



S A G E S S

**Managing
strategic oil reserves**

**MANAGEMENT REPORT AND FINANCIAL
STATEMENTS**

AT 30 JUNE 2011

Management report on operations for the first half of 2011

1 – OVERVIEW OF THE STRATEGIC PETROLEUM RESERVE SYSTEM

RELEASES TO DOMESTIC CONSUMPTION

Strategic storage activities, split between the oil operators, CPSSP and SAGESS, are defined by Law 92-1443 of December 31st, 1992, and its subsequent implementing decrees (in particular 93.131 and 132 of January 29th, 1993, as amended), this regulation being consistent with the IEA Treaty and the EU regulations on that matter.

The first half of 2011 was characterized, among other things, by a slow economic recovery.

Net releases to domestic consumption (RTC) of oil products subject to strategic reserve requirements were down overall (2.5%) between H1 2010 and H2 2011, with decreases posted for all products except diesel and jet fuel:

- RTC of gasolines (category 1) continued to follow a longstanding downward trend, decreasing by 5.8% this half year.
- RTC of distillates (category 2 - diesel and heating oils) decreased by 1.3%. According to industry statistics, this combines a 2.9% increase in diesel deliveries and a 13.9% drop in heating oil deliveries. Besides this year's unique weather-related causes, these variations follow previously observed underlying trends.
- RTC of jet fuel (category 3) were up 3.9%.
- RTC of heavy fuel oil decreased sharply by 45%, essentially due to the lower demand of power plants.

(KT)	H1 2009	H1 2010	H1 2011	Deviation	Deviation (%)
Category 1	4 349	3 927	3 701	(226)	(5.8)
Category 2	23 717	22 678	22 384	(294)	(1.3)
Category 3	3 054	2 850	2 961	111	3.9
Category 4	1 213	762	419	(343)	(45.0)
TOTAL	32 333	30 217	29 465	(752)	(2.5)

Overall, these changes do not reverse the major trends that have been observed over a longer period, namely, a reduction of the gasolines market; an increase of the diesel oil market; a longstanding decrease of the heating oil market (based on weather phenomena which, in the short term, can considerably modify this major trend); and upward changes, though to lesser degrees, of jet fuel deliveries, highly sensitive to the economic climate.

NATIONAL RESERVE OBLIGATION

Since 2000, the reserve obligation has been based on the net release to domestic consumption of calendar year n and held constant from July 1st of year $n+1$ to June 30th of year $n+2$. As a consequence, the reserve obligations for the second half of 2010 and the first half of 2011 are based on the 2009 RTC. The obligation for the half starting July 1st, 2011 is determined with the 2010 RTC.

The national reserve obligation did not change over the first half, and equals 27% of the releases to domestic consumption. It will increase to 28.5% on July 1st, 2011, as part of the gradual adoption of the new EU Directive on strategic reserves.

Accredited oil operators have the choice between delegating 56% or 90% of their obligation to the CPSSP.

Consequently, the national reserve obligation and its coverage changed as follows (in MT of Equivalent Finished Products (EQFP)):

(MT EQFP) *	July 1 st 2009	July 1 st 2010	(As at December 31 st , 2010)	July 1 st 2011
National reserve obligation	17.4	17.0	17.0	17.7
Covered by:				
Oil operators	4.7	4.5	4.5	4.7
CPSSP	12.7	12.5	12.5	13.0
Tickets **	2.4	2.1	2.1	2.2
SAGESS	10.3	10.4	10.4	10.8

* Equivalent Finished Products - EQFP: one tonne of crude equals 0.8 T of finished products.

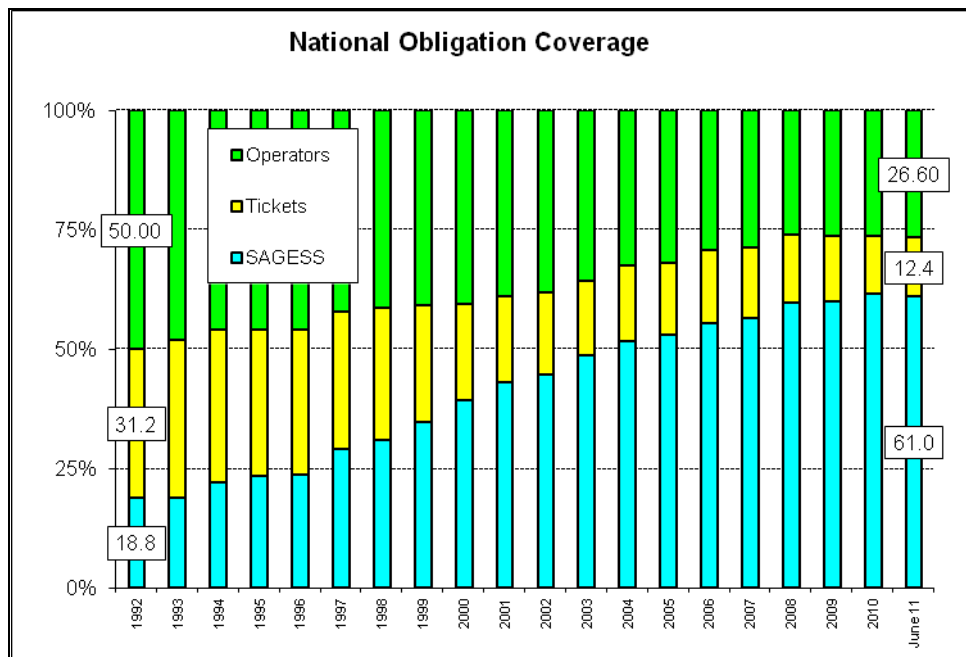
** Tickets: reserves owned by operators and contractually held at CPSSP disposal.

At July 1st, 2011, the CPSSP's coverage needs were up by 0.5 MT due to the combined effect of the drop in releases to domestic consumption in 2010 and the increase in the reserve obligation. Because of a 0.1 MT increase in tickets, recourse to SAGESS was up by 0.4 MT.

More generally, over the long term three phenomena have been observed:

- At a constant delegation rate, after rising over time, the national reserve obligation has leveled off the past few years and now appears to be heading downward. The economic crisis which started in 2008 overwhelmingly explains the drop in consumption first observed in 2009, which has continued since that year.
- The increase in delegations made by oil operators towards the central CPSSP system / SAGESS was a consequence of:
 - an increase in the rates of delegation set by the Administration
 - a growing market share of the operators delegating their obligation at 90% or 100%, and a parallel relative reduction of the market share of operators delegating 56%.
- A reduction in tickets following operators' reserve optimization initiatives.

As illustrated in the graph below, this results in a continuously increasing and significant portion of the national obligation being covered by SAGESS – more than 61% of the national obligation by end-June 2011 – and a parallel reduction of the other sources of coverage:



2 – SAGESS ACTIVITIES

ECONOMIC AND FINANCIAL ENVIRONMENT

Brent prices skyrocketed over the first months of the year, reaching an average of \$ 123/bbl in April, before dropping to an average of \$ 114/bbl at month-end June for an average of \$ 111.2/bbl over the period, 40% above the average 2010 price (\$ 79.5/bbl).

International prices for finished products in \$/T followed similar trends.

Despite a few blips, the euro once again started to rise against the US dollar, going from € 1.34 on average in January 2011 to € 1.44 on average in June 2011. The six-month average was € 1.40, against an annual average of € 1.33 for 2010 (up 5.3%).

The financial markets remained influenced by concerns over the sovereign debt of eurozone countries (Greece, Portugal and Ireland initially, followed by Italy and Spain) and the fallout on their credit ratings. Long-term bond yields (of the OAT French 10-year treasury bond) which had embarked once again on an upward curve, reaching 3.8% in April, settled back at the end-2010 levels at 3.4%, given the continuing attractiveness of French debt.

Short-term interest rates (EONIA and 1-3 month Euribor) continued to slide over the first half, reaching a plateau of 1.00%. On average, their H1 2011 levels were 0.86% for the EONIA, 1.04% for the 1-month Euribor, and 1.25% for the 3-month Euribor.

RESERVE BUILDING AND CONSERVATION

Procurement policy

Oil product procurement is systematically carried out by tender. Calls for tender are widely sent to oil industry operators (e.g. refiners and traders, French and foreign).

