

S A G E S S

Société Anonyme de Gestion de Stocks de Sécurité

Presentation to Fixed Income Institutional Investors

October 2010

Agenda

- I- SAGESS' Mission at the heart of France's oil reserve system
- II- Operational Profile
- III- Financials
- IV- Conclusions and Key Considerations
- V- Appendices

I- SAGESS' Mission at the heart of France's oil reserve system

SAGESS' Strategic Mission

SAGESS is entrusted with the mission of holding and controlling a major part of France's Strategic Oil Reserves

- ➔ SAGESS' purpose set at its creation (1988) and unchanged by the 1992 Oil Law:
 - ⇒ Tighter control over oil reserves obligation / Availability of supply in case of crisis
 - ⇒ Fair competition in the market / Reduced burden of strategic reserves on operators' balance sheets
- ➔ SAGESS' unique mission consists of stockpiling and managing strategic stocks of crude oil and oil products, the latter being at the disposal of the Government
- ➔ SAGESS' strategic role is at the heart of France's strategic oil reserve system, integrated into a stable and committed international framework for strategic stockpiling (IEA and EU), and set up to minimize oil supply dependency
- ➔ SAGESS is a private corporation ("Société Anonyme"), with private shareholders and management, fulfilling a public duty within an extensive regulatory and State-controlled environment. Three government representatives and a Government Commissioner sit at the Board and Shareholders meetings
- ➔ SAGESS is rated "AAA" (long term) and "A-1+" (short term) with stable outlook by S&P
- ➔ SAGESS manages 11.4 MT of oil products - 61% of France's reserve obligation – €2.6bn (at acquisition cost)

Strategic Oil Reserves Are Critical for Governments

Ensuring Ongoing State Support for SAGESS

International Framework

- ➔ 1974 International Energy Agency (IEA) Treaty (OECD agency) with 26 industrialized countries
 - ⇒ Reserves set at 90 days of net imports
- ➔ EU directives (Since December 1968 and amended in 2009) and associated controls/reports
 - ⇒ Reserves set at 90 days of net imports

France Legislation

- ➔ 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, since September 2003
- ➔ New European directive will be translated with higher % of inland consumption :
 - ⇒ 28.5 % as of 01/07/11
 - ⇒ 29.5% as of 01/07/12

Reserve Management Systems

- ➔ Differences in set up, but 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), Switzerland (CARBURA), France (SAGESS), Portugal (EGREP)

Responsibility for France's Reserves Obligation...

...Rests primarily with the oil operators, with a significant and increasing delegation latitude to the central reserve system

Operators

- Every oil operator must ensure oil reserve at 27% of the quantities released for inland consumption in the previous year
 - ⇒ Finished petroleum products reserve obligation (17.0 MT as of July 1st, 2010)
 - ⇒ 4 product categories: gasoline, distillates, jet fuel, heavy fuel oil
- Partial delegation of this storage obligation, against fee, to the central reserve system structure (CPSSP / SAGESS)
- Delegation of 56% or 90% of obligation and full responsibility on the remainder

CPSSP

(“Comité Professionnel des Stocks Stratégiques Pétroliers”)

- Fulfillment of delegated obligation
- Coverage by additional stocks « lent » by oil operators (tickets) and by SAGESS stocks
- Key decisions: SAGESS purchase and sale plans, fees from operators to recover system costs
- Committee without assets or operational activities / Delegation of obligation management to SAGESS
- Bank guarantee against fee payment default

Long
term
“Convention”
(1)



