

S A G E S S

ANNUAL REPORT

**2010 FINANCIAL
YEAR**

Board members

(At 2010 book closure)

Jean-Claude Smadja: Chairman

BP FRANCE

ENI FRANCE SARL

ÉTABLISSEMENTS LAGARDE

PETROVEX

**SOCIETE D'IMPORTATION DE CARBURANTS &
DERIVES - SICAR**

TOTAL RAFFINAGE MARKETING

CARFUEL

ESSO SOCIETE ANONYME FRANÇAISE

Jean-Claude Marcelin

SOCIÉTÉ DES PÉTROLES SHELL

SOCIÉTÉ D'IMPORTATION LECLERC - SIPLEC

Dimitrios Xylinas

Edouard Filho: Secretary to the Board

Company management

Jean-Claude Smadja : Chairman of the Board – General Manager
Edouard Filho : Corporate Secretary and Chief Financial Officer
Jean Thomas : Logistics manager

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ERNST & YOUNG Audit

Statutory Auditors

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Statutory Auditors

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SAGESS Société Anonyme de Gestion de Stocks de Sécurité

Limited liability company with capital of € 240 000 – French trade register RCS NANTERRE B 344547708. – Company number SIRET 344547708.00042- APE Code 4671Z

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A message from the Chairman

Rueil-Malmaison, May 18th, 2011

Domestic consumption of petroleum products decreased by 1.3% over 2009. This drop results from the slow economic recovery following the widespread recession of 2009, and falls into the long-term trend of stable or even decreased oil consumption which has now been evident for a number of years.

However, SAGESS was again increasingly turned to for national strategic petroleum reserve requirements, covering over 60% of the country's requirements at the end of the year. This also corresponds to a long-term trend characterized by two facts. Firstly, operators increasingly delegate their strategic petroleum reserve obligations to the central CPSSP/SAGESS system. Secondly, these operators have reduced their available stocks at the disposal of the CPSSP. As a result, SAGESS purchased 0.5 MT of products for € 251.5 billion, bringing its total stocks to 11.9 MT.

In logistics, particular attention continued to be paid to provisional storage requirements to maintain the ullage and the flexible management required given the storage forecasts for 2010-2015, which indicate stability, or perhaps a decrease, in the long term. A thorough consideration of the markets and storage policy for the 2010-2020 timeframe was continued in 2010 in cooperation with the Energy and Climate Board (Fr. DGEC). A logistics plan, based on an approach combining logistics, credit and the environment, was presented at the September 2010 meeting of the Board in order to identify the storage contracts which will not be renewed upon expiry. The new storage contract template, intended to clarify the duties and obligations of SAGESS and storage providers relative to these storage activities which are strategic for the State budget, continued to be deployed in 2010. Finally, because of the continued tightening of the economic climate of the oil industry, as well as significant reorganizations in the sector, we have boosted our monitoring of the default risks of our counterparts.

The 2010 financial year was also marked by severe strikes which shook France and which sparked an exceptional release of SAGESS stocks to domestic consumption during the fourth quarter. SAGESS lent some 976 thousand tonnes of oil products to operators under the injunction of the Energy and Climate Board. At 21 December 2010, all of these stocks had been restituted.

In financial news, SAGESS' financing needs were successfully covered, and under excellent financial conditions, by the October 2010 bond issue totaling € 500 million in 12-year bonds. Our bank credit lines were renewed at a significant level, which helped protect the company against tight market liquidity. Finally, Standard & Poor's confirmed its AAA rating for SAGESS in September 2010.

The Audit Committee set up by your Board in 2009, to comply with the duties of companies offering securities to the public, met six times during the 2010 financial year. It covered wide ground, from the conventional review of accounts to an internal audit of the company along with a detailed analysis of principal risks. The closing works and due independence of the Statutory Auditors were also audited. The Committee also worked on SAGESS' logistical and financial risks during two specific meetings.

The transposition of the new EU Directive on strategic petroleum reserves, which passed into French law in June 2009, will have several impacts on SAGESS. Firstly, it will involve a revision of the convention linking the CPSSP to SAGESS, in order to reflect its role as a "Central Storage Entity" as defined by the Directive. Finally, on July 1, 2011 the obligation of storage incumbent on operators will initially rise from 27.0% to 28.5% of the previous year's releases to domestic consumption, before rising from 28.5% to 29.5% in July 2012, at which date the AIE surplus stocks will be cancelled. From 2011 onward this fundamental subject and its impacts will remain at the heart of the discussion and activities arising from the close cooperation between the Energy and Climate Board and the CPSSP.

In these times of crisis, SAGESS employees pulled through, demonstrating their dedication and effectiveness. We were therefore able to meet Energy and Climate Board and CPSSP demand as well as keep a tight grip on all operations, thus preserving the integrity of SAGESS.

Thanks once again for the confidence you have shown.

Jean-Claude Smadja

Management report on operations for the year ended December 31st, 2010

Dear shareholders,

We organized the Ordinary General Meeting for you to report on your company's business over the course of its twenty-second financial year which ended December 31st, 2010, and to submit the financial statements of that financial year for your approval.

In their report, your Statutory Auditors will provide complete information on the regularity and trustworthiness of the financial statements submitted to you.

For our part, we are at your disposal for any further or more detailed information you might require.

Appended to this report you will find a table with the company's financial results from the five previous financial years, in compliance with Article R225-102 of the French Commercial Code.

Hereafter, we look at each of these areas, as required by regulations.

1) FRENCH STRATEGIC RESERVE SYSTEM

Release 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 application 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.

Amongst other things, 2010 was characterized by a slow economic recovery following the widespread 2009 recession. This recovery was reflected in the various releases to domestic consumption of oil products, with product prices up over 2009.

The net release to domestic consumption (RTC) of oil products subject to strategic reserve requirements decreased by 1.3% from 2009 to 2010. The increase in diesel deliveries did not offset decreases for other products.

- RTC of gasolines (category 1) continued to follow a longstanding downward trend, decreasing by 7.2% this year.
- RTC of distillates (diesel and heating oils; category 2) increased by a slight 0.7%. According to industry statistics, this combines a 2.1% increase in diesel deliveries and a 5.3% drop in heating oil deliveries. Beyond the year's weather particularities that can explain this data, these figures prolong the underlying trends observed.
- RTC of jet fuel (category 3) were down 1.0%.
- RTC of heavy fuel oil (category 4) decreased sharply by 24.3 %, essentially due to the lower demand of power plants and industry.

(KT)	2008	2009	2010	Deviation	Deviation (%)
Category 1	8 980	8 661	8 040	(621)	(7.2)
Category 2	46 659	46 569	46 892	323	0.7
Category 3	6 433	5 993	5 936	(57)	(1.0)
Category 4	2 527	1 879	1 423	(456)	(24.3)
TOTAL	64 599	63 102	62 291	(811)	(1.3)

Overall, these changes are in line with the major trends noticed over a longer period. Nevertheless, they remain characterized by 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 2009 and the first half of 2010 are based on the 2008 RTC. The obligation for the half starting July 1st, 2010 is determined with the 2009 RTC.

The reserve obligation remains unchanged at 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 (millions of tonnes) Equivalent Finished Products (EQFP):

(MT EQFP) *	July 1 st 2008	July 1st 2009	July 1st 2010	July 1st 2011
National reserve obligation	17.4	17.4	17.0	17.7
Covered by:				
Oil operators	5.1	4.7	4.5	4.7
CPSSP	12.3	12.7	12.5	13.0
Tickets **		2.5	2.4	2.2
SAGESS		9.8	10.3	10.8

* Equivalent Finished Products - EQFP: in the strategic reserve system, one tonne of crude equals 0.8 T of finished products.

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

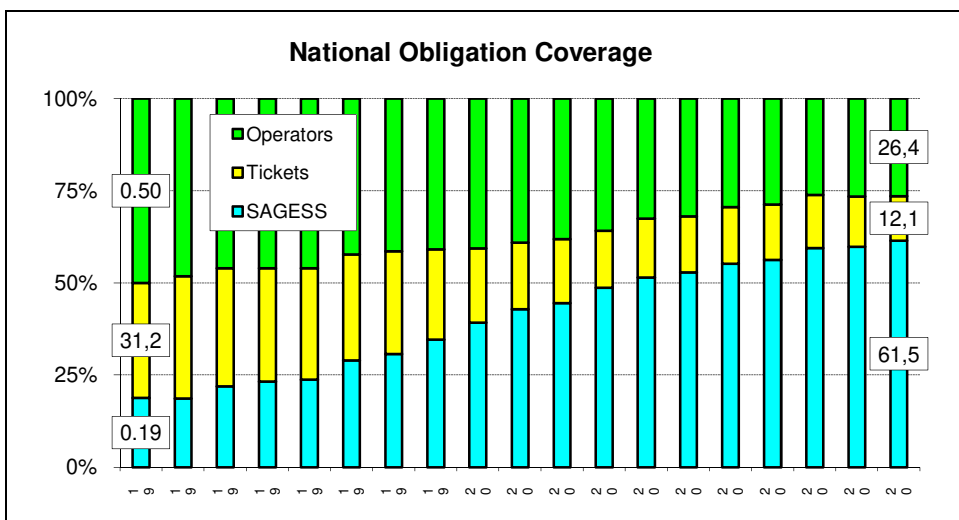
On July 1st 2010, under the effect of the 2009 releases to domestic consumption which were down over 2008, the national obligation dropped 0.4 MT. The CPSSP coverage is only down 0.2 MT, with an increase in the number of oil operators delegating to it. This partially offsets the decreased national reserve obligation. Simultaneously, the tickets dropped by 0.3 MT, which explains the sharp 0.1 MT increase in recourse to SAGESS.

At July 1st, 2011, the 0.7 MT increase in the national reserve obligation was due to the combined effect of the drop in releases to domestic consumption and the increase in the reserve obligation. These 0.7 MT were covered by the oil operators (0.2 MT) and the CPSSP (0.5 MT). Likewise, the tickets increased by 0.1 MT, which leads to a 0.4 MT increase in recourse to SAGESS.

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

- At a constant delegation rate, after rising over time the national storage 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 observed in 2009, as well as largely explaining the 2010 drop.
- The increase in delegations made by oil operators towards the central CPSSP system / SAGESS was a consequence of:
 - 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 60% of the national obligation by year-end 2010 - and a parallel reduction of the other sources of coverage:



2) SAGESS ACTIVITIES

Economic and financial environment

Brent prices remained stable within a range of \$74 to \$78/bbl from January to September 2010, before sharply recovering in the fourth quarter and reaching an average of \$91/bbl in December 2010. The yearly average is \$79.5/bbl, 29.3% above the 2009 average price of \$61.5/bbl (bbl = barrels).

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

The euro lost ground to the US dollar in the first half of 2010, going from 1.43 on average in January 2010 to 1.22 on average in June 2010. It rose in the second half, reaching 1.32 on average in December 2010. The 2010 yearly average was 1.33, against 1.39 in 2009 (down 4.3%).

In financials, 2010 was marked by a gradual stabilization of the financial markets despite crises with ramifications of varying degrees (e.g. Greece, Portugal and Ireland in 2010, with a risky outlook for Italy and Spain in 2011 as the situation and sovereign debt rating of these European countries are reviewed in light of their accumulated deficits and debts). Caution is still advisable despite the new European stability measures which have been set up (e.g. the European Financial Stability Facility).

Short-term interest rates (e.g. EONIA and the one- to three- month Euribor) leveled off at a historically low level. The EONIA went from an average of 0.35% in January to 0.49% in December, for a yearly average of 0.43%. The one- and three-month Euribor followed the same trend, finishing the year at 0.81% and 1.02% respectively (December average), with the spread between the three-month Euribor and the EONIA at usual levels (30 to 40 basis points).

