



EUR 600,000,000 0.625 per cent. Bonds due 20 October 2028

Issue Price: 98.650 per cent.

The Bonds issued by SAGES S (the "**Issuer**") on 20 October 2016 (the "**Issue Date**"), for a principal amount of EUR 600,000,000 due 20 October 2028 (the "**Bonds**"), will bear interest from, and including, 20 October 2016 to, but excluding, 20 October 2028 at a rate of 0.625 per cent. *per annum*, payable annually in arrear on 20 October in each year.

Unless previously redeemed or purchased and cancelled in accordance with the terms and conditions of the Bonds, the Bonds will be redeemed in full at par on 20 October 2028. The Bonds may, and in certain circumstances shall, be redeemed before this date, in whole but not in part, at par, together with, if applicable, accrued interest, in the event of any change in taxation as described under Condition 6 ("Taxation") of the Terms and Conditions of the Bonds or upon occurrence of any events described in Condition 8 ("Events of Default") of the Terms and Conditions of the Bonds.

The Bonds will be issued in dematerialised bearer form in the denomination of EUR 100,000. Title to the Bonds will be evidenced in accordance with Articles L.211-3 *et seq.* and R.211-1 of the French *Code monétaire et financier* by book-entry form. No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Bonds. The Bonds will, upon issue, be inscribed in the books of Euroclear France ("**Euroclear France**") which shall credit the accounts of the Account Holders. "**Account Holders**" shall mean any authorised intermediary institution entitled to hold securities accounts on behalf of its customers with Euroclear France, Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**").

Application has been made to the *Autorité des marchés financiers* (the "**AMF**"), in its capacity as competent authority pursuant to Article 212-2 of its *Règlement Général*, implementing Article 13 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"), for the approval of this prospectus as a prospectus for the purposes of Article 5.3 of the Prospectus Directive. Application has also been made to Euronext Paris for the Bonds to be admitted to trading on Euronext Paris. Euronext Paris is a regulated market for the purposes of the Markets in Financial Instruments Directive, Directive 2004/39/EC, as amended, appearing on the list of regulated markets issued by the European Securities Markets Authority (a "**Regulated Market**").

The Issuer has been assigned a long-term issuer credit rating of AA (negative outlook) and the Bonds have been assigned a rating of AA by Standard & Poor's Ratings Services ("**S&P**"). As at the date of this Prospectus, S&P is established in the European Union, registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council dated 16 September 2009, as amended (the "**CRA Regulation**") and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, change or withdrawal at any time by the assigning rating agency.

See the "**Risk Factors**" section for a description of certain factors which should be considered by potential investors in connection with any investment in the Bonds.

Joint Lead Managers

CM-CIC MARKET SOLUTIONS

CRÉDIT AGRICOLE CIB

HSBC

NATIXIS

*The Issuer confirms that this prospectus and all documents incorporated by reference herein (see "Documents Incorporated by Reference" section) (together, the "**Prospectus**") contains all relevant information with respect to the Issuer and the Bonds in the context of the issue and the offering of the Bonds, that this information is complete, true and accurate, and that there are no material facts relating to the Issuer or the Bonds which would, in the context of the issue or of the offering of the Bonds, be capable of rendering any information or statement in this Prospectus misleading or untrue.*

This Prospectus and any other information supplied in connection with the issue and sale of the Bonds do not constitute an offer of, or an invitation by (or on behalf of) the Issuer or the Joint Lead Managers (as defined in section "Subscription and Sale" hereinafter) to subscribe or purchase any of the Bonds.

The distribution of this Prospectus and the offering or sale of the Bonds in certain countries may be restricted by laws or regulations. Persons into whose possession this Prospectus comes are invited by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. A description of certain restrictions on offer and sale of the Bonds and distribution of this Prospectus are described under section "Subscription and Sale" below.

*The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Under US regulations, subject to certain exceptions, they cannot be offered or sold within the United States or to, or for the account or benefit of, U.S. persons ("**U.S. persons**" as defined in Regulation S under the Securities Act ("**Regulation S**")).*

No person is authorised to give any information or to make any representation relating to the issue or the sale of the Bonds other than those contained in this Prospectus. Any information or representation not contained in this Prospectus shall not in any case be authorised by the Issuer or the Joint Lead Managers. The delivery of this Prospectus or any sale of the Bonds at any time does not imply that the situation of the Issuer has remained unchanged since the date of this Prospectus and that any information given in the context of the present issue is accurate at any time subsequent to the date it is given or at the date indicated on the Prospectus where it is contained, if this date is different.

*Unless otherwise specified or the context so requires, references to "**Euro**", "**EUR**", "**EURO**" and "€" are references to the common currency of the member states of the European Union.*

The Joint Lead Managers have not separately verified the information or representations contained or incorporated by reference in this Prospectus. None of the Joint Lead Managers makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the sincerity, accuracy or completeness of any of the information or representations contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the issue and sale of the Bonds. Neither this Prospectus nor any information incorporated by reference in this Prospectus or supplied in connection with the issue and sale of the Bonds is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Joint Lead Managers that any recipient of this Prospectus or any information incorporated by reference or any information supplied in connection with the issue and sale of the Bonds should subscribe for or purchase the Bonds. In making an investment decision regarding the Bonds, prospective investors must rely on their own independent investigation and appraisal of the (a) the Issuer, its business, its financial condition and affairs and (b) the terms of the offering, including the merits and risks involved. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should subscribe for or consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Bonds. None of the Joint Lead Managers has reviewed or undertakes to review the financial condition or affairs of the Issuer after the date of this Prospectus nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Joint Lead Managers. Potential investors should, in particular, read carefully the section entitled "Risk Factors" set out below before making a decision to invest in the Bonds.

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfill its obligations under the Bonds. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The following are certain risk factors relating to the offering of the Bonds of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all the information contained or incorporated by reference in this Prospectus, including in particular the risk factors detailed below, and consult with their own financial and legal advisors as to the risks entailed by an investment in the Bonds. The following statements are not exhaustive and there may be other risks, either wholly or partly unknown or of which the occurrence is not considered as at the date hereof to be likely to have a material adverse effect on the Issuer, its operations, its financial situation and/or its results, which could have an effect on the Issuer's ability to fulfill its obligations under the Bonds. In addition, investors should be aware that the risks described may be combined and thus interrelated with one another. Prospective investors should make their own independent evaluations of all investment considerations and should also read the detailed information set out elsewhere in this Prospectus. Terms defined in the section "Terms and Conditions of the Bonds" of this Prospectus shall have the same meaning where used below.

Words and expressions defined in the section entitled "Terms and Conditions of the Bonds" herein shall have the same meanings in this section.

1. Risks relating to the Issuer

Property damage

The Issuer is exposed to the risk of damage to or destruction of its assets (such as the Chasseneuil du Poitou Plant or the Pipeline Sagess Manosque (although the State can ask the Issuer to sell the latter at net book value to the CPSSP)) and products located at different sites, whether its own or those operated by third parties, as well as damage to or destruction of its headquarters (although these are rented). It is also exposed to the risk of harm to its personnel and third parties.

The Issuer maintains insurance cover with a limit of €200 million per incident and per year. In addition, where products are stored at third party sites, the storage contracts provide that the storage company is responsible for those products and for personnel, third parties and assets. These risks are covered by insurance contracts whose existence is verified at least annually by the Issuer.

Environmental damage

The Issuer faces the risk of liability in relation to environmental damage caused by its site at Chasseneuil du Poitou, or with PSM (Pipeline SAGESS Manosque) which is covered by insurance with a limit of €50 million per incident and per year (as of 1 January 2016).

Environmental risks associated with its products stored at third party sites are covered by site operator insurance.

Third party liabilities

There is a risk of liability for bodily injuries, physical damage and consequential damages to third parties arising out of the Issuer's activities. This is covered by insurance with a limit of €20 million per incident and per year (as of 1 January 2016).

Fraud

As for many organisations, there is a risk of financial fraud from clients, employees and third parties, which could cause financial loss to the Issuer. This is covered by insurance with a limit of €3 million per incident and per year (as of 1 January 2016). The Issuer provides regular training to its employees in relation to financial fraud in order to minimise the risk of any losses.

Liquidity and interest rate risk

The Issuer is exposed to the risk of liquidity difficulties and interest rate fluctuations in relation, in particular, to its indebtedness. The Issuer has policies in place regarding the types of financing, the spreading of maturities and repayment schedules and interest rate policy, including entering into interest rate swaps with the approval of the Board of Directors (*Conseil d'administration*) (the "**Board**" or the "**Board of Directors**"), in order to ensure that it can finance itself at any time. These policies are reviewed annually by the Board.

Oil price variations

The Issuer can be exposed to oil price variation risks.

The assets of the Issuer are composed almost exclusively of petroleum products booked at their acquisition cost, amounting to €4,324 million at end of December 2015, i.e. 97.4 % of total assets.

According to Article 1655 *quater* of the French *Code général des impôts* (General Tax Code), the Issuer cannot sell its stocks at a loss. In addition, its stocks, booked at acquisition cost, are insensitive to market price variations. Indeed, all loss would be covered by the Professional Committee of Strategic Petrol Stocks ("**CPSSP**") (*Comité Professionnel des Stocks Stratégiques Pétroliers*), as stated in the convention between the CPSSP and the Issuer.

Diversification risk

The Issuer can be exposed to generation losses linked to diversification of activity.

The Issuer has a single corporate object, set out in its By-Laws as approved by decree, which is to constitute and maintain strategic oil stocks. It therefore legally cannot engage in any activities other than to fulfill its mission for the CPSSP (acquiring, selling and maintaining strategic stocks of petroleum products). Should the convention between the CPSSP and the Issuer be terminated, void or cease to be in full force and effect, this would constitute an event of default under the terms and conditions of the Bonds (see Condition 8(g)).

Exchange rate risk

The Issuer can be exposed to exchange rate variation risks in relation to the carrying out of its operations and transactions in currencies other than the Euro.

However, all foreign currency transactions other than over-the-counter transactions require the prior approval of the Board and the Issuer carries out its operations and transactions almost exclusively in Euros.

Potential consequences of ODAC classification

The Issuer was included in the list of *Organismes divers d'administration centrale* (ODAC) (Miscellaneous central government agencies) by the *Institut national de la statistique et des études économiques* (INSEE) (French National Institute for Statistic and Economics Studies) on 15 May 2014. This classification had a statistical purpose with regard to public accounting.

On 9 August 2016, a ministerial decree (*arrêté*) dated 27 July 2016 (the "**Decree**") was published in the *Journal officiel de la République Française* (Official Journal of the French Republic) which included the Issuer in the list of ODAC entities that cannot enter into loans with a term longer than 12 months or issue debt securities with a maturity exceeding such duration. This restriction will apply one year after the publication of this Decree, in other words starting from 9 August 2017.

On 7 September 2016, the Issuer initiated proceedings (*recours*) before the *Conseil d'Etat* (Supreme Administrative Court). The appeal seeks to overturn the classification of the Issuer as an ODAC entity and to allow it, in accordance with its status as a private limited company (*société anonyme de droit*

privé), to continue to finance itself independently with credit institutions (*établissements de crédit*) and to issue further debt securities with a maturity of more than 12 months. The appeal should be heard within the next 2 years.

The obligations of the Issuer in relation to the Bondholders, and in relation to the holders of bonds previously issued, are and will remain unaffected by the Decree and the outcome of the aforementioned legal action (*recours*). Should the Issuer lose its legal action (*recours*) and therefore be unable to issue further bonds or raise bank finance with a maturity of more than 12 months, the Issuer is likely to have at its disposal other sources of finance. This should not affect the Issuer's ability to raise finance quickly, be it for its working capital objectives or for refinancing purposes or any other reason.

The Issuer is therefore of the opinion that this situation presents no additional risks to investors, either on the present bond issue or on any past bond issues.

Legal exposure

The Issuer can be exposed to legal risks related to its mission.

However, notwithstanding the legal action (*recours*) before the *Conseil d'Etat* (Supreme Administrative Court) mentioned above, there is no ongoing litigation that could affect the Issuer's ability to meet its obligations under the Bonds.

Internal controls

The Issuer faces operational risks relating to internal processes and procedures and its decision-making and authorisation process, in particular for financial matters such as borrowings.

The Issuer has put in place various internal control systems including a code of business setting out policies, standards and procedures for internal dealings as well as dealings with third parties. It also has clear formal limits to the powers of its Board and Chief Executive Officer (*Président Directeur Général*) and the delegation of authorities. The internal controls, processes and delegations of authority are regularly reviewed by the Board.

An Audit Committee has been created in June 2009 by the Issuer's Board of Directors, in line with the European Directive 2006/43/CE dated 17 May 2006 on statutory audits of annual accounts and consolidated accounts. This Committee is composed of 3 Directors without any operational responsibility in the Issuer management. It has mainly 3 missions:

- oversight of the process to elaborate the financial information;
- review of the efficiency of the internal control systems, the risk identification and management; and
- review of the legal control of the financial accounts and of the independent qualification of the External Auditors.

Since its creation in 2009, the Audit Committee has met 29 times (of which 3 times in 2015 and 2 times in 2016).

Financial information

The Issuer is exposed to risks resulting from the release of incomplete or inaccurate financial information. As the Issuer's activities are essentially to build up and store strategic petroleum products reserves and to finance these stocks through borrowings, the critical information is that relating to its assets, borrowings and operating costs.

Petroleum products stocks represent 97.4 % of total assets by end of December 2015.

- Volumes in stock are verified against customs declarations, and through physical inventory done by an independent company at least once a year. A periodic reconciliation with the volume data posted in the information systems is in place.