SAGESS

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

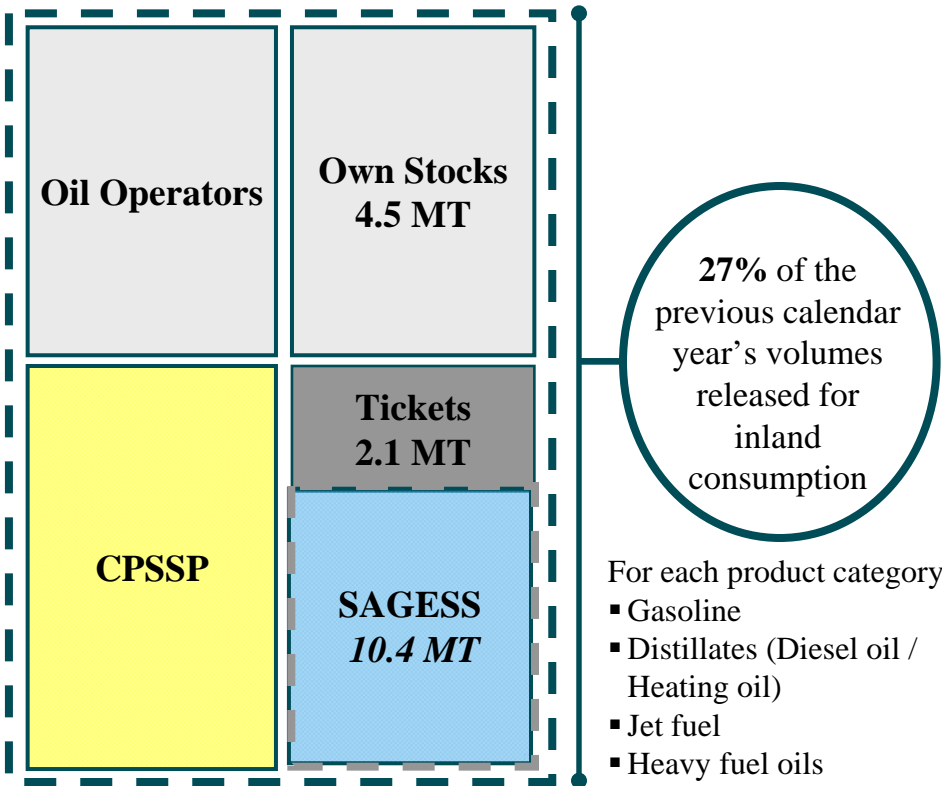
- Oil reserve management as exclusive object
- Stocks acquisition, storage and maintenance
- Management of the whole system (“Convention”)
- All operating, administrative and debt-servicing costs covered by CPSSP
- Can only sell upon State formal request
- Cannot sell at loss

(1) Long term agreement with a 5-year cancellation notice / Convention part of the SAGESS By-Laws, approved by Prime Minister Decree

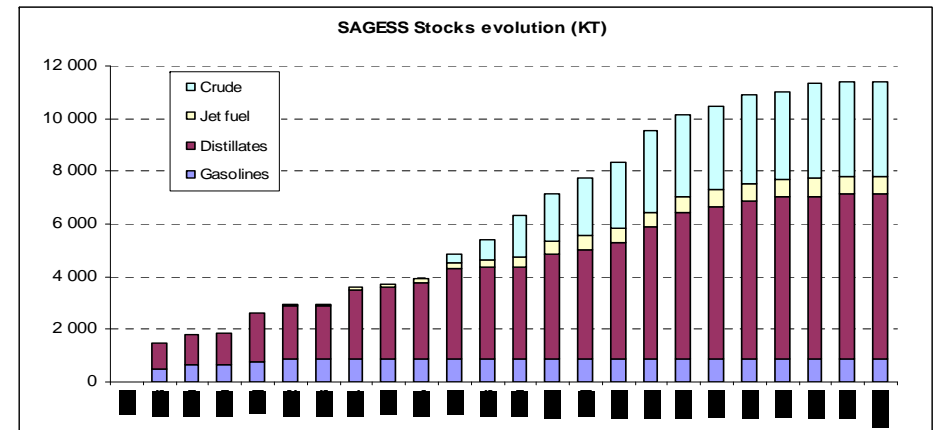
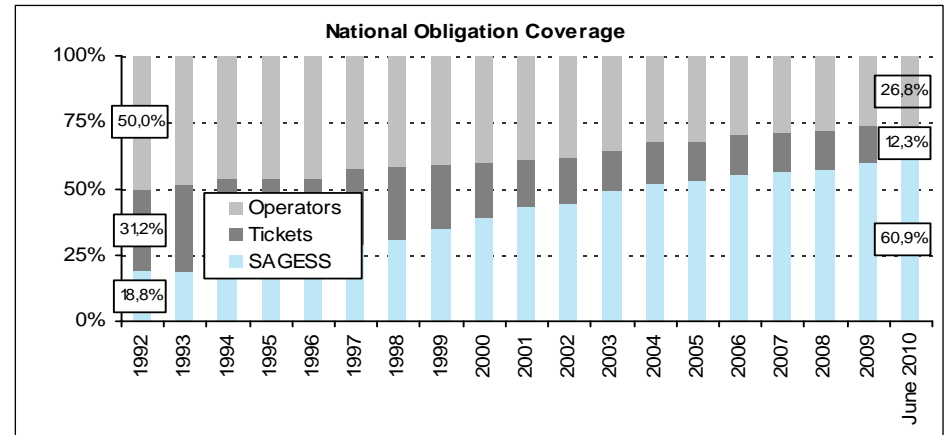
SAGESS is at the heart of France's Reserve obligation...