Stock building and conservation

The 2010 pension reform strikes

Following the French pension reform strikes of October and November 2010, the Energy and Climate Board issued injunctions for the use of SAGESS stocks. SAGESS received 161 loan injunctions, thus releasing 976 KT of products for the operators in question.

These loans were granted for a term of one month, in compliance with the original injunction. Beyond that period, the French Energy and Climate Board authorized extensions until no later than December 21st, for operators to resolve residual logistical problems principally affecting the French pipeline network.

At December 21st, 2010, all loans had been restituted to SAGESS. The interest arising from these loans was billed for this financial year to the amount of € 567 thousand.

To make the financial statements easier to read, the value of products lent and restituted at December 31st, 2010, for € 141.8 M was presented by setting off the assets (invoices of stocks lent) and liabilities (invoices which arrived after loans were restituted). All operators' invoices have been received, booked and set off for the months of January and February 2011.

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.

The 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

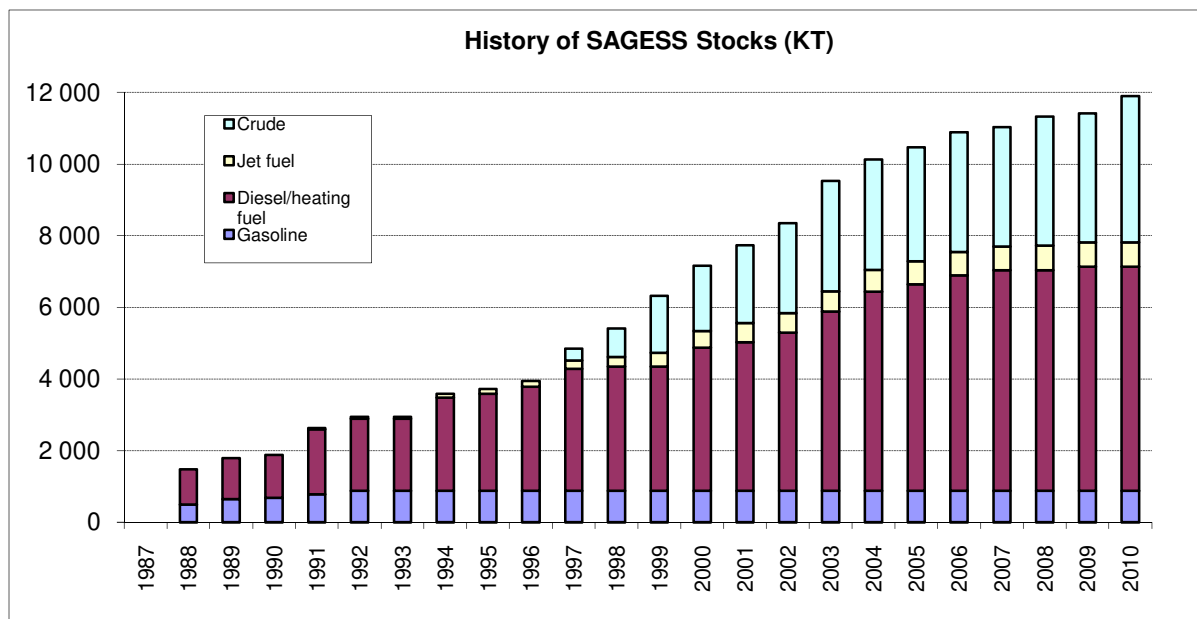
Following restructuring, some operators chose to increase their CPSSP delegation of their reserve obligations in 2009, and to reduce the volume of CPSSP tickets. This choice continued into 2010. As a result, SAGESS was forced to acquire 475 KT in 2010 for € 251.5 M. For 433.3 KT, the assessment is provisional, since the period of price quotation for this transaction runs into June 2011 under the terms of the commercial agreement. The value of SAGESS stocks will be adjusted for the differential, for corresponding stocks, for the first half of 2011 (with no impact on SAGESS' net result).

SAGESS stocks totaled 11.9 MT at December 31st, 2010:

(MT)	Dec. 31 2007	Dec. 31 2008	Dec. 31 2009	Dec. 31 2010
Stocks	10.8	11.2	11.4	11.9
For SPR ¹ obligation	10.5	10.8	10.9	11.4
Additional	0.3	0.4	0.5	0.5
Lent stocks	0.2	0.1	-	-
TOTAL in MT	11.0	11.3	11.4	11.9
TOTAL in MT EQFP	10.4	10.6	10.7	11.1

¹ SPR = Strategic Petroleum Reserve

In the past 20 years, SAGESS stocks have multiplied by approximately seven, and have almost doubled over the past ten years:



Stock policy

SAGESS is in charge of its stock policy, under the controls 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 21st, 2010.

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 cavern.

Quantity and quality controls

Products 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 € 21.6/T in 2010, against € 23.0/T in 2009. This is principally explained by the lower interest rates in financial markets, partially offset by a rise in warehousing costs. With extraordinary elements considered, this average cost was € 22.3/T in 2010 compared to € 22.8/T in 2009.

The SAGESS Manosque Pipeline (Fr. PSM)

A few final project activities, mainly concerning land permits, were performed at the SAGESS Manosque Pipeline, put into operation on November 9th, 2007.

€ 346 K additional expenses were booked in 2010, bringing the cumulative total cost since the beginning of the project to € 119.5 M (including € 114.8 M of property, plant and equipment).

Organization

At December 31st, 2010, there are 14 positions at SAGESS, of which six are staffed by seconded staff. The number of positions is identical to that of end December 2009.

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 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 € 30-80 thousand 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 Manosque 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 thousand.
- 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 thousand 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 September 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.

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 the 2010 year is € 3 K.

Commercial paper

The commercial paper program has been set at € 1 250 M (unchanged from 2009). 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.

Available credit lines

SAGESS has several credit lines totaling € 540 M.

Advances from shareholders and CPSSP loan

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

External financing structure

In October SAGESS performed a successful bond issue against a backdrop of historically low long-term yields, which allowed SAGESS to issue € 500 M of bonds with a maturity of 12 years and a coupon of 3.125%. In compliance with our policy, this fixed-rate borrowing was entirely swapped against a floating rate.

As a result, SAGESS external financing at December 2010, excluding the CPSSP loan and accrued interest, stood at € 2 604 M:

▪ Bonds	:	€ 2 239 M
▪ Bank lines	:	€ - M
▪ Commercial paper	:	€ 365 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; policy concerning the make-up of our bank consortium; 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 this respect, the policy remains variable-rate borrowing.

Any derivatives transactions are still subject to the prior approval of the Board of Directors. At the end of December 2010, nine swaps, set up during each of the seven bond issues, are underway (three swaps took place in 2010: one relating to the new October 2010 bond issue and two others relating to the balances of bond issues which had not previously been completely swapped).

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 (€ 2 821 M at end December 2010, 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 provides 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, and thus 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 December 2010, there was an unrealized capital gain of € 3 988 M on the stocks, influenced by the December 2010 prices which remained considerably higher than the average acquisition price of SAGESS stocks.

FOREX risk

All foreign currency transactions, other than spot transactions, require a 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.

Social security contribution audits

The French social security and unemployment benefit funds (URSSAF and ASSEDIC) audited SAGESS in 2010. No anomalies were found for the period audited (2008 to 2009).

Tax audit

SAGESS received a tax adjustment (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.

Without changing the company's opinion regarding the non-profit nature of SAGESS activity, but 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 first 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 € 10.6 M at the end of December 2010.

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 sties 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 were 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 15, 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. A few claims were made in 2010, totaling approximately € 0.2 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 determined; this is expected for sometime in 2011. The income and receivable are not booked in the 2010 financial statements (estimated at € 190 K).
- Two disputes relating to the progress of the PSM construction project received rulings in SAGESS' favor in 2010:
 - The first dispute concerned the delays incurred by one company during construction, which resulted in economic damages for SAGESS. After two years of varied, contradictory hearings, the Paris Business Tribunal ruled in favor of SAGESS. The dispute was settled with the receipt of € 1 324 231 with a value date of January 19th, 2011. The payment for this dispute was booked under non-recurring earnings for the 2010 financial year, with a net impact of € 1.1 M.
 - The second dispute arose from the incidents and accidents imputed to 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. The income (outside of legal costs) will be € 2 864 542. Nevertheless, as a precautionary measure this receivable has been depreciated to € 715 265, the amount not covered by the bank guarantee posted for SAGESS.

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, unit storage costs and interest rate variations, and in some years, also by non-recurring activities such as the PSM project or changes to product specifications.

The SAGESS balance sheet at December 31st, 2010, is essentially composed of the stocks on the assets side and of the external borrowings on the liabilities side.

It can be summarized as follows:

Assets	€ M	%	Liabilities	€ M	%
Net fixed assets	96	3.2	Net worth and provisions	-	-
Stocks	2 821	95.1	Borrowings	2 681	90.4
Receivables and miscellaneous	49	1.7	Payables and miscellaneous	285	9.6
Total	2 966	100.0	Total	2 966	100.0

- The fixed assets essentially represent PSM 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 € 10.6 M.
- Supplier payables essentially comprise crude oil acquisition and storage costs for December.

The 2010 profit and loss account stands as follows:

	€ M	%
Cost recovery from CPSSP	231.0	100.0
Stock storage and monitoring	(192.3)	(83.3)
Other operating costs	(6.1)	(2.6)
Financing costs	(32.6)	(14.1)
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.

Since the closing of accounts, no event occurred which could have any impact on the end-December 2010 financial statements.

Supplier payment schedule at 31 December 2010

(Commercial Code Art L 441-6-1 and D 444-4)

	Total balance	30 day	30-60 days	over 60 days	Guarantee
31-Dec-09	€ 2 645 377	€ 2 645 377			€ 248 395
31-Dec-10	€ 253 039 877	€ 252 904 148	€ 23 085	€ 112 644	-

The € 112 644 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 year-end 2010, 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	36%
SIPLEC	11%
Esso S.A.F.	9%
CARFUEL	7%
BP	7%
SCA PETROLE ET DERIVES	7%

Shareholders and their subsidiaries holding under 5% of capital 23%

The General Assembly delegated no capital increase.

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 € 322 699 (excluding tax) in 2010 for this secondment.

Statutory Auditors' fees

2010 financial year (in euros)	Ernst & Young	Grant Thornton
Audit	54 100	54 100
Half-yearly and annual financial statements	44 600	44 600
Bond issues	9 500	9 500
Other services	-	-
Total	54 100	54 100

4) 2011 OUTLOOK

In comparison with the 2010 year end, recourse to SAGESS in relation to the strategic petroleum reserve obligation should remain stable, given the crude oil acquisitions made at the end of 2010.

The new EU Directive on strategic petroleum reserves which was adopted in June 2009 should be transposed into French law by end 2012 at the latest. Neither occurrence will have any impact on SAGESS in 2011, despite the increase in SPR obligations which took place on June 30, 2011. The Authorities confirmed that this Directive acts to reinforce the role of the central SPR system, with SAGESS in the role of Central Storage Entity.

As the current outlook stands, there will be no new requirements to finance in 2011, except for the need to anticipate 2012 financial requirements in the fourth quarter as a consequence of the state of the financial markets, and the potential conditions under which any financial transactions will be performed.

The Board

STATEMENT OF THE CHAIRMAN AND THE CFO

2010 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 December 31st, 2010.

The December 31, 2010 management report presents a faithful overview of the company's business, results and the financial standing as well as a description of the main risks and uncertainties it faces.

