



**Société Anonyme
de Gestion de Stocks de Sécurité**

Presentation to Fixed Income Institutional Investors

Jean-Claude Smadja – Chairman and CEO

+33 (0)1 47 10 06 86

Edouard Filho – General Secretary and CFO

+33(0)1 47 10 06 85

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Agenda

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- II- Operational Profile**
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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 is a private corporation (“Société Anonyme”), with private shareholders and management**, fulfilling a public duty within an extensive regulatory and State-controlled environment.
- 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: 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)
- SAGESS is rated by S&P “AAA” (long term) and “A-1+” (short term). Last review on 18th November 2011. On 7th December 2011, as part of S&P action on Eurozone Sovereigns, long term rating of Sagess has been placed under CreditWatch with negative implications.
- At year-end 2011, SAGESS manages 11.9 MT of oil products - 61% of France's reserve obligation – €2.7bn (at acquisition cost)

Oil Reserves Are Strategic 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, codified in the new Code of Energy and Code of Defence
- Reserves set at 28.5% (i.e. 104.0 days) of inland consumption, since July 2011 (27.0% before this date)
- New European directive will be translated with higher % of inland consumption: 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 28.5% of the quantities released for inland consumption in the previous year
 - ⇒ 17.7 MT as of July 1st, 2011
- ↻ 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"*)

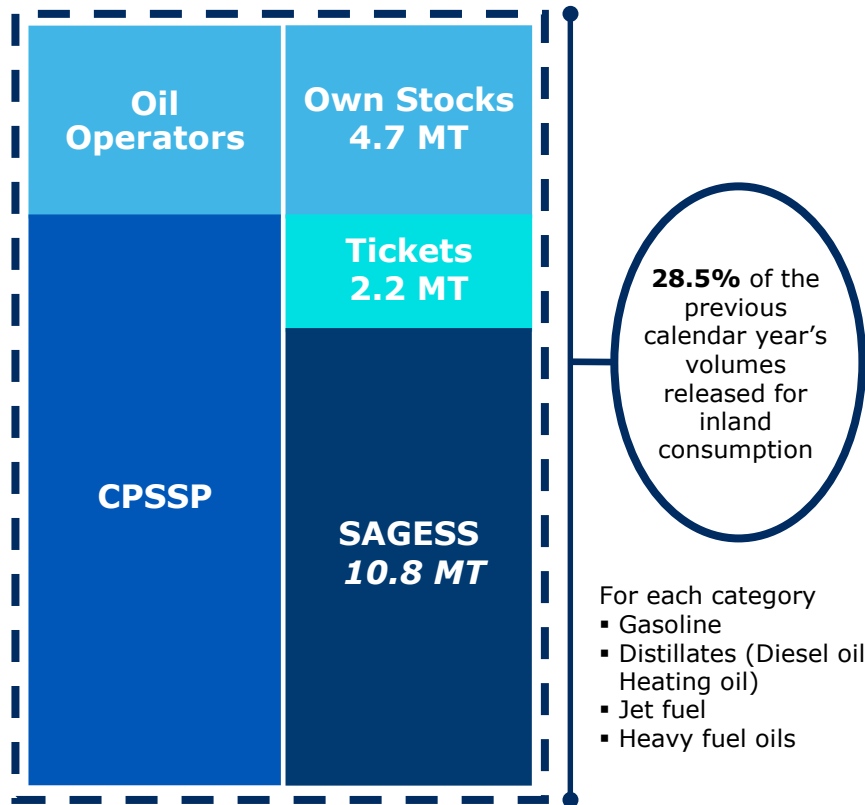
- ↻ Oil reserve management as exclusive object
- ↻ Stocks acquisition, storage and maintenance
- ↻ Management of the whole system ("Convention")
- ↻ All operating, administrative and debt-servicing costs covered by CPSSP
- ↻ Can only sell upon State formal request
- ↻ Cannot sell at loss