Products in stock

The SAGESS stocks are composed of the products of the first three categories (gasoline, diesel oil / heating oil, jet fuel) and of crude. Heavy fuel oil tickets to CPSSP are sufficient to avoid any recourse to SAGESS for this product category.

As per the reserve regulation, crude can substitute for finished products up to a certain limit, one T of crude equaling 0.8 T of finished products.

SAGESS stocks may not be posted as surety.

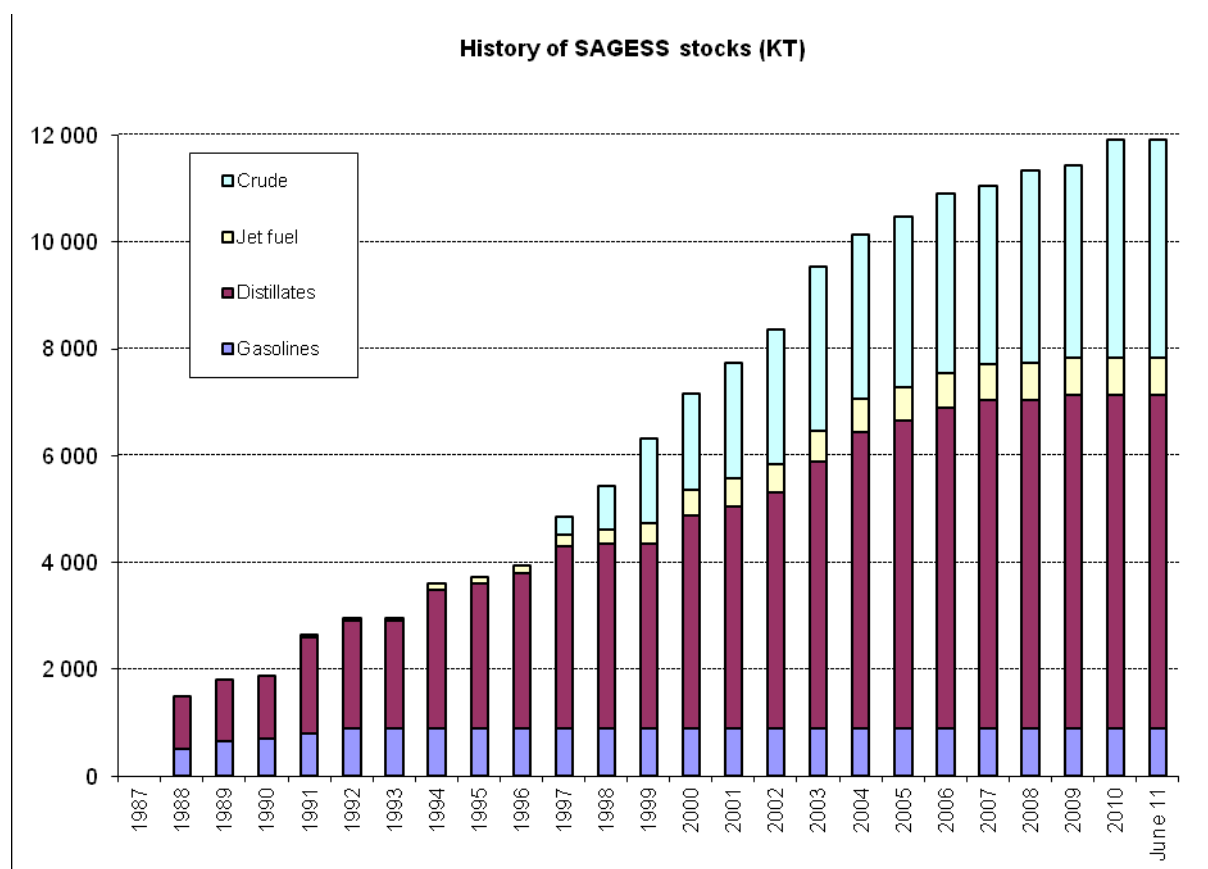
Procurement and stock levels

Given the lack of procurement over the first half, stock levels remained at 11.9 MT:

(MT)	Dec. 31 2008	Dec. 31 2009	Dec. 31 2010	30 June 2011
Stocks	11.2	11.4	11.9	11.9
For SPR* obligation	10.8	10.9	11.4	11.4
Additional	0.4	0.5	0.5	0.5
Lent stocks	0.1	-	-	-
TOTAL in MT	11.3	11.4	11.9	11.9
TOTAL in MT EQFP	10.6	10.7	11.1	11.1

*SPR = Strategic Petroleum Reserve

SAGESS stocks have almost doubled since the end of the 1990s:



Stock policy

SAGESS is in charge of its stock policy, under the control of the CPSSP. These stocks must be stockpiled in bonded warehouses in continental France or, on condition of Administrative approval, in another country.

Moreover, the geographical distribution of these stocks over the national territory includes goals set by Administration so that in the event of a crisis, the products will be rapidly expedited to centers of consumption. The location plan for SAGESS stocks which was put forth to the CPSSP was approved at the meeting of the Inter-ministry Commission on Hydrocarbon Storage Areas (Fr. CIDH) on June 27th, 2011.

SAGESS products are stocked almost solely in third-party storage facilities against payment of a storage fee. SAGESS owns only one storage facility, 33,000 cubic meters in dimension, at Chasseneuil-du-Poitou (in the Vienne department). All operations are entrusted to a professional operator.

The approximately 120 bonded warehouses used by SAGESS are refineries, most of the country's petroleum storage tanks, and the Manosque salt caverns.

Quantity and quality controls

Product quantities and qualities are regularly checked. Stocks are periodically rotated by the storage facility operator in order to permanently maintain their tradability, integrity, and quality in line with the market specifications.

Stock conservation costs

The average recurring conservation costs for SAGESS stocks (in EQFP) came to € 22.9/T in H1 2011, against € 21.6/T in 2010. This increase is principally explained by the higher interest rates in financial markets, and a near stability of warehousing costs.

Over the first half of 2011, there were no significant non-recurring events (e.g. works, changes to specifications, non-recurring income or expenditures, etc.).

SAGESS MANOSQUE PIPELINE

During the first half of 2011, a few final project activities, mainly concerning land permits, were performed at the SAGESS Manosque Pipeline, put into operation on November 9th, 2007.

€ 502 K in additional expenses were booked in the first half, bringing the cumulative total cost since the beginning of the project to € 120 M (including € 115 M of property, plant and equipment).

ORGANIZATION

At June 30th, 2011, there are 13 positions at SAGESS, of which six are staffed by seconded staff.

RISKS AND INSURANCE

In the interest of risk management, SAGESS periodically takes two parallel measures:

- Identification and analysis of those risks to which SAGESS is exposed, both in terms of quality (e.g. type of risks) and quantity (e.g. estimated size and likelihood of these risks). This process was conducted in 2005 in conjunction with the SAGESS broker.
- The application of HSE (Health, Safety / Environment) standards applicable in the industry.

As a result of these analyses, the scope of insurance coverage is reviewed with SAGESS's insurance broker and adapted as necessary. The financial conditions are reviewed annually, to ensure they remained optimized and in line with the insurance market financial conditions.

The 2011 insurance contracts were renegotiated at end 2010. Insurance rates are flat, following a period of decrease which led to overall stable insurance costs from one year to the next for even greater coverage this year (particularly a rise in stock volumes).

