure a tighter control over the French reserve obligation
 - Enhance supply availability in case of emergency
 - Maintain fair competition in the market
 - Ease the burden of compulsory inventories on operators' balance sheets

- ❑ SAGESS incorporates two ideas:
 - It is a private corporation (“*Société Anonyme*”) and it has private shareholders and management
 - It fulfils a public duty

- ❑ SAGESS' sole purpose is to build up and maintain the oil reserve stocks
 - SAGESS owns the stocks
 - Stock purchase and localization plans are endorsed by the State (via the CPSSP)
 - Stocks are at the disposal of the government (ministry official request)

... Under Tight and Permanent Control of the French State...



... Supporting SAGESS' AAA Rating Sustainability in the Long Term

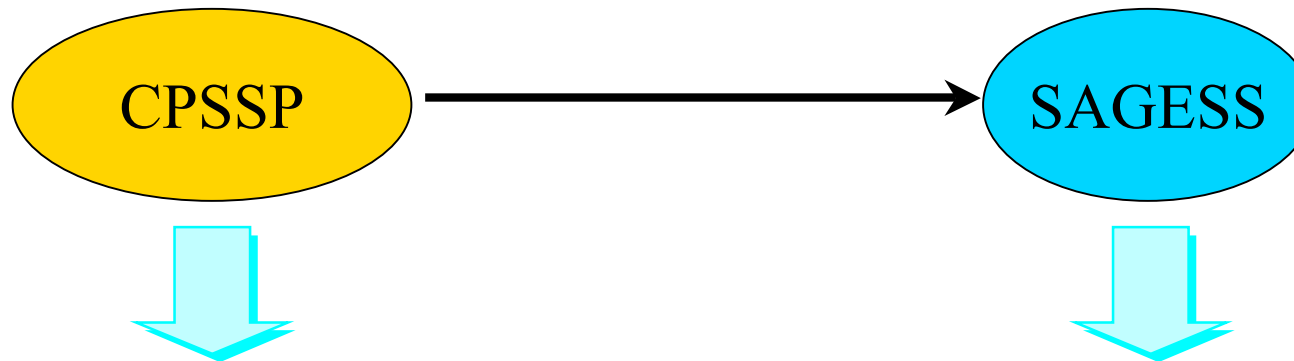
S&P has issued a preliminary rating for SAGESS' upcoming bond issue

- ❑ On 12th January 2004, Standard and Poor's confirmed its **"AAA" long-term issuer credit** and its **"A-1+"** short-term issuer credit ratings on SAGESS, with a stable outlook
 - The €500 million Commercial Paper program rating was confirmed at **"A-1+"** in summer 2004, on the occasion of the renewal of the program
- ❑ *"The ratings reflect the strategic importance of SAGESS to France and its key role in fulfilling France's legal obligation for stockpiling under EU and International Energy Agency requirements. The ratings are also underpinned by SAGESS' very stable financial performance and strong regulatory framework, which ensures close State supervision and control of SAGESS" – S&P*

Company Profile

SAGESS Operates on Behalf of the CPSSP...

A long term agreement, part of SAGESS' By-Laws, rules the CPSSP/SAGESS relationships