- Value of the stocks is monitored in a centralised SAGESS information system (based on a SAP architecture).
- As per law, the Issuer is not exposed to price variation. Therefore, stocks are booked at acquisition value and no depreciation has to be booked.

Overall, risks on assets are minimised through:

- a rigorous choice of and control over the suppliers, their contractual responsibilities and in the last resort their insurance contracts, whose existence and compliance with the contractual terms are annually checked; and
- at the company level, a prevention policy and large insurance coverage.

The financing of the Issuer is implemented within a financial policy, annually reviewed by the finance committee and approved by the Board. Specific operations, such as a bond issuance, are reviewed and approved along the same process, before being executed. Financial operations and positions (actual and planned) are regularly reviewed at the same levels.

Recovery of fees, performed by the Issuer for the account of CPSSP, is made monthly and controlled by both the Issuer and CPSSP. These fees are the only revenues perceived to cover all of the strategic reserves system costs. Risk of default in payment is covered by bank guarantees, exercisable at first demand, provided by the petroleum operators to CPSSP. The declarations of the operators of their release of petroleum products for consumption (the basis of the fee recovery) are controlled by annual circularisation done by the external auditors of the operators. In addition, similar controls are performed by the French State (hydrocarbon administration and Customs) and their results are reconciled with CPSSP data.

Operating costs are budgeted yearly, with quarterly reporting of actual costs and updates. This is presented for review and approval at the Board level with the same frequency.

Some off balance sheet commitments are in place. They consist of:

- bank guarantees in favour of the Customs administration;
- long term capacity rental contracts; and
- interest rates swap agreements, contracted at the time of bond issuances, and specifically approved beforehand by the Board.

2. ***Risks relating to the Bonds***

(a) ***Investors***

Prospective investors should be experienced with respect to transactions in the capital markets and in bonds and should understand the risks of transactions involving the Bonds. The Bonds may not be a suitable investment for all investors.

They should reach an investment decision only after careful consideration of the information set forth in the Prospectus or incorporated by reference herein and general information relating to the Bonds.

Potential investors should ensure that they have sufficient financial resources to bear the risks of purchase of the Bonds. Each potential investor should have sufficient knowledge of the nature of the Bonds, the merits and risks of investing in the relevant Bonds and verifying the suitability of such investment in light of its particular financial situation. Each potential investor should have access to, and knowledge of, appropriate analytical tools to evaluate legal, fiscal, accounting and regulatory aspects of the purchase of the Bonds. Each potential investor should be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Certain potential investors are subject to investment restrictions. These potential investors should consult their legal counsel in order to determine whether investment in the Bonds is authorised by law, whether

such investment is compatible with their other investments and whether other selling restrictions are applicable to them.

(b) ***Risks related to the Bonds generally***

The Bonds may be redeemed prior to maturity

In the event that the Issuer would be obliged to pay additional amounts in respect of any Bonds due to any withholding as provided in Condition 6 ("Taxation") of the Terms and Conditions of the Bonds, the Issuer may and, in certain circumstances shall, redeem all of the Bonds then outstanding in accordance with such Condition. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.

Modification of the Terms and Conditions of the Bonds

The Bondholders (as defined in the Terms and Conditions of the Bonds) will be grouped automatically for the defence of their common interests in a Masse, as defined in Condition 10 ("Representation of the Bondholders") of the Terms and Conditions of the Bonds, and a general meeting of Bondholders can be held. The Terms and Conditions of the Bonds permit in certain cases defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant general meeting and Bondholders who voted in a manner contrary to the majority.

The general meeting of Bondholders may, subject to the provisions of Condition 10 ("Representation of the Bondholders") of the Terms and Conditions of the Bonds, deliberate on any proposal relating to the modification of the Terms and Conditions of the Bonds, notably on any proposal, whether for arbitration or settlement, relating to rights in controversy or which were subject of judicial decisions.

Change of law

The Terms and Conditions of the Bonds are based on French law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial or administrative decision or change to French law or administrative practice after the date of this Prospectus.

Taxation

Potential purchasers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial bonds such as the Bonds. Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, remuneration, sale and redemption of the Bonds. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

French Insolvency Law

Under French insolvency law, notwithstanding any clause to the contrary, holders of debt securities (*obligations*) are automatically grouped into a single assembly of holders (the "**Assembly**") in order to defend their common interests if a preservation procedure (*procédure de sauvegarde*), an accelerated preservation procedure (*procédure de sauvegarde accélérée*), an accelerated financial preservation procedure (*procédure de sauvegarde financière accélérée*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer.

The Assembly comprises holders of all debt securities (*obligations*) issued by the Issuer (including the Bonds), regardless of their governing law.

The Assembly deliberates on the draft preservation plan (*projet de plan de sauvegarde*), draft accelerated preservation plan (*projet de plan de sauvegarde accélérée*), draft accelerated financial preservation plan (*projet de plan de sauvegarde financière accélérée*) or judicial reorganisation plan (*projet de plan de redressement*) applicable to the Issuer and may further agree to:

- increase the liabilities (*charges*) of such holders of debt securities (including the Bondholders) by rescheduling and/or writing-off debts;
- establish an unequal treatment between holders of debt securities (including the Bondholders) as appropriate under the circumstances; and/or
- decide to convert debt securities (including the Bonds) into securities that give or may give right to share capital.

Decisions of the Assembly will be taken by a two-third (2/3rd) majority (calculated as a proportion of the debt securities held by the holders expressing a vote thereat). No quorum is required to hold the Assembly. Holders whose rights are not modified by the proposed plan do not participate in the vote.

For the avoidance of doubt, the provisions relating to the Representation of the Bondholders described in the Terms and Conditions of the Bonds set out in this Prospectus will not be applicable to the extent they conflict with compulsory insolvency law provisions that apply in these circumstances.

Joint Lead Managers' activities

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds issued. Any such short positions could adversely affect future trading prices of Bonds issued. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

(c) *Risks related to the market generally*

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**").

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

In December 2015, Estonia decided to leave the FTT negotiations and a joint statement was issued by the Participating Member States (excluding Estonia), initially indicating an intention to make decisions on the remaining open issues by the end of June 2016. However, failing an agreement on such issues, the Participating Member States (excluding Estonia) indicated following the last ECOFIN meeting of 17 June 2016 that work and discussions would continue during the second half of 2016.

The FTT proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

The secondary market generally

Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Bonds.

Market value of the Bonds

The market value of the Bonds will be affected by the creditworthiness of the Issuer and a number of additional factors, including market interest and yield rates.

The value of the Bonds depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchange on which the Bonds are traded. The price at which a Bondholder will be able to sell the Bonds may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

Exchange rate risks

The Issuer will pay principal and interest on the Bonds in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of Euro or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls. As a result, investors may receive less interest or principal than expected.

Fixed Rate

The Bonds bearing interest at a fixed rate, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Credit risk

An investment in the Bonds involves taking credit risk on the Issuer. If the financial situation of the Issuer deteriorates, it may not be able to fulfil all or part of its payment obligations under the Bonds, and investors may lose all or part of their investment.

Credit Ratings of the Issuer and the Bonds may not reflect all risks

The Issuer has been assigned a long-term issuer credit rating of AA (negative outlook) and the Bonds have been rated AA by Standard & Poor's Ratings Services. The rating of the Issuer may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus shall be read and construed in conjunction with any supplement that may be published between the date of this Prospectus and the date of the admission to trading of the Bonds on Euronext Paris and the Issuer's audited annual reports in the French language relating to the financial years ended on 31 December 2014 and 31 December 2015 (the "**2014 Annual Report**" and the "**2015 Annual Report**", respectively), which have been filed with the AMF and which are incorporated by reference in, and shall be deemed to form part of, this Prospectus.

Such documents shall be deemed to be incorporated in, and form part of this Prospectus, save that any statement contained in this Prospectus or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus (i) will be available on the website of the Issuer (www.sagess.fr) and (ii) may be obtained, free of charge, at the registered office of the Issuer or of the Paying Agent during normal business hours so long as any Bonds are outstanding, as described in the section "General Information" below.

Free English translations of the 2014 Annual Report and the 2015 Annual Report are available on the website of the Issuer (www.sagess.fr). These free English translations are not incorporated by reference herein. To the extent there is any inconsistency between any statement in the French versions of the 2014 Annual Report and the 2015 Annual Report and the English translations thereof, the statements in the French versions of the 2014 Annual Report and the 2015 Annual Report shall prevail.

The information incorporated by reference in this Prospectus shall be read in connection with the cross reference list below. Any information incorporated by reference in this Prospectus but not listed in the cross-reference list below is given for information purposes only.

Information incorporated by reference

(Annex IX of the European Regulation 809/2004/EC, as amended)

Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses

The 2014 Annual Report:

	Reference (French version)
- Balance sheet	pages 47-48
- Income statement	page 49
- Notes	pages 50-63
- Auditor's report relating to the above	pages 65-67

The 2015 Annual Report:

	Reference (French version)
- Balance sheet	pages 45-46
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TERMS AND CONDITIONS OF THE BONDS

The issue of the EUR 600,000,000 0.625 per cent. Bonds maturing on 20 October 2028 (the "**Bonds**") by SAGESS (the "**Issuer**") was decided by François Martin, Chairman of the Board of Directors and Chief Executive Officer (*Président Directeur Général*) of the Issuer on 13 October 2016, acting pursuant to a resolution of the Board of Directors (*Conseil d'administration*) of the Issuer dated 16 June 2016.

The Bonds will be issued on 20 October 2016 and a fiscal agency agreement dated 20 October 2016 (the "**Fiscal Agency Agreement**") has been entered into between the Issuer and CACEIS Corporate Trust as fiscal agent (the "**Fiscal Agent**", such expression including, where the context so permits, any fiscal agent likely to be subsequently appointed as Fiscal Agent) and paying agent (the "**Paying Agent**", such expression including, where the context so permits, any other agents subsequently appointed as Paying Agents).

The provisions of Article 1195 of the French *Code civil* shall not apply to these Conditions (as defined below).

References below to the "**Bondholders**" are to the holders of the Bonds.

References below to "**Conditions**" are to the numbered paragraphs below.

1. **Form of the Bonds and denomination**

The Bonds are issued in dematerialised bearer form in the denomination of EUR 100,000. Title to the Bonds will be evidenced in accordance with Articles L.211-3 *et seq.* and R.211-1 of the French *Code monétaire et financier* by book-entry form. No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Bonds.

The Bonds will, upon issue, be inscribed in the books of Euroclear France ("**Euroclear France**") which shall credit the accounts of the Account Holders. "**Account Holders**" shall mean any authorised financial intermediary institution entitled to hold securities accounts on behalf of its customers with Euroclear France, Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**").

Title to the Bonds shall be evidenced by entries in the books of the Account Holders. Transfer of Bonds may only be effected through registration in such books.

2. **Status of the Bonds and negative pledge**

The Bonds constitute direct, general, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* and without any preference among themselves and (subject to legal public order exceptions) equally and rateably with all other present or future unsecured and unsubordinated liabilities of the Issuer.

So long as any of the Bonds remains outstanding, the Issuer undertakes not to grant or permit to subsist any pledge, mortgage, lien, guarantee or other form of security interest upon any of its properties, assets, revenues or rights, present or future, and not to grant or permit to subsist any guarantee, personal guarantee or any other form of security interest in favour of holders of securities, notes, bonds or indebtedness for borrowed money, of whatever nature, which are for the time being, or are capable of being, quoted or ordinarily dealt in on any regulated stock exchange, over-the-counter market or other market, unless the present Bonds are equally and rateably secured therewith.

3. **Interest**

The Bonds will bear interest from, and including, 20 October 2016 to, but excluding, 20 October 2028, at the rate of 0.625 per cent. per annum, payable annually in arrear on 20 October in each year and for the first time on 20 October 2017.

The amount of interest due in respect of each Bond will be calculated by reference to the aggregate value of each Bondholder's holding, the amount of such payment being rounded to the nearest cent (half a cent being rounded upwards).

Interest will cease to accrue on each Bond as from its date of redemption.

If interest is required to be calculated for a period of less than one year, it will be calculated on an actual/actual basis for each period, that is to say the actual number of days elapsed during the relevant period divided by 365 (or by 366 if a 29 February is included in such period), the result being rounded to the nearest cent (half a cent being rounded upwards).

4. **Redemption and Purchase**

(a) *Final Redemption*

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed in full at par on 20 October 2028.

(b) *Purchases*

The Issuer may at any time purchase Bonds in the open market or otherwise at any price. Bonds so purchased by the Issuer may be held and resold in accordance with Articles L.213-1-A and D.213-1-A of the French *Code monétaire et financier* for the purpose of enhancing the liquidity of the Bonds.

(c) *Redemption for Taxation Reasons*

The Bonds may, and in certain circumstances shall, be redeemed before the date of their final redemption, in the event of any change occurring in taxation pursuant to the conditions provided in Condition 6 ("Taxation") below.

(d) *Cancellation*

All Bonds which are purchased for cancellation by, or on behalf of, the Issuer pursuant to this Condition 4 ("Redemption and Purchase") will forthwith be cancelled (together with rights to interest any other amounts relating thereto) by transfer to an account in accordance with the rules and procedures of Euroclear France.

Any Bonds so cancelled may not be resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

5. **Payments**

(a) *Method of Payment*

Payment of principal and interest due in respect of the Bonds will be made in Euro in immediately available funds by credit to an account in Euro, in accordance with tax provisions or with any other applicable laws or regulations, and subject to the provisions of Condition 6 ("Taxation") below.

