

Annual report



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A word from the presidents



In 2009, the Geostock Group once again demonstrated its fundamental qualities as an innovative, proactive entity that was more than able to adapt itself to a rapidly changing environment world-wide. Continuing growth was thus achieved in unpredictable economic conditions thereby confirming the promise of yet greater growth as the economic horizon becomes more visible, with the accent firmly placed on maintaining an excellent safety record.

The same qualities, the same professionalism will be even more necessary in 2010, a year of high volatility of oil and gas prices, of foreign exchange parities.

Geostock's strategy of geographical diversification, of increasing its involvement in long-term contracts is the proper answer.

In doing so, Geostock has the full support of its shareholders.

Dominique BOUVIER

President of Geostock Holding SA



In 2009, all entities of the Geostock Group continued their growth thanks a high-quality of services, a worldwide presence and a diversified offer, stretched along the whole life-span of the projects, from incipiency to abandonment and closure.

Geostock shows the unique feature of being both a highly specialized engineering Group and an operator of underground storage facilities, thus providing a permanent feedback of information from one activity to the other. Furthermore, its network of companies allows a local presence, which is of paramount importance for matching the needs of its customers with the highest reactivity.

Therefore, the Geostock Group managed in 2009 to steer its way in a changing context, with areas severely hit by the crisis, to achieve a brilliant year.

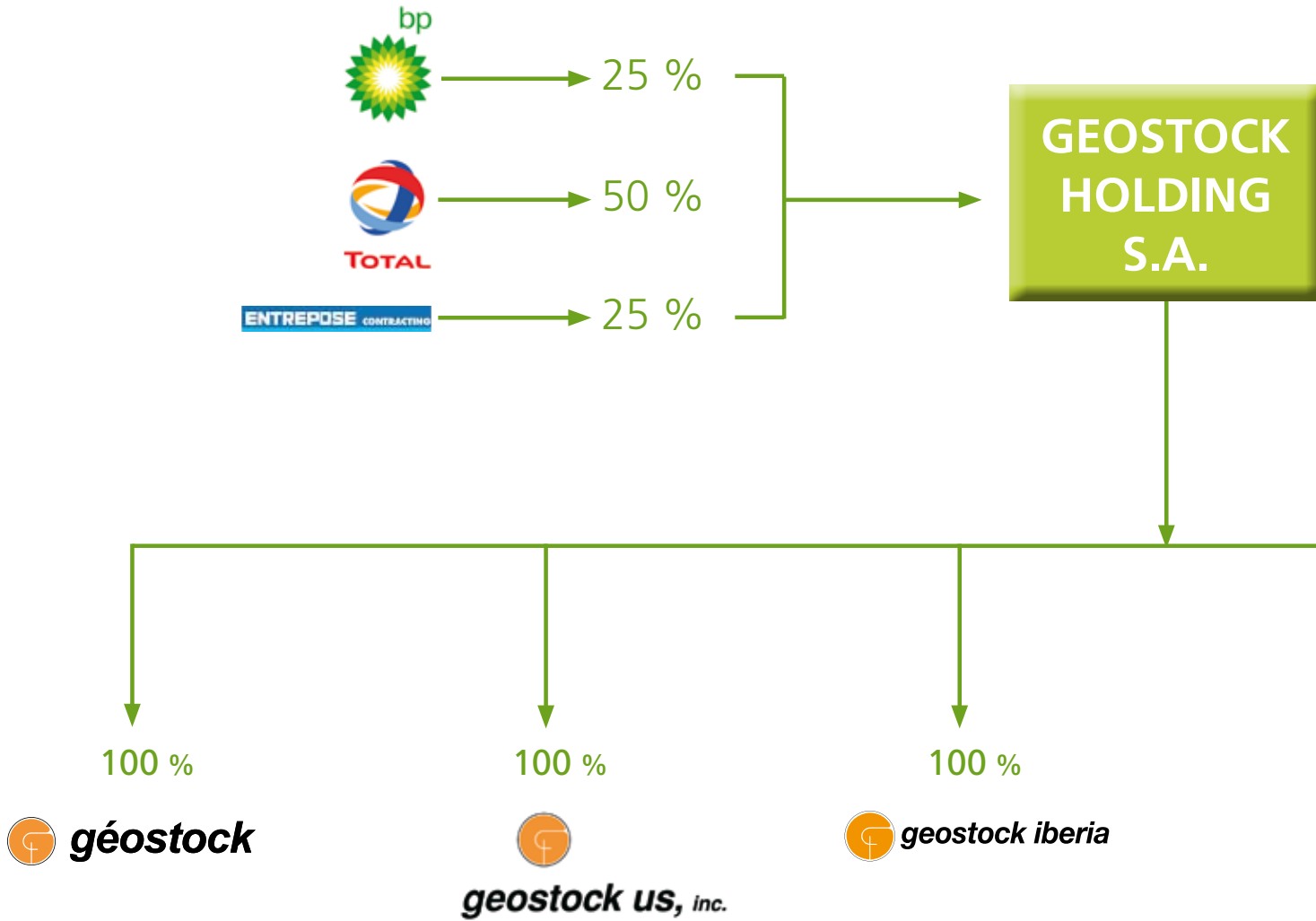
Furthermore, the now almost 20-year-old company Geomethane was re-shaped to be better adapted to the natural gas storage challenges in France. Through the newly created entity Geosud, Geostock Holding holds 15% of this company, which will aim at increasing its market share and which plans heavy investments for improving the performances of its Manosque facility.