The key arrangements covering damages to property (products and assets), staff, or third parties are as follows:

- Property damage insurance covers all assets and products stockpiled at Chasseneuil-du-Poitou; the petroleum products stored at third party sites (for fire/explosion risks only and in accordance with the provisions of the storage contracts); the PSM and the SAGESS head office at Rueil-Malmaison. Coverage stands at € 100 M per incident, with a deductible of € 30,000-80,000 per incident. Under the storage contracts, each storage company is responsible for the products stockpiled at its sites and for bodily or material damages to its own personnel, third parties and facilities. These risks must be covered by insurance. The existence of these insurance contracts is verified on an annual basis.
- Environmental liability insurance covers environmental risks relating to 1) the 33,000 m³ storage facility owned by SAGESS at Chasseneuil-du-Poitou; 2) the operation of the new pipeline, and 3) indirect risks to which SAGESS could be exposed following the 2008 enactment of EU Directive 2004/35/EC on Biodiversity. Coverage for all damages combined stands at € 15 M per incident per year, with a deductible of € 100,000. The environmental risks associated with the storage and management of SAGESS products at third party sites are covered by the site operator insurance. The existence of these insurance contracts is verified on an annual basis.
- General civil liability insurance to cover bodily injuries, physical damages and consequential damages to third parties arising out of SAGESS's liability. Coverage stands at € 15 M per incident, with a deductible of € 30,000 per incident.
- Civil Liability insurance for directors and officers, set up in May 2005 after a market analysis and call for tenders. Its purpose is to cover monetary damages of any incidents engaging the civil responsibility of a SAGESS director and imputable to any professional negligence, real or alleged. Coverage is limited to € 5 M, with no deductible.

3 – FINANCIAL POSITION

PRESENTATION OF ACCOUNTS

The presentation of accounts is unchanged from previous years. Accounts are drawn up in accordance with the PCG (French GAAP) as well as with the requirements of the professional charter of accounts of the oil industry. It also takes into account SAGESS specificities arising from legal and regulatory dispositions, notably article 1655 quater of the French Tax Code (exemption from corporate tax and requirement to book stocks at their acquisition price).

SAGESS is not obliged to publish its accounts following IAS or IFRS standards, since it does not publish consolidated financial statements.

RATING

In October 2010 Standard & Poor's maintained its long term AAA rating and short-term A-1+ rating for SAGESS, first conferred in January 2001 and confirmed annually since, with a stable outlook. Once again this year, these ratings are expected to be updated before the end of the summer.

P&L RESULT

Under the terms of the Agreement with the CPSSP, the latter reimburses SAGESS the entirety of its expenses (e.g. stock storage and maintenance, all operating expenses, financing expenses, etc.).

The net profit for H1 2011 is € 2 K.

COMMERCIAL PAPER

The commercial paper program has been set at € 1,250 M (unchanged from 2010). This ceiling is part of the adjustments made during the financial crisis to provide SAGESS with additional financing flexibility. Its appropriateness is periodically reviewed by the Board, and as a precaution, is maintained at this level to stay flexible in case the markets deteriorate. SAGESS has several credit lines totaling € 590 M.

ADVANCES FROM SHAREHOLDERS AND CPSSP LOAN

The initial shareholder advance has been entirely substituted by a CPSSP zero-interest loan (as the initial shareholders' advance was) for the contractual amount of € 61 M.

EXTERNAL FINANCING STRUCTURE

SAGESS external financing at end June 2011, excluding the CPSSP loan and accrued interest, stood at € 2,884 M:

- Bonds : € 1,939 M
- Bank lines : € - M
- Commercial paper : € 945 M

LIQUIDITY AND INTEREST RATE RISK

The financial policy was pursued and is reapproved by the Board of Directors every year. This was done in December 2010.

This policy defines the major equilibriums to respect between the various financing sources and maturities; goals for staggering maturities to ensure financing at all times; and interest rate risk policy. The policy remained unchanged, with priorities focusing on the flexibility of financing and response time if significant tensions are detected. In line with this, the bond element of financing will be increased in the medium term.

The policy is variable-rate debt (decision re-approved at the December 2010 meeting of the Board of Directors).

Any derivatives transactions are still subject to the prior approval of the Board of Directors. At the end of June 2011, eight swaps, set up during each of the six bond issues, were underway.

Given the volatility of the financial markets, the markets which SAGESS turns to for financing were once more subjected to detailed reviews at the end of the first half. The findings will be presented to the August 2011 Board meetings as part of the authorizations for new bond issues in line with the 2011/2015 financing plan.

OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet commitments for guarantees provided consist essentially in Customs guarantees and provisions for indemnities in the event of premature termination of certain warehousing contracts.

As part of the SAGESS Manosque Pipeline construction project, and pursuant to the respective Board meetings of June 2003, the CPSSP confirmed its commitment to also cover all costs relating to the pipeline through the delegation fee provided for in Paragraph 2 of Article 3 of the French Petroleum Industry Reform Act (Law 92-1443). On the other hand, SAGESS has pledged to hand over this pipeline and its facilities to the CPSSP, if required by the State, at their net book value at the time of the handover. In this case the CPSSP would also take over all duties relating to these facilities.

PROTECTION AGAINST OIL PRICE FLUCTUATIONS AND THE INVENTORY EFFECT

SAGESS assets are made up almost exclusively of petroleum product stocks that are booked at their acquisition cost (€ 2,843 M at end June 2011, approximately 95% of assets).

Given the arrangements described below, SAGESS cannot sell its stocks at a loss. In addition, being booked at acquisition cost, stocks are not revaluated at market prices and are therefore immune to price fluctuations of petroleum products.

Under article 1655 quater of the French Tax Code: "The company can only dispose of its stocks at a price above their average acquisition cost. Disposal can only take place in the following two cases:

- (i) upon an injunction from the Oil Minister, taken in accordance with applicable regulations, and
- (ii) at the request of the CPSSP".

In addition, the CPSSP's By-Laws provide that: "The CPSSP has entered into an agreement with SAGESS which was approved by ministerial decree. This agreement stipulates in particular that if SAGESS is required by the CPSSP to sell its stocks, the CPSSP will take all necessary measures so that SAGESS receives at least the inventory cost of the sold stocks, in accordance with Article 1655 quater of the French Tax Code. To this end, if the sale price of the SAGESS stocks which are sold is less than their average inventory price, in other words if the sale is made at a loss, the payment received by CPSSP will then be fixed at an amount which will allow SAGESS to be wholly indemnified within a reasonable period not exceeding one year and, as a result, to repay as and when required its borrowings, interest and related costs to its banks or other lenders."

For information purposes, based on the average prices of June 2011, there was an unrealized capital gain of € 4,859 M on the stocks, influenced by the June 2011 prices which remained considerably higher than the average acquisition price of SAGESS stocks.

FOREX RISK

All foreign currency transactions, other than spot transactions, require prior approval from the Board. SAGESS performs all procurement in Euros and is therefore not exposed to FOREX risk.

EQUITY RISK

SAGESS shares are not listed and the shareholding is limited to oil operators subject to the strategic petroleum reserve requirement. According to article 1655 quater of the French Tax Code, "the shares of this company [SAGESS] may not be sold without the agreement of the ministers." »

TAX EXPOSURE

Exemption from corporate income tax

SAGESS is exempt from corporate income tax under article 1655 quater of the French Tax Code.

Tax audit

SAGESS received tax adjustments (re: corporate property tax) for the years 1999 to 2002 included, totaling € 3.0 M (€ 2.4 M for adjustments, € 0.4 M for late payment interest and € 0.2 M for penalties). These adjustments were settled in 2004 and paid.

Without changing the company's opinion that SAGESS performs a public service, and should be regarded as a non-profit body, to avoid, in the less favorable outcome, late payment interest and penalties, the company's procedures for corporate property tax filings and payments have been modified since the 2003 financial year. Filings and payments to the Tax Authorities are now made following the basis required by the Tax Authorities, along with a reimbursement request for amounts SAGESS has paid yet believes are not due.

These adjustments and bases for calculation are still being contested by SAGESS. In the absence of an agreement with the Tax Authorities, legal proceedings are underway. At the beginning of August 2008, SAGESS filed an appeal for the decision to be upheld or overturned by the administrative court of last resort. The company has not been notified of any potential hearing date during the second half of 2011 for the disputes being examined by the *Conseil d'Etat*.

An amount equaling the amounts recalculated for 1999-2002, as well as the amounts declared for the subsequent periods on the bases of the Tax Authorities, is booked as a receivable from the Tax Authority, in harmony with our belief that the hearing underway will rule in our favor. Nevertheless, given the ruling by the Bordeaux administrative Court of Appeals, and as a precautionary measure, this receivable has been entirely covered by provisions since the first half of 2008. It totaled € 11 M at the end of June 2011.