...with a growing central coverage and an increasing recourse to SAGESS stocks

France Obligation Coverage (in fpeq)



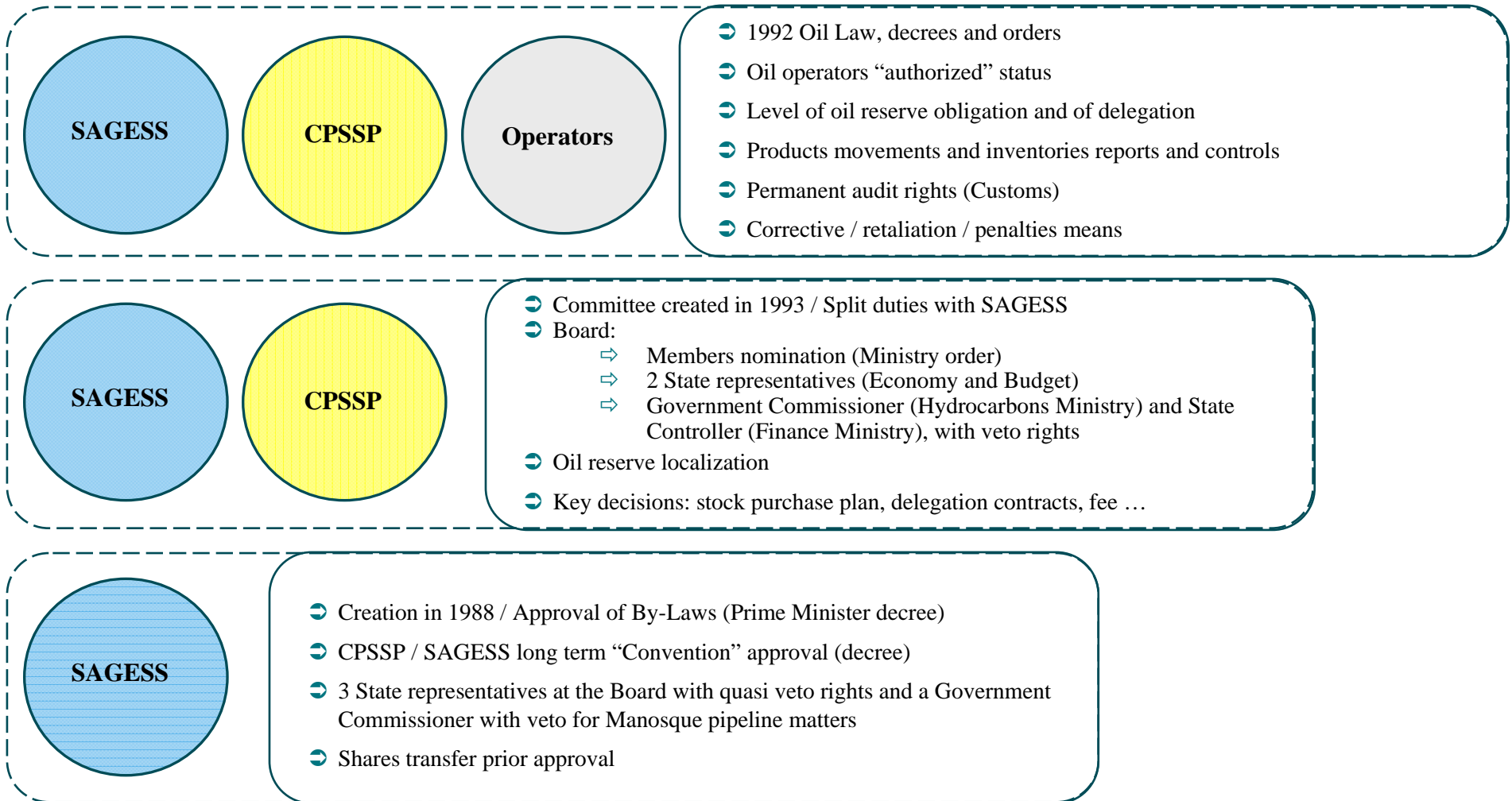
SAGESS's Increasing Importance



France Obligation Fulfilment: 17.0 MT (in finished product equivalent) as of 1st July 2010