The Geostock Group thus persists in being quite ambitious. But the key to its success is staying best-in-class, "one step ahead of its competitors", remaining innovative and showing initiatives, which rests undoubtedly on the confidence granted by its shareholders and on the talent, expertise and dedication of its teams.

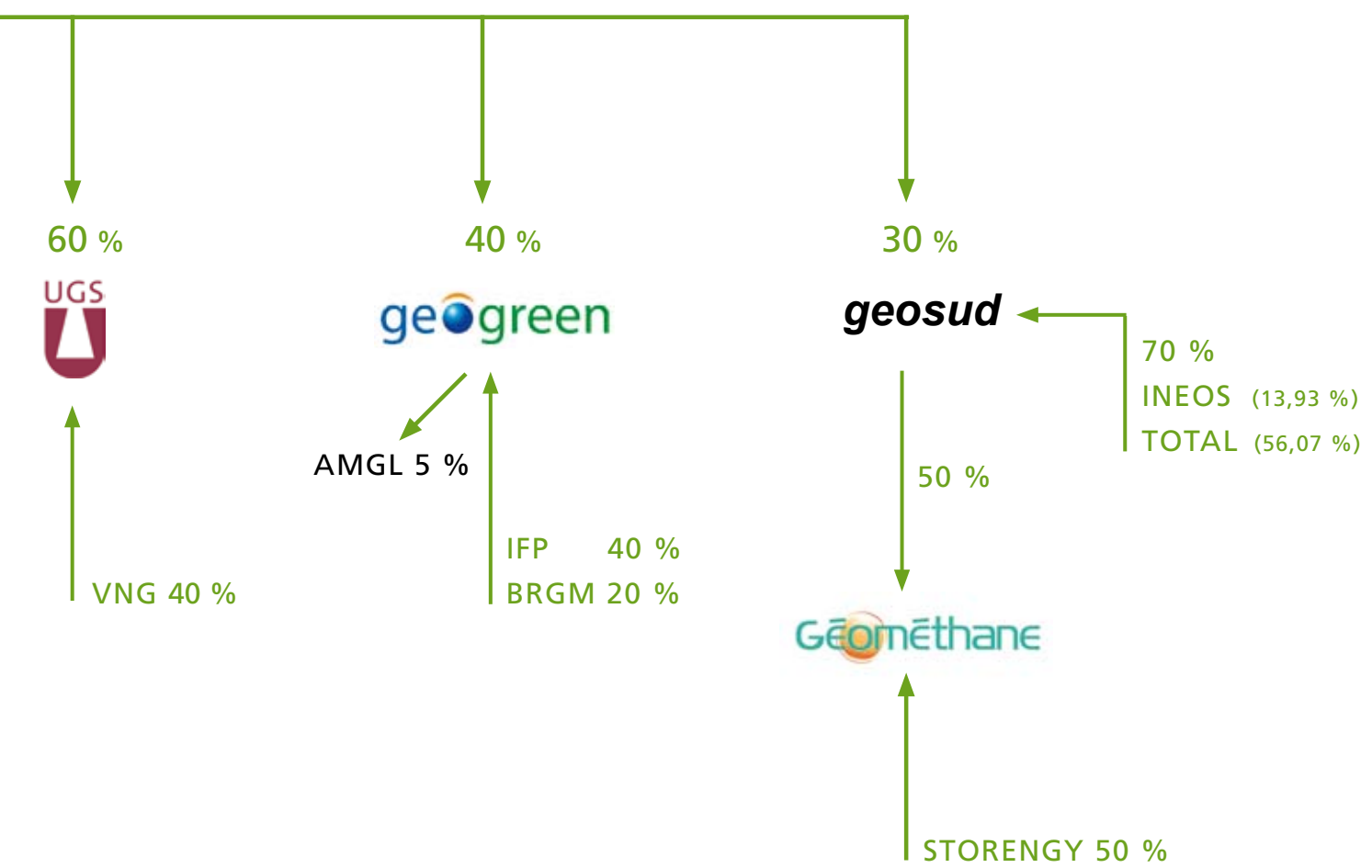
Jean-Michel NOÉ

President and CEO of Geostock SAS
President of UGS Supervisory Board
Chairman and CEO of Geostock US, Inc
Chairman of Geostock Iberia SA
President of Geogreen SA
President of Geosud SA
President of Geomethane GIE