Such payments shall be made for the benefit of the Bondholders to the Account Holders (including the depositary banks for Clearstream Luxembourg, Euroclear France or Euroclear) in accordance with the procedures of Clearstream Luxembourg, Euroclear France or Euroclear, as relevant.

Neither the Issuer, nor the Fiscal Agent, or any Paying Agent shall be liable to any Bondholder or any other person for any costs, commissions, losses or other expenses in relation to or resulting from the transfer of Euro or currency conversion or rounding effected in connection therewith.

(b) *Payments on Business Days*

If any due date for payment of principal or interest in respect of any Bond is not a Business Day (as hereinafter defined), the Bondholder thereof shall be entitled to payment of the amount due on the immediately following Business Day and shall not be entitled to any interest or other sums in respect of such postponement.

In those Terms and Conditions of the Bonds, "**Business Day**" means any day on which the Trans-European Automated Real Time Gross Settlement Express Transfer System (TARGET 2) is operating.

(c) *Fiscal Agent and Paying Agent*

The initial Fiscal Agent and initial Paying Agent and its specified office is as follows:

CACEIS Corporate Trust
14 rue Rouget de Lisle
92130 Issy-les-Moulineaux
France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent and/or of any Paying Agent and/or to appoint another fiscal agent or additional paying agents, provided that Bondholders are notified in accordance with the provisions of Condition 9 ("Notices") below and provided that there will at all times be a Fiscal Agent and a Paying Agent having a specified office in a European city.

(d) *Limitation of Duty*

The Fiscal Agent and the Paying Agents are acting solely as agents of the Issuer and do not assume any obligation or duty to, or any relationship of agency for or with, the Bondholders, except that funds received by the Fiscal Agent for the payment of any sums due in respect of the Bonds shall be held by it for the benefit of the Bondholders until the expiry of the applicable prescription under Condition 7 ("Prescription").

(e) *Amendment of the Fiscal Agency Agreement*

The Fiscal Agency Agreement may be amended by the parties thereto without the consent of the Bondholders if, in the reasonable opinion of the Issuer and the Fiscal Agent, the amendment will not adversely affect the rights of the Bondholders.

6. **Taxation**

- (a) All payments of principal, interest and other revenues by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes or duties of whatever nature imposed, levied or collected by or on behalf of France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.
- (b) If French law or regulation should require that payments of principal of, or interest on, any of the Bonds be subject to deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (the "**Taxes**"), the Issuer shall, to the extent permitted by law, pay such additional amounts as will result in the receipt by the Bondholders of the amounts which would have been receivable by them in the absence of such requirement to deduct or withhold.
- (c) It is hereby specified however that, if the Issuer would, as a result of any change in or in the application or interpretation of French laws or regulations, be required to make any withholding or deduction, and this obligation cannot be avoided by reasonable measures of the Issuer, then the Issuer may at any time, but at the earliest 30 days prior to such change becoming effective, redeem all of the outstanding Bonds at their principal amount together with interest accrued until the date fixed for redemption.
- (d) If the Issuer is obliged to make such additional payments as defined in sub-paragraph (b) hereabove and if such payments are prohibited by French law and if the obligation to make such additional payments cannot be avoided by reasonable measures of the Issuer, the Issuer will then be obliged to redeem all outstanding Bonds at par, together with accrued interest until the date fixed for redemption, at the earliest 30 days prior to the change defined in sub-paragraph (b) hereabove becoming effective and at the latest on the date such additional payment would have been due.
- (e) In the event of repayment in accordance with sub-paragraph (b) hereabove, the Issuer will publish, or cause to be published, a redemption notice, as described under Condition 9 ("Notices") below, at the earliest 60 days and at the latest 30 days prior to the date fixed for repayment. In the event of repayment in accordance with sub-paragraph (c) hereabove, the Issuer will publish, or cause to be published, a redemption notice, in the same conditions at the earliest 60 days and at the latest 7 days prior to the date fixed for such repayment.

7. Prescription

Any claims against the Issuer for the payment of principal of, or interest on, the Bonds shall become prescribed ten years (in the case of principal) and five years (in the case of interest) from the due date for payment thereof.

8. Events of default

If any of the following events (the "**Events of Default**") should occur, the Representative of the Masse (as defined hereinafter) may, upon written notice to the Fiscal Agent given before the relevant default has been cured, cause the Bonds to become due and payable at par, together with any interest accrued until the date of the reimbursement calculated in accordance with Condition 3 ("Interest"), as of the date on which said notice is received by the Fiscal Agent:

- (a) in the event of default in any payment of principal of, or interest on, any Bond (including the payment of any additional amounts in accordance with Condition 6 ("Taxation") of the Terms and Conditions of the Bonds), when and as the same shall become due and payable, if such default shall not have been cured within 15 days thereafter, it being specified, if need be, that this event will only constitute an Event of Default as from the date on which this 15 day-period has expired; or
- (b) in the event of default by the Issuer in the due performance of any other provision of the Terms and Conditions of the Bonds, if such default shall not have been cured within 30 days after receipt by the Fiscal Agent of the written notice of such default, it being specified, if need be, that this event will only constitute an Event of Default as from the date on which this 30 day-period has expired; or
- (c) in the event of a default of payment of any amount payable in respect of any other indebtedness of the Issuer for borrowed money at its due date or, as the case may be, after the expiry of any applicable grace period, or in case of enforcement of any security in respect of any such indebtedness or in the event the Issuer is in default for the payment of any amount payable in respect of any guarantee granted by the Issuer; or
- (d) in the event the Issuer sells, transfers or otherwise disposes of, directly or indirectly, the whole or a substantial part of its assets, or in the event the Issuer enters into, or commences any proceedings in furtherance of forced or voluntary dissolution or liquidation, except in the case of a disposal, merger or other reorganisation in which all of or substantially all of the Issuer's assets are transferred to a legal entity which simultaneously assumes all of the Issuer's debt and liabilities (including the Bonds), and whose main purpose is the continuation of, and which effectively continues, the Issuer's activities pursuant to applicable regulations (hereinafter referred to as the "**Legal Entity**"), and that the Issuer has provided the Fiscal Agent at least 30 days before the effective date of such transfer, with a certificate from Standard & Poor's Rating Services specifying that the rating of the outstanding long-term debt of the Issuer shall be maintained after the operation; or
- (e) in the event the performance of any obligation of the Issuer under the Bonds contravenes any legal provision entered into force after the date hereof or contravenes any provision in effect at the date hereof due to a change of interpretation of such provisions by any authority competent for that purpose; or
- (f) to the extent permitted by applicable laws, in the event the Issuer applies for or is subject to a safeguard procedure (*procédure de sauvegarde*), a judicial liquidation (*liquidation judiciaire*) or a voluntary liquidation has been filed with respect to it, or a judgement is rendered for a transfer of the whole of the business (*cession totale de l'entreprise*) or makes any conveyance for the benefit of, or enters into any agreement with, its creditors or cannot meet its current liabilities out of its current assets; or
- (g) in the event the agreement between SAGESS, or any Legal Entity, and the *Comité Professionnel des Stocks Stratégiques Pétroliers* of 25 March 1993, as amended in 2014 (and approved by Decree in 2016) and from time to time, is terminated, void or ceases to be in full force and effect for any reason whatsoever, it being specified, if need be, that this event will only constitute an

Event of Default as from the date on which this resiliation or cancellation will enter into force, or in the event the provisions relating to the remuneration of the Issuer specified in such agreement are amended in a manner substantially adverse for the Issuer, or in the event the Issuer loses the benefit of the authorisations granted to it by decree n° 93-1442 of 27 December 1993 approving its By-Laws (*statuts*) and specifying its relationships with the French State.

9. Notices

Any notice to the Bondholders will be duly given if delivered to the Bondholders through Euroclear France, Euroclear and Clearstream, Luxembourg and as long as such Bonds are admitted to trading on Euronext Paris, and if the rules of Euronext Paris so require, notices shall be published in a leading daily newspaper of general circulation in France (which is expected to be "*Les Echos*" or such other newspaper as the Fiscal Agent shall deem necessary to give fair and reasonable notice to the Bondholders).

Any notice to the Bondholders shall be deemed to have been given on the date of such publication or if published on different dates, on the date of the first publication.

10. Representation of the Bondholders

The Bondholders will be grouped automatically for the defence of their common interests in a *masse* (hereinafter referred to as the "*Masse*").

The *Masse* will be governed by the provisions of the French *Code de commerce* with the exception of Articles L.228-48, L.228-59, L.228-65 II, R.228-63, R.228-67 and R.228-69, subject to the following provisions:

(a) *Legal Personality*

The *Masse* will be acting through a representative (hereinafter called "**Representative**").

The *Masse* alone, to the exclusion of individual Bondholders, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Bonds.

(b) *Representative*

The Representative of the *Masse* will be:

Aether Financial Services
Headquarters: 2 Square La Bruyère, 75009 Paris, France
Postal and office address: 36 rue de Monceau, 75008 Paris, France

The Representative will receive remuneration of EUR 400 (excluding tax) per year for its services.

All interested parties will at all times have the right to obtain the names and addresses of the Representatives at the head office of the Issuer and at the offices of any of the Paying Agents.

(c) *Powers of Representative*

The Representative shall, in the absence of any decision to the contrary of the general assembly of Bondholders, have the power to exercise all acts of management to defend the common interests of the Bondholders. All legal proceedings against the Bondholders or initiated by them must be brought against the Representative or by the Representative.

(d) *General Assemblies of Bondholders*

General assemblies of Bondholders may be held at any time, on convocation either by the Issuer or by the Representative. One or more Bondholders, holding together at least one-thirtieth of the outstanding Bonds, may address to the Issuer and the Representative a request for convening the general assembly; if such assembly has not been convened within two months from such demand, the relevant Bondholders may commission one of themselves to petition a competent court within the jurisdiction of the *Tribunal de Commerce* of Paris to appoint an agent ("*mandataire*") who will call the meeting.

Notice of the date, hour, place and agenda of any general assembly will be published as provided under Condition 9 ("Notices").

Each Bondholder has the right to participate in general assemblies, in person or by proxy. Each Bond carries the right to one vote.

(e) *Powers of the General Assemblies*

The general assembly is empowered to deliberate on the dismissal and replacement of the Representative and of the substitute Representative and also may decide upon any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to, or derive from, the Bonds, including authorising the Representative to act at law as plaintiff or defendant.

The general assembly may further deliberate on any proposal relating to the modification of the Terms and Conditions of the Bonds including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions; it being specified, however, that the general assembly may not increase amounts payable to Bondholders, nor authorise or accept a postponement in the maturity for the payment of interest or a modification of the terms of repayment or of the rate of interest, nor establish any unequal treatment between the Bondholders.

Meetings of a general assembly may deliberate validly on first convocation only if Bondholders present or represented hold at least one fifth of the relevant Bonds then outstanding. On second convocation, no quorum will be required. Decisions at meetings shall be taken by a simple majority of votes cast by Bondholders attending or represented at such meetings.

Decisions of general assemblies must be published in accordance with the provisions set forth in Condition 9 ("Notices").

(f) *Information to Bondholders*

Each Bondholder or representative thereof will have the right, during the fifteen-day period preceding the holding of each general assembly, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the general assembly, which will be available to the relevant Bondholders at the principal office of the Issuer, at the specified offices of the Paying Agents and at any other place specified in the convening notice of the relevant general assembly.

(g) *Expenses*

The Issuer will pay all expenses incurred in the operations of the *Masse*, including expenses relating to the calling and holding of general assemblies and, more generally, all administrative expenses resolved upon by each general assembly of Bondholders, it being expressly stipulated that no expenses may be deducted from the interest payable on the Bonds.

(h) *Single Masse*

The Bondholders and the holders of further bonds which provides for their assimilation with the Bonds issued in accordance with Condition 11 ("Further issues and assimilation") will be grouped in as single *Masse* upon listing of the Bonds.

11. Further issues and assimilation

The Issuer may from time to time, without the consent of the Bondholders, issue further bonds to be assimilated (*assimilables*) with the Bonds as regards their financial service, provided that such bonds shall

carry rights identical in all respects to the Bonds (or in all respects except for the first payment of interest thereon) and that the terms of such further bonds shall provide for such assimilation with the Bonds.

In the case of such an assimilation, the holders of such further bonds and the Bondholders will be grouped in a single masse. References in these Conditions to the Bonds include any other bonds issued pursuant to this Condition and assimilated with the Bonds.

12. Governing law and competent jurisdiction

The Bonds are governed by the laws of France.

Any dispute related to the Bonds shall be submitted to the exclusive jurisdiction of the competent courts in Nanterre.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds, estimated to be €590,700,000 will be used to finance and/or refinance the Issuer's inventory, investments and working capital and to finalise the 2016 and 2017 refinancing of the Issuer (due to the redemption of a €625 million bond maturing in October 2016 and the redemption of a €500 million bond maturing in January 2017).

RECENT DEVELOPMENTS

On 8 September 2016, the Issuer published the following press release:

"On 15 May 2014, INSEE included SAGESS in the list of *Organismes divers d'administration centrale* (ODAC) (Miscellaneous central government agencies). At that stage the classification only had a statistical purpose with regard to public accounting.

On 9 August 2016, a ministerial decree (*arrêté*) dated 27 July 2016 was published in the *Journal officiel de la République Française* (Official Journal of the French Republic) which included SAGESS in the list of ODAC entities that cannot enter into loans with a term longer than 12 months or issue debt securities with a maturity exceeding such duration. This restriction will apply one year after the publication of this ministerial decree, in other words starting from 9 August 2017.