Rueil-Malmaison, March 25th, 2011

Jean-Claude Smadja
Chairman and General Manager

Edouard Filho
Corporate Secretary and Chief Financial Officer

French Financial Security Law Report – 2010 FINANCIAL YEAR

This report outlines the constitution of the Board of Directors; the conditions under which the latter prepares and organizes its work; and the internal control and risk management procedures set up by the company, particularly those relating to the preparation and handling of accounting and financial data. It also addresses the limitations that the Board of Directors puts on the authority of the General Manager.

Generally, this report has been prepared using the recommendations issued by the French Markets Authority which are applicable to the highly particular case of SAGESS, a company whose public offerings are exclusively limited to the issue of straight bonds traded in Luxembourg (and Paris for the oldest bonds).

In internal controls, the internal control reference system used is the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is also used in the work performed under the guidance of the French Markets Authority.

GOVERNANCE AND CONTROLS

Board of Directors

The Board of Directors steers the directions of company business, and supervises its implementation. By reason of the powers specifically granted to it by shareholders' meetings, and as limited by the corporate purpose, the Board of Directors deals with all questions concerning the smooth functioning of the company and decides on issues affecting the company. The Board performs controls and checks as it deems fit. Each Director is provided with the information required to accomplish his or her mission.

The Board of Directors is made up of 13 members representing the shareholder companies in all their diversity of cultures and origin.

Under Decree 93-1442 of December 27th, 1993 approving the SAGESS by-laws, by law three representatives of the Ministers of Energy, the Economy and the Budget attend the meetings of the Board of Directors and the General Meeting.

The decisions of the Board of Directors and the General Ordinary Meeting are binding within eight clear days if the ministers do not request a new decision within this time period. The new decision is fully and legally binding.

Under the French decree authorizing the construction and operation of the Manosque/Fos-sur-Mer pipeline, and in compliance with legal stipulations (e.g. Decree 59-645 of May 16th, 1959), the Authorities decided to set up a Government auditor at SAGESS, whose role would be limited to subjects relating to the pipeline business. The by-laws were modified to take this into account, and the auditor in question was appointed by decree in April 2006.

The Board of Directors meets as often as required, approximately four to five times per year, upon notice given by the Chairman or upon request of the Directors.

In 2010 the Board of Directors met on March 25th, June 21st, August 26th, September 23rd, October 29th and December 17th.

In addition to strategic petroleum reserve obligations and legal subjects (e.g. year-end closing of accounts, budgeted financial statements, proxies, reports, preparing the draft resolutions for the shareholders' meetings, prior approval of the regulated agreements), the Board regularly deals with various aspects of the company's business. In 2010, the Board particularly debated the following topics:

- impact of the October 2010 pension reform strikes on SAGESS stocks; management of the crisis
- the new EU directive on strategic petroleum reserves and preparing for its transposition into French law
- medium-/long-term reserve requirements
- procurement and loans schemes (particularly to the planned crude oil procurement in Dunkerque, for which approval was subject to a regulated agreement)
- minutes of the Audit Committee

- updating the Agreement between SAGESS and the CPSSP
- counterparty risks
- risk and insurance policies
- budget plans and performances (e.g. releases to domestic consumption, coverage of SPR obligations, storage, related financial forecasts)
- financing plans and options for 2010-2015
- October 2010 bond issue
- risks and litigation (tax and other)
- IT plan

As indicated in the management report, neither members of the Board of Directors nor other directors or officers receive any compensation or benefits. The current Chairman and General Manager is seconded to SAGESS. The secondment contract stipulates rebilling at cost.

Audit committee

Following the transposition of EU Directive 2006/43/EC of May 17th, 2006 into French law by the ordinance of December 8, 2008, the Board decided to include the creation of an Audit Committee on the agenda of its June 2009 meeting. This was done at the planned date. The assignments and organization of this Committee were defined during this same meeting, corresponding both to the legal requirements (particularly Article L823-19 of the French Commercial Code) and in-house practices. Because of the highly particular legal and regulatory framework of SAGESS, the choice of the three members of this Committee favored independence from SAGESS management as the independence criterion of its members. It also paid particular attention to the competency of the members and their diverse origins, both of which guarantee the smooth functioning of the Committee and its ability to boost the quality of internal Company controls in a favorable direction for all shareholders or third parties.

Six meetings were held in 2010 to address the following subjects as part of the overall review of the internal controls system already set up:

- risk assessment method
- review of the "risks and insurance" process
- review alongside the Statutory Auditors (2009 accounting close and financial statements of June 30th, 2010)
- review of the logistics processes, particularly verifying that controls of stocks and of operating assets are in fact carried out
- meeting with the Finance Committee

A report on the Committee's work is submitted to each meeting of the Board of Directors that follows a meeting of the Audit Committee.

Specialized committees

Two specialized committees were created to assist SAGESS management and the Board of Directors. The work of these committees may be initiated by SAGESS, the Board, or the committees themselves.

A *Management Committee* is defined in the SAGESS by-laws. It is made up of six members appointed by the Board. It assists SAGESS management in day-to-day operations. It acts in an advisory capacity and issues opinions of which it notifies the Board. Its members may attend the Board meetings in an advisory capacity. This committee particularly dealt with the crude oil procurement plan for Dunkerque.

A *Finance Committee* is not defined in the by-laws, but founded by the Board. It is made up of seven financial representatives of the shareholders. It assists SAGESS management and the Board with all decisions affecting finances. It has an advisory role and issues opinions of which it notifies the Board.

The following subjects were dealt with in 2010:

- half-year and financial reports (including accounting and reporting principles)
- budget plans and performances (e.g. releases to domestic consumption, coverage of SPR obligations, storage, related financial forecasts)
- review of the financial policy and criteria for constituting the SAGESS bank consortium
- financing plans and options for 2010-2015
- risks and litigation (tax and other)
- counterparty risks
- risk and insurance policies and make-up of the SAGESS bank consortium

Statutory Auditors

The Statutory Auditors, appointed for six financial years by the Annual Shareholders' Meeting, perform their duties as defined by the rules applicable to the profession, and act at least twice per year (half-yearly financial statements and annual financial statements).

The Statutory Auditors, whose mandates were to expire at the General Meeting of May 2012, were appointed based on the responses to a formal call for tenders and after a review by the Financial Committee and the Board.

The Statutory Auditors are systematically given notice of the Board Meetings and General Meetings, where they receive the same information as is communicated to the Board Members, State Representatives and shareholders, except for information relating to debates on their compensation.

Audit by shareholders

The company is audited every three to four years by a team of auditors chosen by the shareholders from their Audit/Control departments. The reference system used for these audits is the interprofessional reference system established in 1998 by oil refining and distribution companies, and covers all SAGESS activities. The last audit was performed in the last quarter of 2007.

A written report is published independently at the end of the audit, after its content is discussed with SAGESS management. The report includes the corrective plan for any weaknesses identified.

The Board of Directors, the Statutory Auditors and the Audit Committee are notified of both the conclusions, and the progress made on the corrective plan.

General Meetings

The procedures by which shareholders are given notice of the annual meetings and attend them are conventional. These procedures appear in the Company's by-laws (available upon request and on the company's website), and by default are those stipulated by law.

ENVIRONMENT AND ORGANISATION OF THE INTERNAL CONTROLS

General framework

The fundamental purpose of the SAGESS controls system is still to allow the Board of Directors, SAGESS management and staff to set up company resources in an effective and appropriate manner in order to reach goals set in full compliance with applicable laws and regulations, while preventing and controlling risks which could significantly impact operations or finances. As with all controls systems, however, it cannot absolutely guarantee that these risks are totally eliminated.

An initial analysis of risk and of compliance with the stipulations of the above-mentioned law was performed during the second half of 2003, and its conclusions for the 2003 financial year were published in the Financial Security Law (LSF) Report.

On this basis, a structured approach was taken to the Financial Security topic, and a multi-year implementation program was set up. Its content is approved by the Board, and its progress is regularly reviewed at this level.

This approach includes an annual review of the suitability of each component of the control environment to the issues and activities of the company, as well as the implementation of any required adjustments which may arise.

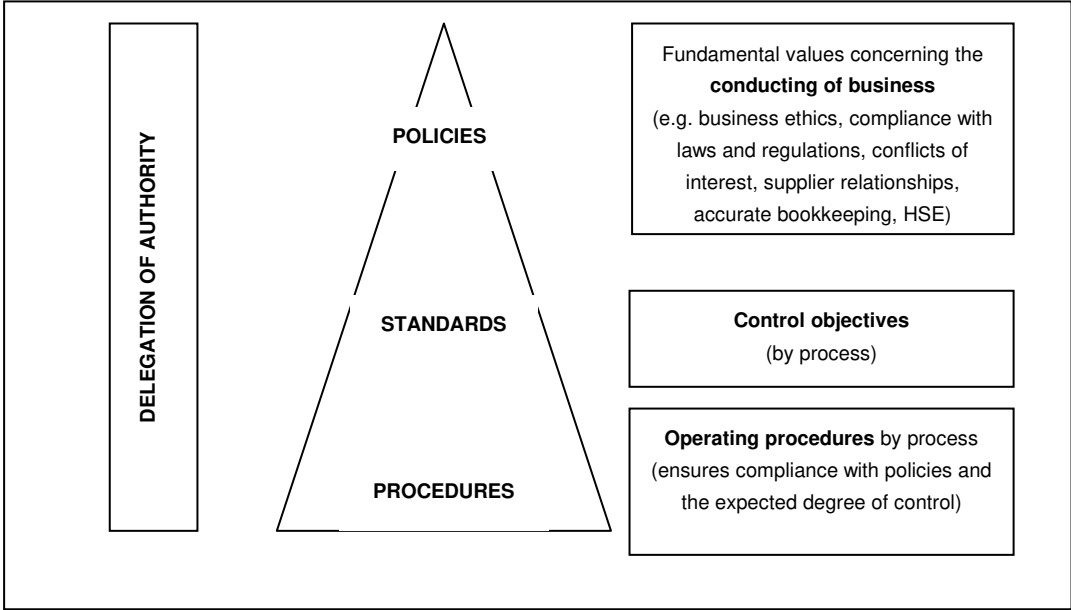
Scope

The scope encompasses all activities placed under the responsibility of SAGESS through the French strategic petroleum reserve system, as well as the management of SPR obligations that falls on the CPSSP (Professional Board for Strategic Petroleum Reserves) which the latter has delegated to SAGESS since 1993 by an agreement of indefinite duration approved by a decree of the Prime Minister.

French Financial Security Law (LSF) Program

Since 2004, various players have been directly involved in the LSF Program. The preparatory work is carried out in a group and coordinated by the Corporate Secretary/Chief Financial Officer. The topic is regularly included on the agenda of the Board meeting (and the Audit Committee meeting) to ensure that all concerned stakeholders participate and benefit from the feedback of the shareholders. This process extends to all SAGESS employees.

The guideline is to structure the topic through general control architecture as a reference framework within which a certain number of components are placed and updated at least annually but more as necessary. This architecture can be presented as follows:



A Code of Business Conduct was prepared including the minimum content for a code of this kind as defined in the internal control reference system and similar shareholder codes of the company. It contains the fundamental values underlying all the company's activities, both internal and as carried out with third parties. It covers:

- business ethics
- third party relationships: competition, conflicts of interest, management participation in companies and bodies, international transactions, political activities
- health, safety and the environment: safety of people and property, product safety, environmental protection
- labor and working conditions: equal opportunity, workplace health and safety, alcohol and drugs, harassment

This Code, initially approved at the Board Meeting of December 16th, 2005, was once again distributed to all staff in September 2010 to stress its importance and each individual's role in applying it correctly.

An internal control reference system (controls standards) was set up in 2004 with the September 2004 Board adoption of the "common reference system for the interprofessional audit committee" (used during shareholder audits of SAGESS) as the minimum control reference system.

