OFFERING CIRCULAR
Dated 7th December, 2004

GAZ DE FRANCE
Euro 4,000,000,000
Euro Medium Term Note Programme
Due from seven days from the date of original issue

*Under the Euro Medium Term Note Programme (the "**Programme**") described in this document (the "**Offering Circular**"), Gaz de France (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR 4,000,000,000 (or the equivalent in other currencies).*

This Offering Circular supersedes and replaces the Offering Circular dated 17 October, 2003.

*Application will be made in certain circumstances to list the Notes issued under the Programme on Euronext Paris S.A. ("**Euronext Paris**") and/or the Luxembourg Stock Exchange. However, unlisted Notes may be issued pursuant to the Programme. This Offering Circular shall, for the purposes of Notes listed on the Luxembourg Stock Exchange, be in force for a period of one year as of the date set out hereunder. The relevant Pricing Supplement (a form of which is contained herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed and, if so, the relevant stock exchange.*

*Notes may be issued either in dematerialised form ("**Dematerialised Notes**") or in materialised form ("**Materialised Notes**") as more fully described herein.*

Dematerialised Notes will at all times be in book entry form in compliance with Article L. 211-4 of the French Code monétaire et financier. *No physical documents of title will be issued in respect of the Dematerialised Notes.*

*Dematerialised Notes may, at the option of the Issuer, be in bearer dematerialised form (*au porteur*) inscribed as from the issue date in the books of Euroclear France ("**Euroclear France**") (acting as central depositary) which shall credit the accounts of Euroclear France Account Holders (as defined in "Terms and Conditions of the Notes - Form, Denomination(s), Title and Redenomination") including the depositary banks for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder (as defined in Condition 1(c)(iv)), in either fully registered form (*au nominatif pur*), in which case they will be inscribed in an account maintained by the Issuer or by a registration agent (designated in the relevant Pricing Supplement) for the Issuer, or in administered registered form (*au nominatif administré*) in which case they will be inscribed in the accounts of the Euroclear France Account Holders designated by the relevant Noteholders.*

*Materialised Notes will be in bearer materialised form only and may only be issued outside France. A temporary global certificate in bearer form without interest coupons attached (a "**Temporary Global Certificate**") will initially be issued in connection with Materialised Notes. Such Temporary Global Certificate will be exchanged for definitive Materialised Notes in bearer form with, where applicable, coupons for interest attached on or after a date expected to be on or after the 40th day after the issue date of the Notes (subject to postponement as described in "Temporary Global Certificates issued in respect of Materialised Bearer Notes") upon certification as to non US beneficial ownership as more fully described herein.*

Temporary Global Certificates will (a) in the case of a Tranche (as defined in "Summary of the Programme") intended to be cleared through Euroclear and/or Clearstream, Luxembourg, be deposited on the issue date with a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg and (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg or delivered outside a clearing system, be deposited as agreed between the Issuer and the relevant Dealer (as defined below).

The Issuer draws the attention of prospective investors to its auditors' reports for the year ended 31 December 2003 appearing on pages 130 and 132 and on pages 161 and 163 of this Offering Circular.

Arranger for the Programme
BNP PARIBAS

Dealers

ABN AMRO
BNP PARIBAS
DEUTSCHE BANK
HSBC CCF
MORGAN STANLEY
NATEXIS BANQUES POPULAIRES

*The Issuer confirms that this Offering Circular contains all information with respect to the Issuer, the Issuer and its Subsidiaries (as defined in Condition 4) taken as a whole (the "**Group**") and the Notes that is material in the context of the issue and offering of the Notes (including all information required by applicable laws of the Republic of France) and the information which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position and profits and losses of the Issuer and the rights attaching to the Notes, the statements contained in it relating to the Issuer, the Group and the Notes are in every material particular true and accurate and not misleading, to the best of the Issuer's knowledge and belief there are no other facts in relation to the Issuer, the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer accepts responsibility accordingly.*

*No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (each as defined in "**Summary of the Programme**"). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.*

*The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and include Materialised Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Materialised Notes in bearer form, delivered within the United States or to, or for the account of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**"). The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see "Subscription and Sale".*

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or adequacy of the Offering Circular. Any representation to the contrary is a criminal offence in the United States.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers or the Arranger to subscribe for, or purchase, any Notes. This Offering Circular is only used for the purposes for which it has been published.