Strong IEA, EU and French Regulatory Framework Creates Credit Stability

All components of the system under a tight and permanent control of the State



Regulatory Stability

No foreseeable changes to the oil stockpiling laws that would affect SAGESS' creditworthiness

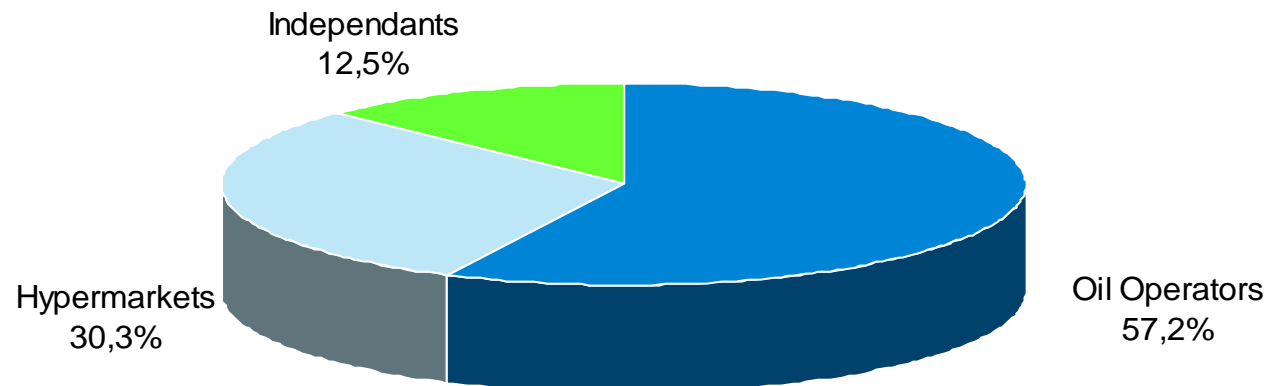
- ➔ Current strategic reserve system maintained and possibly strengthened :
 - ⇒ Stability and criticality of International, EU and National frameworks
 - ⇒ No change in the France Energy Law, passed by Parliament in 2004
 - ⇒ SAGESS and CPSSP' public service role
 - ⇒ Mission effectively fulfilled at the satisfaction of all stakeholders
 - ⇒ EU 2009 new directive on emergency oil stocks regime, aligned with IEA framework :
 - ⇒ Higher % of inland consumption with annual step increase in 2011 & 2012 from 27.0 % in 2010 to :
 - ⇒ 28.5 % in 2011
 - ⇒ 29.5% in 2012
 - ⇒ Recommendation to create a “Central Storage Entity” by country : SAGESS would be the CSE for France
- ➔ SAGESS' stocks are likely to further increase :
 - ⇒ Increasing proportion of the operators opting for a 90% delegation
 - ⇒ Decrease in tickets provided by the oil operators as a result of inventory streamlining
 - ⇒ Enactment in the French law of the EU revised Directive on emergency oil stocks partially compensated by the slight decrease in oil products consumption on the 2010-2012 period.

II- Operating Profile

A Stable and Oil Industry Representative Shareholding Structure

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

- ➔ SAGESS is a private corporation (“Société Anonyme”) and has private shareholders and management
- ➔ All SAGESS’ shareholders must be “customs authorized” oil operators:
 - ➔ International oil companies (TOTAL, ExxonMobil, Shell, BP, AGIP) and their subsidiaries
 - ➔ Hypermarkets (Carrefour, Auchan, Intermarché, Leclerc,...)
 - ➔ Other importers/distributors (Bolloré, Dyneff, Picoty,...)
 - ➔ 31 shareholders by mid-year 2010
 - ➔ Share in capital adjusted annually in proportion of shareholders previous year releases for inland consumption
- ➔ Shares can be transferred only with the government’s prior approval



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 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 the French State
- ⇒ Stocks are mainly kept in France and, subject to the French State's agreement, abroad
- ⇒ SAGESS stocks are spread in about 130 third party sites (refineries, depots, Manosque underground salt caverns storage)
- ⇒ SAGESS only owns one storage plant of 33 000 m³ in Chasseneuil du Poitou (nearby Poitiers)