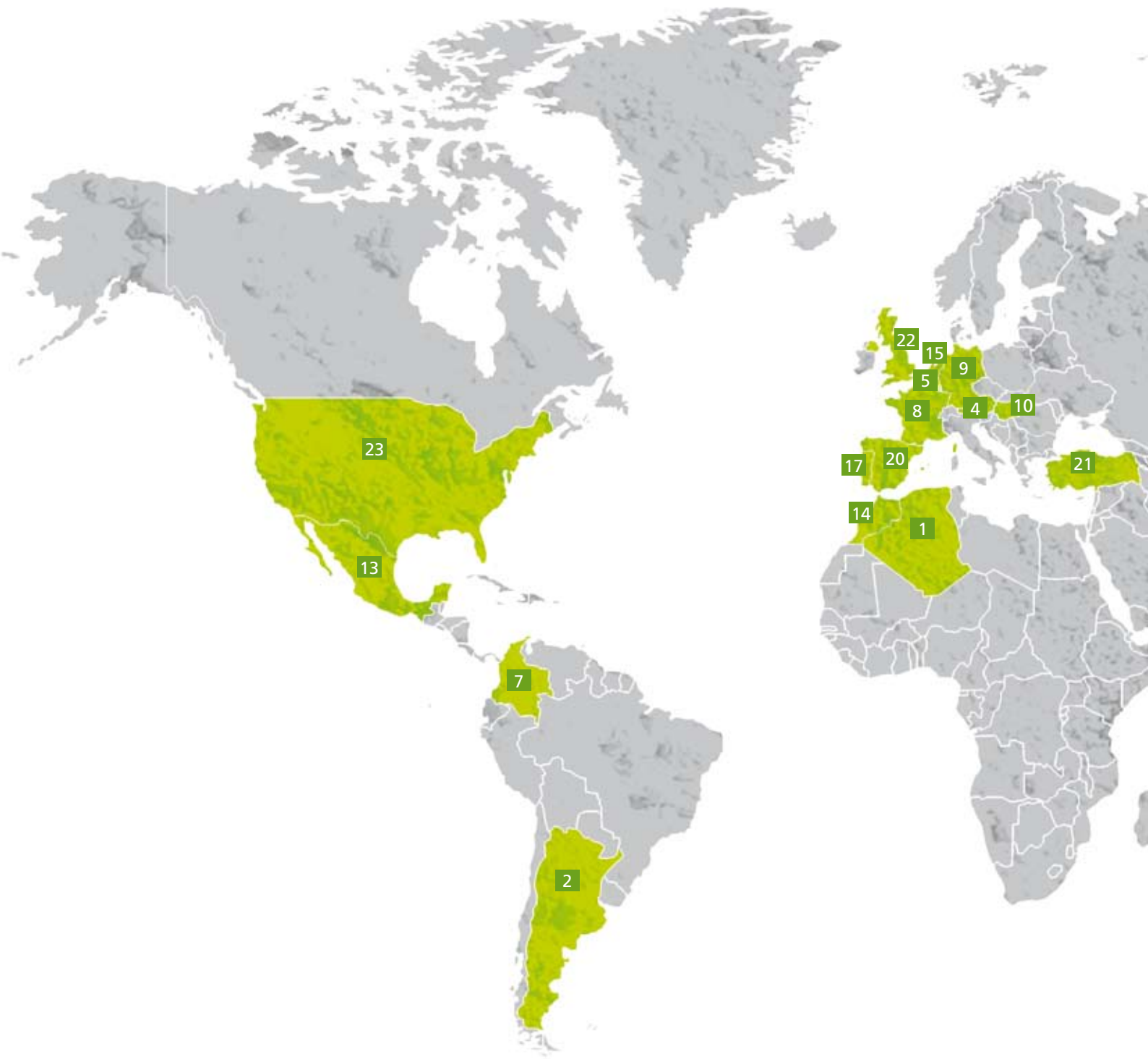
Organization chart*

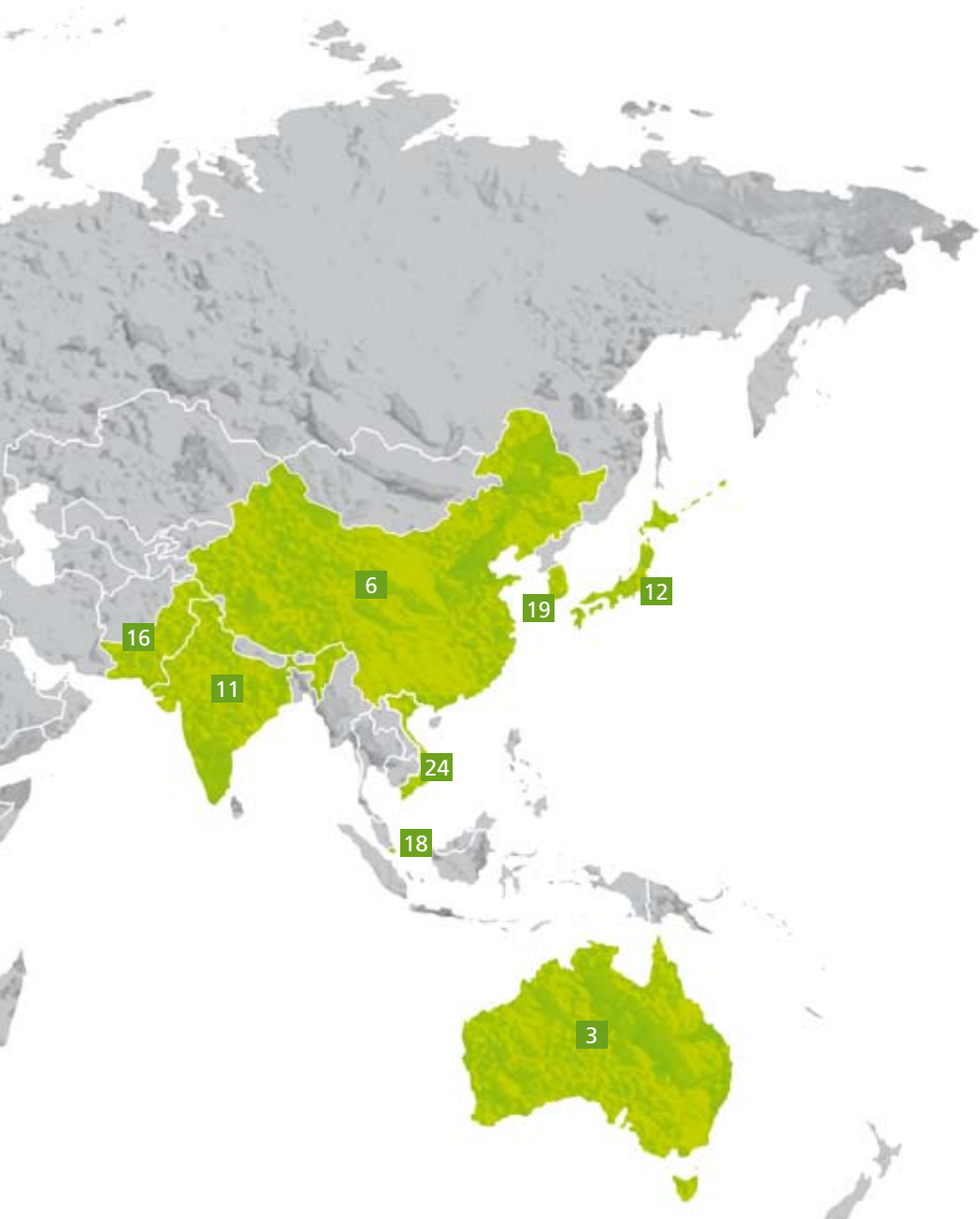


* updated 2010



Worldwide interventions





- 1 Algeria
- 2 Argentina
- 3 Australia
- 4 Austria
- 5 Belgium
- 6 China
- 7 Colombia
- 8 France
- 9 Germany
- 10 Hungary
- 11 India
- 12 Japan
- 13 Mexico
- 14 Morocco
- 15 Netherlands
- 16 Pakistan
- 17 Portugal
- 18 Singapore
- 19 South Korea
- 20 Spain
- 21 Turkey
- 22 United Kingdom
- 23 United States of America
- 24 Vietnam

A presence in 24 countries in the world in 2009

Leader in underground storage

The Geostock Group offers more than 40 years of experience and know-how in specialised services relating to the design, construction and operation of underground storage facilities for liquid, liquefied and gaseous hydrocarbons.

Economic studies

market survey and evaluation, planning studies, economic feasibility assessment, due diligence

Design

project planning, site selection, feasibility studies, exploration, reservoir engineering, permitting, conceptual design, modelling

Construction

engineering, detail design, tendering, procurement, construction management, commissioning and start-up, training of operators, operating and maintenance procedures and documentation

Operation