The Arranger and the Dealers (except BNP Paribas in its capacity as Euronext Paris Listing Agent) have not separately verified the information contained in this Offering Circular. None of the Dealers or the Arranger (except BNP Paribas in its capacity as Euronext Paris Listing Agent) makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of *this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertake to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.*

In connection with any Tranche (as defined in "Summary of the Programme"), one of the Dealers may act as a stabilising manager (the "Stabilising Manager"). The identity of the Stabilising Manager will be disclosed in the relevant Pricing Supplement. References in the next paragraph to "this issue" are to each Tranche in relation to which a Stabilising Manager is appointed.

In connection with any issue, the Stabilising Manager or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

*In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "€", "**Euro**", "**EUR**" or "**euro**" are to the single currency of the participating member states of the European Economic and Monetary Union which was introduced on 1st January 1999, references to "**£**", "**pounds sterling**", "**GBP**" and "**Sterling**" are to the lawful currency of the United Kingdom references to "**$**", "**USD**" and "**US Dollars**" are to the lawful currency of the United States of America, references to "**¥**", "**JPY**", "**Japanese yen**" and "**Yen**" are to the lawful currency of Japan and references to "**CHF**" and "**Swiss francs**" are to the lawful currency of the Helvetic Confederation.*

In this Offering Circular, any discrepancies in any table between totals and the sums of the amounts listed in such table are due to rounding.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with any amendments or supplements to this Offering Circular, each relevant Pricing Supplement, the most recently published audited annual accounts, and any interim accounts (whether audited or unaudited) published subsequently to such annual accounts of the Issuer from time to time, each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. All documents incorporated by reference in this Offering Circular may be obtained, free of charge, at the offices of each Paying Agent set out at the end of this Offering Circular during normal business hours so long as any of the Notes are outstanding.

The audited consolidated annual accounts and the audited annual accounts of the Issuer, for each of the periods ended 31st December 2002 and 2003 and the unaudited consolidated interim accounts for the period ended 30th June 2004 are incorporated herein by reference.

For Euronext Paris listing purposes, the most recently published audited annual and consolidated accounts of the Issuer and its interim accounts (if any) (whether audited or unaudited) as soon as they have been published as well as any amendments or supplements to this Offering Circular must be contained in a document submitted to the clearance procedures of the *Autorité des Marchés Financiers* (the "**AMF**"), or if not contained in such document at the date contemplated for the relevant Euronext Paris listing, shall be inserted in the relevant Pricing Supplement as soon as they have been published.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer has given an undertaking to the Dealers and to the Luxembourg Stock Exchange that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Offering Circular (including the "Terms and Conditions of the Notes") whose inclusion is required by applicable laws and regulations to be found in any amendment, supplement or replacement of this Offering Circular in connection with a new offering of Notes in order to allow investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group and the rights attaching to the Notes, the Issuer shall, but only in connection with such offering of Notes to be listed on the Luxembourg Stock Exchange, prepare and publish an amendment or supplement to this Offering Circular or a replacement Offering Circular for use in connection with such offering of Notes, submit such amendment or supplement to the Luxembourg Stock Exchange for approval and supply each Dealer and the Luxembourg Stock Exchange with such number of copies of such amendment or supplement as may reasonably be requested. All documents prepared in connection with the listing of the Programme will be available at the specified office of the Paying Agent in Luxembourg.

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SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. The Notes will be issued on such terms as shall be agreed between the Issuer and the relevant Dealer(s) and, unless specified to the contrary in the relevant Pricing Supplement, will be subject to the Terms and Conditions set out on pages 15 to 44.

Issuer:	Gaz de France
Description:	Euro Medium Term Note Programme for the continuous offer of Notes (the "**Programme**").
Arranger:	BNP Paribas
Dealers:	ABN AMRO Bank N.V. BNP Paribas CCF Deutsche Bank AG London Morgan Stanley & Co. International Limited Natexis Banques Populaires
	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
	At the date of this Offering Circular, only credit institutions and investment firms incorporated in a member state of the European Union ("**EU**") and which are authorised by the relevant authority of such member state to lead-manage bond issues in such member state may, in the case of Notes to be listed on Euronext Paris, act (a) as Dealers with respect to non-syndicated issues of Notes denominated in euro and (b) as lead manager of issues of Notes denominated in euro issued on a syndicated basis.
Programme Limit:	Up to Euro 4,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
	The maximum aggregate principal amount of Notes which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.
Principal Paying Agent and Fiscal Agent:	Deutsche Bank AG.
Luxembourg Paying Agent:	Deutsche Bank Luxembourg S.A.