LEGAL EXPOSURE

CFPN litigation

Since 1989, SAGESS has been in litigation with CFPN, a storage company which was storing SAGESS stocks. CFPN had posted SAGESS products as collateral to a bank. The bank started legal proceedings, claiming the value of these products as collateral. The court ruled that SAGESS was authorized to remove the products from the CFPN sites and had stored them at another storage facility. The Douai Court of Appeals ruled in favor of the bank in December 2004. SAGESS brought the case before the Court of Cassation in July 2005. The Court issued its ruling against SAGESS in September 2006.

The December 2004 ruling was complied with (payment of € 3 M), and the provision previously figuring as a liability on the balance sheet (provision for risks) was reversed in 2005, without material impact on the 2005 profit or loss statement. The 2006 Court of Cassation ruling which closed the case also had no impact on the profit and loss statements of 2006 onwards.

This trial had put on hold criminal proceedings which were under way against the CFPN manager for breach of trust. With the Court of Cassation ruling, damages are precisely defined and the criminal proceedings have been reopened at the Douai criminal court. In June 2008, the latter sentenced the director of the CFPN to pay SAGESS € 3 M. The sentence was upheld by the Douai Court of Appeals on March 6th, 2009. The CFPN director filed an appeal at the Court of Cassation on May 15th, 2009. Parallel to this, following the June 2008 ruling, SAGESS had carried out a certain number of seizures and had initiated legal proceedings to recover its receivable following the ruling of the Douai Court of Appeals on March 6th, 2009.

The death of the principal concerned party at the end of 2010 does not change the grounds for the hearings regarding the seizures.

As a precautionary measure, this receivable has not been booked.

PSM project litigation

A detailed review of each litigation case, underway or potential, was conducted. For the following reasons, it was decided not to book any provision for either risks or, as a precautionary measure, for future amounts received when SAGESS sues for sums it believes it is owed:

- In matters relating to land permits, no litigation is under way any longer. There is a risk that a few claims may be made during the second half of 2011, totaling approximately € 0.1 M.
- In a dispute with the Tax Authorities, regarding a delegation fee paid out by SAGESS during the construction of the pipeline, the ruling was in favor of SAGESS. The amount has not yet been confirmed; this is expected for sometime in 2011. The income and receivable are not booked in either the 2010 financial statements or the half-yearly statements of 30 June 2011.
- One last dispute relating to the PSM construction site had a favorable outcome for SAGESS during the first half of 2011. The dispute had arisen from the incidents and accidents caused by one company during the installation of the pipeline. This situation had impelled SAGESS to replace this company with a second one. Following adversarial proceedings between the company and SAGESS, the Versailles Court of Appeals upheld the favorable ruling of the Nanterre Business Tribunal. The favorable ruling of the Versailles Court of Appeals is currently being executed by the Italian courts. This company's attempts to block these proceedings in Italy failed, thus reinforcing SAGESS' position both in France and Italy. The income (outside of legal costs) will be € 2,864,542. Nevertheless, as a precautionary measure this receivable has been depreciated to the amount not covered by the bank guarantee posted for SAGESS. A first bank deposit totaling € 629,000 was made at the end of June, and the rest of the guarantees were received in July 2011 (totaling € 2,149,000). At 30 June 2011, the amount of the provision was € 655,000.

SUMMARY OF THE FINANCIAL STATEMENTS

The detailed financial statements are provided in the Appendix. In simplified terms, the SAGESS financial statements are mainly influenced by stock increases, variations in unit storage costs and interest rates, and in some years, also by non-recurring activities such as the PSM project or changes to product specifications.

The SAGESS balance sheet at June 30th, 2011, is essentially composed of the reserve stocks on the assets side and of the external borrowings on the liabilities side. It can be summarized as follows:

	€ M	%		€ M	%
Net fixed assets	93	3.1	Net worth and provisions	-	-
Stocks	2 843	94.9	Borrowings	2 957	98.7
Receivables and miscellaneous	60	2.0	Payables and miscellaneous	39	1.3
Total	2 996	100.0	TOTAL	2 996	100.0

- Fixed assets are essentially the SAGESS Manosque Pipeline and the Chasseneuil-du-Poitou storage facility.
- Stocks are the strategic petroleum reserves acquired and held by SAGESS.
- Receivables comprise essentially the CPSSP receivables corresponding to one month of SAGESS services. They also include a 100% provision for the receivable from the State (corporate property tax dispute) totaling € 11 M.
- Supplier payables essentially comprise storage costs for June.

The H1 2011 profit and loss account stands as follows:

	€ M	%
Cost recovery from CPSSP	129.2	100.0
Stock storage and monitoring	(104.9)	(81.2)
Other operating costs	(2.4)	(1.9)
Financing costs	(21.9)	(16.9)
Net result	-	-

- Each month SAGESS recovers all of its costs from the CPSSP, namely the costs of storing and financing its assets (at the average borrowing rate) and operating costs. It therefore made neither a profit nor a loss, SAGESS' objective not being to make a profit.

Since the closing of accounts, no event occurred which could have any impact on the end-June 2011 financial statements.

SUPPLIER PAYMENT SCHEDULE AT 30 JUNE 2011 (Commercial Code Art L 441-6-1 and D 444-4)

	Total balance	30 days	30-60 days	over 60 days	Guarantee
31 December 2010	€ 253 039 877	€ 252 094 148	€ 23 085	€ 112 644	-
30 June 2011	€ 25 984 065	€ 25 760 806	€ 30 015	€ 193 244	-

The € 193,244 which are payable after 60 days correspond to an agreement revision which is currently being negotiated.

NON TAX-DEDUCTIBLE CHARGES

Following the requirements of Article 223 of the French Tax Code, it should be mentioned that the accounts do not contain – other than the ORGANIC effect – any non-tax-deductible expenses, as stipulated in Article 39-4 of the said Code.

SHARE CAPITAL

At 30 June 2011, the capital is held by 31 shareholders, whose strategic petroleum reserve obligation represents about 96% of the French national obligation:

Shareholders and their subsidiaries holding over 5% of capital

TOTAL Raffinage Marketing	35.1%
SIPLEC	10.6%
Esso S.A.F.	9.0%
CARFUEL	7.4%
SCA PETROLES ET DERIVES	7.2%
BP	6.3%

Shareholders and their subsidiaries holding under 5% of capital 24.4%

The General Assembly delegated no capital increase.

COMPENSATION OF BOARD MEMBERS

As in previous years, Board members received no compensation.

The current Chairman has been seconded to SAGESS since September 1st, 2009, and his parent company (TOTAL S.A.) charged SAGESS € 173,410 (excluding tax) in H1 2011 for this secondment.

4 - 2011 OUTLOOK

Going into the second half, recourse to SAGESS in relation to the strategic petroleum reserve obligation should remain stable, given the short-term tickets made available to CPSSP over the period.

2011 forecasts concerning releases to domestic consumption are slightly down compared with 2012. They are not expected to offset the second step of the increase in the national reserve obligation, which will go to 29.5% on July 1st, 2012 when the new EU Directive on reserve stocks is adopted. This new step will involve the CPSSP seeking to renew its short-term tickets, and SAGESS procuring oil products to cover the remainder.

The transposition of this new EU Directive is continuing under the guidance of the French Energy and Climate Board (Fr. DGEC) and the CPSSP. During the June 2010 Board meeting, the Energy and Climate Board confirmed that SAGESS would be the Central Storage Entity, as defined in the Directive. The Board also confirmed that the transposition, which will take effect by end 2012 at the latest, is oriented towards reinforcing the role of the central strategic petroleum reserve system.

Given the above-mentioned procurement program and the anticipated € 164 M bond repayment slated for March 2012, a bond issue authorization will be submitted for the approval of the August 2011 meeting of the Board of Directors. Its purpose will be to cover the aforementioned needs, while reinforcing the bond element of SAGESS financing.

The Board

STATEMENT OF THE CHAIRMAN AND THE CFO

H1 2011 FINANCIAL STATEMENTS

We declare that, to the best of our knowledge, the accounts and financial statements of SAGESS, the public limited company for the management of strategic petroleum reserves, have been drafted in compliance with accounting standards applicable in France and provide a faithful view of the assets, financial standing and result of the company at June 30th, 2011.