A gap analysis of these practices, in relation to the minimum control standards, and a retrofitting plan, were performed in 2005 by each process owner. No deviations or inappropriate practices were identified. The gaps detected, however, stressed the need to reinforce standardization and methods in the IT fields, as well as the need for putting these into writing and documenting the practices in place.

In regard to processes and procedures, all activities were compiled into 26 homogenous processes with an owner appointed for each.

An assessment method for potential risks of these processes was developed and applied, and its findings were shared with the Finance Committee. This method involves assigning an impact score to around ten potential sources of risk (e.g. financial and liquidity risk, complexity and stability of the environment, coverage and reliability of the support IT systems, geographical dispersion, key staff turnover, etc.). As a result, these processes were broken down into 12 High-risk, 13 Medium-risk and 1 Low-risk. The update done in 2010 extensively involved all SAGESS managers and some process specialists.

The High risks are:

- ethics policy
- procurement, storage and movement policy

- financial policy
- petroleum product procurement
- storage facility owner relationships
- product loans
- stock quantity and quality monitoring
- payment & collection
- insurance
- financing
- accounting and financial data
- IT

With this characterization done, an in-depth risk analysis is performed, for at least the High-risk processes, to check that relevant checkpoints are in place and stabilize procedures as needed. This analysis consists in taking each process, reviewing its path from beginning to end (whether this is a manual or digital path) and determining, for each processing step (or group of steps) the risks of error or non-quality that could arise, and the resulting checkpoints that must be set up if they are not already.

To supplement this, an IT risk (and coverage) method was developed and applied in 2006. It supplements the previously mentioned process risk analysis, by identifying the nature and size of risks of computer origin and facilitating the determination and implementation of the required associated control measures.

Finally, a comprehensive self-assessment of the control environment has been performed annually since 2004. To do so, the control environment is checked against seven principles: commitment and liability of upper management, risk assessment and management, process management and improvement, staff training, change management, reporting and resolution of control weaknesses, and periodic assessment of the degree of control. Each of these components is assessed by the management team on the basis of the accomplishments of the year under consideration. A comprehensive assessment is derived from this analysis.

Authority

Authority of the Chairman and General Manager

According to strategic petroleum reserve legislation, decisions relating to reserves of petroleum products are the responsibility of the Board, but may only be taken within the framework of formal requests expressed by the Authorities or the CPSSP.

Moreover, the Board has placed the following limitations on the authority of the Chairman and General Manager:

- The Chairman and General Manager may not consent to loans in kind or in cash exceeding the amount of € 30 000 per transaction, except for prepaid storage rents to finance investments in particular storage facilities, and except for loans of petroleum products up to a ceiling, all loans combined, of 100 KT.
- The Chairman and General Manager may solely sign borrowings up to a total amount below or equal to € 100 M per agreement, including amendments. Transactions of a greater amount require the joint agreement of the vice-chairman or the Chief Financial Officer.
- SAGESS bank accounts or postal current accounts may only be opened or closed with the joint signature of the Chairman and the Chief Financial Officer.
- Any transactions involving derivatives and currency must be previously authorized by the Board of Directors.
- The Chairman and General Manager is not authorized to buy oil futures.

In addition, these authorizations are annually renewed by the Board:

- The Board authorizes the Chairman and General Manager to provide up to € 200 000 in sureties and guarantees on behalf of the company. The Board authorizes the Chairman and General Manager to provide an unlimited amount of sureties and guarantees on behalf of the company to customs and tax authorities.
- The Board authorizes the Chairman and General Manager to delegate, in whole or in part, the types of authority defined in the following paragraphs.

Banking authority

In line with the above, banking authority is renewed at least each year, and formally sent to each of the banks with which CPSSP and SAGESS work. This authority describes in detail the transactions authorized, their conditions and limits, and prohibited transactions.

Payments are essentially made by bank wire through ETEBAC 5, with the bank checking the recipient. The authority for updating this list of recipients is described in the banking authority previously mentioned.

Internal authority

The manual of internal company authority was overhauled in 2004, and is updated when necessary. The structure of this manual meets the following objectives:

- to organize the Authority and Discretions consistent with the process-based approach described above.
- at the beginning of each section about a given process, to provide a certain number of clarifications (e.g. limits of the process and its interfaces with other processes) and a reminder of applicable guiding principles.
- for each decision point, to present all stakeholders from those with authority for proposal to authority of final approval, including review points and validation required before any decisions.

PREPARATION AND HANDLING OF ACCOUNTING AND FINANCIAL DATA

Accounting and financial data are produced by the Head Accountant and the Chief Financial Officer under the control of the Chairman and General Manager. Despite the company's small staff numbers, separation of duties is implemented.

The following are the steps for preparing this data:

- Determining the accounting principles and methods that best reflect the characteristics and regulatory particularities of the company's business, in compliance with current legal and regulatory measures
- Recording transactions and periodical closings (e.g. accounting transactions, determining and booking provisions and accrual/suspense accounts, half-yearly and annual closings)
- Monitoring the accounts and the financial situation (e.g. account reconciliation, circularization)
- Producing financial reports (e.g. balance sheet, profit and loss statement, appendices, management report). These reports are reviewed by the Audit Committee before being submitted to the Board of Directors.

The major risks are the production of incomplete or erroneous accounting data, or transmission of insufficient financial data. SAGESS' main activities are to gather and store strategic petroleum stocks and finance them through borrowings, and it is a non-profit company. For these reasons, the most sensitive data concerns the company's assets and coverage of its expenses.

Petroleum product stocks account for over 90% of the value of the assets.

- Stock volumes are checked through customs declarations and by material inventory counts performed by SAGESS staff or by an independent company at least once every 18 months. The customs declarations are reconciled with the volumes recorded in the computer systems at least once every six months.
- The value of the stocks is monitored in two independent computer systems which are reconciled monthly.
- By law, stocks are booked at their acquisition value and not at market prices. SAGESS is therefore not exposed to price fluctuations of petroleum products.

Fixed assets are essentially the SAGESS Manosque Pipeline, put into operation in November 2007, and the Chasseneuil-du-Poitou storage facility. Detailed inventories are periodically performed at these properties and they are operated by third parties under the supervision and controls of the Logistics Department.

More generally, risks (including those affecting assets) are minimized by:

- the careful selection and controls of suppliers combined with heightening their sense of responsibility, and as a last resort by these suppliers' insurance policies, which are periodically checked to ensure they are in place and comply with contractual commitments,
- a preventive risk analysis and insurance coverage policy at the company level.

The company's debt financing is carried out within the framework of a financial policy, the appropriateness of which is reviewed annually by the Board of Directors after receiving the opinion of the Finance Committee. Specific financial operations, such as bond issues, are also first reviewed by the Board, after receiving the opinion of the Finance Committee. The implementation of financing operations is regularly monitored at these same levels, in addition to the complete data on this topic which appears in the financial reports (e.g. annual report, half-yearly report and bond prospectus).

The recovery of delegation fees, performed by the company on behalf of the CPSSP, is carried out and monitored monthly by the CPSSP and SAGESS. These delegation fees are a source of income which covers all system expenditures. Non-payment risks are hedged by first demand guarantees provided to the CPSSP by oil operators. The Statutory Auditors of the operators certify the statements of release to domestic consumption (the basis for receiving delegation fees) each year. Moreover, the Authorities (e.g. Energy and Climate Board, Customs) perform controls of this data, and the findings are reconciled with the data received by SAGESS and the CPSSP.

Operating costs are the subject of annual plans which are updated quarterly. They are monitored at the same frequency. Plans and accomplishments are reviewed at the same frequency by the Board.

There are few off balance sheet commitments. They concern:

- bank sureties for the Customs Administration,
- long-term leasing commitments,
- interest rate and currency swaps set up when the bonds were issued, and specifically authorized beforehand by the Board.

Chairman of the Board
Jean-Claude Smadja

Resolutions of the Ordinary Assembly of May 18th, 2011

First resolution**(Approval of the 2010 accounts)**

Given (i) the quorum and majority rules applicable to ordinary assemblies, and (ii) the reports of the Board and of the Statutory Auditors, the assembly resolved to approve the financial accounts for 2010 as presented, as well as the operations reflected in these accounts or summarized in the said reports.

As a consequence, the Assembly resolved to give the Board members full quitus regarding the execution of their mandates for this financial year.

Second resolution**(Agreements relating to article L225-38 of the French Commercial Code)**

Given (i) the quorum and majority rules applicable to ordinary assemblies, and (ii) the special report of the Statutory Auditors on the agreements relating to article L225-38 of French Commercial Code, the assembly resolved to approve this report.

Third resolution**(Appropriation of net result)**

Given the quorum and majority rules applicable to ordinary assemblies, the assembly acknowledges that the net 2010 profit equals € 3 205.17 which, added to the retained earnings of € 107.06, gives a total distributable amount of € 3 312.23. The assembly resolved to allocate this amount as follows:

- 2010 net profit	€ 3 205.17
- Retained earnings before appropriation	€ 107.06
Total	€ 3 312.23
- Net dividend	€ 0.00
- Retained earnings after appropriation	€ 3 312.23
Total	€ 3 312.23

It was therefore decided to distribute no dividend for 2010.

The last three years' dividends are as follows:

(€)	2009	2008	2007
Total dividends	5 999.60	22 498	209 986
Number of shares	15 000	15 000	15 000
Net dividend per share	0.40	1.50	14.00

Fourth resolution**(Replacement of a Board member)**

Based on the March 24th, 2011, report of the Board of Directors, the assembly recognizes that SICAR no longer fulfils the conditions for shareholders outlined in the SAGESS by-laws, since the company did not perform any releases to domestic consumption in 2010. As a result, the position of the SICAR member of the Board has fallen open.

Fifth resolution
(Voting procedures)

Based on the report of the Board of Directors, and having recognized that the number of board member candidates (10) is greater than the number of positions to fill (8), the assembly approves the list of candidates presented on the basis of information forms sent by the candidates.

Under these conditions, after the Chairman read the voting rules applicable to cases of a surplus of candidates, the Assembly approved the voting rules appearing in the appendix to the minutes of the proceedings.

Sixth resolution
(Election of Board members)

Votes were counted, approved and signed by the office of the assembly, which was chaired by Jean-Claude Smadja and made up of two voting tellers; two representatives of the Energy and Climate Board and the Customs Office; and the Corporate Secretary assisted by two staff members in counting the votes. All were held to strict confidentiality regarding the votes. Based on the outcome of the votes, the Assembly replaced the positions of:

- | | |
|-----------------------------|------------------------------------|
| - BP FRANCE | represented by Mr Hervé Charmolue |
| - Carfuel | represented by Mr Karim Benbrik |
| - Petrovex | represented by Mr Erick Parayre |
| - Esso SAF | represented by Mr Gilles Théry |
| - Établissements Lagarde | represented by Mr Michel Pelletier |
| - Sicar | represented by Mr Jacques Besnault |
| - Total Raffinage Marketing | represented by Mr Thomas Waymel |
| - Mr Dimitrios Xylinas | |

by

- | | |
|-----------------------------|-----------------------------------|
| - Bolloré Energie | represented by Mr Cyrille Bolloré |
| - BP FRANCE | represented by Mr Hervé Charmolue |
| - Carfuel | represented by Mr Karim Benbrik |
| - Esso SAF | represented by Mr Gilles Théry |
| - Petrovex | represented by Mr Erick Parayre |
| - Picoty | represented by Mr Michel Picoty |
| - Total Raffinage Marketing | represented by Mr Thomas Waymel |
| - Mr Dimitrios Xylinas | |

The vote count revealed that these candidates garnered the largest number of votes of the ten candidates. These administrators (or their permanent proxies if applicable) had sent advance notification that they accepted their mandate.