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

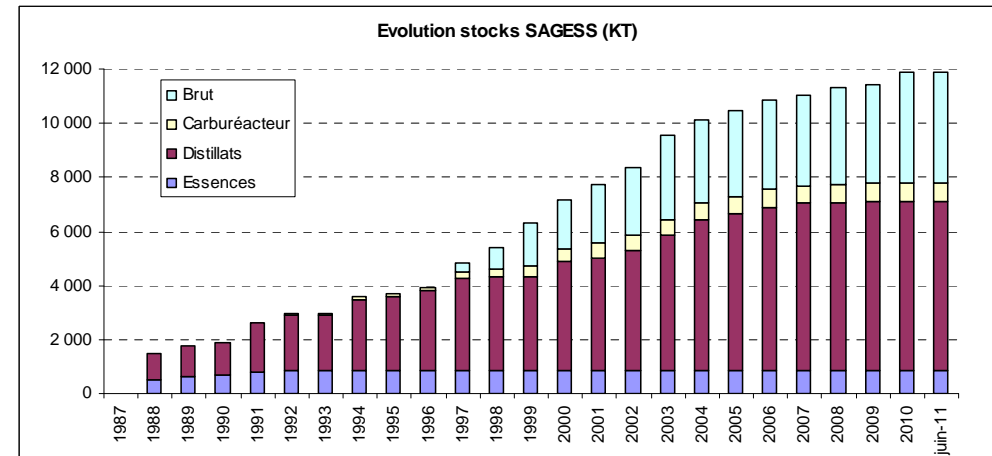
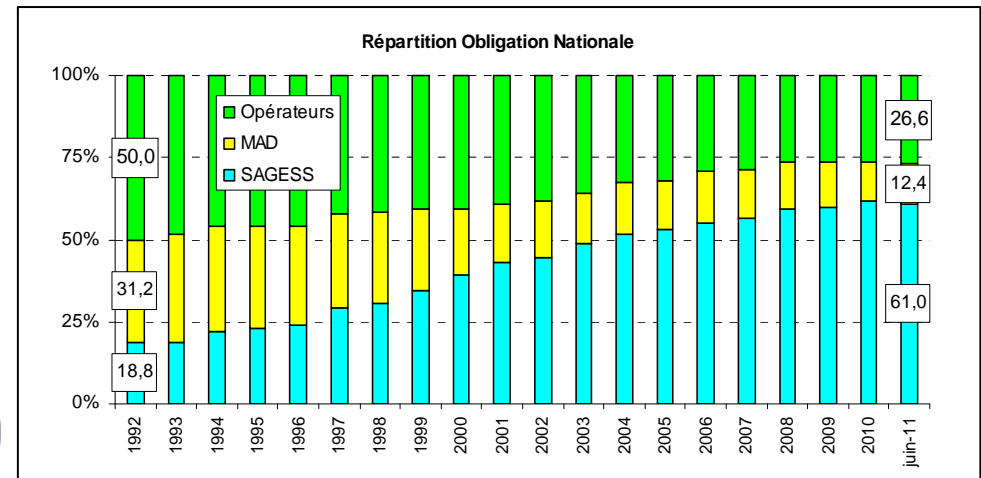
SAGESS is at the heart of France's Reserve obligation...

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

France Obligation Coverage (in fpeq)



SAGESS's Increasing Importance



France Obligation Fulfilment: 17.7 MT (in finished product equivalent) as of 1st July 2011

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 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 July 2011 (passed)
 - 29.5% in July 2012 (planned)
 - ◆ 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



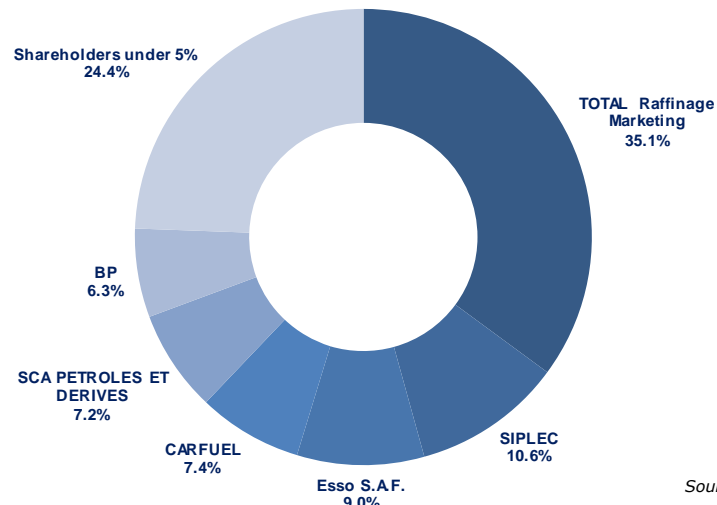
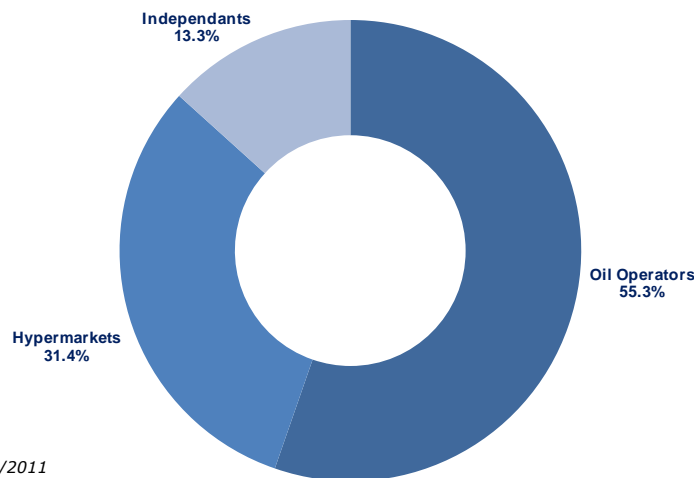
II- Operating Profile