Paris Paying Agent:	Deutsche Bank AG - Paris branch.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a "**Pricing Supplement**").
Maturities:	Subject to compliance with all applicable relevant laws, regulations and directives, any maturity from seven days from the date of original issue.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Euro, U.S. Dollars, Japanese yen, Swiss francs, Sterling and in any other currency agreed between the Issuer and the relevant Dealers. The Arranger, each Dealer and the Issuer will, in relation to issues of Notes denominated in Euro and to be listed on Euronext Paris, comply with the Guidelines provided by the letter dated 1 October 1998 from the French Minister of the Economy, Finance and Industry to the *Président* of the *Association française des établissements de crédit et des entreprises d'investissement* (the "**Euro Guidelines**").
Denomination(s):	Notes will be in such denomination(s) as may be specified in the relevant Pricing Supplement save that, unless otherwise permitted by then current applicable laws and regulations, Notes (including Notes denominated in Sterling) having a maturity of less than one year from the date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies). Dematerialised Notes will be issued in one denomination only.
Status of Notes	Unsubordinated Notes ("**Unsubordinated Notes**") will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer all as described in "Terms and Conditions of the Notes". However, Notes may

alternatively be issued on a subordinated and unsecured basis ("**Subordinated Notes**"), subject to compliance with applicable laws and regulations, all as more fully described in the relevant Pricing Supplement. The status of each issue of Notes will be specified in the relevant Pricing Supplement.

Negative Pledge: There will be a negative pledge in respect of Unsubordinated Notes as set out in Condition 4 - see "Terms and Conditions of the Notes - Negative Pledge".

Events of Default: (including cross default): There will be events of default and a cross-default in respect of Unsubordinated Notes as set out in Condition 9(a) and limited events of default only in respect of Subordinated Notes as set out in Condition 9(b) - see "Terms and Conditions of the Notes - Events of Default".

Redemption Amount: The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) having a maturity of less than one year from the date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption: The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders and if so the terms applicable to such redemption.

Early Redemption: Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes - Redemption, Purchase and Options".

Redemption by Instalments: The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Taxation: Payments in respect of the Notes will be made without withholding or deduction for, or on account of, taxes imposed by or on behalf of the Republic of France as provided by Article 131 *quater* of the French General Tax Code, to the extent that the Notes are issued (or deemed to be issued) outside France.

Notes constituting *obligations* under French law will be issued (or deemed to be issued) outside France (i) in the case of syndicated or non-syndicated issues of Notes, if such Notes are denominated in euro, (ii) in the case of syndicated issues of Notes denominated in currencies other than euro, if, *inter alia*, the Issuer and the relevant

Dealers agree not to offer the Notes to the public in the Republic of France in connection with their initial distribution and such Notes are offered in the Republic of France only through an international syndicate to qualified investors (*investisseurs qualifiés*) acting for their own account as described in Article L.411-2 of the French *Code monétaire et financier* or (iii) in the case of non-syndicated issues of Notes denominated in currencies other than euro, if each of the subscribers of the Notes is domiciled or resident for tax purposes outside the Republic of France, in each case as more fully set out in the Circular of the *Direction Générale des Impôts* dated 30 September 1998.

The tax regime applicable to Notes which do not constitute *obligations* will be set out in the relevant Pricing Supplement.

Notes constituting *obligations* denominated in currencies other than euro may be issued on a non-syndicated basis and placed with subscribers not all of whom are resident outside the Republic of France. In such cases, the Notes will not benefit from the exemption from deduction at source provided by Article 131 *quater* of the French General Tax Code and payments under such Notes made to a non-French resident will be exempt from withholding or deduction at source only if the beneficiary of the payment provides certification that he is not resident in the Republic of France, all in accordance with the provisions of Article 125 A III of the French General Tax Code, as more fully described in "Terms and Conditions of the Notes - Taxation".