All these mandates, in accordance with article 16 of the by-laws, will expire at the General Assembly examining the accounts of the 2015 financial year.

Seventh resolution
(Authority to the holder)

All authority is given to the holder of the present document to accomplish all legal formalities.

Location of SAGESS stocks
(at December 31st, 2010)

In m ³	Refineries	Storage facilities	Manosque	Outside France	Total
Category 1 Gasoline	787 712	278 511	93 639	0	1 159 862
Category 2 Heating oil	1 345 426	1 042 380	545 817	0	2 933 623
Category 2 Diesel	467 625	1 729 945	1 932 280	339 284	4 469 134
Category 3 Jet fuel	305 697	365 649	0	177 542	848 888
Crude oil	1 279 333	331 488	3 373 224	0	4 984 045
ALL PRODUCTS	4 185 793	3 747 973	5 944 960	516 826	14 395 552

Financial statements

Balance sheet – Assets at December 31st 2010

Balance sheet – Liabilities at December 31st 2010

2010 profit and loss statement

Notes to the financial statements

Balance sheet – assets
(before dividend appropriation)

(in euros)	Dec. 31st, 2010			Dec. 31st, 2009
	Crude oil	Amortization and provisions	Net	Net
FIXED ASSETS				
Intangible assets	3 294 050	1 065 248	2 228 803	2 463 300
Software and user rights	3 294 050	1 065 248	2 228 803	2 463 300
Tangible assets	121 622 673	28 083 991	93 538 681	101 052 757
Land and land improvement	576 826	15 679	561 147	561 147
Buildings	280 593	193 088	87 505	40 151
Plant and industrial equipment	120 155 177	27 660 273	92 494 903	99 711 510
Other	348 885	214 950	133 935	143 041
Assets under construction	261 191		261 191	596 908
Financial assets	504 006		504 006	977 929
Prepaid long-term storage rents	451 376		451 376	922 076
Deposits and sureties	52 630		52 630	55 853
TOTAL FIXED ASSETS	125 420 730	29 149 239	96 271 490	104 493 987
CURRENT ASSETS				
Stocks of oil products	2 820 712 699		2 820 712 699	2 568 295 055
Receivables	38 335 833	11 342 122	26 993 710	21 184 054
Trade receivables and related accounts	15 122 428		15 122 428	20 386 083
Other	23 213 405	11 342 122	11 871 282	797 971
Cash & cash equivalents	7 714 581		7 714 581	1 398 570
Marketable securities	7 321 567		7 321 567	1 024 336
Cash	393 015		393 015	374 235
Prepaid expenses	472 441		472 441	475 709
TOTAL CURRENT ASSETS	2 867 235 555	11 342 122	2 855 893 432	2 591 353 388
Bond issue premiums	13 650 331		13 650 331	14 241 453
TOTAL ASSETS	3 006 306 616	40 491 362	2 965 815 254	2 710 088 827

**Balance sheet – liabilities
(before dividend appropriation)**

(in euros)	Dec. 31st, 2010	Dec. 31st, 2009
Capital	240 000	240 000
Legal reserves	24 000	24 000
Retained earnings	107	814
Net income	3 205	5 293
TOTAL SHAREHOLDERS EQUITY	267 312	270 107
Provisions for risks		
Provisions for charges	221 670	151 670
TOTAL PROVISIONS	221 670	151 670
Financial debt	2 680 955 773	2 674 092 686
Bonds	2 239 473 684	1 739 473 684
Loans and debt from financial institutions	15 502 482	13 639 395
Other loans and financial debt	425 979 607	920 979 607
Miscellaneous liabilities	270 901 473	21 523 892
Supplier payables and related accounts	270 174 852	20 289 838
Payables to suppliers of fixed assets	1 312	576 266
Social security contributions and taxes	654 142	584 606
Other liabilities	71 167	73 183
Deferred income	13 469 026	14 050 472
TOTAL LIABILITIES	2 965 326 272	2 709 667 051
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2 965 815 254	2 710 088 827

Profit and loss statement

(in euros)	Dec. 31st, 2010	Dec. 31st, 2009
Services		
NET TURNOVER		
Costs recovered from CPSSP (France)	230 963 311	241 645 467
Reversal of provisions		
Other revenues		
TOTAL OPERATING REVENUE	230 963 311	241 645 467
Purchases of oil products	(252 273 209)	(60 412 874)
Variation in stocks	252 417 644	60 411 757
Other external purchases and charges	(193 390 252)	(183 377 070)
Taxes and dues	(460 607)	(439 179)
Personnel costs	(890 222)	(853 154)
Salaries	(585 853)	(555 710)
Social security contributions	(304 369)	(297 444)
Depreciation and provisions	(9 002 764)	(8 424 873)
Provisions for risks and charges	(70 000)	(70 000)
Other charges	(3)	(973)
TOTAL OPERATING CHARGES	(203 669 412)	(193 166 365)
OPERATING INCOME	27 293 900	48 479 102
Net interest income from marketable securities	562 904	114 748
Other financial income	2 791 886	2 462 213
Interest charges	(31 843 617)	(47 824 635)
Depreciation and provisions	(2 216 121)	(2 189 409)
NET FINANCIAL LOSS	(30 704 947)	(47 437 084)
PRE-TAX INCOME FROM ORDINARY ACTIVITIES	(3 411 048)	1 042 019
Provision for risks reversal	1 359 566	
Non-recurring income	3 098 773	1 620
Non-recurring charges	(438 083)	(160 536)
Non-recurring depreciation and provisions	(606 003)	(877 809)
NET INCOME FROM NON-RECURRING ITEMS	3 414 253	(1 036 726)
Income tax		
NET PROFIT	3 205	5 293

Figures in parentheses are negative.

Notes to the financial statements at December 31st, 2010

2010 HIGHLIGHTS

In line with the 2010 procurement schedule, validated at the Board meeting of June 21st, 2010, SAGESS acquired 570 km³ of crude oil in December 2010 for a total amount of € 251.5 M.

€ 500 M in bonds were issued during the second half.

In October 2010, some SAGESS stocks (less than 10%) were lent to operators to deal with the supply difficulties arising from strikes in the refineries and the national storage facilities. These loans were made by injunction of the Energy and Climate Board for a limited period of time. All quantities lent were restituted to SAGESS before December 21st, 2010.

The French social security and unemployment benefit funds (URSSAF and ASSEDIC) performed an audit for 2008 and 2009 at the company headquarters during the second half. Neither body found any anomalies.

The tax litigation relating to the applicability of the corporate property tax was brought before the *Conseil d'Etat* in 2008 to be upheld or overturned. The cumulated amount for this litigation booked at December 31st, 2010 was € 10.6 M.

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 as compared to 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.

The construction of low sulfur lines, part of the contracts signed in 2003 with GEOSEL, was completed in 2005. These lines are owned by GEOSEL, with SAGESS shouldering 50% of the capital expenditures in exchange for usage rights. The corresponding amount (€ 1.1 M) is booked as an intangible asset and is depreciated over 15 years on a straight-line basis.

The expenditures of the PSM project were capitalized starting May 1st, 2005. These fixed assets are organized in components as defined in new accounting legislation. Following the commissioning of the pipeline early November 2007, the fixed assets were commissioned and the depreciation was initiated at the same date. The remaining construction works subsequently carried out were booked under "assets under construction", then commissioned as the corresponding invoices were received.

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.

The 2010 pension reform strikes led to many product loans between SAGESS and operators. To make the financial statements easier to read, the value of products lent and restituted at December 31st, 2010, for € 141.8 M was presented by setting off the assets (invoices of stocks lent) and liabilities (invoices which arrived after loans were restituted). All operators' invoices have been received, booked and set off for the months of January and February 2011.

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 transportation costs 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.

FIXED ASSETS AND AMORTIZATION

FIXED ASSETS AS AT 31 DECEMBER 2010

(in euros)	Gross value	Increases of the period	Decreases of the period	Gross value
	at the opening of the period			at the closing of the period
INTANGIBLE ASSETS	3 294 050		155 000	3 139 050
Software and user rights	3 294 050		155 000	3 139 050
TANGIBLE ASSETS	121 086 553	1 063 741	527 622	121 622 673
Land and land improvement	576 826			576 826
Buildings on own property	153 743	64 592		218 335
Construction improvements	62 259			62 259
Plant and industrial equipment	119 360 157	795 019		120 155 177
Fittings	141 567	5 070		146 637
Office furniture	97 812	2 233	2 804	97 240
Office and IT equipment	97 281	7 728		105 008
Assets under construction	596 908	189 100	524 817	261 191
Installments on asset purchases				
FINANCIAL ASSETS	977 929		473 923	504 006
Deposits and sureties	55 853		3 224	52 630
Prepaid long-term storage rents	922 075		470 699	451 376
TOTAL	125 358 532	1 063 741	1 156 545	125 265 729

AMORTIZATION AS AT DECEMBER 31, 2010

(in euros)	Amortization	Allocation	Decreases	Amortization
	at the opening of the period			
INTANGIBLE ASSETS	830 751	234 497		1 065 248
Software and user rights	830 751	234 497		1 065 248
TANGIBLE ASSETS	20 033 795	8 057 532	7 336	28 083 991
Land and land improvement	15 679			15 679
Buildings on own property	137 115	13 204		150 319
Construction improvements	38 736	4 034		42 770
Plant and industrial equipment	19 648 648	8 011 626		27 660 273
Fittings	37 945	14 278		52 223
Office furniture	59 718	3 592		63 310
Office and IT equipment	95 954	10 799	7 336	99 417
FINANCIAL ASSETS				
Deposits and sureties				
TOTAL	20 864 545	8 292 030	7 336	29 149 239

Assets are depreciated on a straight-line basis.

FINANCIAL FIXED ASSETS

(in euros)				
Prepaid long-term storage rents		Reimbursements paid through rental reduction		
Storage sites	Amount of work financed	Amount outstanding at Dec. 31, 2009	Reimbursement in 2010	Amount outstanding at Dec. 31, 2010
Chalon	859 857	19 322	19 322	-
Chalon 2	1 800 000	626 087	313 044	313 043
TOTAL	2 659 857	645 409	332 366	313 043

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	Amount of work financed	Amount outstanding at Dec. 31, 2009	Reimbursement in 2010	Amount outstanding at Dec. 31, 2010
Clairoix	830 000	276 667	138 333	138 334
TOTAL	830 000	276 667	138 333	138 334

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

TOTAL prepaid storage rents	3 489 857	922 076	470 699	451 377
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STOCKS

(As at December 31st, 2010)

The change in value of the stocks between December 31, 2009 and December 31, 2010 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.....	€ 170 356 085	for	1 159 863 M ³
DIESEL/HEATING FUEL	€ 1 463 309 670	for	7 402 757 M ³
JET FUEL	€ 173 137 340	for	848 888 M ³
CRUDE OIL	€ 1 013 909 604	for	4 984 045 M ³
Total	€ 2 820 712 699		14 395 552 M³

Book value excluding lent stocks (1):	€ 901 972	7 000 M³
Total	€ 2 821 614 671	14 402 552 M³

For information purposes, based on the average prices of December 2010, there was an unrealized capital gain of € 3 988 M on the stocks, influenced by the December 2010 prices which remained considerably higher than the average acquisition price of SAGESS stocks.

Realizable value:

GASOLINE.....	€ 556 537 266
DIESEL/HEATING FUEL	€ 3 737 346 748
JET FUEL	€ 428 560 093
CRUDE OIL	€ 2 087 460 030
Total	€ 6 809 904 136

Deviation over book value..... € 3 988 289 464

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

Part of the 2010 crude oil acquisitions (516 km³) will be definitively valued during the first half of 2011, following the terms of the commercial agreement. The value adjustment of corresponding stocks will have no impact on net income.