The attached management report presents a faithful overview of the major occurrences of the first six months of the financial year, their effect on the accounts, and a description of the main risks and uncertainties facing SAGESS for the remaining six months of the financial year.

Rueil-Malmaison, July 22nd, 2011

A handwritten signature in black ink, consisting of a large, sweeping loop on the left and several vertical strokes on the right.

Jean-Claude Smadja
Chairman and General Manager

A handwritten signature in black ink, featuring a long, horizontal stroke at the top and several smaller, more complex strokes below it.

Edouard Filho
Corporate Secretary and Chief Financial Officer

Financial statements

- ❖ Balance sheet – Assets at 30 June 2011

- ❖ Balance sheet – Liabilities at 30 June 2011

- ❖ H1 2011 profit and loss statement

- ❖ Notes to the financial statements at 30 June 2011

BALANCE SHEET - ASSETS

(in euros)	30 June 2011			31 Dec. 2010
	Gross	Amortization and provisions	Net	Net
FIXED ASSETS				
Intangible assets	3 294 050	1 163 624	2 130 427	2 228 803
Software and user rights	3 294 050	1 163 624	2 130 427	2 228 803
Tangible assets	122 553 336	32 060 851	90 492 485	93 538 681
Land and land improvement	576 826	15 679	561 147	561 147
Buildings	280 593	199 200	81 393	87 505
Plant and industrial equipment	120 155 177	31 619 242	88 535 935	92 494 903
Other	348 885	226 730	122 156	133 935
Assets under construction	1 191 855		1 191 855	261 191
Financial assets	278 949		278 949	504 006
Prepaid long-term storage rents	225 688		225 688	451 376
Deposits and sureties	53 261		53 261	52 630
TOTAL FIXED ASSETS	126 126 335	33 224 475	92 901 861	96 271 490
CURRENT ASSETS				
Stocks of oil products	2 843 362 259		2 843 362 259	2 820 712 699
Receivables	48 384 148	11 649 165	36 734 983	26 993 710
Trade receivables and related accounts	27 258 896		27 258 896	15 122 428
Other	21 125 252	11 649 165	9 476 087	11 871 282
Cash & cash equivalents	8 393 460		8 393 460	7 714 581
Marketable securities	7 293 915		7 293 915	7 321 567
Cash	1 099 545		1 099 545	393 015
Prepaid expenses	2 413 445		2 413 445	472 441
TOTAL CURRENT ASSETS	2 902 553 312	11 649 165	2 890 904 147	2 855 893 432
Bond issue premiums	12 496 227		12 496 227	13 650 331
TOTAL ASSETS	3 041 175 874	44 873 640	2 996 302 234	2 965 815 254

BALANCE SHEET - LIABILITIES

(in euros)	30 June 2011	31 Dec. 2010
Capital	240 000	240 000
Legal reserves	24 000	24 000
Retained earnings	3 312	107
Net income	2 012	3 205
TOTAL SHAREHOLDERS EQUITY	269 324	267 312
Provisions for risks		
Provisions for charges	256 672	221 670
TOTAL PROVISIONS	256 672	221 670
Financial debt	2 956 897 186	2 680 955 773
Bonds	1 939 473 684	2 239 473 684
Loans and debt from financial institutions	11 443 895	15 502 482
Other loans and financial debt	1 005 979 607	425 979 607
Miscellaneous liabilities	26 558 946	270 901 473
Supplier payables and related accounts	25 957 026	270 174 852
Payables to suppliers of fixed assets	27 040	1 312
Social security contributions and taxes	502 043	654 142
Other liabilities	72 838	71 167
Deferred income	12 320 106	13 469 026
TOTAL LIABILITIES	2 995 776 238	2 965 326 272
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2 996 302 234	2 965 815 254

PROFIT AND LOSS STATEMENT

(in euros)	30 June 2011	30 June 2010	31 Dec. 2010
Services	-	-	-
NET TURNOVER			
Costs recovered from CPSSP (France)	129 155 960	115 423 310	230 963 311
Reversal of provisions	60 000	-	-
Other revenues	-	-	-
TOTAL OPERATING REVENUE	129 215 960	115 423 310	230 963 311
Purchases of oil products	(22 794 248)	(406 073)	(252 273 209)
Variation in stocks	22 649 560	406 142	252 417 644
Other external purchases and charges	(102 535 239)	(95 974 894)	(193 390 252)
Taxes and dues	(144 419)	(194 350)	(460 607)
Personnel costs	(433 919)	(429 965)	(890 222)
Salaries	(279 298)	(280 326)	(585 853)
Social security contributions	(154 621)	(149 639)	(304 369)
Depreciation of fixed assets	(4 075 236)	(4 120 599)	(9 002 764)
Provision for risks and charges	(35 002)	(34 998)	(70 000)
Other operating costs	-	(3)	(3)
TOTAL OPERATING CHARGES	(107 368 502)	(100 754 740)	(203 669 412)
OPERATING INCOME	21 847 458	14 668 570	27 293 900
Net interest income from marketable securities	72 237	8 997	562 904
Other financial income	1 190 629	1 098 439	2 791 886
Interest charges	(21 587 165)	(14 233 904)	(31 843 617)
Depreciation and provisions	(1 154 105)	(1 094 704)	(2 216 121)
NET FINANCIAL LOSS	(21 478 404)	(14 221 172)	(30 704 947)
PRE-TAX INCOME FROM ORDINARY ACTIVITIES	369 055	447 398	(3 411 048)
Provision for risks reversal	-	-	1 359 566
Non-recurring income	-	-	3 098 773
Non-recurring charges	-	(1 067)	(438 083)
Non-recurring depreciation and provisions	(367 043)	(444 846)	(606 003)
NET INCOME FROM NON-RECURRING ITEMS	(367 043)	(445 913)	3 414 253
Income tax	-	-	-
NET RESULT	2 012	1 485	3 205

Figures in parentheses are negative.

Notes to the balance sheet and profit and loss statement at 30 June 2011

1 - HIGHLIGHTS

In accordance with our financing plan, the October 2010 bond issue covered the financing needs of the first half of 2011. The bank credit lines maturing during the period were renewed to maintain the company's liquidity.

2 - ACCOUNTING PRINCIPLES, RULES AND METHODS

GENERAL PRINCIPLES

The financial statements have been prepared in accordance with French accounting rules, while taking into account SAGESS specificities, including the legislative provisions and in particular Article 1655 quater of the French Tax Code.

SAGESS uses the historical cost method of accounting.

The methods used to draw up these accounts are unchanged over those used to draw up previous years' accounts. They comply with both the French Charter of Accountants and the accounting rules of the oil industry, taking into account SAGESS specificities.

SAGESS is not obliged to publish its accounts following IAS or IFRS standards, since it does not publish consolidated financial statements.

As part of the overhaul to its information system, expenditures of the SIGESS project were capitalized starting in December 2010. These expenditures are booked under "assets under construction" and will be commissioned upon start-up of the system.

TANGIBLE AND INTANGIBLE ASSETS

Assets are recorded at acquisition or production cost.

Economic depreciation is calculated using the straight-line method for the durations normally applied to our business.

Pipeline	20 years
Infrastructure, buildings, constructions	10 to 15 years
Land improvements	10 years
Construction improvements	10 years
Plant and industrial equipment	10 years
Fittings	10 years
Office furniture	10 years
Office and IT equipment	3 to 5 years
Automatic control systems	5 years
Software	3 to 5 years

FINANCIAL ASSETS

This item consists of guarantee deposits and of contributions to prepaid long term storage rentals.

STOCKS

The sole purpose of SAGESS stocks is to cover the portion of the national obligation for strategic petroleum reserves delegated to oil operators. These stocks can be sold only upon formal government injunction or at the request of the CPSSP.

Under Law 92.1443 and Article 1655 quater of the French Tax Code, stocks are assessed and booked at their acquisition cost incremented with the costs of transportation to their final storage location.

Pursuant to the same provisions, the stocks cannot be sold at a loss. In case of sale, and if the market price is lower than the book value, CPSSP must cover the difference. There are therefore no grounds to depreciate the stocks when the market prices are lower than the book value.