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, ENI) and their subsidiaries
 - ⇒ Hypermarkets (Carrefour, Auchan, Intermarché, Leclerc, ...)
 - ⇒ Other importers/distributors (Bolloré, Dyneff, Picoty, ...)
 - ⇒ 31 shareholders by mid-year 2011
 - ⇒ 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 shareholders in 2011 (% of shares)



Source: Cie as of 03/31/2011

Source: Cie as of 06/30/2011

SAGESS' Activities: Oil Stocks management

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

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 120 third party sites (refineries, depots, Manosque underground salt caverns storage)
- ⇒ SAGESS only owns one storage plant of 33,000m³ in Chasseneuil du Poitou

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)

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

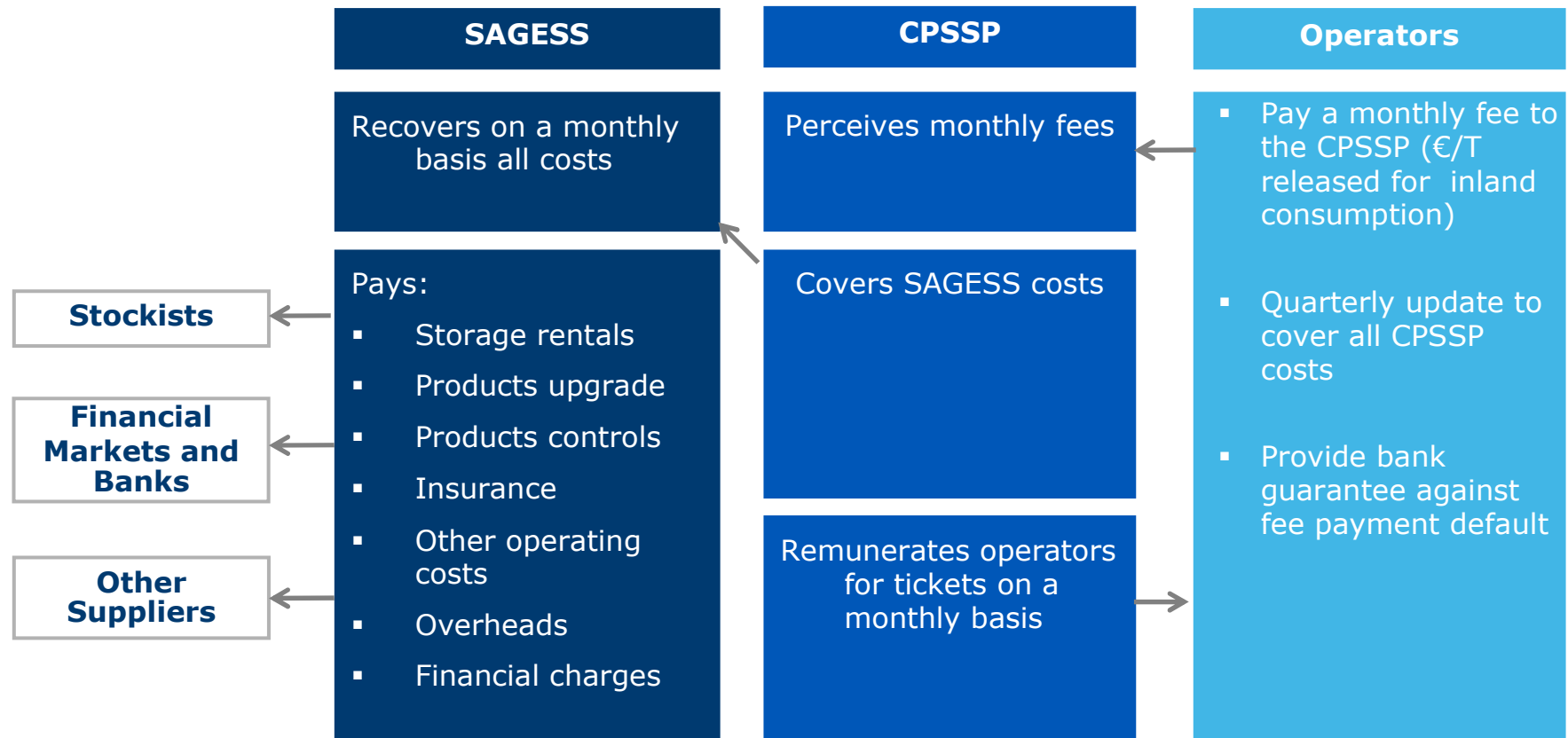
- ➔ **CEO Jean-Claude Smadja**, joined SAGESS in September 2009. He spent most of his career within the Elf Aquitaine and TOTAL groups and occupied various managerial positions in the Refining-Marketing and Trading activities. He has been successively in charge of the TOTAL group operational activities 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 Principle