storage facility operation, technical assistance to operation, organisation and safety audits

Drilling, workover and solution mining

drilling, solution mining, well completion, well logging, workovers, brine disposal, operation of leaching plants

Maintenance and revamping

maintenance, revamping, upgrading to new regulations and standards, performance enhancement, risk analysis

Decommissioning and abandonment



The combined skills and expertise of its companies enable the Geostock Group to offer its services all around the world on all types of underground storage facilities for a full range of products.

Aquifers and Depleted fields

- Natural gas
- Compressed air
- CO₂

Leached salt caverns

- Natural gas
- Liquid hydrocarbons
- Liquefied hydrocarbons
- Compressed air

Mined caverns (unlined) and Disused mines

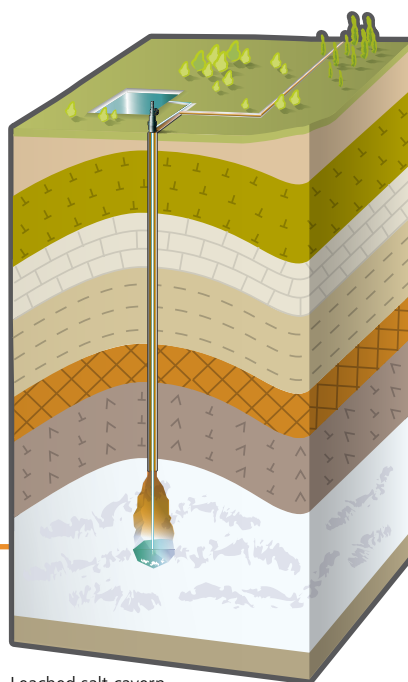
- Liquid hydrocarbons
- Liquefied hydrocarbons

Mined caverns (lined)

- LNG

The Geostock Group ensures the most appropriate mix of capabilities for each individual project by assigning project-specific multidisciplinary teams of specialists using proven equipment and techniques.

Geostock and UGS are quality certified ISO 9001 for their storage engineering, operational activities and underground services.