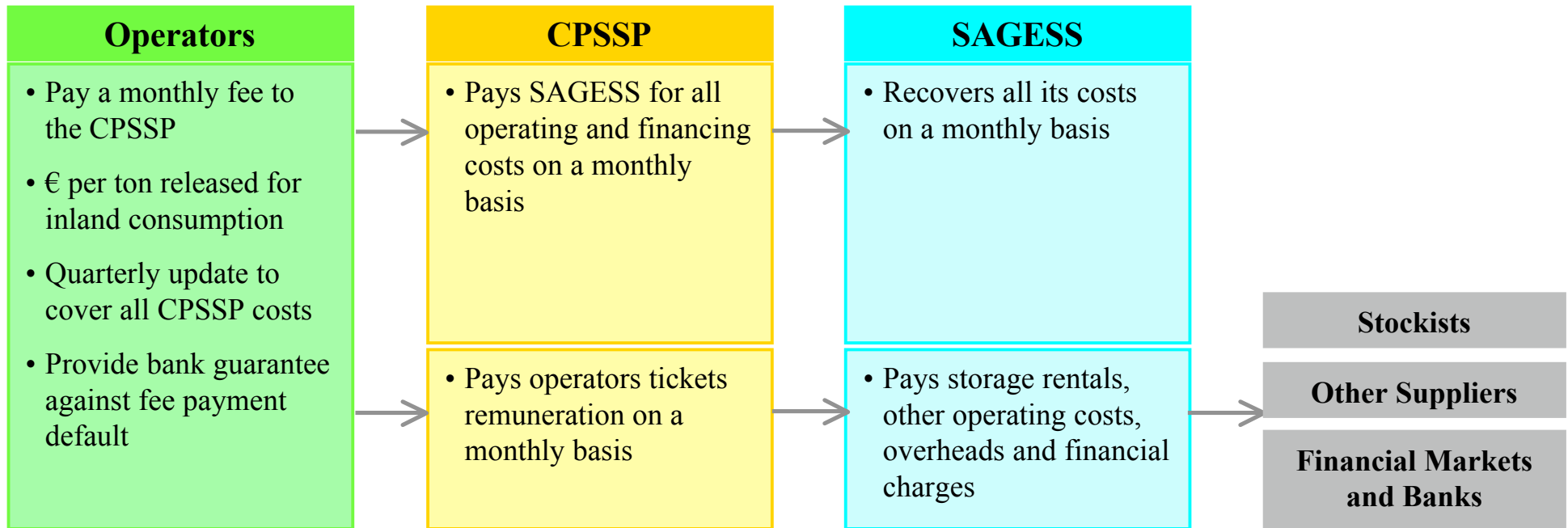


- CPSSP is a committee without assets or operational activities
- Oil reserves strategy and key decisions: purchase and sale program by SAGESS, level of the fee perceived from operators to cover all its costs
- Covers its delegated obligation via:
 - SAGESS' own stocks
 - Operators' "tickets" for the remaining
- Bank guarantee against fee payment default

- Buy oil stocks along CPSSP's endorsed purchase plan
- Owner and responsible for its own stocks
- Responsible for the management of the whole system (mandate of the CPSSP)
- All operating, administrative and debt-servicing expenses covered by CPSSP
- Can only sell upon State/CPSSP's formal request
- **Cannot sell at a loss**

... With Full Recovery of its Costs

SAGESS and CPSSP are by law self sustaining entities, which sets aside any liquidity issue



SAGESS is Run by an Experienced Management

Long experience in the oil industry

Board of Directors and “Comités”

- ❑ The Board of Directors is composed of 12 members from the Oil Industry. Three State representatives attend the meeting and have consulting and quasi veto powers
- ❑ A “*Comité de Gestion*” and a “*Comité Financier*” assist SAGESS management and the Board in operational and key financial matters respectively
- ❑ SAGESS is periodically audited by auditors of the shareholders

Experienced Management

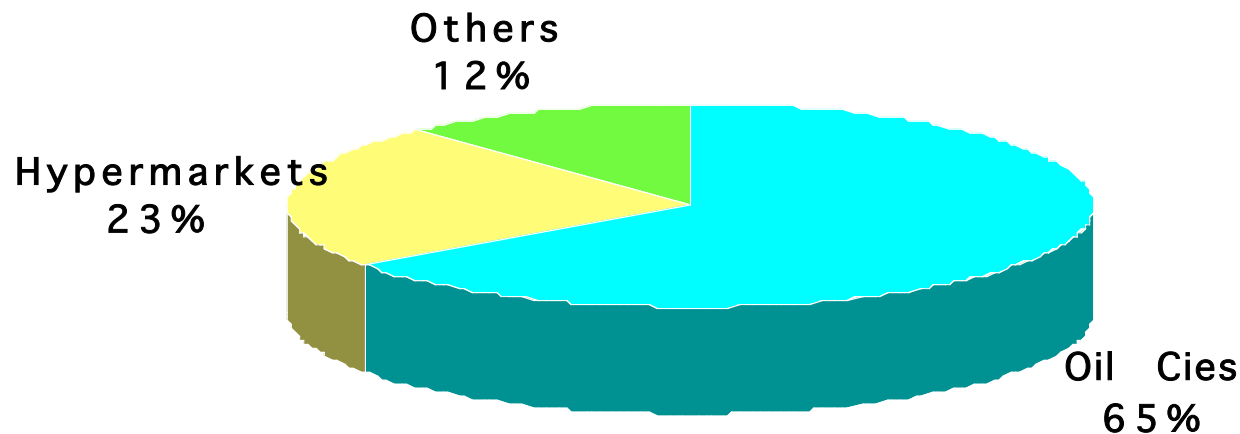
- ❑ Current **CEO Marc Larzillière** has been running SAGESS since 2001. Before that, he was Supply Coordinator at Total for Europe. He spent 32 years with Total
- ❑ **General Secretary and CFO Philippe Crevant** joined SAGESS early 2004. He was previously in charge of the ExxonMobil France Controllers Department. He spent more than 25 years with ExxonMobil.
- ❑ **Logistics Director Jean-Maurice Léouffre** worked for 22 years for the “Fuel Supply Joint Service of the French Ministry of Defense” before joining SAGESS early 2004. He was previously in charge of logistics and supply of the Med area
- ❑ **Project Manager Jean-Louis Pons** worked for 28 years for the “Fuel Supply Joint Service of the French Ministry of Defense” before joining SAGESS in 1995. He was the Logistics Manager until early 2004