ACCRUED INCOME

ACCRUED INCOME	(in euros)	Item
Non-recurring income	4 472 568	Other receivables
TOTAL	4 472 568	

This amount mainly corresponds to the balance of the two court disputes concerning the PSM project.

PREPAID EXPENSES

PREPAID EXPENSES	(in euros)
Financial expenses	223 466
Operating expenses	248 975
TOTAL	472 441

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

Prepaid operating expenses mainly comprise insurance premiums paid at the end of the year, covering the 2011 financial year, as well as the Q1 2011 lease of the Head Office.

DEFERRED CHARGES

(in euros)

	Value at Dec. 31st, 2009	Increase for the period - New bond issue	Decrease for the period - Amortization	Value at Dec. 31st, 2010
Bond issue premium	14 241 453	1 625 000	2 216 121	13 650 331
TOTAL	14 241 453	1 625 000	2 216 121	13 650 331

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. 31st, 2009	Increase for the period	Decrease for the period with grounds	Decrease for the period without grounds	Value at Dec. 31st, 2010
Receivable relating to the corporate property tax litigation (*)	10 020 854	606 003			10 626 857
Receivables relating to the PSM pipeline construction litigation (**)	1 359 566	715 265	922 790	436 776	715 265
Use of instrumented pig in the PSM every ten years	151 670	70 000			221 670
TOTAL	11 532 090	1 391 268		436 776	11 563 792

(*) 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	270 176 163	Supplier payables (operations and fixed assets)
Social security contributions and taxes	532 028	Social security contributions and taxes
TOTAL	270 708 192	

This table indicates invoices not received at 31 December 2010, as well as estimated provisions at that date, by accounting item.

DEFERRED INCOME

DEFERRED INCOME	(in euros)
Deferred financial income	13 469 026
TOTAL	13 469 026

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 31 DECEMBER 2010

(in euros)			
RECEIVABLES	Asset liquidity		
	Gross amount	Maturity	
		Under one year	Over one year
Fixed asset receivables	504 007	451 377	52 630
Prepaid long-term storage rents	451 377	451 377	
Other receivables	52 630		52 630
Current asset receivables	38 808 215	28 181 361	10 626 854
Trade receivables and related accounts	15 122 428	15 122 428	
Other receivables	23 213 346	12 586 492	10 626 854
Personnel and related accounts	700	700	
Social security and other public welfare bodies			
State – Value Added Tax	8 113 223	8 113 223	
State – Corporate property tax litigation	10 626 854		10 626 854
State – Dividend tax			
Accrued income	4 472 568	4 472 568	
Damages and miscellaneous for recovery (PSM project)	0	0	
Miscellaneous			
Prepaid expenses	472 441	472 441	
TOTAL	39 312 223	28 632 739	10 679 484

(in euros)				
LIABILITIES	Debt payability			
	Gross amount	Maturity		
		Under one year	Over one year	Over 5 years
Financial debt	2 680 955 773	680 502 482	1 439 473 684	560 979 607
Bonds	2 239 473 684	300 000 000	1 439 473 684	500 000 000
Bank borrowings	15 502 482	15 502 482		
Maximum two years at inception	146 154	146 154		
More than two years at inception				
Accrued interest	15 356 328	15 356 328		
Other debt	425 979 607	365 000 000		60 979 607
Miscellaneous debt	270 901 473	270 901 473		
Supplier payables and related accounts	270 174 852	270 174 852		
Payables to suppliers of fixed assets	1 312	1 312		
Social security contributions and taxes	654 142	654 142		
Other debt	71 167	71 167		
Deferred income	13 469 026	2 284 042	8 736 166	2 448 818
TOTAL	2 965 326 272	953 687 997	1 448 209 850	563 428 425

Bank borrowings (in euros)
146 154

Bank credit	27 876
Bank lines of credit	0
Fees	118 278
Accrued interest	0

Borrowings and miscellaneous financial debts (in euros) 425 979 607

Commercial paper	365 000 000
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.

NON-RECURRING ITEMS

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 15, 2009. Parallel to this, following the June 2008 ruling, SAGESS had effected 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 of the seizure proceedings.

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

Corporate property tax – Tax audit

SAGESS received tax adjustments (re: corporate property tax) relating to the years 1999 to 2002 included, for a total amount of € 3.0 M (€ 2.4 M for adjustments, € 0.4 M for late payment interest and € 0.2 M for penalties). These adjustments were booked as outstanding debt 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 first 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 € 10.6 M at December 31st, 2010) 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 matters relating to land permits, no litigation is under way any longer. A few claims were made during the second half of 2010, totaling approximately € 0.2 M.

In a dispute with the 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 determined; this is expected for sometime in 2011. The income and receivable are not booked in the 2010 financial statements (estimated at € 190 K).

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).

As stipulated in the agreement, SAGESS charged penalty interest. SAGESS also passed on to a third company the supplementary construction costs caused by the delays this company incurred in vacating the land on which the SAGESS construction work was to be performed. This dispute was brought before the courts in April, 2008. After two years of legal proceedings, the Paris Business Tribunal ruled in favor of SAGESS. The third company did not appeal. The dispute settlement was booked as non-recurring income for the financial year.

OTHER CHARGES AND NON-RECURRING INCOME

The non-recurring profit/loss item comprises the settlements of two disputes linked to the PSM project (income of € 4.0 M) as well as the allocation for the period in terms of the corporate property tax dispute (costs of € 0.6 M).

OFF-BALANCE SHEET COMMITMENTS

Customs guarantees

2011 bank sureties for the Customs Administration € 20 000 000

Leasing commitments

Long-term leasing commitments € 29 322

Storage at Manosque

Within the framework of its contract for petroleum product storage in the salt caverns of GEOSSEL-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.

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 € 500 M in bonds in October 2010. In keeping with the company's financial policy, this bond issue was entirely swapped (floating rate against fixed rate). The banking commissions were booked as expenses for the financial year.

Bond issue	Maturity	Coupon (%)	Total amount (€M)	Swapped amount
April 2001	April 27th, 2001	5,250	300	300
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 2020	3,125	500	500

(*) Two swaps (for € 150 M and € 175 M) were performed in November 2010 to fully align our financial policy on the floating rate.

(**) 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 at December 31 st , 2010	€ 365 000 000

AVAILABLE CREDIT LINES

Back-up lines for the commercial paper program

Negotiated	250 000 000 €
Committed	250 000 000 €
Used	0 €
Available	250 000 000 €

Bank lines of credit

Negotiated	290 000 000 €
Committed	290 000 000 €
Used	0 €
Available	290 000 000 €

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 € 322 699 (excluding tax) in 2010 for this secondment

RETIREMENT PACKAGES AND SIMILAR PAYOUTS (COMMERCIAL CODE ARTICLE L123-13 PARAGRAPH 3)

Retirement benefits for SAGESS permanent staff members are not booked.

STAFF AT DECEMBER 31ST, 2010

Salaried staff	8	
of which full-time		8
Seconded staff	6	
of which full-time		6

PROFESSIONAL DEVELOPMENT

The number of hours accumulated by permanent SAGESS staff members under the French professional development law (*droit individuel à la formation*) is 664 hours.

SUMPTUARY EXPENSES

NIL

ADVANCES AND LOANS TO DIRECTORS

NIL

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.

TABLE OF CHANGES TO SHAREHOLDERS' EQUITY

1 – FULL-YEAR RESULTS

	Dec. 31th, 2010	Dec. 31st, 2009
Pre-tax accounting income	K€ 3	5
	€ / 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
		2010
A		
1	Shareholders' equity at end 2009 before appropriation	270
2	Appropriation of net result to net equity as voted at Annual Meeting	(6)
3	Shareholders' equity at opening of 2010 financial year	264
B	Contributions received with retroactive effect at opening of 2010	
1	Changes in capital	
2	Changes in other items	
C	(=A3+B) Shareholders' equity at beginning of 2010 financial year	264
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 December 31st, 2010 (=C+D)	264
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.

CASH FLOW FOR 2010

		In thousands of euros
	Gross operating profit excluding depreciation	36 367
	Transfer of charges/provision reversals	
	+ Other operating income	
	- Other operating charges	
	+/- Share of profit in joint ventures	
	+ Interest income	3 355
	- Interest charges	(31 844)
	+ Non-recurring income	3 099
	- Non-recurring charges	(438)
	- Employee profit sharing	
	- Income tax	
	OPERATING CASH FLOW	10 539

Figures in parentheses are negative.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Figures in parentheses are negative.

Summary of the company's financial results for the past five financial years

ITEM	Euros				
	2010	2009	2008	2007	2006
1. Year-end capital					
Share capital.....	240 000	240 000	240 000	240 000	240 000
Number of ordinary shares.....	15 000	15 000	15 000	15 000	15 000
Number of shares with a preferred dividend (no voting rights).....	0	0	0	0	0
Maximum number of shares to be created	0	0	0	0	0
By conversion of bonds	0	0	0	0	0
By exercising subscription rights.....	0	0	0	0	0
2. Transactions and results of the period					
Operating income	232 852 877	241 645 467	333 344 336	280 403 126	219 780 578
Net result before taxes, profit sharing and depreciation/provisions.....	10 538 527	11 567 384	18 476 081	2 035 333	1 324 196
Income tax					
Profit sharing					
Net result after taxes, profit sharing and depreciation/provisions	3 205	5 293	19 450	211 875	562 851
Net result distributed.....		6 000	22 499	209 986	569 962
3. Earnings per share					
Net result before taxes, profit sharing and depreciation/provisions.....	703	771	1 232	136	88
Net result after taxes, profit sharing and depreciation/provisions	0.21	0.35	1	14	38
Net dividend distributed to each share		0.4	1.5	14	38
4. Personnel					
Average personnel during the period	7	14	12	15	14
Payroll during the period	585 853	555 408	518 723	613 179	473 343
Social security contributions and benefits	304 369	297 444	269 554	250 385	255 856

Reports of the Statutory Auditors

General report

Report drawn up in application of the last paragraph of Article L. 225-235 of the French Commercial Code

Special report

GRANT THORNTON

French member of Grant Thornton International
100, rue de Courcelles
75849 Paris Cedex 17
Limited company with equity of € 1 297 184
Statutory Auditors
Member of the Regional Auditors Association of Paris

ERNST & YOUNG Audit

Faubourg de l'Arche
11, allée de l'Arche
92037 Paris-La Défense Cedex
Simplified share company (Fr. SAS) of variable equity
Statutory Auditors
Member of the Regional Auditors Association of Versailles

SAGESS

For the year ended December 31st, 2010

Statutory auditor's report on the financial statements

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31st, 2010, on:

- the audit of the accompanying financial statements of SAGESS as they are appended to this report;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes verifying, on a test basis or by selection, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the company's financial position and assets and liabilities as of December 31st, 2010, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

Without contradicting the opinion expressed above, we draw your attention to the point explained in the note on page six of the Appendix entitled "Corporate Property Tax – Tax Audit", relating to the dispute containing corporate property tax.

2 Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following elements:

Petroleum product stocks are the company's main assets. Assessment methods for these stocks are described in detail in the "Reserves" note on page one of the Appendix.

As part of our assessment of the accounting rules and principles followed, we checked that these assessment methods were properly applied, particularly in line with Law 92-1443 and Article 1655 quater of the French Tax Code.

These assessments were made in the context of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by law.

