

October 2, 2009

Research Update:

**Societe Anonyme de Gestion de
Stocks de Securite (SAGESS)
'AAA/A-1+' Ratings Affirmed;
Outlook Stable**

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Table Of Contents

Overview

Rating Action

Rationale

Outlook

Related Research

Ratings List

Research Update:

Societe Anonyme de Gestion de Stocks de Securite (SAGESS) 'AAA/A-1+' Ratings Affirmed; Outlook Stable

Overview

- We are affirming the issuer credit ratings on SAGESS. The outlook is stable.
- The ratings are equalized with those on the Republic of France, reflecting our view that there is an "almost certain" likelihood that the French government will provide timely extraordinary support to SAGESS in the event of financial distress.
- The stable outlook reflects our expectation that SAGESS will retain its strategic role to the French state.

Rating Action

On Oct. 2, 2009, Standard & Poor's Ratings Services affirmed its 'AAA' long-term and 'A-1+' short-term foreign and local currency issuer credit ratings on the Société Anonyme de Gestion de Stocks de Sécurité (SAGESS). The outlook is stable.

Rationale

The ratings on SAGESS, a not-for-profit company which maintains and manages a substantial part of France's strategic oil reserves, are equalized with the ratings on the Republic of France (AAA/stable/A-1+), reflecting our view that there is an "almost certain" likelihood that the French government will provide timely extraordinary support to SAGESS in the event of financial distress.

We therefore consider SAGESS as a government-related entity (GRE). Under our GREs criteria, our ratings approach is based on SAGESS's critical role in fulfilling France's legal obligation for stockpiling oil under EU and International Energy Agency (IEA) requirements. It is our opinion that SAGESS's mission ensures it receives strong state support, via SAGESS's arrangement with the quasi-state entity, Comité Professionnel des Stocks Stratégiques Pétroliers (CPSSP).

The ratings on SAGESS also reflect our view that it has an integral place in the framework of the state. SAGESS is integrated into the government's energy policy and is under close state supervision and control. It can only release stocks at the request of state. This can also happen at CPSSP's request, with approval from the government.

SAGESS was established by ministerial decree in 1988. The roles of CPSSP and SAGESS are intertwined: CPSSP relies on SAGESS for oil stockpiling and other operating and administrative management, while CPSSP ensures SAGESS

revenues by levying fees to oil operators.

In our view, SAGESS' financial profile is sound and stable. Net income has typically been marginally positive for nearly a decade and is expected to remain so. Its financial record demonstrates the effectiveness of its legal framework in ensuring full cost recovery and liquidity, thereby underpinning its extremely strong capacity for timely payment.

Liquidity

We view SAGESS's liquidity policy as adequate. Its €1,250 million commercial paper program is supported by €250 million of confirmed dedicated back-up lines and €340 million of bilateral back-up lines with banks.

Outlook

The stable outlook reflects our expectation that SAGESS will retain its strategic role to the French state due to the sovereign's dependence on imported oil, the country's international obligations with regard to strategic stockpiling, and the increasing concentration of global oil reserves in politically volatile regions.

Related Research

Enhanced Methodology And Assumptions For Rating Government-Related Entities, June 29, 2009.

Ratings List

Ratings affirmed

Société Anonyme de Gestion de Stocks de Sécurité (SAGESS)

AAA/Stable/A-1+

N.B.—This list does not include all affected ratings.

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