On 7 September 2016, SAGESS initiated proceedings (*recours*) before the *Conseil d'Etat* (Supreme Administrative Court). The appeal seeks to overturn the classification of SAGESS as an ODAC entity and to allow it, in accordance with its status as a private limited company (*société anonyme de droit privé*), to continue to finance itself independently with credit institutions (*établissements de crédit*) or to issue further debt securities with a maturity of more than 12 months.

Reference is made to the ministerial decree dated 27 July 2016, published in the *Journal officiel de la République Française* (no0184) on 9 August 2016: https://www.legifrance.gouv.fr/affichTexte.do;jsessionid=D5BB67125DCCD23588375942B66D6854.tpdila19v_2?cidTexte=JORFTEXT000033000425&dateTexte=&oldAction=rechJO&categorieLien=id&idJO=JORFCONT000032982005."

DESCRIPTION OF THE ISSUER

OVERVIEW OF THE PETROLEUM PRODUCT STRATEGIC RESERVE SYSTEM AND OF SAGESS ROLE

Framework

Pursuant to the international agreements in place (International Energy Agency (IEA) and European Union (EU)), France is committed to building up and permanently maintaining reserves of strategic stocks of petroleum products at 29.5 % of the quantities released for internal consumption in the previous calendar year (17.5 Million tons (MT) at 1 July 2016). The 29.5% obligation represents 108 days of consumption.

A dedicated system, equivalent to those in place in other countries party to the same international agreements, is in place to meet these obligations and is characterised by its stability and a tight French State (the "**State**") control.

The obligation to maintain the reserves of strategic stocks of petroleum product at a certain level primarily rests with the petroleum operators. However, they have to delegate, in exchange for a fee, a portion of their obligations to a central system. This system comprises the French *Comité Professionnel des Stocks Stratégiques Pétroliers* ("**CPSSP**", Professional Committee of Strategic Petrol Stocks) established in 1993 and SAGESS (*Société Anonyme de Gestion de Stocks de Sécurité*) established in 1988.

The State control, enhanced in 1993, is performed simultaneously through different means and is exerted on all levels of the system. The State benefits from varied, exhaustive and dedicated provisions in order to exercise its control. Statistics and reports are released and analysed on a monthly basis. The ministers involved have 2 seats on the CPSSP Board, which also comprises a State Commissioner and a State Controller with veto rights.

Three Ministers' representatives attend SAGESS Board of Directors' meetings and the Assembly meetings, and they hold a right to request a second vote. In addition, as part of the decree authorising the construction and the operation of the pipeline connecting Manosque to Fos-sur-Mer (Pipeline SAGESS Manosque ("**PSM**")) and in line with the applicable legislation (Decree N° 59 – 645 dated May 16, 1959), a State Commissioner position was established in 2006. The role is limited to the matters pertaining to the PSM.

As of 1 July 2016, the above-mentioned obligation (17.5 MT) rests with the petroleum operators. A portion of this obligation is fulfilled by the petroleum operators themselves (3.8 MT), while the remainder (13.7 MT) is delegated to CPSSP, in exchange for a fee.

SAGESS role

As of 1 July 2016, CPSSP uses stocks put at its disposal by the petroleum operators ("**Tickets**") to cover a small portion of the delegated obligation (1.0 MT). Such exchange is governed by contracts and is done in exchange for a fee. In order to cover, the larger part of the delegated obligation (12.7 MT), SAGESS stocks are used, against the coverage of all SAGESS costs. To cover its costs (Tickets and SAGESS total costs), CPSSP receives a monthly fee, based on the releases to domestic consumption.

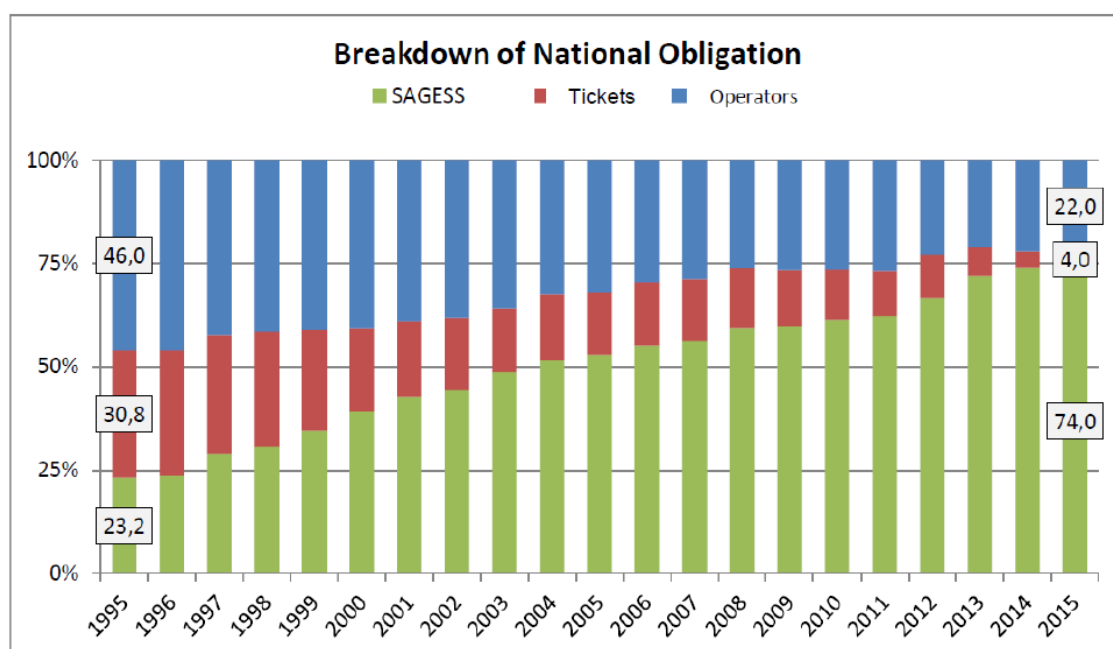
Overall, CPSSP has no operational activity and relies totally and exclusively on SAGESS services, from the build up and maintenance of the reserve stocks (which are SAGESS property) to the management of its obligations. The relationship is managed through a long term agreement between CPSSP and SAGESS, which was approved by ministerial decree (1993), and which forms part of the SAGESS By-Laws. This agreement has been updated in July 2014 and approved by a decree from the Ministry of Energy in 2016.

The coverage of the national reserve obligation by 1 July 2016 of 17.5 MT finished products, (1T of crude being retained only for an equivalence of 0.8 MT of finished products (i.e. Equivalent Finished Products, "**EQPF**")), can be summarised as follows:

Operators own stocks:		3.8 MT EQPF	
CPSSP	}	Tickets :	1.0 MT EQPF
		SAGESS :	12.7 MT EQPF

An increase of the national reserve obligation (since the end of 1995, the proportion of the national obligation covered by the CPSSP and SAGESS increased from 54% to 78% by December 2015), greater flexibility regarding the delegation of the petroleum operators towards the CPSSP / SAGESS central system and a reduction of the level of Tickets following their stocks optimisation initiatives can be observed in the long term.

As a result, the coverage by SAGESS stocks of the national obligation has progressively increased, reaching on 31 December 2015 close to 74% of France's obligation (and a relative decrease of the other sources of coverage):



The table below, showing the doubling of the SAGESS stocks since 2000, is another illustration of the increasing recourse to SAGESS for the coverage of the national obligation.

(MT)	2000	2005	2010	2011	2012	2013	2014	2015
SAGESS Stocks	7.2	10.5	11.9	12.1	13.1	13.9	14.1	13.7

SAGESS rating

Rating

Following the downgrade of France's sovereign rating on 14 October 2014, Standard and Poor's Rating Services has aligned SAGESS's long-term issuer credit rating with that of France at AA (negative outlook). SAGESS short-term issuer credit rating is A-1+. This rating was confirmed by Standard and Poor's Rating Services on 27 September 2016.

The €1,400 million Commercial Paper programme is also rated A-1+ by Standard and Poor's Rating Services.

Sustainable development

In line with the communication to the SAGESS Board of Directors, SAGESS management launched a "sustainable development" initiative in 2012. This initiative responds to investors' wishes to better understand SAGESS key Corporate Social Responsibility ("CSR") challenges. It also allows SAGESS to comply with "Grenelle 2" legal requirements.

Within this initiative, a CSR charter was signed in February 2012. The identification of the key stake holders and the main CSR challenges has been implemented.

Since this date, SAGESS annually publishes a "CSR report" relating to its annual CSR activity. This report is independently reviewed by external auditors and is attached to the SAGESS annual report each year.

SAGESS Prospects

The strategic storage requirement should remain stable at the level established in 2012 of 29.5%, as part of the gradual adoption of the new EU Directive on strategic reserves.

The releases to domestic consumption for 2015 were slightly up by 1.2% compared with 2014, which impacts the level of national compulsory stock obligation as of 1 July 2016.

After the 2015 adjustment of the level of SAGESS stocks linked to the 2014 decline in consumption in France, compulsory stocks delegated to CPSSP will increase in 2016, as a consequence of a change in the delegation rate from some operators. These changes are expected to increase the level of CPSSP delegated compulsory stocks by 1.2 MT. As a consequence, SAGESS stocks are expected to increase by 0.5 MT in the 2016/2017 time frame.

This new environment will force SAGESS to optimise on an ongoing basis its portfolio of storage contracts.

INFORMATION ON THE ISSUER AND ITS ACTIVITIES

OBJECTIVES AND LEGAL FRAMEWORK OF THE STORAGE OBLIGATION

Oil continues to be a major source of energy on a global basis. Most industrialised countries are heavily dependent on this source of energy because, in varying proportions from one country to another, production does not cover internal consumption.

Given the strategic importance of oil supply, countries have established strategic oil reserve obligations to mitigate possible supply difficulties or disruptions.

SAGESS is at the heart of the French strategic stockpiling system, established and managed within a stable and extensive framework, comprising International Agreements, European Directives and dedicated French legislation, all of it being under the direct control of the French State.

International and European framework

The International Energy Agency (IEA), based in Paris, is an autonomous agency linked to the Organisation for Economic Co-operation and Development (OECD) and is the energy forum for 29 industrialised countries. IEA member governments are committed to taking joint measures to deal with oil supply emergencies. They have also agreed to share energy information, to co-ordinate their energy policies and to co-operate in the development of rational energy programmes. These provisions are embodied in the Agreement on an International Energy Programme, which established the IEA in 1974.

IEA members are: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France (since 1992), Germany, Greece, Hungary, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

More precisely, IEA objectives are:

- to maintain and improve systems for coping with oil supply disruptions;
- to promote rational energy policies in a global context through co-operative relations with non-Member countries, industry and international organisations;
- to operate a permanent information system on the international oil market;
- to improve the world's energy supply and demand structure by developing alternative energy sources and increasing the efficiency of energy use;
- to assist in the integration of environmental and energy policies.

IEA members are committed to permanently maintaining strategic oil reserves at 90 days of the net imports of the previous year. As the EU obligation is defined differently (90 days of consumption instead of imports), it is frequently verified that compliance with the European rule also complies with the IEA rule.

In terms of organisation, the systems which have been put in place by the various countries to implement and permanently comply with these obligations have in common close State control. However, the systems vary. They range from privately held stocks controlled by the State to State held and managed stocks reserves, and include a mix of privately held stocks and stocks maintained by a dedicated "Agency". This last case is the most common, and is the case in France.

Under the new European Directive N° 12811/09 dated 14 December 2009 (which is to replace all existing European Community legislation in this field), each country in the EU has to permanently maintain strategic reserves of petroleum products at 90 days of net imports of the previous year preferably owned by a Central Stockholding Entity ("CSE") (SAGESS is this CSE for France) and for 4 categories of products: gasoline, distillates (diesel oil/gas oil), jet fuel and heavy fuel oil. Monthly reports are required and must be submitted to the EU.

France

Background

Since 1925, French legislation has imposed the obligation to maintain such an oil reserve, to cope with such possible oil supply difficulties or disruptions.

At this time, the strategic stock obligation was directly managed by the oil operators who had to carry additional inventories.

In March 1988, the Government created SAGESS by a Prime Ministerial Decree with the exclusive task of building up and permanently maintaining a share (50% at that time) of the strategic oil reserves for the account of oil operators subject to the strategic reserve requirements. The creation of SAGESS aimed at:

- ensuring tighter control over the national reserve requirements, including the geographical location of the stocks, and thus enhancing supply availability in case of emergency;
- maintaining balanced competition among the operators; and
- easing the financing burden of these stocks for the operators.

Current system

Enhanced State control

The Oil Law n° 92-1443 of December 1992 (the "**Oil Law**") has integrated the previous regulations while enhancing State control over the strategic oil reserve system. The supervisory duty, previously undertaken solely by SAGESS, has been passed to a professional committee (a committee falling under the legal dispositions of the Law N° 78-654 of 22 June 1978, and on the professional committees for development). This CPSSP was established by decree N° 93-132 dated 29 January 1993.

The Oil Law and subsequent decrees are now codified in Articles L.642-1 to L.642-10 of the French *Code de l'énergie* (Code of Energy) and Articles D.1336-47 to D.1336-56 of the French *Code de la défense* (Code of Defence).

The responsibilities and transactions of SAGESS have been continued and increased, as a result of the rise in the level of the national reserve obligation, and of the possibility granted to the petroleum operators to use the central system to fulfill a portion of their storage obligation (see below).

Strengthening of reserve obligations

The reserve requirements are defined by Decree (N° 93-131 dated 29 January 1993), complemented by an Order dated 15 March 1993 amended by Decree on 24 April 2007.

The obligation is defined in greater detail than in the EU rules, with, among other things, 4 categories of petroleum products (instead of 3): gasoline, distillates (diesel oil/gas oil), jet fuel, and heavy fuel oil.