3 – ADDITIONAL DATA RELATIVE TO THE BALANCE SHEET AND PROFIT AND LOSS STATEMENT

FIXED ASSETS AND AMORTIZATION

1 – FIXED ASSETS AS AT 30 JUNE 2011

(in euros)	Gross value at the opening of the period	Increases of the period	Decreases of the period	Gross value at the closing of the period
INTANGIBLE ASSETS	3 294 050	-	-	3 294 050
Software and user rights	3 294 050	-	-	3 294 050
TANGIBLE ASSETS	121 622 673	930 664	-	122 553 336
Land and land improvement	576 826	-	-	576 826
Buildings on own property	218 335	-	-	218 335
Construction improvements	62 259	-	-	62 259
Plant and industrial equipment	120 155 177	-	-	120 155 177
Fittings	146 637	-	-	146 637
Office furniture	97 240	-	-	97 240
Office and IT equipment	105 008	-	-	105 008
Assets under construction	261 191	930 664	-	1 191 855
Installments on asset purchases	-	-	-	-
FINANCIAL ASSETS	504 006	631	225 688	278 948
Deposits and sureties	52 630	631	-	53 261
Prepaid long-term storage rents	451 376	-	225 688	225 688
TOTAL	125 420 729	931 294	225 688	126 126 335

2 – AMORTIZATION AS AT 30 JUNE 2011

(in euros)	Amortization at the opening of the period	Allocation of the period	Decreases of the period	Amortization at the closing of the period
INTANGIBLE ASSETS	1 065 248	98 376	-	1 163 624
Software and user rights	1 065 248	98 376	-	1 163 624
TANGIBLE ASSETS	28 083 991	3 976 860	-	32 060 851
Land and land improvement	15 679	-	-	15 679
Buildings on own property	150 319	901	-	151 219
Construction improvements	42 770	5 211	-	47 981
Plant and industrial equipment	27 660 273	3 958 969	-	31 619 242
Fittings	52 223	7 205	-	59 428
Office furniture	63 310	3 199	-	66 509
Office and IT equipment	99 417	1 375	-	100 793
FINANCIAL ASSETS				
Deposits and sureties	-	-	-	-
TOTAL	29 149 239	4 075 236	-	33 224 475

Assets are depreciated on a straight-line basis. Fixed assets are essentially the SAGESS Manosque Pipeline and the Chasseneuil-du-Poitou storage facility.

PREPAID LONG-TERM STORAGE RENTS

(in euros)

Prepaid long-term storage rents		Reimbursements paid through rental reduction		
Storage sites in question	Amount of work financed	Amount outstanding at Dec. 31, 2010	Reimbursement in 2011	Amount outstanding at June 30, 2011
Chalon 2	1 800 000	313 043	156 522	156 522
TOTAL	1 800 000	313 043	156 522	156 522

Prepaid rents serve to finance works at several storage facilities, and are set off by a reduction of the storage rent throughout the period of the loans.

(in euros)

Other prepaid storage rents		Allocations		
Storage site in question	Amount of work financed	Amount outstanding at Dec. 31, 2010	Reimbursement in 2011	Amount outstanding at June 30, 2011
Clairoix	830 000	138 334	69 167	69 168
TOTAL	830 000	138 334	69 167	69 168

These other prepaid storage rents are at several storage facilities whose costs are spread over several years.

TOTAL prepaid storage rents	2 630 000	451 377	225 688	225 689
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STOCKS

(at 30 June 2011)

The change in value of the stocks between December 31, 2010 and June 30, 2011 includes acquisitions and product stowing costs for the period, adjusted for losses and inventory shrinkage due to transportation and storage.

Book value excluding lent stocks:			
GASOLINE	€ 170 327 816	for	1 159 863 M3
DIESEL/HEATING FUEL	€ 1 463 073 422	for	7 395 758 M3
JET FUEL	€ 173 122 340	for	848 888 M3
CRUDE OIL	€ 1 036 838 681	for	4 953 252 M3
Total	€ 2 843 362 259		14 357 760 M3
Book value of lent stocks (*):			
	€ 7 571 612		44 001 M3
Total	€ 2 850 933 871		14 401 761 M3

For information purposes, based on the average prices of June 2011, there was an unrealized capital gain of € 4,859 M on the stocks, influenced by the June 2011 prices which remained considerably higher than the average acquisition price of SAGESS stocks.

GASOLINE	€ 619 565 267
DIESEL/HEATING FUEL	€ 4 205 498 566
JET FUEL	€ 491 351 284
CRUDE OIL	€ 2 393 779 510
Total	€ 7 710 194 627
Deviation over book value	€ 4 859 260 756

(*) Value of volumes of products lent on the basis of the book value of the stocks (acquisition cost).

ACCRUED INCOME

ACCRUED INCOME	(in euros)	Item
Non-recurring income	2 175 265	Other receivables
TOTAL	2 175 265	

This amount corresponds to the balance of a court dispute concerning the PSM project, of which € 655,265 are booked as a provision against a doubtful receivable.

PREPAID EXPENSES

PREPAID EXPENSES	(in euros)
Financial expenses	1 476 536
Operating expenses	936 909
TOTAL	2 413 445

Prepaid financial expenses mainly comprise pre-computed interest on commercial paper.

Prepaid operating expenses mainly comprise insurance premiums paid at the beginning of the year, covering the entire financial year.

DEFERRED CHARGES

(in euros)

	Value at Dec. 31 2010	Increase for the period - New bond issue	Decrease for the period - Amortization	Value at 30 June 2011
Bond issue premium	13 650 331	-	1 154 105	12 496 227
TOTAL	13 650 331	-	1 154 105	12 496 227

Bond premiums were depreciated on a straight-line basis for the life of the bonds. See the note on "Off-balance sheet commitments".

PROVISIONS

(in euros)

	Value at Dec. 31 2010	Increase for the period	Decrease for the period with grounds	Decrease for the period without grounds	Value at 30 June 2011
Receivable relating to the corporate property tax litigation (*)	10 626 857	367 043	-	-	10 993 900
Receivables relating to PSM pipeline construction litigation (**)	715 265	-	60 000	-	655 265
Use of instrumented pig in the PSM every ten years	221 670	35 002	-	-	256 672
TOTAL	11 563 792	402 045	-	-	11 905 837

(*) See paragraph on Corporate Property Tax

(**) See paragraph on PSM project risks

EXPENSES DUE AND ACCRUED

EXPENSES DUE AND ACCRUED	(in euros)	Item
Suppliers and related accounts	25 658 604	Supplier payables (operations and fixed assets)
Social security contributions and taxes	312 327	Social security contributions and taxes
TOTAL	25 970 931	

This table indicates invoices not received at 30 June 2011, as well as estimated provisions at that date, by accounting item.

DEFERRED INCOME

DEFERRED INCOME	(in euros)
Deferred operating income	347
Deferred financial income	12 319 759
TOTAL	12 320 106

Deferred financial income comprises cash payments made by banks in the course of interest rate swaps set up during the bond issues. See the note on "Off-balance sheet commitments".

MATURITIES OF AMOUNTS RECEIVABLE AND PAYABLE AT June 30th, 2011

(in euros)

RECEIVABLES	Gross amount	Asset liquidity	
		Maturity	
		Under one year	Over one year
Fixed asset receivables	278 950	225 689	53 261
Prepaid long-term storage rents	225 689	225 689	
Other receivables	53 261		53 261
Current asset receivables	50 797 593	39 803 693	10 993 900
Trade receivables and related accounts	27 258 896	27 258 896	
Other receivables	21 125 252	10 131 352	10 993 900
Personnel and related accounts	700	700	-
Social security and other public welfare bodies	-	-	-
State – Value Added Tax	7 955 387	7 955 387	-
State – Corporate property tax litigation	10 993 900	-	10 993 900
State – Dividend tax		-	-
Accrued income	2 175 265	2 175 265	-
Damages and miscellaneous for recovery (PSM project)	-	-	-
Miscellaneous	-	-	-
Prepaid expenses	2 413 445	2 413 445	-
TOTAL	51 076 543	40 029 382	11 047 161

(in euros)