Quantity/Quality Controls

- ⇒ Product quantities and qualities are regularly checked and stocks are periodically rotated
- ⇒ Gasoline and diesel oil upgraded with latest specifications change (reduced sulfur content at 10 ppm maximum)
- ⇒ Heating oil upgraded to comply with Jan 1st 2008 change in specifications (reduced sulfur content at 1000 ppm maximum)

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 13 members from the Oil Industry. Three State representatives attend with consulting and quasi veto rights. One State Commissioner introduced in 2006 with veto right on Manosque pipeline matters
- ➔ A “Comité de gestion” and a “Comité financier” assist SAGESS management and the Board in operational and key financial matters respectively
- ➔ An Audit Committee was created in 2009 as a consequence of the European directive on transparency to assist the Board with an oversight of the financial information and a review the efficiency of the internal control system
- ➔ SAGESS is periodically audited by auditors of the shareholders

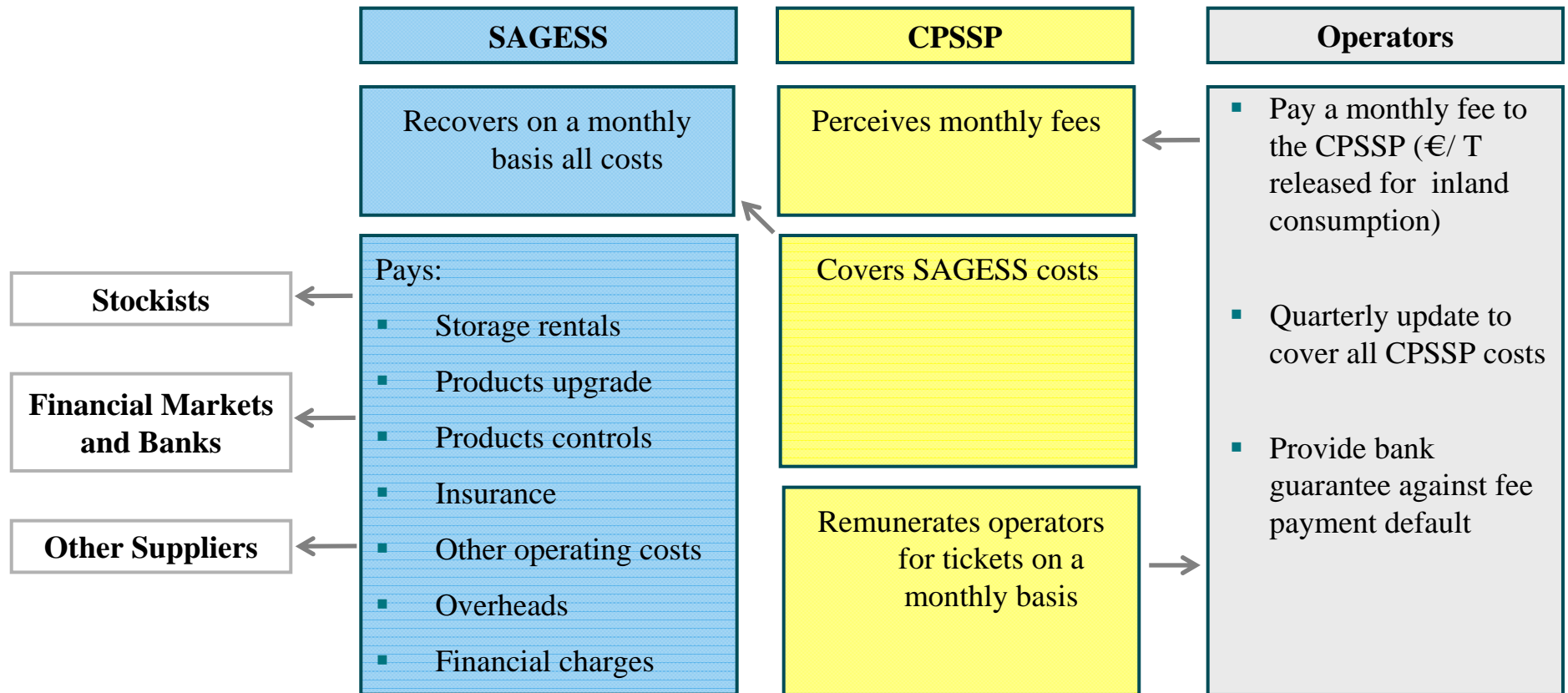
Experienced Management

- ➔ **CEO Jean-Claude Smadja**, joined SAGESS in September 2009. He spent most of his career within the Elf Aquitaine and TOTAL groups and occupied various managerial positions in the Refining-Marketing and Trading activities. He has been successively in charge of the TOTAL group operational activities in Central Africa, South-East Africa and Indian Ocean.
- ➔ **General Secretary and CFO Edouard Filho** joined SAGESS in July 2010. He was previously in charge of Worex Controllers Department and General Secretary. He spent close to 30 years with ExxonMobil, either in France or abroad.
- ➔ **Managing Director for Logistics Jean Thomas** joined SAGESS early 2005 as PSM project manager. He spent 25 years in the oil industry. He worked for the Petroleum Oil Lubricants Joint Service of the French Armed Forces, and then for the Hydrocarbons ministry. His previous position was General Manager of Carfuel (the Carrefour group oil subsidiary)

III- Financials

Full Cost Recovery

SAGESS and CPSSP are by Law self sustaining entities, which sets aside any cost recovery issue



SAGESS Profit & Loss Account

SAGESS cannot make a loss and is exempt from corporate taxes

- ➔ Full cost recovery from CPSSP (Law and CPSSP / SAGESS “Convention”)
- ➔ Stocks booked at acquisition cost and not sold, hence no inventory effect
 - ⇒ Accounting value €2,570m
 - ⇒ Market value €5,373m
- ➔ 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
- ➔ 97% of borrowings is based on variable rates (as of June 30, 2010)
- ➔ Preferential tax regime – No corporate income tax