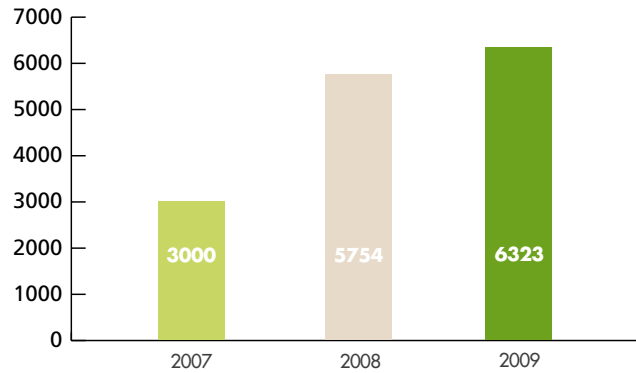


Leached salt cavern

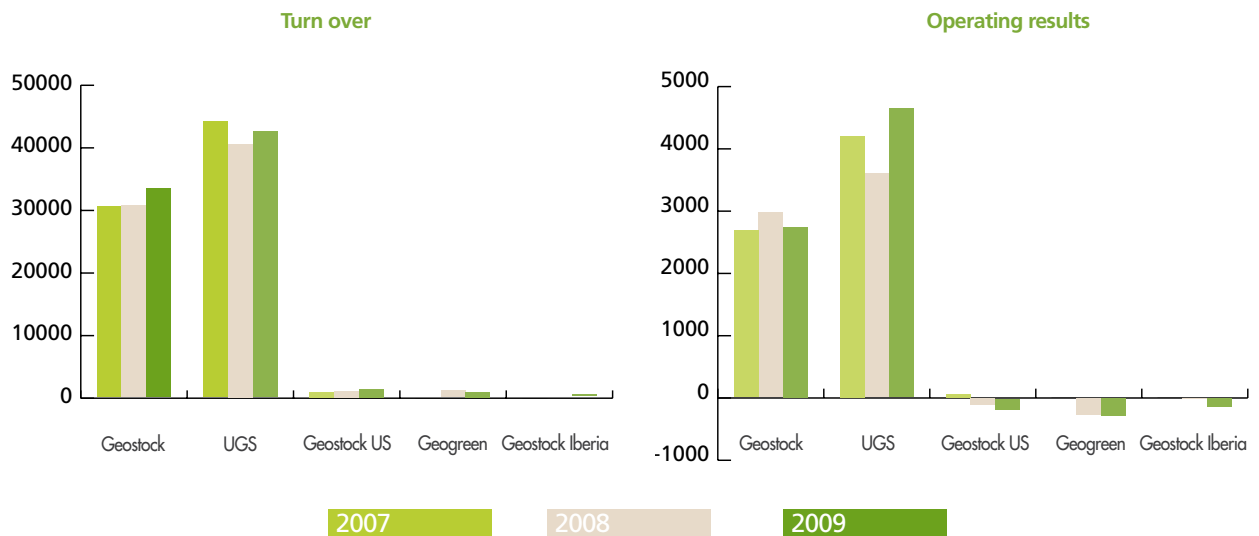


Key figures

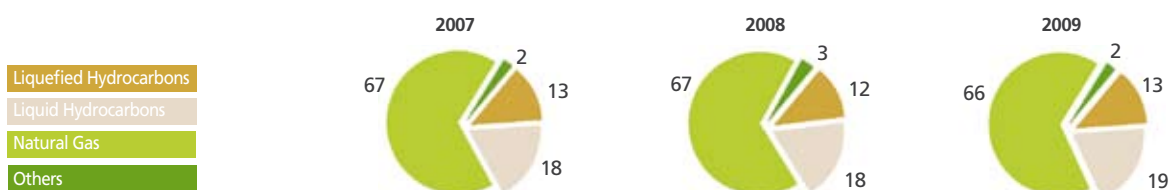
Group consolidated net income (in thousand euros)



Group companies sales and results (in thousand euros)

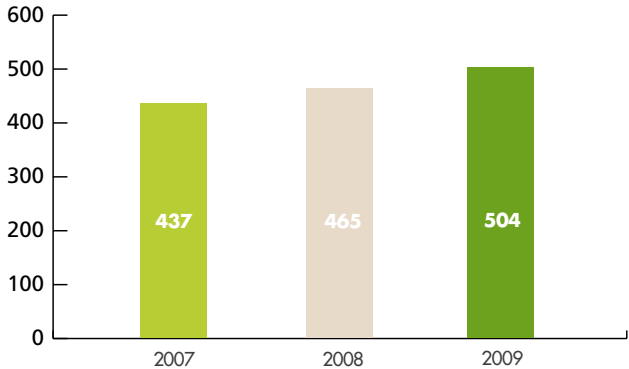


Sales by line of products (in % of gross income)