Interest Periods and Interest Rates: The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Fixed Rate Notes: Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes: Floating Rate Notes will bear interest determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by the 2001 *Fédération Bancaire Française* ("**FBF**") Master Agreement relating to transactions on forward financial instruments (*convention-cadre FBF relative aux opérations sur instruments financiers*) incorporating the Interest and Currency Swap Technical Annex; or

(ii) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.; or

(iii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement), in each case as adjusted for any applicable margin; or

(iv) by using any other method of determination as may be provided in the relevant Pricing Supplement.

Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes: Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Pricing Supplement.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement. Each issue of Index Linked Notes to be listed on Euronext Paris must be made in compliance with the *Principes Généraux* published from time to time by the *Commission des Opérations de Bourse* and the *Conseil des Marchés Financiers*.

Structured Note Risks: *The following paragraph does not describe all the risks of an investment in the Notes. Prospective investors should consult their own financial and legal advisers about risks associated with investment in a particular series of Notes and the suitability of investing in the Notes in light of their particular circumstances*.

An investment in Notes the premium and/or the interest on or principal of which is determined by reference to one or more values of currencies, commodities, interest rates or other indices or formulae, either directly or indirectly (and/or inversely), may entail significant risks not associated with similar investments in a conventional debt security, including the risks that the resulting interest rate will be less than that payable on a conventional debt security at the same time and/or that an investor could lose all or a substantial portion of the principal of its Note.

Neither the current nor the historical value of the relevant currencies, commodities, interest rates or other indices or formulae should be

	taken as an indication of future performance of such currencies, commodities, interest rates or other indices or formulae during the term of any Note.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Notes that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Redenomination:	Notes issued in the currency of any Member State of the EU which will participate in the single currency of the European Economic and Monetary Union may be redenominated into Euro, all as more fully provided in "Terms and Conditions of the Notes - Form, Denomination, Title and Redenomination" below.
Consolidation:	Notes of one Series may be consolidated with Notes of another Series as more fully provided in "Terms and Conditions of the Notes - Further Issues and Consolidation".
Form of Notes	Notes may be issued in either dematerialised form ("**Dematerialised Notes**") or in materialised form ("**Materialised Notes**"). Dematerialised Notes may, at the option of the Issuer, be issued in bearer dematerialised form (*au porteur*) or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder, in either *au nominatif pur* or *au nominatif administré* form. No physical documents of title will be issued in respect of Dematerialised Notes. See Condition 1 "Terms and Conditions of the Notes - Form, Denomination(s), Title and Redenomination". Materialised Notes will be in bearer materialised form ("**Materialised Bearer Notes**") only. A Temporary Global Certificate will be issued initially in respect of each Tranche of Materialised Bearer Notes. Materialised Notes may only be issued outside France.
Governing Law:	French law.
Clearing Systems:	Euroclear France as central depositary in relation to Dematerialised Notes and Clearstream, Luxembourg and Euroclear or any other clearing system that may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer in relation to Materialised Notes. Notes which are listed on Euronext Paris will be cleared through Euroclear France.
Initial Delivery of Dematerialised Notes:	One Paris business day before the issue date of each Tranche of Dematerialised Notes, the *lettre comptable* relating to such Tranche shall be deposited with Euroclear France as central depositary.

Initial Delivery of Materialised Notes: On or before the issue date for each Tranche of Materialised Bearer Notes, the Temporary Global Certificate issued in respect of such Tranche shall be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer.

Issue Price: Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Listing: Euronext Paris and/or the Luxembourg Stock Exchange or as otherwise specified in the relevant Pricing Supplement. As specified in the relevant Pricing Supplement, a Series of Notes may be unlisted.

However, the Euro Guidelines strongly recommend the listing of publicly offered notes and bonds (*obligations*) denominated in euro on Euronext Paris. Each Series of Notes listed on Euronext Paris must be issued in compliance with the *Principes Généraux* published from time to time by the *Commission des Opérations de Bourse* and the *Conseil des Marchés Financiers*.

Selling Restrictions: There are restrictions on the sale of Notes and the distribution of offering material in various jurisdictions. See "Subscription and Sale". In connection with the offering and sale of a particular Tranche, additional selling restrictions may be imposed which will be set out in the relevant Pricing Supplement.

The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

Materialised Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Pricing Supplement states that such Materialised Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) such Materialised Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

The TEFRA rules do not apply to any Dematerialised Notes.