<i>€m</i>	Year End 2009	Year End 2008
Cost recovery from CPSSP	241.6	333.3
Products storage costs	(188.1)	(199.3)
Other charges	(4.7)	(14.0)
Financial charges	(48.8)	(120.0)
Net Result	0.0	0.0

SAGESS Summary Balance Sheet

95% of the total balance sheet is made of stocks financed by borrowings. Stocks are protected against a fall in oil price and are insured

Assets			Liabilities		
€m	<u>Year End 2009</u>	<u>Year End 2008</u>	€m	<u>Year End 2009</u>	<u>Year End 2008</u>
Total Fixed Assets	104	113	Net Worth and Provisions	-	-
Oil Stocks	2,568	2,508	Borrowings	2,674	2,659
Receivables and others	38	95	Payables and Others	36	57
Total Assets	2,710	2,716	Total Liabilities	2,710	2,716

SAGESSE' Financial Strategy is Highly Transparent and Accountable

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

Objectives

- ⇒ Raise funds at competitive cost when needed to finance the stocks and the assets
- ⇒ Majority of funds from medium and long term borrowings
- ⇒ Staggered maturities
- ⇒ Diversification of funding sources
- ⇒ Flexibility

Current Debt Structure

- ⇒ Bonds, banks loans, commercial paper (in addition to the €61m CPSSP's loan)
- ⇒ Majority of long term debt
- ⇒ €1,250m commercial paper program, with back-up lines with banks equivalent to more than one month's redemptions

Stock Evolution

- ⇒ Borrowings follow the evolution of the stocks

Risk Management

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

Standard & Poor's Ratings

Sustainable "AAA" Rating in the Long Term

➔ In September 2010, Standard and Poor's confirmed its **"AAA" long-term issuer credit** and its "A-1+" short-term issuer credit ratings for SAGESS, with a stable outlook

⇒ The € 250 million Commercial Paper program was confirmed "A-1+" in June 2010

⇒ Extract from Standard and Poor's rating comments :

⇒ *"We consider SAGESS as a government-related entity and believe there is an "almost certain" likelihood that the French government would provide timely extraordinary support to SAGESS in the event of financial distress."*

⇒ *"We base our ratings approach on SAGESS':*

"Critical" role in fulfilling France's legal obligation to stockpile oil under EU and International Energy Agency (IEA) requirements. In our opinion, the company's mission ensures that it receives strong state support, via SAGESS' arrangement with the quasi-state entity, Comité Professionnel des Stocks Stratégiques Pétroliers (CPSSP);

"Integral" link with the French state. SAGESS is integrated into the government's energy policy and subject to close state supervision and control. We understand it can only release oil stocks with government approval, at the request of the state or CPSSP." S&P 29th September 2010