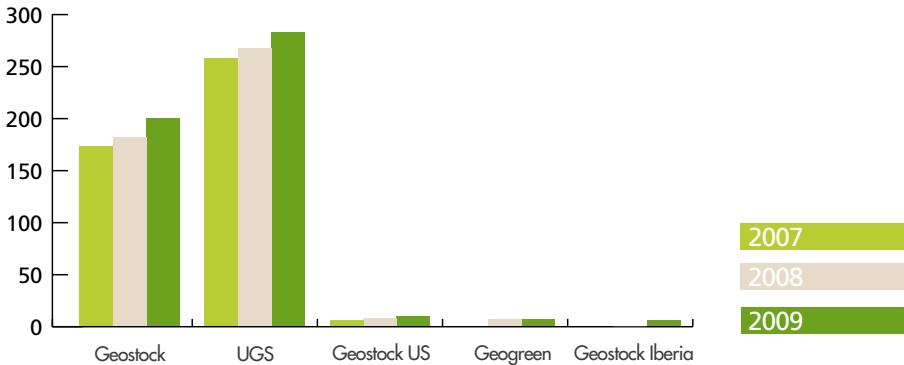


Human resources

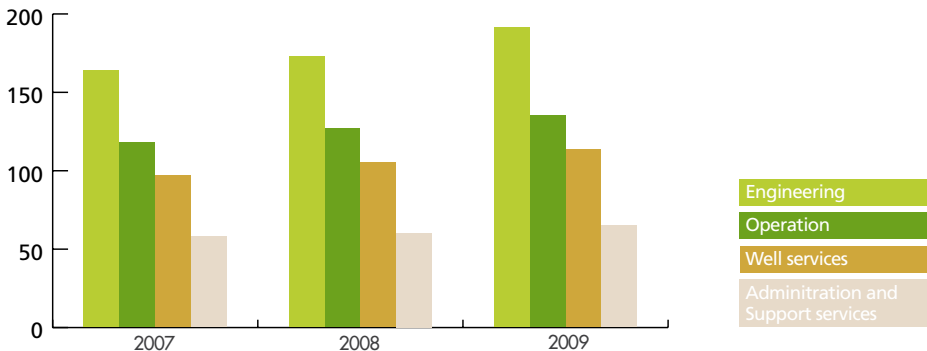
Consolidated group headcount at end of year



Headcount per company at end of year



Headcount per business at end of year



Activities review

GEOSTOCK

In a depressed economic climate throughout 2009, Geostock has maintained a high level of activity and pursued its recruitment efforts to face the increasing number of projects and to prepare Geostock for the future.

Its activity is divided between two complementary services:

- underground storage engineering, and
- underground storage site operation.

Engineering

■ In the United Kingdom, Geostock is in charge of the engineering and the construction of eight salt-leached caverns for gas storage at Holford site for E.ON UK. All caverns are currently being leached as expected and in respect of planning and budget.

■ In China, China Petroleum Pipeline Engineering (CPPE) awarded Geostock a major contract for the design of a strategic crude oil storage facility in underground rock caverns at Jinzhou. Geostock is also supervising the construction of a LPG underground storage facility in mined caverns at Qingdao, for Dragon Gas.

■ In Singapore, Geostock is managing the construction of several mined caverns to store 1.5 Mm³ of liquid hydrocarbons for Jurong Town Corporation, after having designed the caverns.

■ In India, Geostock has designed a 1.5 Mm³ strategic crude oil storage facility in underground rock caverns at Mangalore, and is now supervising its construction.

■ In France, Geostock is participating in the engineering, construction, commissioning and start-up of the topside facilities of a new gas storage site at Trois Fontaines, for Storengy.

Feasibility studies have also been conducted:

■ In Vietnam, Petrovietnam Oil Stockpile Company Limited (PVOS) awarded Geostock a contract for the detailed feasibility study of a major crude oil storage facility in underground



rock caverns in the South of Vietnam. Geostock is also working on other potential locations for underground storage of liquid hydrocarbons.

- In Turkey, Geostock evaluates the possibility of conversion of depleted fields into underground gas storage facilities for TPAO in the Thrace region.

Support services have also been provided to:

- Petrochina, for the creation of a natural gas storage facility in salt-leached caverns at Jintan (China);

- Redes Energéticas Nacionais (REN), to expand a natural gas storage facility in salt-leached caverns at Carriço (Portugal);

- Japan Oil, Gas and Metals National Corporation (Jogmec), for the construction and the preparation of the start-up of LPG strategic storage facilities at Namikata and Kurashiki (Japan);

- Fluxys, for the monitoring and development of the existing aquifer gas underground storage facility at Loenhout (Belgium).

At the Geosel site operated by Geostock in Manosque (France), Geostock has completed

the design of two new caverns to be created for Sagesse (the French agency for the management of strategic petroleum reserves), and completed the drilling operations of four wells. Leaching operations should start in the second quarter of 2010. On the same site, Geostock is working on the design of three new gas caverns to be created for Geomethane.

Operation

Geostock pursued its operating services on sites at Manosque, Lavera and Sennecey-le-Grand (France) with a high level of activity.

In addition, Geostock has provided technical operational support at about fifteen sites, mostly outside of France, focusing on the monitoring of the underground storage facilities (reservoir, seismic, hydrogeological, corrosion aspects, etc.).





GEOSTOCK US

Although the construction of new storage facilities has slowed down, the activity for Geostock US has continued on an increased pace.

Operators and developers were less focused on construction and more on evaluation of existing and future projects. This resulted in Geostock US performing due diligence studies for various clients.

Geostock US continued to provide technical support and assistance on four main gas storage projects (in Alabama, Louisiana, Mississippi and Texas). A drilling operations group has been set up. Contracts with existing clients have resulted in securing project management services for a cavern well drilling project and in providing integrated drilling services for a monitoring well.

Geostock US has also provided project management services and leaching engineering and reservoir engineering services to clients in China, the Netherlands and Spain, in cooperation with Geostock.

Geostock US services have varied from permit application support to leaching, de-brining and gas-operations assistance.

Technical audits were completed on four mined storage sites. An investigation program was developed for all sites. Two sites have been selected for field work.