Each operator having the status of "authorised warehouse keeper" (customs status and definition) and releasing oil products for inland consumption is required to build up and permanently maintain strategic stocks equal to 29.5% of the quantities released for domestic consumption in the previous calendar year (i.e. 108 days), for each of the 4 product categories.

Enlarged delegations

Each operator must choose to delegate to the CPSSP either 56% or 90% of its reserve obligation, the remainder (44% or 10%) to be covered by its own stocks or by provisions made by other operators. These delegation rates have been effective since September 2003, and were previously at 54% or 81% respectively.

ORGANISATION AND CONTROL OF THE FRENCH SYSTEM

Roles and responsibilities

CPSSP

The only task of the CPSSP is to build up and permanently maintain the part of the strategic stock reserve obligation which is delegated to it by the oil operators, in exchange for a fee.

The main CPSSP responsibilities, as defined by Law and decrees, are to:

- define the SAGESS purchasing programmes;
- decide the level of Tickets proposed by the operators and set the associated remuneration;
- decide the fees to be paid by the operators for the portion of the reserve obligation delegated to CPSSP / SAGESS; and
- determine the sales programmes of SAGESS stocks, should this be required.

CPSSP fulfils its delegated obligation through two sources:

- stocks maintained by SAGESS; and
- Tickets provided by operators, within the framework of long-term and short-term agreements, and in exchange for remuneration to cover the storage and financing costs of these products.

In practice, and pursuant to the Oil Law, as complemented by decrees linked to the French *Code de l'énergie* (Code of Energy) and the French *Code de la défense* (Code of Defence), an agreement between CPSSP and SAGESS has been established, under which SAGESS fulfils CPSSP's duties. This agreement, approved by a Ministerial Decree on 26 March 1993 is not limited in time and can be terminated with 5 years' prior notification. This agreement has been updated in July 2014 and approved by a decree from the Ministry of Energy.

Under this agreement, CPSSP commits itself to fulfil the proportion of the reserve obligation delegated to it, to use all SAGESS stocks, and mandates SAGESS to carry out, on its behalf and in its name, the management of the strategic stocks for which it is responsible.

SAGESS

As defined in its By-Laws (the above-mentioned agreement between CPSSP and SAGESS being part thereof), SAGESS sole purpose is to build up and permanently maintain the reserve stocks necessary to CPSSP.

- SAGESS owns the stocks
- SAGESS can only buy and sell petroleum products when required within a supply programme endorsed by CPSSP
- SAGESS stocks are only at the disposal of the Government, and can only be disposed of following an official request by the hydrocarbons Ministry and/or CPSSP. This can happen in case of a national oil supply crisis.

Specific financial provisions

Protection of the SAGESS assets

SAGESS assets are essentially composed of petroleum products stocks, which are booked at acquisition value (€4,324 million at the end of December 2015, or 97.4% of SAGESS total assets).

As per the Tax Law (see below), SAGESS is not permitted to sell its stocks at a loss, as explained below. In addition, as stocks are strategic stocks booked at their acquisition value, which is covered by the

CPSSP in case of loss, SAGESS stocks are not exposed to international petroleum products price variations.

Pursuant to the Article 1655 *quater* of the French *Code général des impôts* (General Tax Code, the "**Tax Law**"), "The Company can only sell its stocks at a price greater than or equal to their weighted average acquisition cost. Such a sale can only take place in the two following situations: (i) upon instruction of the Minister responsible for hydrocarbons, taken in accordance with the applicable regulations or (ii) at the request of the CPSSP."

In addition, the CPSSP 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 stocks sold, in accordance with Article 1655 *quater* of the French *Code général des impôts*. 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, which will allow SAGESS to repay at due concurrence its borrowings, interest and related costs to its banks or other lenders."

Full coverage of CPSSP costs

To cover all its costs, CPSSP invoice the operators on a monthly basis with a fee (expressed in €/Ton released for inland consumption) calculated to reach a balanced Profit & Loss account.

The CPSSP costs are made up of the costs incurred by SAGESS (see below) and recovered from CPSSP, of the remuneration paid to the operators for their Tickets and minor operating costs.

The fee perceived from the operators is adjusted each quarter on the basis of the quarterly update of the annual budget.

Bank guarantees, prescribed by Article L.642-7 of the French *Code de l'énergie* (Code of Energy), are provided by the operators to cover possible fee payment default.

Penalties also exist for late fee payment from the operators.

Full coverage of SAGESS costs

Pursuant to the agreement between CPSSP and SAGESS, approved by Ministerial Decree and integrated into the SAGESS By-Laws, SAGESS recovers, on a monthly basis, from CPSSP all its operating and financing costs in addition to any non-recurring elements.

Appropriation of net income

Appropriation of net income principles are included in SAGESS financial policy, as annually approved by SAGESS Board of Directors. As per this policy, net income is appropriated to reserves, as long as SAGESS will bear financial debt. The appropriation is proposed by SAGESS Board of Directors and approved by SAGESS annual general meeting of shareholders.

SAGESS income tax exemption

SAGESS is exempted from income tax (Article 1655 *quater* of the Tax Law).

State control

State control is permanent and exerted simultaneously through different channels:

General provisions

The State control is direct beginning with the approval and the termination of the "authorised warehouse keeper" operator's status. The State approves the geographical localisation plan for the reserve stocks, and monitors its effective implementation. The Custom's administration of the French State also has full audit rights on all components of the system at any time. All product movements (and inventories) are reported on a monthly basis to the State through pre-formatted reports. This information is complemented by the

monthly reports produced by SAGESS, on releases for domestic consumption and on the actual detailed coverage of the reserve obligation. In addition, the Oil Law, and its subsequent decrees, provides the State, should deviations occur, with a wide range of corrective and penalty measures, up to the termination of the "authorised warehouse keeper" status.

CPSSP

The CPSSP Board is composed of 13 members, nominated by the Ministry (out of which 2 are Ministry representatives), and of 1 delegate in charge of the implementation of the decisions of the CPSSP Board and of the day-to-day activities. The CPSSP Board meets at least every three months.

CPSSP Board members are nominated by Order of the Ministry in charge of hydrocarbons: 6 members are proposed by the "*Union Française des Industries Pétrolières*" (UFIP), 1 member proposed by the "*Fédération Française des Pétroliers Indépendants*", 1 member proposed by the "*Fédération Française des Combustibles et Carburants*", 1 member proposed by the "*Union des Importateurs Indépendants Pétroliers*", 2 members for their competencies and 2 members represent the Ministers in charge of the Economy and the Budget.

Furthermore the Director of "Directorate General of Climate and Energy" ("**DGEC**") fulfils the role of Government Commissioner and ensures that all the regulations are properly enforced. The CPSSP is also submitted to the economic and financial control of the State. The Government Commissioner and a State Controller attend the CPSSP Board meetings and have a veto right on any CPSSP Board decision. To be enforced, any veto has to be confirmed by the Minister in charge of hydrocarbons or by the minister in charge of the Budget. To date, no such veto right has been exerted.

SAGESS

Beyond the members of the Board of Directors (*Conseil d'administration*) who represent the Shareholders, State control is made effective through (i) 3 State representatives (DGEC, Antitrust Directorate & Customs Directorate) who attend all the Board of Directors' and Assembly meetings and who have a consultative right, and (ii) through a State Commissioner since 2006 (for the Pipeline SAGESS Manosque).

They represent the ministers responsible for hydrocarbons, of the Economy and of the Budget. They dispose of a right to request a second vote, in that the Board of Directors' meetings and the ordinary general shareholders meetings' deliberations are enforceable after eight clear days, should the ministers not have requested new deliberations. New deliberations are enforceable as of right with no possible appeal from the government. To date, no such request for a new deliberation right has ever been made.

As part of the decree authorising the construction and the operation of the Pipeline SAGESS Manosque and consistently with the applicable legislation (Decree N° 59 – 645 dated 16 May 1959), the State wanted the creation of a State Commissioner position at SAGESS. A SAGESS extraordinary shareholders meeting was held on 18 May 2005 to vote a resolution modifying the SAGESS By-Laws and detailing the communication and decision process involving such a Commissioner. This resolution effectiveness was conditional upon the issuance of the aforementioned decrees. The decrees were published in March 2006 and the SAGESS By-Laws have been modified.

Finally, pursuant to Article 1655 *quater* of the Tax Law, "the shares of this company (SAGESS) can only be transferred with the prior approval of the ministers".

SAGESS BY-LAWS, ORGANISATION, CONTROL, ACTIVITIES AND FINANCING

Statutory provisions

SAGESS is a "*société anonyme*" with a Board of Directors (*Conseil d'administration*) subject to the provisions of the French *Code de Commerce* (French Commercial Code) applicable to commercial companies.

SAGESS term is set at 99 years. It is registered at the Commercial and Company Registry of Nanterre under number B 344 547 708. Its registered head office is at 20, rue Jacques Daguerre, 92565 Rueil-Malmaison Cedex, France. Its phone number is + 33 1 47 10 06 80.

SAGESS financial year begins 1 January and ends 31 December of each year.

SAGESS was created on 22 March 1988 and its By-Laws approved by Prime Ministerial Decree n° 88-270. Pursuant to Article 2 of its By-Laws, SAGESS has as its exclusive object:

- to accomplish the task of building up and maintaining strategic stocks of crude oil and petroleum products to satisfy the needs expressed by the entity created by Decree n° 93-132 of 29 January 1993 under the name CPSSP;
- generally, to carry out any financial, industrial, commercial, movable or real estate transaction facilitating this mission's accomplishment, for example, the possible purchase of storage capacity; and
- to perform, on behalf of the CPSSP, the management of the strategic stocks which the CPSSP is responsible for, pursuant to Law n° 92-1443 of 31 December 1992 (codified in the French *Code de l'énergie* (Code of Energy)) within the conditions and limits defined in the agreement between CPSSP and SAGESS.

The share capital of SAGESS is €240,000 and consists of 15,000 registered shares of €16 each. No equity securities of SAGESS have ever been listed.

SAGESS By-Laws are available at the *Greffe* of the Nanterre commercial Court, on the SAGESS website (www.sageess.fr), or upon request at the SAGESS head office.

Shareholding

SAGESS shareholders are stable and are composed of almost all the participants of the petroleum industry.

According to applicable laws and regulations, shareholders may only be oil operators subject to the legal reserve requirements of petroleum products. SAGESS shareholders may only be the oil operators bearing the status of "authorised warehouse keeper" and releasing oil products for domestic consumption.

The "authorised warehouse keepers" are not obliged, since 1993, to be SAGESS shareholders. Nevertheless most of them are shareholders.

The number of shares allotted each year to each shareholder is proportional, as per SAGESS By-Laws, to its strategic stock reserve obligation (based on the releases made for domestic consumption in the previous year).

In accordance with the agreement given by the *Direction Générale des Douanes et Droits Indirects*, the *Direction Générale de la Concurrence, de la Consommation et de la Repression des Fraudes* and the Ministry of Energy on 23 May 2016, the share capital of SAGESS was held by 36 shareholders in 2016. Their reserve obligation represents about 97.8% of the French national obligation.

Shareholders and their subsidiaries (taken together) with more than 5% of SAGESS share capital as of 23 May 2016 are:

TOTAL MARKETING FRANCE	34.5% ¹
SIPLEC –Société d'Importation Leclerc	12.3%
Esso S.A.F.	8.9%
SCA PETROLES ET DERIVES	8.2%
CARFUEL	7.2%
Shareholders and their subsidiaries with less than 5% of SAGESS share capital :	28.9%
	100.0%

¹ It should be noted that this figure includes the shareholdings of the subsidiaries of TOTAL MARKETING FRANCE. In the table 'SAGESS SHAREHOLDINGS' below, the subsidiaries of TOTAL MARKETING FRANCE are listed separately and their shareholdings are not included in the figure given for the shareholding of TOTAL MARKETING FRANCE.

SAGESS SHAREHOLDERS
(as at 23 May 2016)

Company	Number of Shares	%
VARO ENERGY	60	0.4
ARMORINE S.A.	97	0.6
BOLLORE ENERGIE	467	3.1
BP FRANCE	740	4.9
CARFUEL	1 085	7.2
CIM	1	0.0
CPA	47	0.3
DISTRIDYN	416	2.8
DYNEFF	208	1.4
EDF	1	0.0
EGEDIS	356	2.4
ESSO SAF	1 329	8.9
ENI FRANCE	202	1.3
EUROPEAN FORECOURT RETAIL France	235	1.6
GINOUVES	55	0.4
LAGARDE (Etablissements)	23	0.2
KOWEIT PETROLEUM AVIATION	357	2.4
MARCELIN Jean-Claude	1	0.0
MARTIN François	1	0.0
PETROVEX	426	2.8
PICOTY SA	248	1.7
POITOU CARBURANTS	1	0.0
RUBIS ENERGIE	19	0.1
S.C.A. PETROLE & DERIVES	1 230	8.2
SHELL (SOCIETE DES PETROLES)	172	1.1
SIPLEC - Société d'Importation LECLERC	1 848	12.3
STELA (Produits Pétroliers)	218	1.5
THEVENIN & DUCROT DISTRIBUTION	405	2.7
TOTAL MARKETING FRANCE	4 104	27.4
ASTRA TRANSCOR France	5	0.0
URBAINE DES PETROLES	494	3.3
WALLACH (Etablissements)	111	0.7
ZELLER ET CIE	31	0.2
WOREX SNC	7	0.0
Total issued shares	15 000	

ORGANISATION, MANAGEMENT AND CONTROL

Board

The Board of Directors (*Conseil d'administration*) is composed of 13 members, 8 from oil companies and 5 from other companies. The Board of Directors meets at least every three months.