A Stable and Oil Industry Representative Shareholding Structure

SAGESS is a private company owned by most of the players in the oil sector

- ❑ At the end of 2003, SAGESS shareholders' ⁽¹⁾ obligation share was around 95% of the country's obligation
- ❑ All SAGESS shareholders must be customs authorized oil operators:
 - **International oil companies** (TOTAL, Shell, ExxonMobil, BP, AGIP) and their subsidiaries
 - **Hypermarkets** (Carrefour, Auchan, Intermarché, Leclerc,..)
 - **Other importers/distributors**



- ❑ Shares can be transferred only with the government's prior approval

(1) SAGESS had 33 shareholders at year-end 2003.

Outlook and Perspectives

No change in the oil stockpiling laws in the foreseeable future that would affect SAGESS or CPSSP's creditworthiness

- ❑ There is no known project to modify the current strategic reserve stock system that would affect SAGESS or the CPSSP's creditworthiness
 - No such change is contained in the new Energy Law, currently at Parliament
 - Activities are closely monitored by international, European and national frameworks
 - SAGESS and CPSSP have a public service role

- ❑ Within the current legal framework, SAGESS' stocks are likely to increase over the next years
 - Slight increase in oil products consumption
 - Relative increase in market position of the operators which opted for a 90% delegation to the CPSSP, which in turn will ask SAGESS to implement the corresponding coverage
 - Decrease in tickets provided by the oil operators as a result of stock inventory streamlining

Operating and Financial Profile

SAGESS' Activities: Oil Stocks

Stock Acquisition Policy

- ❑ Purchases of oil products systematically carried out through a tendering process
- ❑ Most oil industry players are invited (refiners, traders, French and International)

Products in Stock

- ❑ Stocks are made up of gasolines, diesel oil/heating oil, jet fuel and of crude oil
- ❑ Heavy fuel oil tickets cover the CPSSP heavy fuel oil reserve requirements, avoiding recourse to SAGESS
- ❑ Crude oil is allowed as a substitute for finished products, up to a maximum substitution allowance, with one ton of crude being considered the equivalent of 0.8 ton of finished product

Storage Policy

- ❑ SAGESS is responsible for its storage management
- ❑ Localization plan is endorsed by Administration
- ❑ Its stocks must be kept in France and, subject to the Administration's agreement, abroad
- ❑ SAGESS stocks are spread in about 130 third party sites in 2004 (refineries, depots, Manosque underground storage)
- ❑ SAGESS only owns one small storage plant of 36 Km³ in Chasseneuil du Poitou (nearby Poitiers)

Quantity/Quality Controls

- ❑ Product quantities and qualities are regularly checked and stocks are periodically rotated
- ❑ As of 1st January 2005, gasoline and diesel oil specifications change, with a reduced sulfur content at 50 ppm maximum
- ❑ Alignment of SAGESS stocks has been initiated in 2003 and the program is currently under finalization