We have no matters to report as to the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Paris and Paris-La Défense, April 7th, 2011

The Statutory Auditors
French original signed by
Grant Thornton
French member of Grant Thornton International
Victor Amselem

and

ERNST & YOUNG AUDIT
François Carrega

GRANT THORNTON
French member of Grant Thornton International
100, rue de Courcelles
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Simplified share company (Fr. SAS) of variable equity
Statutory Auditors
Member of the Regional Auditors Association of Versailles

SAGESS
For the year ended December 31st, 2010
**Statutory auditor's report on the report of the Chairman of the SAGESS Board of Directors,
drawn up in application of Article L. 225-235 of the French Commercial Code**

To the Shareholders,
In our capacity as the Statutory Auditors of SAGESS, and in application of Article L. 225-235 of the French Commercial Code, we present our report on the report prepared by the Chairman of your company in compliance with Article L. 225-37 of the French Commercial Code for the year ended December 31st, 2010.

It is the Chairman's duty to draw up, and submit to the Board of Directors for approval, a report rendering an account of the internal audit and risk management procedures set up at the company and providing other information required by Article L. 225-37 of the French Commercial Code, particularly relating to corporate governance.

It is our duty to:

- notify you of our observations concerning the information contained in the Chairman's Report concerning the internal audit and risk management procedures, and relating to the preparation and processing of accounting and financial data, and
- certify that this report contains the other information required by Article L. 225-37 of the French Commercial Code. We specify that it is not our duty to verify the trueness of this other data.

We conducted our audit in accordance with professional standards applicable in France.

Information on internal audit and risk management procedures relating to the preparation and processing of accounting and financial data

Professional business standards require the use of due diligence in assessing the trueness of data concerning internal audit and risk management procedures relating the preparation and processing of accounting and financial data contained in the Chairman's Report. This due diligence consists of:

- examining internal audit and risk management procedures relating to the preparation and processing of accounting and financial data underlying the data presented in the Chairman's Report, as well as existing documentation,
- examining the preparatory work for the preparation of this information, as well as existing documentation,
- determining if any major discrepancies in the internal audit relating to the preparation and processing of accounting and financial data detected during our mission are suitably addressed in the Chairman's Report.

Based on this work, we have no matters to report as to the data on internal audit and risk management procedures relating to the preparation and processing of accounting and financial data contained in the Report of the Chairman of the Board of Directors, drawn up in application of Article L. 225-37 of the French Commercial Code.

Other information

We hereby certify that the Report of the Chairman of the Board of Directors contains the other information required by Article L. 225-37 of the French Commercial Code.
Paris and Paris-La Défense, April 7th, 2011

The Statutory Auditors
French original signed by
Grant Thornton
French member of Grant Thornton International
Victor Amselem

and

ERNST & YOUNG AUDIT
François Carrega

GRANT THORNTON
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Statutory Auditors
Member of the Regional Auditors Association of Versailles

Statutory auditor's special report on the regulated agreements and commitments

SAGESS

For the year ended December 31st, 2010

To the Shareholders,
In our capacity as the Statutory Auditors of your company, we present our report on the regulated agreements and commitments.

Based on the information given us, it is our duty to notify you of the essential characteristics and modalities the agreements and commitments of which we were informed or which we may have discovered during our mission, without issuing an opinion regarding their usefulness or soundness, or seeking out any other existing agreements and commitments. It is your duty, under Article R. 225-31 of the French Commercial Code, to evaluate the weight that was given the conclusion of these agreements and commitments in light of their approval.

It is also our duty, if required, to notify you of the information stipulated in Article R. 225-31 of the French Commercial Code relating to the execution of the agreements and commitments approved by the General Assembly, over the course of the year.

We have used all due diligence we have considered necessary under the code of ethics of the National Board of Statutory Auditors relative to this mission. This due diligence has involved verifying the consistency of information provided to use with the documents from which it is derived.

Agreements and commitments submitted for the approval of the General Assembly

In application of Article L. 225-40 of the French Commercial Code, we were informed of the following agreements and commitments which received the prior approval of your Board of Directors.

With Total Raffinage Marketing (Total RM)

Director concerned

Total RM is represented by Mr Thomas Waymel.

Type and purpose

Crude oil procurement and services agreement on the storage site of the Flanders refinery.

Details

Your company signed a crude oil procurement agreement with Total RM in Dunkerque and Donges. The quantities are the following: 516 km³ of Ekofisk crude in Dunkerque and 54 km³ of Brent crude in Donges.

The December 17th, 2010 meeting of your Board of Directors authorized your company to acquire 570 km³ of crude oil (at 15°C) free of water and sediment from Total RM. This crude oil will be stored after replacement by Ekofisk/Brent crude oil. The agreements stipulate that Total RM will invoice SAGESS for the crude oil at a provisional price, followed by a definitive price which will only be known at the end of the pricing period.

Services relating to the exchange of crude oils (emptying and refilling the tanks) will be provided by Total RM, which will invoice 50% of this service to SAGESS. Total RM must back its invoices with matching accounting documents. In any case, the SAGESS contribution to the operating cost relating to the exchange of crude oils shall not exceed two million euros before tax (€ 2 M).

During the 2010 financial year, the provisional crude oil procurement price was booked at € 251 482 410. The Dunkerque storage contract (directly linked to the above agreement) was authorized by the Board meeting of December 17th, 2010, but had no effect on this financial year.

Agreements and commitments previously approved by the General Assembly

In application of Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by the General Assembly over prior financial years, continued to be executed during the past financial year.

1. With Géosel

Type and purpose

- a. Agreement for the provision of 300 km³ of salt caverns in Manosque until 2013

Details

On September 17th, 2009, your Board of Directors authorized your company to contribute to the costs of providing 300 km³ of salt caverns at the Manosque site until 2013 (contract signed in 2010). The costs incurred by your company will depend on the actual capacity of the caverns.

No payments were made over the 2010 financial year.

- b. Signing of a framework agreement and three inseparable application contracts for your company's construction of a pipeline linking the Manosque subterranean salt cavern storage site to the oil facilities at La Crau

Details

At its June 18th, 2003 meeting, your Board of Directors authorized the signing of a framework agreements and three application contracts as part of the construction of a pipeline in Manosque. The purposes of these agreements were the following:

- The framework agreement stipulates the rights, commitments and responsibilities of the parties for the execution of the application contracts and sets the contractual conditions common to all the agreements.
- The agreement for the "storage of petroleum products at Géosel-Manosque": through this agreement, the Géosel-Manosque (GSM) company gives your company the right to store petroleum products in GSM's existing salt caverns, some of which have been first expanded through cavern leaching with financing ensured by GSM under this company's responsibility.
- Agreement "for the organization of the construction of a pipeline and associated facilities": this agreement defined the conditions for the construction and commissioning of the pipeline and its associated facilities. This agreement particularly specifies which facilities will be owned by your company or by GSM. It also outlines these companies' respective roles and responsibilities.
- Agreement "for the coordination of the operation of all pipelines and associated facilities": this agreement defines the conditions under which the entire logistical system of GSM and your company will be operated for the shared requirements of both your company and GSM staff.

As part of the storage agreement listed above and entered into for a period of thirty years, your company has 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 M for 2004, € 24.5 M for 2005, € 26.5 M for 2006, and € 27.72 M for 2007 to 2011. Stipulations allow for this fee to be reduced each year.

As part of the storage agreement listed above, your company has committed to settle for GSM, the owner of the existing facilities, any expenses the latter would have incurred if it did not build or stopped the construction of this pipeline (except in cases where liability lies with GSM).

Now that the pipeline has been commissioned, only those agreements regulating its operations are still applicable. During the 2010 financial year, the amounts covered by your company totaled € 43 139 559.

2. With Agip, BP France, Carfuel, Esso SAF, Lagarde, Petrovex, Société de Pétroles Shell, Siplec, and Total RM

Type and purpose

Framework exchange agreements

Details

The September 17th, 2009 meeting of your Board of Directors authorized the implementation of a framework agreement for the exchange of SAGESS products with the companies in question.

3. With Raffinerie du Midi

Type and purpose

Additional financial contribution to the retrofitting works at a storage facility in Chalon-sur-Saône (Saône-et-Loire department).

Details

The June 21st, 2001 meeting of your Board of Directors authorized your company to contribute to the financing of retrofitting costs at a storage facility located in Chalon-sur-Saône, for an initial amount of € 859 857. At its March 21st, 2006 meeting, your Board of Directors granted an additional € 1 800 000 in funding for these retrofitting costs, while simultaneously extending the duration of the initial funding by two years. Your company is ensuring the funding through a depreciable loan based on an interest rate equaling half of the prime rate. Your company is reimbursed during the same period by assignment to leases.

The reimbursements made during the 2010 financial year total € 313 044, bringing the outstanding balance to € 313 043.

4. With Picoty

Type and purpose

Operation of the storage facility on the Chasseneuil site (Vienne department).

Details

The June 10th, 2005 meeting of your Board of Directors authorized your company to contribute to the operation of the Chasseneuil storage facility for eight years between January 1st, 2006 and December 31st, 2013. In exchange for the commitments undertaken by Picoty in relation to this project, your company commits to cover all Picoty's costs incurred in relation to this project.

Reimbursements made during the 2010 financial year totaled € 1 382 743.

5. With Total RM

Type and purpose

a. Agreement for the test of biodiesel aging

Details

The December 18th, 2008 meeting of your Board of Directors authorized your company to become a signatory to the agreement drawn up with Total, IFPEN and SEA whose purpose is to ensure cooperation between these various entities in order to perform a three-year study (from December 2008 to February 2012) analyzing the stability of diesels containing fatty acid methyl esters (FAME).

In exchange for the commitments undertaken by Total RM and IFPEN (French public research body for energy, transportation and the environment), your company commits to cover all these companies' costs incurred in relation to this project.

No costs were incurred during the 2010 financial year.

b. Financial contribution to the retrofitting works of a storage facility in Clairoix (Oise department)

Details

At its meeting of June 21st, 2005, your Board of Directors authorized € 830 000 in funding for the retrofitting of a storage facility located in Clairoix. Your company carries out this funding through a five-year depreciable loan at the prime rate. Your company is reimbursed during the same period by assignment to leases which are invoiced to you.

During the 2010 financial year, € 138 333 were reimbursed, bringing the outstanding balance owing to € 138 333.

6. With Geostock

Type and purpose

Agreement for the operation and maintenance of the pipeline and associated facilities at the Manosque site.

Details

At its meeting of June 18th, 2003, your Board of Directors authorized Geostock to carry out the operation and maintenance of the pipeline and associated facilities at the Manosque site, for a period of thirty years (from 2007 to 2037). The reimbursement by your company takes the form of a lump sum incremented by any service fees linked to expenses incurred in relation to the project.

During the 2010 financial year, € 741 709 were reimbursed.