GEOSTOCK IBERIA

Geostock Iberia SA was incorporated in Madrid on 23 December 2008, to develop Geostock Group business and services (including CO₂ storage) in the Iberian Peninsula, with a local set-up and closer contacts with our clients.

The local workforce will also strengthen the Geostock Group's network of experts.

Engineering Services

Geostock Iberia is working on several projects in Spain, with the support from Geostock experts in France when required.

On the East coast of Spain, Geostock Iberia is providing technical assistance to the Castor project for Escal UGS, which consists in converting an offshore depleted oil field into an underground storage facility. Geostock Iberia is mainly in charge of the geological and reservoir modelling.

In the Madrid area, Geostock Iberia is involved in the Yela Project for Enagas, an underground aquifer gas storage facility. Geostock Iberia is mainly in charge of the reservoir modelling, and provides technical expertise regarding drilling operations and surface facilities.

Reservoir engineering studies were also performed for Union Fenosa Gas, for the development of small underground gas storage facilities in depleted gas fields in the Guadalquivir Valley.

In 2009, Geostock Group companies were involved in ten different projects in Spain for seven different clients, for natural gas storage in aquifers, depleted fields, and salt caverns.

Geostock Iberia is also providing technical support to Invexta, a fully-owned subsidiary of ACS, for the implementation of a crude oil strategic storage facility in salt caverns at Pinoso, South Valencia.

Operation Services

The development of operation and maintenance services or technical assistance to operation and maintenance is a strategic objective for Geostock Iberia, whether for underground storage facilities which are under construction or planned, or for existing ones.

In this respect, Geostock Iberia, with the support from Geostock in France, is in charge of the reservoir monitoring of the Serrablo underground gas storage facility, operated by Enagas.

In the near future, Geostock Iberia will be involved in the operation of the Castor project for Escal.

It is also working on other opportunities.

Human Resources

Besides the resources from Geostock SAS in France that bring assistance to company's development and management, Geostock Iberia's staff in December 2009 consisted in four engineers.

Due to the rapid growth of activity planned in the coming year, Geostock Iberia is recruiting additional personnel, with the goal of reaching a target of about ten managers, engineers and geologists by the summer of 2010.



GEOGREEN

The company provides its clients with a technico-economic view of the global CCS chain as well as strategic recommendations for developing the CCS activity. The activity has adapted to the market by diversifying into the area of strategic consulting. During their second financial year, the company recorded faster development than what was predicted and demonstrated the opportunity arising from the launch, the complementarity of the management team and shareholders, and the quality of the recruitment efforts.

The 2009 activities included the execution of contracts that had been awarded in 2008:

- The CCS technical and economic feasibility study on the emissions of the Havre industrial area (client: Le Havre Développement).



- The study of the technical and economic feasibility of a CCS chain associated with a bioethanol production activity in the Centre region of France (client: BRGM).

New contracts were obtained as a result of client relationships that had been established in 2008:

- For Geostock, technical assistance in the area of underground natural gas storage.
- For Veolia Environnement, the characterisation of a storage site in the Paris basin.

In the second half of the year, new contracts were obtained as a result of intense commercial efforts:

- A "transport - storage prefeasibility" study, for a Polish EDF affiliate.
- A detailed study on the CO₂ storage capacity in the Paris basin, for E.ON.
- A study of the implementation of CCS activities in Saudi Arabia (joint project with IFP, BRGM and Saudi subcontractors), for the Kapsarc Saudi entity (a product of Saudi Aramco).
- A site characterisation study and administrative engineering assistance, for ArcelorMittal.

The year 2009 thus ended with two significant events: the internationalisation of the client portfolio (Middle East) and the launch of the general contracting assistance activities for a semi-industrial demonstration project.

The two strategic projects mentioned in the 2009 activities - the ArcelorMittal engineering project on the one hand and the strategic consulting project for the Kapsarc research centre in Saudi Arabia on the other hand- will continue in 2010.

The internationalisation of the client portfolio will continue thanks to the increased efforts made in North America. Partnerships with IFP Group companies, whose services are complementary to those of Geogreen, will begin in 2010.

Consequently, the two-way development - through client internationalisation and the development of the storage engineering and contracting assistance activities - contributes to achieve the company objective of breaking even in 2010.

UGS

(Untergrundspeicher-und Geotechnologie-Systeme GmbH)

The UGS activity mainly encompasses services in the field of engineering, drilling, workover and well services, leaching, gas filling, gas plant operation and procurement of equipment for underground gas storage facilities.

The UGS activity remained at an exceptionally high level, as a result of very strong market demand, leading to some Calls for Tenders having to be declined.

The bulk of the activity was a continuation of year 2008 projects.

The "facility operation" division created in 2007 and in charge of both short- and long-term operation of leaching and gas plants developed satisfactorily.

Services in the field of welded casings and completion installation performed well, including on international markets (Zuidwending in the Netherlands, Etrez in France, where further actions are planned in 2010).

The new 200 tons Rig T20 was largely used. As compared to year 2008, the drilling activity decreased slightly, whereas the workover activity was at a high level.



The new UGS department devoted to international activity in conjunction with the technical teams of the Geostock Group companies active on foreign projects was chiefly active in the field of welded completion installation for Storengy and for Nuon, but it still faced difficulties to recruit new experienced staff due to the conditions on the employment market. UGS participated jointly with Geostock in an orientation study aiming at assessing the potential for development of salt caverns in Oman for PDO and in follow-up studies in Turkey for TPAO.