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 €2,851m (end June 2011)
 - ⇒ Market value €7,710m (end June 2011)
- 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
- 98% of borrowings is based on variable rates
- Preferential tax regime – No corporate income tax

€m	Year End 2010	Year End 2009
Cost recovery from CPSSP	231.0	241.6
Products storage costs	(192.3)	(188.1)
Other charges	(6.1)	(4.7)
Financial charges	(32.6)	(48.8)
Net Result	0.0	0.0

SAGES Summary Balance Sheet

By year end 2010, 95% of the total balance sheet is made of stocks financed by borrowings. Stocks are protected against a fall in oil price and are fully insured

Assets

€m	Year End 2010	Year End 2009
Total Fixed Assets	96	104
Oil Stocks	2,821	2,568
Receivables and others	49	38
Total Assets	2,966	2,710

Liabilities

€m	Year End 2010	Year End 2009
Net Worth and Provisions	-	-
Borrowings	2,681	2,674
Payables and Others	285	36
Total Liabilities	2,966	2,710

SAGESS' Financial Strategy is Highly Transparent and Accountable

SAGESS' 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

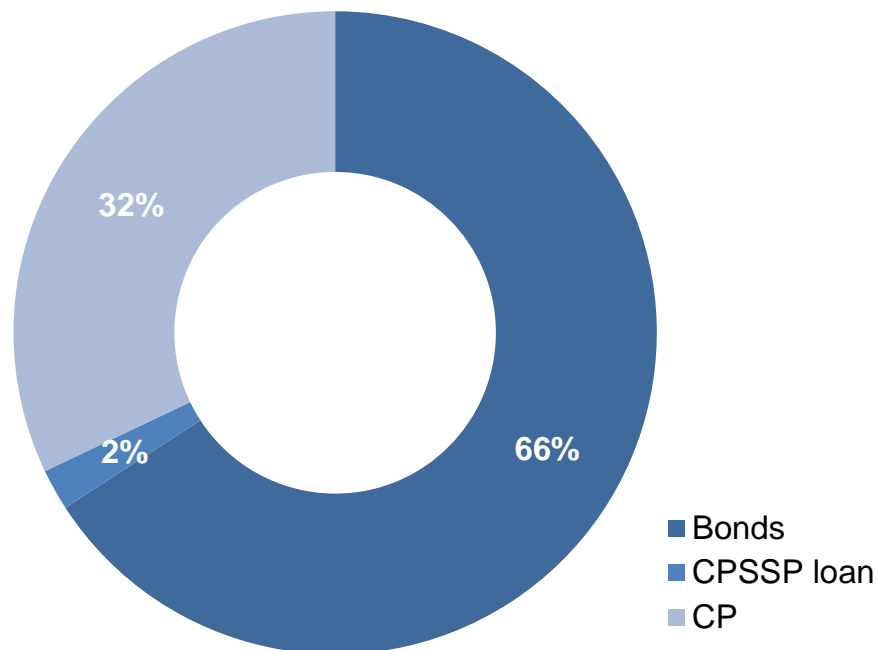
Current Debt Structure

- ➔ Bonds, banks loans, commercial paper (in addition to the €61m CPSSP's loan)
- ➔ Majority of long term debt

Risk Management

- ➔ Short term floating rate debt policy
- ➔ No exposure to currencies or oil price
- ➔ SAGESS 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.