LIABILITIES	Gross amount	Debt payability		
		Maturity		
		Under one year	Over one year	Over 5 years
Financial debt	2 945 649 986	1 109 670 379	650 000 000	1 185 979 607
Bonds	1 939 473 684	164 473 684	650 000 000	1 125 000 000
Bank borrowings	196 695	196 695		
Maximum two years at inception	196 695	196 695		
More than two years at inception				
Accrued interest				
Other debt	1 005 979 607	945 000 000		60 979 607
Miscellaneous debt	26 558 946	26 558 946		
Supplier payables and related accounts	25 957 026	25 957 026		
Payables to suppliers of fixed assets	27 040	27 040		
Social security contributions and taxes	502 043	502 043		
Other debt	72 838	72 838		
Deferred income	12 320 106	2 271 471	9 330 556	718 079
TOTAL	2 984 529 038	1 138 500 796	659 330 556	1 186 697 686

Bank borrowings (in euros)	196 695
Bank credit	-
Bank lines of credit	0
Fees	196 695
Accrued interest	0
Other debt (in euros)	1 005 979 607
Commercial paper	945 000 000
CPSSP loan (*)	60 979 607

(*) Since 1994, the shareholder advance has reached its maximum statutory and fiscal level of 61 million euros. It is contractually subordinate to bank borrowings. By the decisions of the CPSSP and SAGESS Boards of Directors, this advance was gradually reimbursed to the shareholders each year since December 29th, 2001. It gradually was replaced with a CPSSP loan to SAGESS (€ 61 M loan agreement dated June 22, 2001). This loan was also subordinate to the borrowings made by SAGESS. This replacement ended during the first half of 2007, thus bringing the CPSSP loan to its contractual amount of € 61 M. The shareholder advances and CPSSP loan are interest-free.

MARKETABLE SECURITIES (CASH IN BANK AND ON HAND)

The marketable securities are booked at their acquisition price using the FIFO method.

Invested cash surpluses are mainly due to delays in supplier invoicing.

NON-RECURRING ITEMS

A - CFPN

Since 1989, SAGESS has been in litigation with CFPN, a storage company which was storing SAGESS stocks. CFPN had posted SAGESS products as collateral to a bank. The bank started legal proceedings, claiming the value of these products as collateral. The court ruled that SAGESS was authorized to remove the products from the CFPN sites and had stored them at another storage facility. The Douai Court of Appeals ruled in favor of the bank in December 2004. SAGESS brought the case before the Court of Cassation in July 2005. The Court issued its ruling against SAGESS in September 2006.

The December 2004 ruling was complied with (payment of € 3 M), and the provision previously figuring as a liability on the balance sheet (provision for risks) was reversed in 2005, without material impact on the 2005 profit or loss statement. The 2006 Court of Cassation ruling which closed the case also had no impact on the profit and loss statements of 2006 onwards.

This trial had put on hold criminal proceedings which were under way against the CFPN manager for breach of trust. With the Court of Cassation ruling, damages are precisely defined and the criminal proceedings have been reopened at the Douai criminal court. In June 2008, the latter sentenced the director of the CFPN to pay SAGESS € 3 M. The sentence was upheld by the Douai Court of Appeals on March 6th, 2009. The CFPN director filed an appeal at the Court of Cassation on May 15th, 2009. Parallel to this, following the June 2008 ruling, SAGESS had carried out a certain number of seizures and had initiated legal proceedings to recover its receivable following the ruling of the Douai Court of Appeals on March 6th, 2009. The death of the principal concerned party at the end of 2010 does not change the grounds for the hearings regarding the seizures.

As a precautionary measure, this receivable has not been booked.

B - Corporate property tax - Tax audit

SAGESS received tax adjustments (re: corporate property tax) for the years 1999 to 2002 included, totaling € 3.0 M (€ 2.4 M for adjustments, € 0.4 M for late payment interest and € 0.2 M for penalties). These adjustments were settled in 2004 and paid.

Nevertheless, SAGESS considers that it should not pay corporate property tax, given that its mission is exclusively a public service one. It should consequently be considered a non-profit body. Moreover, even

should SAGESS be recognized as subject to corporate property tax, SAGESS considers that, given the non-profit nature of its activities, the added value used to calculate the corporate property tax bracket and minimum tax contributions is nil. SAGESS therefore holds an opinion contrary to that of the Tax Authorities, namely that it is not subject to corporate property tax.

While maintaining this position, but to avoid, in a less favorable outcome, late payment interest and penalties, the procedures for corporate property tax filings and payments have been modified since the 2003 financial year. Filings and payments to the Tax Authorities are now made following the basis required by the Tax Authorities, along with a reimbursement request for amounts SAGESS has paid yet believes are not due.

These adjustments and bases for calculation are still being contested by SAGESS. In the absence of an agreement with the Tax Authorities, legal proceedings are underway (Administrative Tribunal of Poitiers and Bordeaux, Bordeaux Administrative Court of Appeals).

At the beginning of August 2008, SAGESS filed an appeal for the decision to be upheld or overturned by the administrative court of last resort. The company has not been notified of any potential hearing date during the second half of 2011 for the disputes being examined by the Conseil d'Etat.

An amount equaling the amounts recalculated for 1999-2002, as well as the amounts declared for the subsequent periods on the bases of the Tax Authorities (totaling € 11 M at June 30th, 2011) is booked as a receivable from the Tax Authority, in harmony with our belief that the hearing underway will rule in our favor. Nevertheless, given the ruling by the Bordeaux Administrative Court of Appeals, and as a precautionary measure, this receivable has been entirely covered by provisions since the first half of 2008.

RISKS ARISING FROM THE PSM PROJECT

A detailed review of each litigation case, underway or potential, was conducted. For the following reasons, it was decided not to book any provision for either risks or, as a precautionary measure, for future amounts received when SAGESS sues for sums it believes it is owed:

In a dispute with the Tax Authorities, regarding a delegation fee paid out by SAGESS during the construction of the pipeline, the ruling was in favor of SAGESS. Le produit et la créance ne sont pas comptabilisés dans les comptes au 30 juin 2011 (estimation 230 K€).

In matters relating to land permits, no litigation is under way any longer. A few claims were made during the first half of 2011, totaling approximately € 0.1 M.

Having observed that the safety of people and property continued to be neglected at the construction site, despite various reminders and formal demands, SAGESS decided to decrease the scope of the agreement entered into with the company in question. The latter estimated lost revenue at € 7.6 M. Inversely, in compliance with the stipulations of the contract, SAGESS took to court one claim for a refund (for an amount greater than that asked for by the other party) of expenses caused by this change of organization. On June 3rd, 2009, the Nanterre Business Tribunal ruled in favor of SAGESS, sentencing the company in question to € 2.9 M in damages. The company appealed on June 30th, 2009. On October 25th, 2010, the Versailles Court of Appeals upheld the ruling of the Nanterre Business Tribunal. An accrual of € 2.9 M was booked at December 31, 2010 and, as a precaution, depreciated by € 0.7 M (the portion of the receivable not covered by bank guarantees).

SAGESS called in its bank guarantees to receive € 629,000 on June 30th, 2011. All remaining sureties were received by SAGESS during the month of July 2011 (total of guarantees received: €2,149,000).

OTHER CHARGES AND NON-RECURRING INCOME

The non-recurring profit/loss item comprises the allocation for the period regarding the corporate property tax dispute (costs of € 0.4 M).

4 - OFF-BALANCE SHEET COMMITMENTS

CUSTOMS GUARANTEES

2011 bank sureties for the Customs Administration: € 20 000 000

LEASING COMMITMENTS

Long-term leasing commitments: € 23 139

STORAGE AT MANOSQUE

Within the framework of its contract for petroleum product storage in the salt caverns of GEOSEL-MANOSQUE, entered into for a period of 30 years, SAGESS committed to pay a basic storage fee, under certain operating conditions and except in the event of an oil crisis. This fee was set at € 24.0 M for 2004, € 24.5 M for 2005, € 26.5 M for 2006, and € 27.7 M for 2007 to 2011. Stipulations allow for this fee to be reduced each year after this last date.