The Directors' term of office is 5 years and may be renewed with no term limit.

As mentioned above, 3 representatives from the State and a State Commissioner attend the Board of Directors' and Assembly meetings, the 3 representatives represent the ministers of hydrocarbons, Economy and Budget.

The Board of Directors appoints two of its members as Chairman and Vice-Chairman. The Chairman must be a shareholder. They may be re-elected. The Board of Directors may dismiss them at any time.

Pursuant to Article 23 of the SAGESS By-Laws, members of the Board of Directors may receive an annual remuneration for attending the meetings but this has never been implemented to date.

Composition of the Board of Directors (based on the list of Directors who approved the 2015 Annual Report at the Board of Directors' meeting on 17 March 2016):

Directors	Permanent Representatives	Other Mandates and Duties
François Martin Chairman and Chief Executive Officer 15, rue de la Bourboule 78150 LE CHESNAY, FRANCE	N/A	None.
BOLLORE ENERGIE Odet 29500 ERGUE GABERIC, FRANCE	Dimitrios Xylinas	<p>Permanent representative of BOLLORE ENERGIE on the Board of Directors of:</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE <p>Mandates and duties exercised within the BOLLORE Group:</p> <ul style="list-style-type: none"> • Chairman of the Board of Directors of SFDM • Managing Director of BOLLORE ENERGIE • Permanent Representative of SOFIPROM on the Board of BOLLORE ENERGIE • Permanent representative of PETROPLUS MARKETING FRANCE on the Board of Directors of TRAPIL • Director of SFDM • Director of SAMC Combustible SA • Director of SATRAM Huiles SA • Director of CICA <p>Other mandates and duties Chairman of the FFPI and Director on the Board of</p>

Directors	Permanent Representatives	Other Mandates and Duties
		<p>Directors of:</p> <ul style="list-style-type: none"> • CPDP - COMITE PROFESSIONNEL DU PETROLE
<p>BP Immeuble Le Cervier 12, avenue des Béguines Cergy Saint -Christophe 95866 CERGY PONTOISE CEDEX, FRANCE</p>	<p>Hervé Charmolue</p>	<p>Permanent representative of BP FRANCE on the Board of Directors of:</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE <p>Director, as a representative of Union Française des Industries Pétrolières (UFIP), on the Board of Directors of :</p> <ul style="list-style-type: none"> • CPSSP - COMITE PROFESSIONNEL DES STOCKS STRATEGIQUES PETROLIERS <p>Director of:</p> <ul style="list-style-type: none"> • GEOGAS LAVERA SAS
<p>CARFUEL ZAE St Guenault – 1, rue Jean Mermoz BP 75 91002 EVRY CEDEX, FRANCE</p>	<p>Karim Benbrik Vice Chairman</p>	<p>Permanent representative of CARFUEL on the Board of Directors of:</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE <p>Member of the Management Committee of :</p> <ul style="list-style-type: none"> • CARFUEL <p>Permanent representative of CARFUEL on the Management Committee of:</p> <ul style="list-style-type: none"> • DPL – SOCIETE DEPOT PETROLIER DE LYON (SAS) • EPG - ENTREPÔT PÉTROLIER DE LA GIRONDE SAS • EPV – ENTREPOT PETROLIER DE VALENCIENNES SAS • SDPN - SOCIÉTÉ DU DÉPÔT PÉTROLIER DE NANTERRE SAS • SOGEPP - SOCIÉTÉ DE GESTION DE PRODUITS PÉTROLIERS SAS • SPVM – SOCIÉTÉ PÉTROLIÈRE DU VAL DE MARNE SAS <p>Permanent representative of CARFUEL on the Steering Committee of:</p> <ul style="list-style-type: none"> • DPC - SOCIÉTÉ DES DÉPÔTS DE PÉTROLE CÔTIERS SARL <p>Permanent representative of CARFUEL on the Board of Directors of:</p> <ul style="list-style-type: none"> • DPF - SOCIÉTÉ DÉPÔTS PÉTROLIERS DE FOS SA
<p>ENI FRANCE SARL 12, avenue Tony Garnier CS 40720 69367 LYON CEDEX 07, FRANCE</p>	<p>Cécile Poinot</p>	<p>Permanent representative of ENI FRANCE SARL on the Board of Directors of:</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE

Directors	Permanent Representatives	Other Mandates and Duties
		<p>GROUPS</p> <p>Permanent representative of the company ENI FRANCE SARL at the Meeting of members of:</p> <ul style="list-style-type: none"> • FUELLING AVIATION SERVICE (FAS) G.I.E. • GROUPEMENT D'EXPLOITATION DU DEPOT DE RECEPTION DE CHENNEVIERES LES LOUVRES (G.E.D.R.C.) G.I.E. <p>COMPANIES</p> <p>Permanent representative of ENI FRANCE SARL at the Shareholders Meeting and the Management Committee of:</p> <ul style="list-style-type: none"> • DPCA - DEPOT PETROLIER DE LA COTE D'AZUR - SAS • EPL - ENTREPOT PETROLIER DE LYON – SAS <p>Permanent representative of ENI FRANCE SARL at the Shareholders Meeting and on Board of Directors of:</p> <ul style="list-style-type: none"> • SPMR - SOCIETE DU PIPELINE MEDITERRANEE-RHONE SA <p>Permanent representative of ENI FRANCE SARL at the Assembly of associates and the Management Committee of:</p> <ul style="list-style-type: none"> • SOCIETE IMMOBILIERE PETROLIERE DE GESTION (SIPG) – SNC <p>Permanent representative of ENI International BV on the Board of Directors of:</p> <ul style="list-style-type: none"> • BITUMED SA (TUNISIA) <p>Individual Director in:</p> <ul style="list-style-type: none"> • DPF - DEPOTS PETROLIERS DE FOS SA • ENI SWITZERLAND
<p>URBAINE DES PETROLES</p> <p>8 Rue Eugène et Armand Peugeot, 92500 RUEIL-MALMAISON, FRANCE</p>	<p>François Good</p>	<p>Permanent representative of URBAINE DES PETROLES on the Board of Directors of:</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE <p>Permanent representative of PETROCHEMICALS FRANCE on the Board of Directors of:</p> <ul style="list-style-type: none"> • GEOGAZ LAVERA. <p>Permanent representative of TOTAL RAFFINAGE FRANCE on the Board of Directors of:</p> <ul style="list-style-type: none"> • GIE GROUPEMENT DONGES
<p>ESSO SAF</p> <p>5/6 place de l'Iris 92400 COURBEVOIE, FRANCE</p>	<p>Xavier Folch</p>	<p>Permanent representative of ESSO SAF on the Board of Directors of:</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE <p>Director, as representative of Union Française des Industries Pétrolières (UFIP), on the Board of Directors</p>

Directors	Permanent Representatives	Other Mandates and Duties
		<p>of:</p> <ul style="list-style-type: none"> • CPSSP - COMITÉ PROFESSIONNEL DES STOCKS STRATÉGIQUES PÉTROLIERS <p>Director :</p> <ul style="list-style-type: none"> • SPR (STOCKAGE PETROLIERS DU RHONE) • TRAPIL (SOCIETE DES TRANSPORTS PETROLIERS PAR PIPELINE) <p>Permanent representative of ESSO SAF on the Board of Directors of:</p> <ul style="list-style-type: none"> • SMCA (SOCIÉTÉ DE MANUTENTION DE CARBURANTS AVIATION) • SPMR (SOCIETE DU PIPELINE MEDITERRANNEE RHONE)
<p>Jean-Claude Marcelin 20, rue Jacques Doré 94430 CHENNEVIERES-SUR-MARNE, FRANCE</p>	<p>N/A</p>	<p>Director on the Board of Directors of:</p> <ul style="list-style-type: none"> • SAGESS – SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE <p>Alternate director, as a representative of Union Française des Industries Pétrolières (UFIP), on the Board of Directors of:</p> <ul style="list-style-type: none"> • CPSSP - COMITE PROFESSIONNEL DES STOCKS STRATEGIQUES PETROLIERS <p>Member of the Board of Directors of :</p> <ul style="list-style-type: none"> • EXXON CHEMICAL NETHERLANDS 1 B.V.
<p>PETROVEX 200, rue de la Recherche 59650 VILLENEUVE D'ASCQ, FRANCE</p>	<p>Ludovic Labazuy</p>	<p>Permanent representative of PETROVEX SNC on the Board of Directors of:</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE <p>Procurement and Logistics Group Leader at:</p> <ul style="list-style-type: none"> • PETROVEX SNC <p>Permanent representative of PETROVEX SNC on the Board of Directors of:</p> <ul style="list-style-type: none"> • SOCIETE DU DEPOT PETROLIER DE NANTERRE • SOCIETE DU DEPOT DE SAINT-PRIEST • SOCIETE EUROPEENNE DE STOCKAGE <p>Permanent representative for Auchan France on the Board of Directors of:</p> <ul style="list-style-type: none"> • CLEEE – COMITÉ DE LIAISON DES ENTREPRISES AYANT EXERCÉ LEUR ELIGIBILITÉ SUR LE MARCHÉ LIBRE DE L'ELECTRICITÉ
<p>PICOTY S.A. Rue André Picoty 23300 LA SOUTERRAINE, FRANCE</p>	<p>Bruno Girard</p>	<p>Permanent representative of PICOTY of :</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE • DPL (DEPOT PETROLIER DE LORIENT) <p>Member of the Supervisory Committee of:</p>

Directors	Permanent Representatives	Other Mandates and Duties
		<ul style="list-style-type: none"> • DPL (DEPOT PETROLIER DE LORIENT)
<p>SOCIÉTÉ DES PÉTROLES SHELL "Portes de la Défense" 307, rue Estienne d'Orves 92708 COLOMBES CEDEX, FRANCE</p>	<p>Son Lengoc</p>	<p>Permanent representative of SOCIETE DES PETROLES SHELL on the Board of Directors of:</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE <p>Director, as a representative of Union Française des Industries Pétrolières (UFIP), on the Board of Directors of :</p> <ul style="list-style-type: none"> • CPSSP - COMITE PROFESSIONNEL DES STOCKS STRATEGIQUES PETROLIERS <p>Director on the Board of Directors of:</p> <ul style="list-style-type: none"> • COMITE PROFESSIONNEL DU PETROLE – CPDP • GEOGAZ • GEOVEXIN <p>Member of the Supervisory Committee of:</p> <ul style="list-style-type: none"> • SHELL EXPLORATION AND PRODUCTION FRANCE • SOCIETE DES PETROLES SHELL
<p>Société d'Importation E. Leclerc – SIPLEC 26, quai Marcel Boyer 94200 IVRY-SUR-SEINE, FRANCE</p>	<p>Thierry Forien</p>	<p>Permanent representative of SOCIETE D'IMPORTATION LECLERC on the Board of Directors of:</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE • DPF - DEPOTS PETROLIERS DE FOS SA • WAGRAM TERMINAL SA
<p>TOTAL MARKETING FRANCE 562, avenue du Parc de l'Île, 92000 NANTERRE, FRANCE</p>	<p>René Lecornet</p>	<p>Permanent representative of TOTAL MARKETING FRANCE on the Board of Directors of :</p> <ul style="list-style-type: none"> • SAGESS - SOCIETE ANONYME DE GESTION DE STOCKS DE SECURITE <p>Director of:</p> <ul style="list-style-type: none"> • SOCIÉTÉ DES TRANSPORTS PÉTROLIERS PAR PIPELINE - TRAPIL <p>Director, as a representative of Union Française des Industries Pétrolières (UFIP), on the Board of Directors of:</p> <ul style="list-style-type: none"> • CPSSP - COMITE PROFESSIONNEL DES STOCKS STRATEGIQUES PETROLIERS <p>Permanent representative of TOTAL MARKETING FRANCE on the Board of Directors of :</p> <ul style="list-style-type: none"> • DEPOTS PETROLIERS DE FOS SA • LES DOCKS DES PETROLES D'AMBES SA <p>Permanent representative of TOTAL MARKETING FRANCE, member of the Management Committee of:</p> <ul style="list-style-type: none"> • SOCIETE DU DEPOT DE LA PALLICE – SDLP SAS

SAGESS Management and Organisation

SAGESS organisation is composed of 14 positions by year-end 2015:

- A Chairman and Chief Executive Officer
- One executive assistant position
- The department of the General Secretary and Chief Financial Officer, comprising five positions
- A Logistics department, comprising seven positions.

Specialised advisory Committees

Four specialised committees were created to assist SAGESS Management and the Board of Directors.

- An Operational Committee as defined in SAGESS By-Laws. It is composed of 6 members appointed by the Board of Directors. It assists SAGESS Management in operational matters. It has an advisory capacity and gives opinions, which are reported to the Board of Directors. Its members may attend the Board of Directors' meetings in an advisory capacity.
- A Finance Committee not included in the By-Laws, but whose role is defined by the Board of Directors. It is composed of 5 financial representatives of the shareholders. It advises SAGESS Management in financial matters. It has an advisory capacity and gives opinions, which are reported to the Board of Directors.
- A CSR Committee created in 2013 meets twice a year in order to review the annual CSR report and SAGESS CSR action plan and key performance indicators.
- An Audit Committee created in 2009 to comply with the European Directive dated 17 May 2006 (2006/43/EC). Its role is also defined by the Board of Directors. It is composed of 3 Directors without any operational responsibility in SAGESS management. This Committee has 3 main missions, with an average of 3 to 4 meetings per year:
 - Oversight of the process to elaborate the financial information
 - Review of the efficiency of the internal control systems, the risk identification and management
 - Review of the legal control of the financial accounts and of the independent qualification of the External Auditors.