Highlights of the UGS 2009 activity include:

Engineering / Construction

■ Bernburg (VNG) salt caverns: re-completion, first gas filling of several caverns, planned

development of ten new caverns to be delivered by 2022 for VNG and Gazexport under the Katarina project.

■ Bad Lauchstädt (VNG) salt caverns: planned development of four to six new caverns; drilling of two new wells, revamping of existing caverns.

■ Rüdersdorf (EWE) salt caverns: leaching, workover on brine disposal wells.

■ Ellenberg (GdF-Suez ESD) salt caverns: leaching, extension of surface, installation, first gas filling, drilling/completion of three new cavern wells.

■ Kraak (E.ON Hanse) salt caverns: leaching, first gas filling.

■ Epe salt caverns:

- Trianel: completion of surface facilities extension project.
- EnBW: engineering studies for surface facilities.
- Nuon: new contract for testing, completion and first gas filling of three new caverns.

■ Berlin (Gasag) pore storage: engineering studies for W/O.

■ Empelde (Gasunion): extension of leaching facility.



- Operation and monitoring of CO₂ injection at Ketzin (project CO₂ Sink).

- Engineering services for foreign clients included various studies in Austria (Inzenham West and Schönkirchen), the Netherlands (Zuidwending for Akzo and Nuon), Poland (Solino), Slovakia and Turkey (TPAO).

Exploration, Feasibility studies

- Hinrichshagen (ZMB) and Schweinrich (ZMB) aquifer storage: site exploration and feasibility study

- Site selection and preliminary exploration studies and engineering of exploration for two CO₂ storage sites for Vattenfall.

Drilling

- Ellenberg (GdF-Suez ESD): three cavern wells (2008 and 2009).

- Epe (SGW): drilling of several wells, relining, testing and contract for a new drilling campaign in 2011 for four to six wells.

- Bad Lauchstädt: drilling of two new wells.

- Multiple workover operations at Huntorf, Nüstermoor, Epe, Gnetsch, Kiel, Kirchheilingen, Bierwang, Buchholz, Jemgum, etc.

- Large welded casings and tubings activity in particular at Epe (Nuon), Stassfurt (ESK), Etzel (IVG) and in Etrez (France) for Storengy.

Operation

- Leaching and brine disposal at Kraak (E.ON Hanse) and Rüdersdorf (EWE)

- Gas first filling (short term operation at Epe (Nuon), Ellenberg (GdF ESD), Kraak (E.ON Hanse).

- Gas operation: operation management of pore storages - Allmenhausen (ETE) and Buchholz (VNG) - and of salt caverns - Epe (Trianel).

- CO₂ injection at the CO₂ sink site Ketzin.

New contracts

- Jemgum (Wintershall): leaching operation for twelve caverns is due to start by late 2010.



Research and Development

The Geostock Group's Research and Development program this year remains driven both by improvement of existing services and by development of new techniques and activities.

1 As the geological storage technology of CO₂ is progressing toward the demonstration phase, important efforts were maintained in this field:

- Geogreen R&D activities were related to dynamic economic analysis, performance evaluation of CCS project, and - in cooperation with Geostock - to specific technical issues related to subsurface aspects (reservoir simulation, geomechanics, and geochemistry).

- UGS participated in the operation and monitoring of CO₂ injection at Ketzin (CO₂ Sink Project)

2 The UGS full size friction welding prototype was assembled in 2009 and is currently undergoing performance tests under actual site conditions at the UGS yard.

3 The R&D activities in relation with technical improvement in the field of Geostock's core business covered various topics, such as:

- Continuation of benchmarking of codes for simulation of multiphase flow in relation with the concept of hydrodynamic sealing of mined caverns,
- Risk assessment study methodology for underground storage,
- Salt cavern leaching and operation follow up and modelling,
- Mined cavern casings inspection,
- Stored products quality control and monitoring,
- Modelling of CO₂/H₂S content evolution for gas stored in porous media.



Health, Safety & Environment

The Health of people, Safety of property and Environmental protection are an absolute priority in all the activities of the Geostock Group companies: engineering, construction, services and operation.

For all group entities, this policy is based on:

- ongoing awareness-raising among key players,
- regular audits,
- numerous training actions for personnel,
- detailed analysis of incidents and near misses in order to learn from experience.

This feedback is also useful when designing new facilities, to constantly improve the level of health, safety and environment protection.

In 2009, UGS reinforced its HSE actions.

The UGS QHSE certification (ISO 9001:2000 and SCC) was renewed for 3 years after the corresponding audit performed by TÜV.

Geostock US implements a HSE plan and system encompassing all its activities.

Geostock's HSE activities were significantly reinforced during the year with the assistance of a HSE engineer.

This reinforcement more particularly led to the following initiatives in 2009:

- Implementation of ISRS7® (International Safety Rating System - version 7, developed by DNV (Det Norske Veritas) for all Geostock activities.

The first audit was conducted on the operating activities of the Geogaz site and the evaluation was successful.

- Insuring HSE supervision to follow construction on the new projects of the Geosel site.

Furthermore, exchanges between Geostock's HSE coordination and that of UGS were initiated and two cross audits in Mittenwalde and Manosque were conducted during the year.