The “Pipeline SAGESS Manosque” Project

- ❑ Due to past and projected growth of the SAGESS stocks and limited availability of additional above-ground storages, SAGESS is increasing the proportion of products stored in the salt caverns of Manosque (South East of France)
- ❑ Following State request, all quantities at this site need to be released within 6 months maximum:
 - New pipeline planned in this respect: Pipeline SAGESS Manosque (€100 m budget)
 - Doubling of the transportation capacity currently in place between Manosque and the Berre/Fos-sur-mer area
- ❑ Calendar:
 - Official request for the construction and operation of the pipeline planned to be submitted in October/November 2004
 - Transfer into operation planned for 2007
- ❑ The pipeline will be owned by SAGESS. However, this pipeline (and its associated facilities) can be, if the Administration so requests, sold to CPSSP at net book value
- ❑ Long term agreements have been signed in 2003 with the owner and operator of the currently existing Manosque storage site and pipeline network, to:
 - Have the new pipeline operated within the same logistic organization.
 - Secure SAGESS long term storage needs at the Manosque site



SAGESS Profit & Loss Account

No possible loss and exemption from corporate tax

- ❑ Full cost recovery from CPSSP (law and CPSSP / SAGESS “Convention”)
- ❑ Stocks piled up at acquisition cost and not sold, hence no inventory effect
- ❑ If stocks requested to be sold by government:
 - Market price transaction
 - SAGESS guaranteed to receive at least the stock weighted average cost
 - If market price lower, CPSSP will compensate SAGESS by raising an extra fee from the operators
- ❑ All transactions in Euros – No derivatives

<i>(€ million)</i>	6 Months '04	Year '03
Cost recovery from CPSSP	84.8	155.2
Products storage costs	(62.0)	(107.0)
Other charges	(1.7)	(4.5)
Financial charges	(20.5)	(42.0)
Net Result	0.6	1.7

SAGESS Summary Balance Sheet

98% of the total balance sheet are made of stocks financed by borrowings. Stocks are protected against a fall in oil price and are insured

Assets			Liabilities		
<i>Figures in € million</i>	June 30, '04	Dec 31, '03	<i>Figures in € million</i>	June 30, '04	Dec 31, '03
Total Fixed Assets	5	6	Net Worth and Provisions	4	5
Oil Stocks	1,815	1,752	Borrowings	1,808	1,711
Receivables and others	35	22	Payables and Others	43	64
Total Assets	1,855	1,780	Total Liabilities	1,855	1,780

SAGESS' Financial Strategy is Highly Visible

SAGESS' financial strategy is reassessed and reviewed by the Board on an annual basis

Objectives

- ❑ To raise funds at a competitive cost only when needed to finance the stocks and the assets
- ❑ No risk taking with a major proportion of medium and long term borrowings
- ❑ Staggered maturities
- ❑ Diversification of funding sources
- ❑ Flexibility

Current Debt Structure

- ❑ Bonds, banks loans, commercial paper (in addition to shareholders' and CPSSP's loans amounting to €61 m)
- ❑ Majority of long term debt
- ❑ No liquidity issue: €500 m commercial paper program, CP back-up lines with four banks equivalent to one month's CP redemptions

Stock Evolution

- ❑ Borrowings follow the evolution of the stocks

Risk Management

- ❑ Short term floating rate debt policy
- ❑ No exposure to dollar or oil price
- ❑ SAGESS does not use derivatives except for swaps of new bond issues (Board prior approval)
- ❑ Periodic insurance risk assessment, insurance contracts in place (property products, environment, third party), high limits and limited deductibles

Conclusion and Key Considerations

- ❑ SAGESS, *Société Anonyme de Gestion de Stocks de Sécurité*, is a private company in charge of the management of the French strategic oil stock reserves. It is 100%-BIS weighted
- ❑ SAGESS has a “AAA” (long term) and a “A-1+” (short term) rating with stable outlook by S&P
 - Renewed each year since January 2001
 - Last updated on 12th January 2004
- ❑ SAGESS is at the heart of France’s strategic oil reserves system:
 - Criticality of oil supply and associated oil reserves for France
 - Dedicated and committed international framework (IEA and EU)
 - Exhaustive and strong legislation, support and control of the French State
 - No anticipated change in system
- ❑ Stable shareholding structure with most of the oil sector players
- ❑ Company run by an oil business experienced management team
- ❑ Highly visible financial policy
- ❑ Highly stable and secure cash flows with full recovery of all operating and financial costs, as well as minimal liquidity risk with borrowings financing stocks