Since its creation, the Audit Committee has met 29 times (of which 3 times in 2015 and 2 times, so far, in 2016).

Control

The External Auditors' mandates came to an end at the 16 May 2012 General Assembly and the new ones were nominated at the same Assembly, following a tender process.

The new External Auditors have been nominated for 6 years (mandates ending with the Assembly approving the accounts of the financial year 2017) and are:

Ernst & Young et Autres, represented by Mr. Denis THIBON
 1/2, place des saisons
 92400 Courbevoie
 Paris La Défense 1
 France

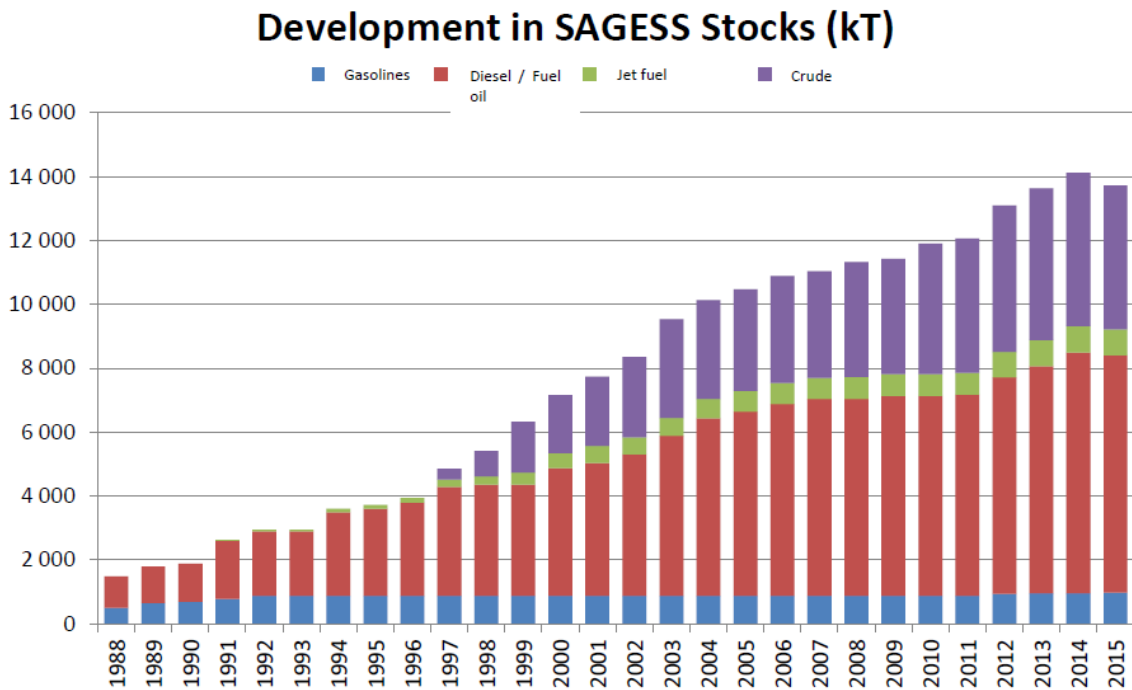
Grant Thornton, represented by Mr Vincent PAPAIZIAN
 100 rue de Courcelles
 75 849 Paris Cedex 17
 France

In addition, SAGESS is periodically audited by its shareholders, through a joint audit team, composed of audit / control specialists of the shareholders. The last audit occurred in April 2016.

Build up and maintenance of reserve stocks

SAGESS stocks were at 13.7 MT by year-end 2015, covering 74% of the national reserve obligation. At the same date, their book value (at acquisition cost) amounted to €4,324 million.

For informational purposes only, based on average market price on 31 December 2015, SAGESS stocks market are valued at €4,253 million.



Stock acquisition policy

Purchases of petroleum products are systematically carried out through a tendering process, involving most of the oil industry participants (from refiners to traders, both French and international).

Products in stock

SAGESS stocks are made up of gasoline, distillates (diesel oil/heating oil), jet fuel and crude.

The heavy fuel Tickets provided by the operators to the CPSSP cover the CPSSP heavy fuel oil reserve requirements, avoiding recourse to SAGESS for this product. Crude oil is allowed as a substitute for finished products, up to a maximum substitution allowance, one ton of crude being considered the equivalent of 0.8 ton of finished product.

No security whatsoever can be taken over SAGESS stocks.

Storage policy

SAGESS is responsible for its storage management, under the CPSSP control. Its stocks must be kept in bonded warehouses ("*entrepôts fiscaux de stockage*") in mainland France and, subject to the State's agreement, abroad. Moreover, the State requires these stocks be stored in bonded warehouses geographically located in close proximity to areas of consumption so that such stocks may be dispatched to the relevant areas of consumption without undue delay, particularly in times of crisis.

The bonded warehouses used by SAGESS (about 90) are the refineries, most of the existing petroleum products bulk plants and the Manosque site (salt caverns).

Most of SAGESS stocks are therefore stored at third party storage locations, in exchange for payment.

SAGESS only owns one storage plant of 33 thousand cubic metres (Km³) in Chasseneuil du Poitou (nearby Poitiers).

Quantity / Quality controls

Stocks quantities and qualities are regularly controlled. The products in stock are periodically rotated to ensure that they meet the regulatory specifications.

Pipeline SAGESS Manosque

The past and projected growth of the SAGESS stocks, coupled with limited availability of additional above-ground storages, led SAGESS to progressively increase the proportion of products stored in the salt caverns of the Manosque site. The State (through DGEC) had requested in 2002 that all quantities stored at this site be released within 6 months. After analysis, it appeared that the only way to comply with this new constraint was to build a new pipeline, in addition to the existing ones, thus doubling the transportation capacity currently in place between Manosque and the Berre / Fos-sur-Mer area.

In 2002, SAGESS set up a dedicated project (Pipeline SAGESS Manosque ("**PSM**")). This €120 million project ended with the entry into service of this new pipeline in November 2007. This pipeline is owned by SAGESS. This pipeline (and its associated facilities) can, at the State's request, be sold to CPSSP at net book value.

Long-term agreements have been signed in 2003 with GEOSEL and GEOSTOCK, the owner and operator of the currently existing Manosque storage site and pipeline network, to have the new pipeline be operated within the same logistic organisation as the one currently in place for the existing pipelines network. A new "operation and maintenance" contract was signed in 2012 with Geostock.

Risks and insurance

The risk assessment approach is twofold:

- A risk assessment of the SAGESS exposures is periodically conducted, to identify the nature, amount and probability of occurrence.
- The HSE (Health, Safety / Environment) standards applicable in the industry are enforced.

As a result, the scope and values of the insurance contracts are reviewed with SAGESS insurance broker and insurance contracts are adapted as necessary. The insurance contracts themselves are periodically reviewed to ensure they remained optimised and in line with the insurance market financial conditions.

The key provisions, covering damages to its assets (products included), as well as damages to its personnel or to third parties, are as follows:

- Property damage insurance: the entirety of the assets and products located at SAGESS site at Chasseneuil du Poitou, the petroleum products stored at third party sites (for the fire / explosion risks only), the PSM and the SAGESS head office are covered. The insurance limit is at €200

million per occurrence and per year, with deductibles per occurrence at €30,000 for assets and €80,000 for products and pipeline, depending on the type of damage.

Under the storage contracts, the storage company is responsible for the products located at its sites and for the damages to its personnel, third parties and assets. These risks have to be covered by insurance, and the existence of these insurance contracts is verified on an annual basis.

- Environmental damages: a dedicated "Environmental Civil Liability (*Responsabilité Civile Atteintes à l'Environnement*)" insurance contract is in place in order to face the environmental risks relating to the 33 Km³ storage site owned by SAGESS at Chasseneuil du Poitou, the operation of the pipeline as well as owner of petroleum products stored in rented terminals. The insurance limit is at €50 million per incident and per year and the deductible at €100,000.

Environmental risks, associated with SAGESS products stored at third party sites are covered by the site operator insurance.

- Third party liabilities: a general insurance contract is in place to cover bodily injuries, physical damages and consequential damage to third parties arising out of SAGESS liability. The insurance limit is at €20 million per incident and per year, with a deductible of €30,000.
- Directors and officers third party liabilities: its purpose is to cover the damages to third parties arising out of an actual or alleged fault committed by a director or an officer of the company. The insurance limit is at €15 million per occurrence, with no deductible.
- Fraud insurance: its purpose is to cover fraud or willful misconduct up to a limit of €3 million per occurrence with a deductible at €150,000.
- Bank guarantee: SAGESS implemented a bank guarantee scheme in 2014 with a major financial institution. Through this scheme SAGESS is guaranteed for the value of products which may be loaned to operators in case of an oil supply crisis. The level of guarantee is reviewed annually.

Financial status and policy

Financial structure

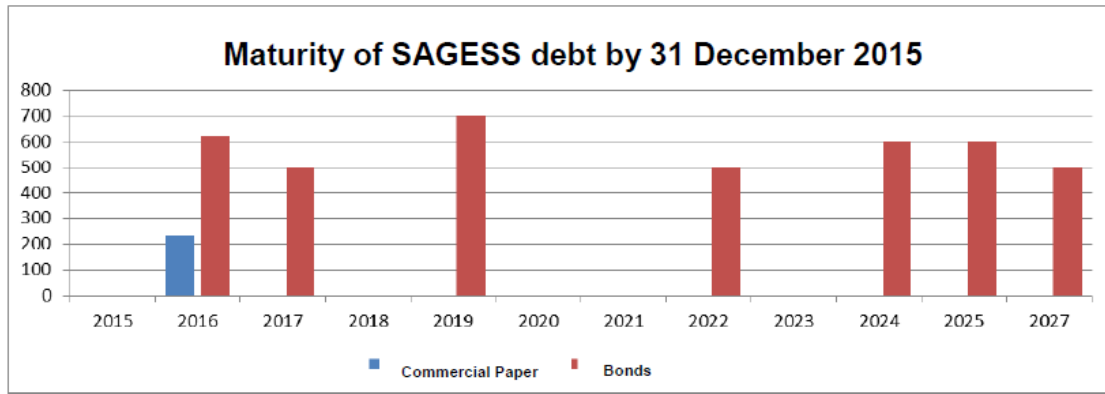
According to its By-Laws, SAGESS stocks are financed by borrowings, which constitute the essential part of SAGESS liabilities. SAGESS financial policy is to maintain at any time a significant proportion of medium and long term resources and to have debts with staggered maturities and limited amounts in order to be able to refinance itself at any time. The financial policy, which covers all the financial aspects of SAGESS, including the interest rate and currency variation exposures (see below), is annually reviewed and revalidated at the Board of Directors' level.

Maturity of SAGESS debt by 31 December 2015

SAGESS financial debts are carefully managed in order to optimise their maturity profile between 2016 and 2027.

In February 2015, a €350 million bond was fully reimbursed, using available short term financing and benefiting from exceptional market conditions.

On 21 September 2015, SAGESS issued a €500 million bond bearing interest at 1.50% due on October 2027. A first long coupon will be paid on 25 October 2016. As a result SAGESS reimbursed €500 million of outstanding commercial paper.



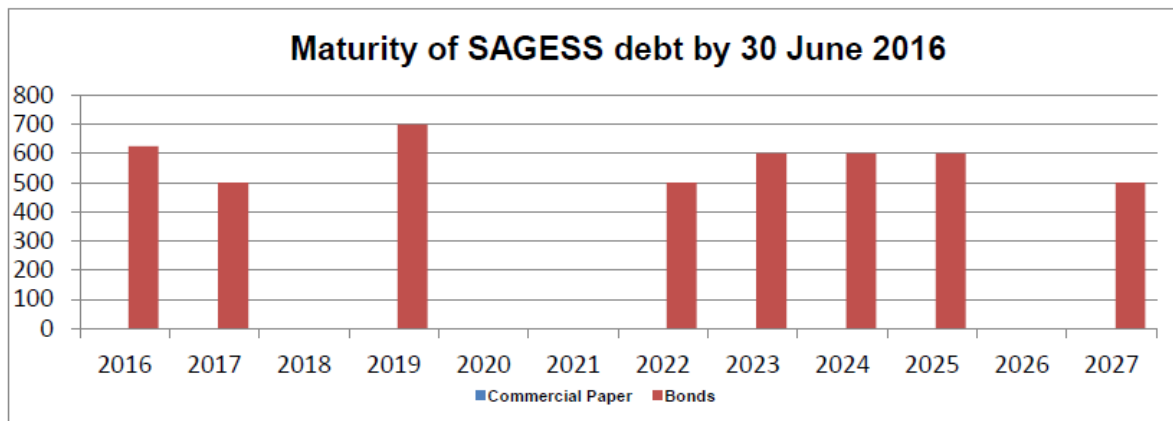
As of December 2015, borrowings, accrued interests excluded, are at €4,321 million:

Type of financing	Amount	Maturity
CPSSP loan	61 M€	Evergreen loan
Bonds	4,025 M€	See table below
Bank loans	0 M€	-
Commercial paper	235 M€	1 to 3 months

In addition, as of 31 December 2015, SAGESS has benefited from bilateral banking agreements and backup lines for a total amount of €900 million which more than covers the actual use of the commercial paper programme.

Maturity of SAGESS debt by 30 June 2016

On 3 February 2016, SAGESS issued a €600 million bond bearing interest at 0.625% due 25 May 2023. As a result SAGESS reimbursed all of its remaining outstanding commercial paper.