Ratings: The Issuer's long-term unsecured and unsubordinated debt obligations issued under the Programme have been rated AA by Standard&Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., ("**Standard&Poor's**") and Aa3 (negative outlook) by Moody's Investors Service Ltd. ("**Moody's**").

The Issuer's long-term unsecured and subordinated debt obligations under the Programme have been rated AA- by Standard&Poor's and A1 (negative outlook) by Moody's.

The Issuer's short-term debt obligations issued under the Programme have been rated A-1+ by Standard&Poor's and P-1 by Moody's.

Notes issued under the Programme may be unrated or rated differently from the current ratings of the Programme. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating assigned to Notes issued under the Programme. Where an issue of Notes is rated, its rating shall be specified in the applicable Pricing Supplement.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, excepting sentences in italics, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes. In the case of Dematerialised Notes, the text of the terms and conditions will not be endorsed on physical documents of title but will be constituted by the following text as completed, amended or varied by the relevant Pricing Supplement. In the case of Materialised Notes, either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on or attached to Definitive Materialised Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued by Gaz de France (the "**Issuer**" or "**Gaz de France**") with the benefit of an amended and restated agency agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 7 December 2004 between the Issuer, Deutsche Bank AG-Paris branch as Paris paying agent (the "**Paris Paying Agent**"), Deutsche Bank Luxembourg S.A. as Luxembourg paying agent (the "**Luxembourg Paying Agent**"), Deutsche Bank AG as fiscal agent (the "**Fiscal Agent**") and the other agents named in it. The Agency Agreement will be available as set out in paragraphs (3) and (10) of "General Information". The fiscal agent, the paying agents, the redenomination agent, the consolidation agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Redenomination Agent**", the "**Consolidation Agent**" and the "**Calculation Agent(s)**".

References below to "**Conditions**" are, unless the context requires otherwise, to the numbered paragraphs below.

Copies of the Agency Agreement are available for inspection during normal business hours at the specified offices of each of the Paying Agents.

1 Form, Denomination(s), Title and Redenomination

(a) **Form:** Notes may be issued either in dematerialised form ("**Dematerialised Notes**") or in materialised form ("**Materialised Notes**").

(i) Title to Dematerialised Notes will be evidenced in accordance with Article L. 211-4 of the French *Code monétaire et financier* by book entries (*inscriptions en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article 7 of Decree no. 83-359 of 2 May 1983) will be issued in respect of the Dematerialised Notes.

Dematerialised Notes are issued, at the option of the Issuer, in either bearer form (*au porteur*), which will be inscribed in the books of Euroclear France ("**Euroclear France**") (acting as central depositary) which shall credit the accounts of Euroclear France Account Holders, or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder in either administered registered form (*au nominatif administré*) inscribed in the books of an Euroclear France Account Holder or in fully registered form (*au nominatif pur*) inscribed in an account in the books of Euroclear France maintained by the Issuer or the registration agent (designated in the relevant Pricing Supplement) acting on behalf of the Issuer (the "**Registration Agent**").

For the purpose of these Conditions, "**Euroclear France Account Holder**" means any authorised financial intermediary institution entitled, either directly or indirectly, to hold accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and the depositary bank for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

(ii) Materialised Notes are issued in bearer form ("**Materialised Bearer Notes**"). Materialised Bearer Notes are serially numbered and are issued with coupons (the "**Coupons**") (and, where appropriate, a talon (the "**Talon**")) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more receipts (the "**Receipts**") attached.

In accordance with Article L.211-4 of the Code, securities (such as Notes) which are governed by French law and are in materialised form must be issued outside the French territory.

(b) **Denomination(s):** Notes shall be issued in the specified denomination(s) as set out in the relevant Pricing Supplement (the "**Specified Denomination(s)**"). Dematerialised Notes shall be issued in one Specified Denomination only.

(c) **Title:**

(i) Title to Dematerialised Notes in bearer dematerialised form (*au porteur*) and in administered registered form (*au nominatif administré*) shall pass upon, and transfer of such Notes may only be effected through, registration of the transfer in the accounts of Euroclear France Account Holders. Title to Dematerialised Notes in fully registered form (*au nominatif pur*) shall pass upon, and transfer of such Notes may only be effected through, registration of the transfer in the accounts of the Issuer or the Registration Agent.

(ii) Title to Materialised Bearer Notes in definitive form having, where appropriate, Coupons, Receipt(s) and/or a Talon attached thereto on issue ("**Definitive Materialised Bearer Notes**"), shall pass by delivery.