Paris and Paris-La Défense, April 7th, 2011

The Statutory Auditors

French original signed by

Grant Thornton

French member of Grant Thornton International

Victor Amselem

and

ERNST & YOUNG AUDIT

François Carrega

Shareholders (as at December 31st, 2010)

	Number of shares
ARMORINE S.A.	85
BOLLORE ENERGIE	355
BP FRANCE	1 032
CARFUEL	1 058
CIM	1
DISTRIDYN	438
DYNEFF	331
EDF	156
EGEDIS	413
ENI FRANCE SARL	94
ESSO SAF	1 413
LAGARDE (Etablissements)	30
LCN (Les Combustibles de Normandie)	137
MARCELIN Jean-Claude	1
PETROPLUS	248
PETROVEX	446
PICOTY SA	262
POITOU CARBURANTS	3
RUBIS TERMINAL	36
S.C.A. PETROLE & DERIVES	1 016
SHELL (SOCIETE DES PETROLES)	342
SICAR - Société d'Importation de Carburants & Dérivés	1
SIPLEC - Société d'Importation LECLERC	1 580
SMADJA Jean-Claude	1
STELA (Produits Pétroliers)	271
THEVENIN & DUCROT DISTRIBUTION	350
TOTAL RAFFINAGE MARKETING	4 286
URBAINE DES PETROLES	492
WALLACH (Etablissements)	94
XYLINAS Dimitrios	1
ZELLER ET CIE	27
Total shares issued	15 000

Board of Directors (which closed the 2010 financial statements)

Jean-Claude Smadja

15, quai du Président Paul Doumer
92400 COURBEVOIE

Director and Chairman of the Board of Directors

DIRECTORS**BP FRANCE**

Immeuble Le Cervier
12, avenue des Béguines - Cergy Saint-Christophe
95866 CERGY PONTOISE CEDEX

CARFUEL

ZAE St-Guenault - 1, rue Jean Mermoz
BP 75
91002 EVRY CEDEX

ENI FRANCE SARL

4, quai des Etroits
69005 LYON

ESSO SOCIETE ANONYME FRANÇAISE

5/6, place de l'Iris
92400 COURBEVOIE

ÉTABLISSEMENTS LAGARDE

22, boulevard Jean Lafaure
03300 CUSSET

Marcelin Jean-Claude

20, rue Jacques Doré
94430 CHENNEVIERES-SUR-MARNE

PETROVEX

200, rue de la Recherche
59650 VILLENEUVE D'ASCQ

SOCIÉTÉ DES PÉTROLES SHELL

"Portes de la Défense"
307, rue d'Estienne d'Orves
92708 COLOMBES CEDEX

SOCIÉTÉ D'IMPORTATION DE CARBURANTS & DÉRIVÉS - SICAR

44-46, allées Léon Gambetta
92110 CLICHY

SOCIÉTÉ D'IMPORTATION LECLERC - SIPLEC

26, quai Marcel Boyer
94200 IVRY-SUR-SEINE

TOTAL RAFFINAGE MARKETING

24, cours Michelet
92800 PUTEAUX

Xylinas Dimitrios

2, rue Charles Tellier
75016 PARIS

PERMANENT REPRESENTATIVES

Hervé Charmolue

Karim Benbrik

Claudio Belcredi

Gilles Théry

Michel Pelletier

Erick Parayre
(and Vice-Chairman of the Board of Directors)

Son Lengoc

Jacques Besnault

Thierry Forien

Thomas Waymel

**Mandates and duties exercised by the directors who are natural persons
and by the permanent representatives of directors that are legal persons
(as at December 31st, 2010)**

Jean-Claude Smadja

Chairman and General Manager of:

- SAGESS – PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES

**Claudio Belcredi
(ENI FRANCE SARL)**

Fr. GIE (GROUPS)

Legal representatives of ENI FRANCE SARL at the Assembly of members of:

- FUELLING AVIATION SERVICE (FAS) G.I.E.

Permanent representative of ENI FRANCE SARL for the mandate of sole Director:

- GROUPEMENT D'EXPLOITATION DU DÉPÔT DE RÉCEPTION DE CHENNEVIÈRES LES LOUVRES (G.E.D.R.C.) G.I.E.

COMPANIES

Manager of:

- ENI FRANCE SARL

Permanent representatives of ENI FRANCE SARL on the Management Committee of:

- DÉPÔT PÉTROLIER DE LA CÔTE D'AZUR (DPCA) - SAS
- ENTREPÔT PÉTROLIER DE LYON SAS (EPL) - SAS

Permanent representative of ENI FRANCE SARL on the Board of Directors of:

- DÉPÔTS PÉTROLIERS DE FOS SA
- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES
- SOCIÉTÉ DU PIPELINE MÉDITERRANÉE-RHÔNE SA

Permanent representative of ENI FRANCE SARL at the assembly of associates of:

- SOCIÉTÉ IMMOBILIÈRE PETROLIÈRE DE GESTION - SNC

**Karim Benbrik
(CARFUEL)**

Co-manager of:

- ENTREPÔT PÉTROLIER DE VALENCIENNES SARL

Permanent representative of CARFUEL on the Management Committee of:

- E.P.G. - ENTREPÔT PÉTROLIER DE LA GIRONDE SAS
- SOCIÉTÉ DU DÉPÔT PÉTROLIER DE NANTERRE SAS
- SOGEP - SOCIÉTÉ DE GESTION DE PRODUITS PÉTROLIERS SAS
- DPL - SOCIÉTÉ DÉPÔT PÉTROLIER DE LYON

Permanent representative of CARFUEL on the Steering Committee of:

- DPC - SOCIÉTÉ DES DÉPÔTS DE PÉTROLE CÔTIERS SARL
- GPVM - GROUPEMENT PÉTROLIER DU VAL DE MARNE SNC

Permanent representative of CARFUEL on the Board of Directors of:

- DPF - SOCIÉTÉ DÉPÔTS PÉTROLIERS DE FOS
- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES

Jacques Besnault
(SOCIÉTÉ D'IMPORTATION DE CARBURANTS & DÉRIVÉS - SICAR)

Deputy General Director and Director of:

- SOCIÉTÉ D'IMPORTATION DE CARBURANTS & DÉRIVÉS – SICAR

Chairman of the Combined Heat and Power Generation Club and director of:

- L'ASSOCIATION TECHNIQUE ÉNERGIE ENVIRONNEMENT

Permanent representative of SICAR on the Board of Directors of:

- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES

Hervé Charmolue
(BP FRANCE)

Permanent representative of BP FRANCE on the Board of Directors of:

- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES

Thierry Forien
(Société d'Importation E. Leclerc - SIPLEC)

Permanent representative of SOCIETE D'IMPORTATION E. LECLERC – SIPLEC on the Steering Committee of:

- DPC - DÉPÔTS DE PÉTROLE CÔTIERS SARL
- GPVM - GROUPEMENT PÉTROLIER DU VAL DE MARNE SNC

Permanent representative of SOCIETE D'IMPORTATION E. LECLERC - SIPLEC on the Board of Directors of:

- DPF - DÉPÔTS PÉTROLIERS DE FOS SA
- EPG - ENTREPÔT PÉTROLIER DE LA GIRONDE SAS
- SDSP - SOCIÉTÉ DU DÉPÔT DE SAINT-PRIEST SA
- SES - SOCIÉTÉ EUROPÉENNE DE STOCKAGE SAS
- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES
- SOGEPP - SOCIÉTÉ DE GESTION DE PRODUITS PÉTROLIERS SAS
- STOCKBREST SA

Son Lengoc
(SOCIÉTÉ DES PÉTROLES SHELL)

Director on the Board of Directors of:

- COMITÉ PROFESSIONNEL DES STOCKS STRATÉGIQUES PÉTROLIERS – CPSSP
- COMITÉ PROFESSIONNEL DU PÉTROLE – CPDP

Member of the oversight committee of:

- SOCIÉTÉ DES PÉTROLES SHELL

Permanent representative of SOCIÉTÉ DES PÉTROLES SHELL on the Board of Directors of:

- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES

Jean-Claude Marcelin

Director on the Board of Directors of:

- EXXON CHEMICAL NETHERLANDS 1 B.V.
- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES

Alternate director on the Board of Directors of:

- COMITÉ PROFESSIONNEL DES STOCKS STRATÉGIQUES PÉTROLIERS - CPSSP

Member of the oversight committee of:

- SOCIETE FRANÇAISE EXXONMOBIL CHEMICAL

Erick Parayre
(PETROVEX SNC)

Manager of:

- PETROVEX SNC

Chairman of:

- AUCHAN CARBURANT

Permanent representative of PETROVEX SNC on the Board of Directors of:

- DÉPÔTS PÉTROLIERS DE FOS SA
- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES
- SOCIÉTÉ DU DÉPÔT PÉTROLIER DE NANTERRE
- SOCIÉTÉ DU DÉPÔT DE SAINT-PRIEST
- SOCIÉTÉ EUROPÉENNE DE STOCKAGE

Vice-chairman of:

- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES

Michel Pelletier
(ÉTABLISSEMENTS LAGARDE)

Director of:

- LAGARDE SAS
- PEINTAMELEC SAS
- S.A.E.M. SAS

General Manager of:

- LAGARDE SAS
- ROCHE PRODUITS PÉTROLIERS SAS

Manager of:

- JEUDY CARBURANTS SARL
- LES COMBUSTIBLES 71 SARL
- PIREYRE FUEL SARL

Permanent representative of ÉTABLISSEMENTS LAGARDE SA on the Board of Directors of:

- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES

Gilles Théry
(ESSO SAF)

Director on the Board of Directors of:

- COMITÉ PROFESSIONNEL DES STOCKS STRATÉGIQUES PÉTROLIERS - CPSSP

Permanent representative of ESSO SAF on the Board of Directors of:

- SAGESS - PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES
- SPSE (SOCIÉTÉ DU PIPELINE SUD-EUROPÉEN)

Thomas Waymel
(TOTAL RAFFINAGE MARKETING)

Director on the Board of Directors of:

- COMITÉ PROFESSIONNEL DES STOCKS STRATÉGIQUES PÉTROLIERS - CPSSP
- TRAPIL

Permanent representative of TOTAL RAFFINAGE MARKETING on the Board of Directors of:

- SAGESS – PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES

Dimitrios Xylinas

Director of:

- SAGESS – PUBLIC LIMITED COMPANY FOR THE MANAGEMENT OF STRATEGIC PETROLEUM RESERVES
- SOCIÉTÉ DES TRANSPORTS PÉTROLIERS PAR PIPELINE SA

Permanent representative of BTT, member of the Management Committee of:

- STOCKOUEST SAS

Permanent representative of SOCIETE AUXILIAIRE DE GESTION DE PARTICIPATIONS – SOGEPA, Director on the Board of Directors of:

- DÉPÔTS PÉTROLIERS DE FOS - SA
- SOCIÉTÉ DU PIPELINE MÉDITERRANÉE RHÔNE - SA

Permanent representative of TOTAL FRANCE MARKETING on the Board of Directors of:

- LES DOCKS PÉTROLIERS D'AMBÈS

Permanent representative of TOTAL RAFFINAGE MARKETING, member of the Management Committee of:

- SOCIETE DU DEPOT DE LA PALLICE - SAS

Management Committee (as at December 31st, 2010)

Erick Avot	BOLLORÉ ÉNERGIE
Alexandre de Benoist de Gentissart	U.I.P.
Nathalie Boisdrion	TOTAL RAFFINAGE MARKETING
Christophe Henrat	PETROPLUS
Erick Parayre	PETROVEX
Christophe Pouts	U.F.I.P.

State Representatives (as at December 31st, 2010)

- | | |
|---|--|
| <ul style="list-style-type: none"> ■ Representative of the Minister of the Economy, Finances and Industry
 Department for Competition, Consumption and the Fight against Fraud
 DGCCRF | Representative: Axel Thonier
Alternate: Ginette Montcho |
| <ul style="list-style-type: none"> ■ Representative of the Minister of the Budget, Public Finances and State Reform
 Department of Customs and Excise
 DGDDI | Representative: Patrice Besançon
Alternate: Michelle Jusselme |
| <ul style="list-style-type: none"> ■ Representatives of the Minister in charge of Energy
 Department of Energy and Climate - Energy Board
 DGEC-DE | Representative: Frédéric Pelcé
Alternate: Didier Letertre |

**Government auditor for issues surrounding the Manosque/Fos-sur-Mer pipeline
(appointed by decree of March 30th, 2006 – French Gazette [*Journal Officiel*] of April 1st, 2006)**

Frédéric Pelcé

Appointed by order of the Ministry of Ecology
September 21st, 2010