As of 30 June 2016, the bilateral banking agreements have been canceled and replaced by an undrawn €900 million revolving credit facility. As at the same date, borrowings, accrued interests excluded, are at €4,686 million:

Type of financing	Amount	Maturity
CPSSP loan	61 M€	Evergreen loan
Bonds	4,625 M€	
Bank loans	0 M€	-
Commercial paper	0 M€	

Interest rate variation exposure

Due to limited and acceptable impact of interest rate variations on the overall system (CPSSP / SAGESSE), and due to the absence of profitability of a long term coverage policy, the decision was formally made to borrow on the basis of a variable short-term rate.

All operations on derivatives and currencies are subject to prior approval of the Board of Directors, a provision which is formally communicated to the SAGESSE bankers at least once a year.

SAGESSE has systematically implemented interest rate swaps (fixed to variable) for all bond issues. These swaps have all been previously authorised on each occasion by the Board of Directors. Due to the historically low level of interest rates, the Board of Directors exceptionally decided not to swap the last two bond issuances.

Currency variation exposure

SAGESSE carries out all its operations in Euros, and is therefore not exposed to such risk.

All currency operations (other than over-the-counter) have to be authorised by the Board of Directors, this being also formally communicated to the SAGESSE bankers at least once a year.

Liquidity exposure

SAGESSE has implemented a commercial paper programme with a €1,400 million limit: this programme was rated A-1+ by Standard & Poor's Rating Services on 7 June 2016.

In addition to this programme, SAGESSE has implemented a €900 million revolving credit facility (undrawn as of 30 June 2016). SAGESSE financial policy objectives, as approved annually by the Board of Directors, aims at a 100% coverage of the maximal use of the programme by banking agreements.

Finally, in order to protect SAGESSE against any systemic banking risk, SAGESSE benefits from the possibility to sell up to 10% of its stocks (representing about €430 million of additional liquidity facility, based on SAGESSE stocks market value on 31 December 2015) after formal authorisation from the Ministry of Energy if such circumstances should occur.

Summary financial statements

SAGESS balance sheet is essentially composed of the reserve stocks on the assets side and of the external borrowings on the liabilities side. It can be summarised as follows (as at end of December 2015):

	M€	%		M€	%
Fixed assets	59	1.3	Net worth and reserves	28	0.6
Stocks	4,324	97.4	Borrowings	4,368	98.4
Receivables and other	58	1.3	Payables and other	45	1.0
TOTAL	4,441	100.0		4,441	100.0

The main elements of these items are:

- Fixed assets represent the construction cost of the new pipeline and the acquisition cost of the Chasseneuil du Poitou depot and related facilities.
- Stocks are the strategic stocks acquired and maintained by SAGESS.
- Receivables comprise essentially the receivable over the CPSSP (1 month of cost recovery).
- Payables comprise essentially the storage invoices of the last month.

SAGESS Profit & Loss account for year-end 2015 works as follows:

- SAGESS recovers from CPSSP, on a monthly basis, the storage, operating and financing costs (at the average borrowing rate).
- SAGESS costs are mainly third party storage costs, then financial charges and, for a relatively small amount, the cost of its structure.
- SAGESS net result is positive, as a consequence of the sales of strategic stocks which occurred in 2015, as per the instructions received from CPSSP.

2015	M€	% of CPSSP remuneration
Cost recovery from CPSSP	352	100.0
Sales of petroleum products	155	
Strategic stocks variation	(131)	
Products storage costs (includes insurance and controls)	(307)	(87)
Other operating costs	(8)	(2)
Financial charges	(37)	(11)
Net result	24	0.0

2014	M€	% of CPSSP remuneration
Cost recovery from CPSSP	361	100.0
Sales of petroleum products	2	
Strategic stocks variations	(1)	
Products storage costs (includes insurance and controls)	(303)	(84)
Other operating costs	(11)	(3)
Financial charges	(47)	(13)
Net result	1	0.0

TAXATION

The following is a summary limited to certain tax considerations in France relating to the Bonds and specifically contains information on the taxation of income from the securities withheld at source. This summary is based on the laws in force as of the date of this Prospectus and is subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Bonds. Each prospective holder or beneficial owner of Bonds should consult its tax advisor as to the tax consequences of any investment in or ownership and disposal or sale of the Bonds.

French Taxation

The following is only intended as an overview of certain withholding tax consequences that may be relevant to holders of Bonds who do not concurrently hold shares of the Issuer.

Payments of interest and other revenues made by the Issuer with respect to the Bonds will not be subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts* unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des impôts* (a "**Non-Cooperative State**"). If such payments under the Bonds are made in a Non-Cooperative State, a 75 per cent. withholding tax will be applicable (subject to certain exceptions and to the more favourable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French *Code général des impôts*.

Furthermore, in application of Article 238 A of the French *Code général des impôts*, interest and other revenues on such Bonds are not deductible from the Issuer's taxable income, if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid in such a Non-Cooperative State or paid on a bank account opened in a financial institution located in such a Non-Cooperative State (the "**Deductibility Exclusion**"). Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Articles 109 *et seq.* of the French *Code général des impôts*, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 *bis* 2 of the French *Code général des impôts*, at a rate of 30 per cent. or 75 per cent., subject to the more favourable provisions of any applicable double tax treaty.

Notwithstanding the foregoing, neither the 75 per cent. withholding tax nor the Deductibility Exclusion will apply in respect of the issue of the Bonds if the Issuer can prove that the principal purpose and effect of such issue of Bonds was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**") and (ii) in respect of the Deductibility Exclusion the interest or other assimilated revenues on the relevant Bonds relate to genuine transactions and are not in an abnormal or exaggerated amount. Pursuant to the *Bulletin Officiel de Finances Publiques-Impôts* (BOI-INT-DG-20-50-20140211, n°550 and n°990, BOI-RPPM-RCM-30-10-20-40-20140211, n°70 and BOI-IR-DOMIC-10-20-20-60-20150320, n°10), an issue of bonds will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of the issue of the Bonds if such bonds are, in particular, admitted, at the time of their issue, to the clearing operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.

Since the Bonds will be admitted, at the time of their issue, to the operations of Euroclear France, the Bonds will benefit from the Exception and are therefore exempt from the withholding tax set out under Article 125 A III of the French *Code général des impôts*. In addition, they will be subject neither to the Deductibility Exclusion set out under Article 238 A of the French *Code général des impôts* nor to the withholding tax set out under Article 119 *bis* 2 of the same *Code* solely on account of their being paid to a bank account opened in a financial institution located in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

Pursuant to Articles 125 A and 125 D of the French *Code général des impôts* and subject to certain exceptions, interest and other similar revenues received from 1 January 2013 by individuals who are fiscally domiciled in France are subject to a 24 per cent. withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at

an aggregate rate of 15.5 per cent. on interest and other similar revenues paid to individuals who are fiscally domiciled in France.

All prospective investors should seek independent advice as to their tax positions.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 18 October 2016, Crédit Industriel et Commercial S.A., Crédit Agricole Corporate and Investment Bank, HSBC France and Natixis (collectively the "**Joint Lead Managers**") are jointly and severally liable *vis-à-vis* the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Bonds at an issue price equal to 98.650 per cent. of the aggregate principal amount of the Bonds, less a management and underwriting commission. The Subscription Agreement entitles, in certain circumstances, the Joint Lead Managers to terminate the Subscription Agreement.

1. General Restrictions

No action has been or will be taken, by the Issuer or the Joint Lead Managers, in any country or jurisdiction that would permit a public offering of the Bonds, or the possession or distribution of this Prospectus or any other offering material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to the Bonds may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

2. Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager has represented and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Prospectus, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject, in each case, to obtaining the prior consent of the relevant Joint Lead Managers; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds referred to in (a) to (c) above shall require the Issuer or any of the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Bonds to the public**" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC as amended and includes any relevant implementing measure in each Relevant Member State.

3. France

Each of the Joint Lead Managers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Bonds to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Bonds, and that such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties (*personne fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, acting for their own account, all as defined in, and in accordance with Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

4. United States

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "**Securities Act**"). The Bonds may not be offered, sold or delivered, directly or indirectly, within the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the Securities Act) otherwise than in accordance with applicable U.S. Securities laws and regulations. Each of the Joint Lead Managers has represented, warranted and agreed that it has offered and sold the Bonds, and will offer and sell the Bonds (i) as part of their distribution at any time and (ii) otherwise until forty (40) days after the later of the commencement of the offering and the Issue Date, only in accordance with Rule 903 of Regulation S under the Securities Act and it will have sent to each dealer to which it sells the Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, neither it, nor any of its affiliates as defined in Rule 405, nor any person acting on its or their behalf, has engaged or will have engaged in any directed selling efforts within the meaning of Regulation S with respect to the Bonds, and the Joint Lead Managers have complied and will comply with the offering restrictions requirements of Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

5. United Kingdom

Each Joint Lead Manager and the Issuer has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

6. The Netherlands

The Bonds are and may not be offered in the Netherlands other than to persons or entities who or which are qualified investors as defined in the Prospectus Directive, which expression has the meaning given to it above in the paragraph headed "*Public Offer Selling Restrictions under the Prospectus Directive*".

GENERAL INFORMATION

1. The issue of the Bonds was decided by François Martin, Chairman of the Board of Directors and Chief Executive Officer (*Président Directeur Général*) of the Issuer on 13 October 2016, acting pursuant to a resolution of the Board of Directors (*Conseil d'administration*) of the Issuer dated 16 June 2016.
2. The Issuer has obtained all necessary consents, approvals and authorisations in France in connection with the issue and performance of the Bonds.
3. Application has been made to Euronext Paris for the Bonds to be admitted to trading on Euronext Paris on or about 20 October 2016.
4. The Bonds have been accepted for clearance through Clearstream Luxembourg (42, avenue JF Kennedy, 1855 Luxembourg, Luxembourg), Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgique) and Euroclear France (66, rue de la Victoire, 75009 Paris, France) with the common code 150671558. The International Securities Identification Number (ISIN) for the Bonds is FR0013214137.
5. The statutory auditors of the Issuer for the period covered by the historical financial information are Ernst & Young et Autres (1/2 place des saisons, 92400 Courbevoie - Paris La Défense 1, France) and Grant Thornton (100, rue de Courcelles, 75849 Paris Cedex 17, France). They have audited and rendered audit reports on the financial statements of the Issuer for each of the financial years ended 31 December 2014 and 31 December 2015. Ernst & Young et Autres belongs to the *Compagnie Régionale des Commissaires aux Comptes de Versailles* and Grant Thornton belongs to the *Compagnie Régionale des Commissaires aux Comptes de Paris*.
6. The total expenses related to the admission to trading of the Bonds (including AMF fees) are estimated to be Euro 14,000.
7. The yield of the Bonds is 0.743 per cent. per annum, as calculated at the Issue Date on the basis of the issue price of the Bonds. It is not an indication for future yield.
8. Save for any fees payable to the Joint Lead Managers, so far as the Issuer is aware, no person involved in the issue of the Bonds has an interest material to the issue.
9. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds issued. Any such short positions could adversely affect future trading prices of Bonds issued. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.
10. There has been no significant change in the financial or trading position of the Issuer since 31 December 2015.
11. There has been no material adverse change in the prospects of the Issuer since 31 December 2015.
12. The Issuer has not entered into contracts outside the ordinary course of the Issuer's business, which could result in the Issuer being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Bondholders in respect of the Bonds being issued.

13. During a period covering at least the previous 12 months, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability. For reasons described in "*Potential consequences of ODAC classification*", it is the opinion of the Issuer that the appeal (*recours*) before the *Conseil d'Etat* (Supreme Administrative Court) against its ODAC classification should not affect the Issuer's financial position or profitability.
14. To the Issuer's knowledge, there are no potential conflicts of interest between the private interests and/or other duties of members of the *Conseil d'administration* (Board of Directors) of the Issuer and the duties they owe to the Issuer.
15. So long as any of the Bonds remain outstanding, copies of this Prospectus, the 2014 Annual Report and the 2015 Annual Report and the *statuts* (By-Laws) of the Issuer will be available for inspection and copies of the most recent annual financial statements of the Issuer will be obtainable, free of charge, at the specified offices for the time being of the Paying Agent during normal business hours. This Prospectus and all the documents incorporated by reference in this Prospectus are also available on the website of the Issuer (www.sagess.fr).
16. The Issuer has been assigned a long-term issuer credit rating of AA (negative outlook) and the Bonds have been assigned a rating of AA by Standard & Poor's Ratings Services ("**S&P**"). As at the date of this Prospectus, S&P is established in the European Union, registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council dated 16 September 2009, as amended (the "**CRA Regulation**") and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, change or withdrawal at any time by the assigning rating agency.
17. In connection with the issue of the Bonds, Natixis (the "**Stabilising Manager**") (or persons acting on behalf of the Stabilising Manager) may over allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a higher level than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Bonds and 60 days after the date of the allotment of the Bonds. Such stabilisation will be carried out in accordance with all applicable rules and regulations.

PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS

To the best knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained or incorporated by reference in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

SAGESS

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Duly represented by Edouard Filho
authorised signatory of the Issuer

Paris, 18 October 2016



In accordance with Articles L. 412-1 and L. 621-8 of the *Code monétaire et financier* and its General Regulations (*Règlement général*), in particular Articles 211-1 to 216-1, the *Autorité des marchés financiers* (“AMF”) has granted to this Prospectus the visa n°16-487 on 18 October 2016. This Prospectus has been prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L. 621-8-1-I of the *Code monétaire et financier*, the visa has been granted following an examination by the AMF of “whether the document is complete and comprehensible, and whether the information in it is coherent”. It does not imply that the AMF has verified the accounting and financial data set out in it and the appropriateness of the issue of the Bonds.

ISSUER

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