A Strong Liquidity and Smooth Maturity Profile



⇒ **Total Financial Debt €2.945m** as of 30 June 2011

⇒ **A Diversified and long-term source of funding:**

- ⇒ **40% of Total Debt > 5Y**
- ⇒ **Bonds represent 2/3 of Total Debt i.e. €1,939m**
- ⇒ **CPSSP zero-interest loan of €61m**

⇒ **Strong liquidity position:**

- ⇒ **Commercial paper program of €1,250m and €945m used**
- ⇒ **Undrawn committed bank credit lines of €700m since December 1st 2011**

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

Source: cie 2011H1, as of 30 June 2011

(*) This transaction was a bond issue totaling 250m 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).

Standard & Poor's Ratings

- ➔ In November 2011, Standard and Poor's confirmed its **"AAA" long-term issuer credit** and its "A-1+" short-term issuer credit ratings for SAGESS. On 7th December 2011, as part of S&P action on Eurozone Sovereigns, long term rating of SageSS has been placed under CreditWatch with negative implications:
 - ⇒ The €1,250m Commercial Paper program was confirmed "A-1+" in June 2011
 - ⇒ New increase of Commercial Paper program planned for Year-end 2011 at €1,400m, covered by €700m back-up and bilateral lines

- ➔ Extract from Standard and Poor's rating comments:
 - ⇒ *"We equalize the ratings on SAGESS with the ratings on France. This reflects our view that there is an "almost certain" likelihood that the French government would provide timely sufficient extraordinary support to SAGESS in the event of financial distress."*

 - ⇒ *"We consider SAGESS to be a government-related entity. 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, SAGESS's strategic mission ensures it receives strong state support.*

 - "Integral"** link with the French state. SAGESS is integrated into the government's energy policy and subject to close state supervision and control.*

 - ⇒ *"We believe SAGESS' financial record demonstrates the effectiveness of its legal framework to ensure full cost recovery and liquidity, which underpins its extremely strong ability for timely payment."*

Source: Extract of S&P research as of 18th November



IV- Conclusions and Key Considerations

Key Credit Highlights

SAGESS, a corporate with strong assets, secured cash flows and strategic support of French government

- SAGESS, a **private company** with **stable shareholding structure** with most of the oil sector players
- More than **20 years of experience with a proven track record management**
- **An immune business model:**
 - ⇒ Debt at floating rate is a natural coverage vs. core business
 - ⇒ Full SAGESS cost recovery by CPSSP, guaranteeing a balanced statement
 - ⇒ No currency nor oil price exposure
- **Highly stable and secured cash flows** with full recovery of all operating and financial costs
- A €4.9bn latent capital gain on stocks as of end June 2011
- ⇒ **Market value €7,710m vs. accounting value €2,851m (end June 2011)**
- **Stable legislative environment**
- **Highly transparent financial policy**
- **Extended and staggered debt maturity profile**
- **Robust liquidity position**
- **A responsive and protective financial policy:** since 2001, **regular access to bond market**
- SAGESS has a **“AAA”** (long term) and a **“A-1+”** (short term) rating.
- **Renewed each year since January 2001**
- **Last review in November 2011**
- On 7th December 2011, as part of S&P action on Eurozone Sovereigns, long term rating of Sagess has been placed under CreditWatch with negative implications



V- Appendice

SAGESS 2011 H1 Profit & Loss Account and Summary Balance Sheet

Profit & Loss Account

<i>€m</i>	<i>End June 2011</i>	<i>End June 2010</i>	<i>Year End 2010</i>
Cost recovery from CPSSP	129.2	115.4	231.0
Products storage costs	(104.9)	(98.2)	(192.3)
Other charges	(2.4)	(2.5)	(6.1)
Financial charges	(21.9)	(14.7)	(32.6)
Net Result	0.0	0.0	0.0