SAGESS MANOSQUE PIPELINE

As part of the SAGESS Manosque Pipeline construction project, and pursuant to the respective Board meetings of June 2003, the CPSSP confirmed its commitment to also cover all costs relating to the pipeline through the delegation fee provided for in Paragraph 2 of Article 3 of the French Petroleum Industry Reform Act (Law 92-1443). On the other hand, SAGESS has pledged to hand over this pipeline and its facilities to the CPSSP, if required by the State, at their net book value at the time of the handover. In this case the CPSSP would also take over all duties relating to these facilities.

BOND ISSUES AND SWAPS

The bond issues were all supported by the simultaneous set-up of an interest rate swap (fixed rate to floating rate based on the three-month Euribor).

As part of these transactions, the banks received a cash payment corresponding to the spread between the par value and issue price for the 2001 and 2003 bonds. For the 2004 and 2006 bonds, the cash payment received also covered the banking commissions. These cash payments are booked as deferred financial income and are depreciated over the life of the bonds (equal to the life of the swaps). For these last two transactions, consistent with what has been done in previous years, the bank commissions are transferred to expenses for the year of issue.

SAGESS issued no new debt over the first half of 2011.

Bond issue	Maturity	Coupon (%)	Total amount (€ M)	Swapped amount (€M)
February 2003	February 25 th , 2013	4,250	300	300
November 2004	February 9 th , 2015	4,000	350	350
June 2006	October 20 th , 2016	4,000	350	350
October 2008	October 20 th , 2016	4,000	275	275
November 2008 (**)	March 22 nd , 2012	2,375	164	164
October 2010	October 21 st , 2022	3,125	500	500

(**) This transaction was a bond issue totaling 250 M Swiss francs, issued with a coupon of 2.375% maturing March 22nd, 2012. In line with the financial policy and the October 14th, 2008, decision of the Board of Directors, the bonds were entirely swapped at the moment of issue to come back in both euros (elimination of currency risk) and with a floating rate (based on the three-month Euribor).

COMMERCIAL PAPER

Program ceiling	€ 1 250 000 000
Used	€ 945 000 000

BANK CREDIT LINES

Back-up lines for the commercial paper program

Negotiated	€ 265 000 000
Committed	€ 265 000 000
Used	€ 0
Available	€ 265 000 000

Bank lines of credit

Negotiated	€ 325 000 000
Committed	€ 325 000 000
Used	€ 0
Available	€ 325 000 000

5 - SUMPTUARY EXPENSES

NIL

6 - ADVANCES AND LOANS TO DIRECTORS

NIL

7 - COMPENSATION OF BOARD MEMBERS

As in previous years, Board members received no compensation.

The current Chairman is seconded to SAGESS and his parent company (TOTAL S.A.) charged SAGESS € 173,410 (excluding tax) in H1 2011 for this secondment.

8 - RETIREMENT PACKAGES AND SIMILAR PAYOUTS

In line with Article L123-13 paragraph 3 of the Commercial Code, no provision was booked since the amount is not significant.

9 - STAFF AT 30 JUNE 2011

Salaried staff	7
of which full-time	7
Seconded staff	6
of which full-time	6

10 - CAPITAL

The capital comprises 15,000 shares at a nominal value of € 16, of which 14,999 rank for dividends, since the Chairman waives the dividend on his share.

11 - TABLE OF CHANGES TO SHAREHOLDERS' EQUITY

1 - FULL-YEAR RESULTS

	30 June 2011	Dec. 31 2010
Pre-tax accounting income	€K 2	3
	€/ share 0	0
Changes to shareholders' equity	€K 3	(3)
	€/ share N/A	N/A
Proposed dividend	€K N/A	N/A
	€/ share N/A	N/A
Number of shares	15 000	15 000

Figures in parentheses are negative.

2 - TABLE OF CHANGES TO SHAREHOLDERS' EQUITY

(In thousands of euros)

	2011
A -	
1 - Shareholders' equity at end 2010 before appropriation	264
2 - Appropriation of net result to net equity as voted at Annual Meeting	3
3 - Shareholders' equity at opening of 2011 financial year	267
B - Contributions received with retroactive effect at opening of 2011	
1 - Changes in capital	
2 - Changes in other items	
C - (=A3+B) Shareholders' equity at the start of the financial year after retroactive contributions	267
D - Changes during year	
1 - Changes in capital	
2 - Changes in premiums, reserves, retained earnings	
3 - Changes in "provisions" relating to shareholders' equity	
4 - Excess of restated costs over historical cost	
5 - Changes in regulated provisions and equipment subsidies	
6 - Other changes	
E - Shareholders' equity on the balance sheet at 30 June 2011 (=C+D)	267
F - TOTAL CHANGE IN SHAREHOLDERS' EQUITY DURING THE YEAR (=E-C)	
G - Of which: changes following modifications to structure during the year	
H - TOTAL CHANGE IN SHAREHOLDERS' EQUITY DURING YEAR EXCLUDING STRUCTURAL OPERATIONS (=F-G)	

Figures in parentheses are negative.

12 - CASH FLOW FOR FIRST HALF OF 2011

(In thousands of euros)

Gross operating profit excluding depreciation	25 958
Transfer of charges/provision reversals	
+ Other operating income	
-- Other operating charges	
+/- Share of profit in joint ventures	
+ Interest income	1 263
- Interest charges	(21 587)
+ Non-recurring income	
- Non-recurring charges	
- Employee profit sharing	
- Income tax	
OPERATING CASH FLOW	5 633

Figures in parentheses are negative.

13 - FINANCING ACTIVITIES

(In thousands of euros)

	30 June 2011	31 December 2010
Long-term uses	(23 356)	(253 204)
Capital expenditure	(706)	(780)
Stock acquisition	(22 650)	(252 418)
Dividends and related taxes		(6)
Operating sources/(uses)	(251 908)	251 298
Cash flow	5 633	10 539
Change in current assets	(10 895)	(5 821)
Change in current liabilities	(246 646)	246 580
Net sources/(uses)	(275 264)	(1 906)
Financed by	275 262	547
Financial debt	275 941	6 863
Cash at hand	(679)	(6 316)

Figures in parentheses are negative.

Reports of the Statutory Auditors

**Report of the Statutory Auditors
on their review of the interim accounts**

Report of the Statutory Auditors
On the half-yearly financial data

GRANT THORNTON
Statutory auditor
Member of the regional company of Paris
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92037 Paris-La Défense Cedex
Simplified share company (Fr. SAS) of variable equity

Société Anonyme de Gestion de Stocks de Sécurité SAGESS
With capital of €240,000
20, rue Jacques Daguerre
92565 Rueil-Malmaison Cedex

Period from January 1st to June 30th 2011

Report of the Statutory Auditors
on the half-yearly financial data

Société Anonyme de Gestion de Stocks de Sécurité SAGESS
Period from January 1st to June 30th 2011

To the Shareholders,
In compliance with the assignment entrusted to us by your General Meeting, and in application of Article L. 451-1-2 III of the French Monetary and Financial Code, we have:

- reviewed the half-yearly accounts of SAGESS, relative to the period from January 1st to June 30th 2011, as they are appended to this report;
- checked the data provided in the half-yearly report on activities.

These half-yearly financial statements have been prepared under the responsibility of your Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Our review mainly involves 1) interviewing the members of management in charge of accounting and financial matters, and 2) implementing analytical procedures. This work is less extensive than that required for an audit conducted in accordance with professional standards applicable in France. As a result, the assurance offered by a review that these financial statements, taken as a whole, contain no significant errors is moderate, and less than that obtained from a full audit.

Based on our review, in accordance with French accounting rules and principles, we have no matters to report as to the accuracy and trueness of the financial statements and their fair presentation of the assets and financial situation at the end of the half year, as well as the company's net result for the half year ended.

Without calling into question the above-expressed opinion, we call your attention to the point outlined in the paragraph of the appendix entitled "Corporate Property Tax – Tax Audit", relative to the ongoing dispute concerning corporate property tax.

2 Specific verification

We have also checked the data provided in the half-yearly report on activities commenting on the half-yearly financial statements on which our review was based. We have no matters to report as to their accuracy and agreement with the half-yearly financial statements.

Paris and Paris-La Défense, August 31st, 2011

The Statutory Auditors
Grant Thornton
French member of Grant Thornton International
[signed Victor Anselem, Associate]
Ernst & Young Audit
[signed Philippe Thomas, Associate]