IV- Conclusions and Key Considerations

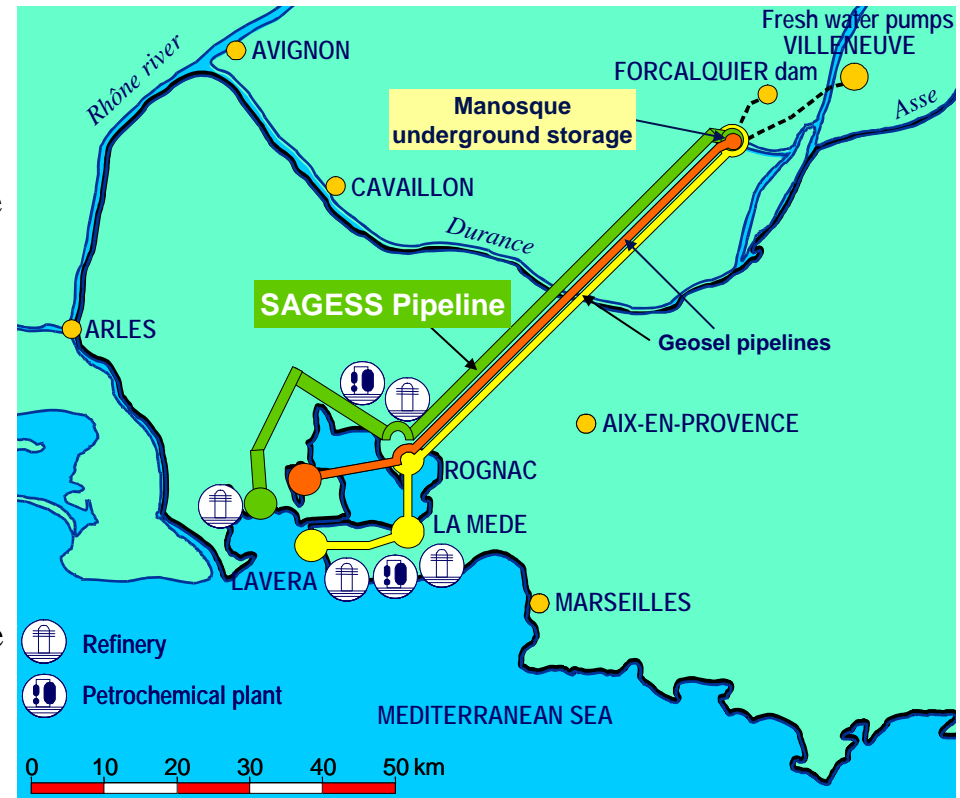
Conclusions and Key Considerations

- ➔ 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
- ➔ 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 in September 2010
- ➔ SAGESS is at the heart of France’s strategic oil reserves system:
 - ⇒ Oil supply and associated oil reserves critical for France
 - ⇒ Legal obligation to stockpile reserves (IEA and EU)
 - ⇒ Tight legislation, support and control of the French State
 - ⇒ Possible further increase of SAGESS’ role based on change in EU legislation
- ➔ Stable shareholding structure with most of the oil sector players
- ➔ Company run by an oil business experienced management
- ➔ Highly transparent financial policy
- ➔ Highly stable and secured cash flows with full recovery of all operating and financial costs
- ➔ Minimal liquidity risk with medium and long term borrowings

V- Appendices

The “Pipeline SAGESS Manosque”

- ➔ Due to past and projected growth of SAGESS’ stocks and limited availability of additional above-ground storages, an increasing proportion of products is 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 needed: Pipeline SAGESS Manosque (119 M€total expenses)
 - ⇒ Doubling of the transportation capacity in place between Manosque and Fos-sur-Mer
 - ⇒ Pipeline transferred into operation in Nov. 2007
- ➔ Pipeline is owned by SAGESS. However, the pipeline (and associated facilities) can, if the French state so requests, be 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 2010 H1 Profit & Loss Account and Summary Balance Sheet

Profit & Loss Account

<i>€m</i>	End June 2010	Year End 2009
Cost recovery from CPSSP	115.4	241.6
Products storage costs	(98.2)	(188.1)
Other charges	(2.5)	(4.7)
Financial charges	(14.7)	(48.8)
Net Result	0.0	0.0

Assets

<i>€m</i>	End June 2010	Year End 2009
Total Fixed Assets	100	104
Oil Stocks	2,569	2,568
Receivables and others	10	38
Total Assets	2,709	2,710

Liabilities

<i>€m</i>	End June 2010	Year End 2009
Net Worth and Provisions	-	-
Borrowings	2,678	2,674
Payables and Others	31	36
Total Liabilities	2,709	2,710

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