Assets

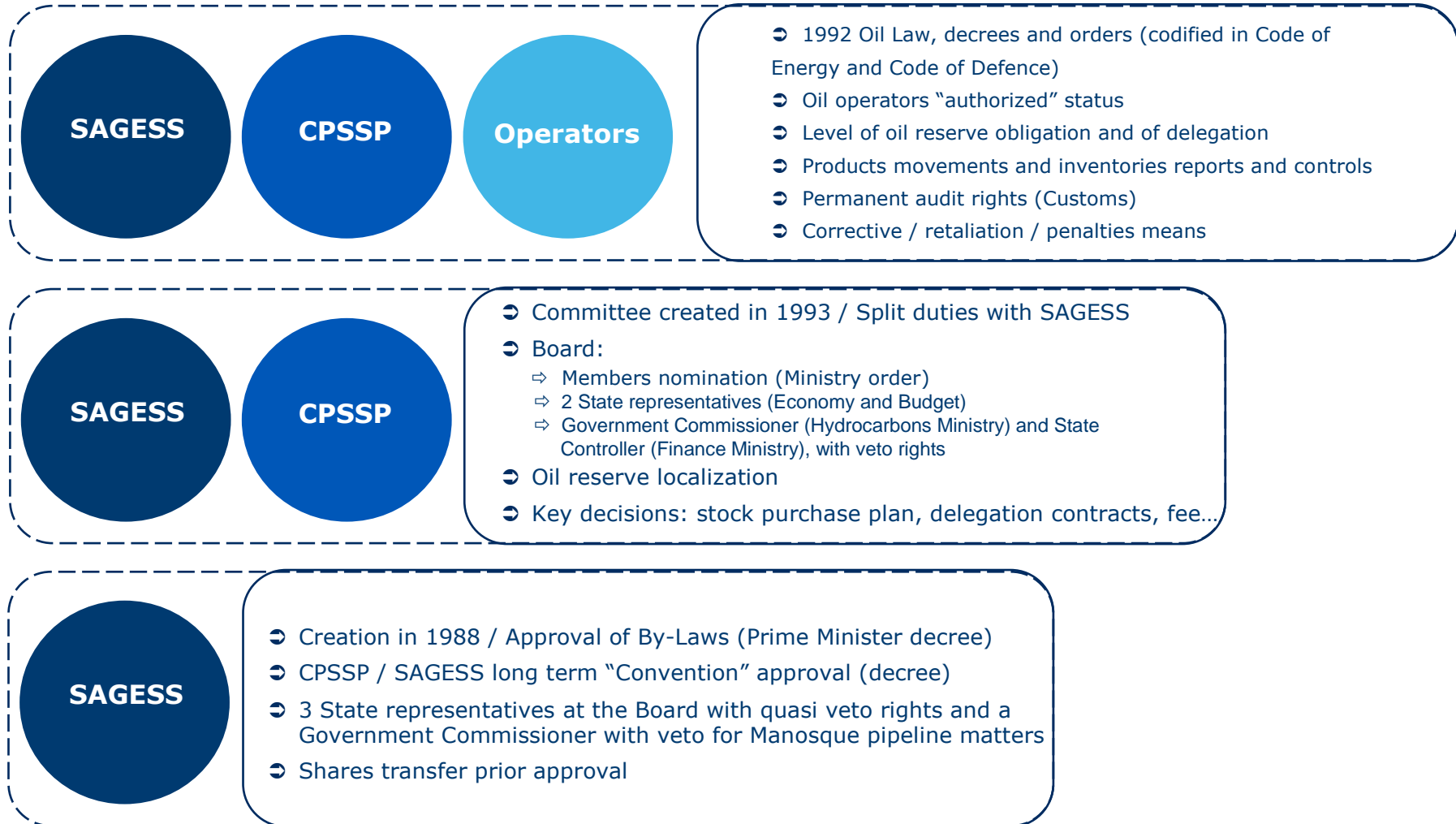
<i>€m</i>	<i>End June 2011</i>	<i>End June 2010</i>	<i>Year End 2010</i>
Total Fixed Assets	93	100	96
Oil Stocks	2,843	2,569	2,821
Receivables and others	60	40	49
Total Assets	2,996	2,709	2,966

Liabilities

<i>€m</i>	<i>End June 2011</i>	<i>End June 2010</i>	<i>Year End 2010</i>
Net Worth and Provisions	-	-	-
Borrowings	2,957	2,678	2,681
Payables and Others	39	31	285
Total Liabilities	2,996	2,709	2,966

Strong IEA, EU and French Regulatory Framework Creates Credit Stability

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





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