(iii) Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not such Note, Receipt, Coupon or Talon is overdue and regardless of any notice of ownership, or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

(iv) In these Conditions, "**Noteholder**" means (i) in the case of Dematerialised Notes, the person whose name appears in the account of the relevant Euroclear France Account Holder or the Issuer or the Registration Agent (as the case may be) as being entitled to such Notes and (ii) in the case of Materialised Notes, the bearer of any Definitive Materialised Bearer Note and the Receipts, Coupons, or Talon relating to it, and capitalised terms have the meanings given to them in the relevant Pricing Supplement, the absence of any such meaning indicating that such term is not applicable to the Notes.

(d) **Redenomination:**

(i) The Issuer may (if so specified in the relevant Pricing Supplement), on any Interest Payment Date, without the consent of the holder of any Note, Receipt, Coupon or Talon, by giving at least 30 days' notice in accordance with Condition 15 and on or after the date on which the European Member State in whose national currency the Notes are denominated has become a participating Member State in the single currency of the European Economic and Monetary Union (as provided in the Treaty establishing the European Community (the "**EC**"), as amended from time to time (the "**Treaty**"), or events have occurred which have substantially the same effects (in either case, "**EMU**"), redenominate all, but not some only, of the Notes of any Series into Euro and adjust the aggregate principal amount and the Specified Denomination(s) set out in the relevant Pricing Supplement accordingly, as described below. The date on which such redenomination becomes effective shall be referred to in these Conditions as the "**Redenomination Date**".

(ii) Unless otherwise specified in the relevant Pricing Supplement, the redenomination of the Notes pursuant to Condition 1(d)(i) shall be made by converting the principal amount of each Note from the relevant national currency into Euro using the fixed relevant national currency Euro conversion rate established by the Council of the European Union pursuant to Article 123 (4) of the Treaty and rounding the resultant figure to the nearest Euro 0.01 (with Euro 0.005 being rounded upwards). If the Issuer so elects, the figure resulting from conversion of the principal amount of each Note using the fixed relevant national currency Euro conversion rate shall be rounded down to the nearest Euro. The Euro denominations of the Notes so determined shall be notified to Noteholders in accordance with Condition 15. Any balance remaining from the redenomination with a denomination higher than Euro 0.01 shall be paid by way of cash adjustment rounded to the nearest Euro 0.01 (with Euro 0.005 being rounded upwards). Such cash adjustment will be payable in Euro on the Redenomination Date in the manner notified to Noteholders by the Issuer.

(iii) In the case of Dematerialised Notes only, the Issuer may also redenominate all, but not some only, of the Notes of any Series into Euro in accordance with L.113-4 of the Code provided that references to the Franc or the ECU contained in such Article L.113-4 shall be deemed to be a reference to the currency of any Member State participating in the single currency of the European Economic and Monetary Union.

(iv) Upon redenomination of the Notes, any reference in the relevant Pricing Supplement to the relevant national currency shall be construed as a reference to Euro.

(v) Unless otherwise specified in the relevant Pricing Supplement, the Issuer may, with the prior approval of the Redenomination Agent and the Consolidation Agent, in connection with any redenomination pursuant to this Condition or any consolidation pursuant to Condition 14(b), without the consent of the holder of any Note, Receipt, Coupon or Talon, make any changes or additions to these Conditions or Condition 14 (including, without limitation, any change to any applicable business day definition, business day convention, principal financial centre of the country of the Specified Currency, interest accrual basis or benchmark), taking into account market practice in respect of redenominated euromarket debt obligations and which it believes are not prejudicial to the interests of such holders. Any such changes or additions shall, in the absence of manifest error, be binding on the holders of Notes, Receipts, Coupons and Talons and shall be notified to Noteholders in accordance with Condition 15 as soon as practicable thereafter.

(vi) Neither the Issuer nor any Paying Agent shall be liable to the holder of any Note, Receipt, Coupon or Talon or other person for any commissions, costs, losses or expenses in relation to or resulting from the credit or transfer of Euro or any currency conversion or rounding effected in connection therewith.

2 Conversion and Exchanges of Notes

(a) **Dematerialised Notes**

(i) Dematerialised Notes issued in bearer dematerialised form (*au porteur*) may not be converted into Dematerialised Notes in registered dematerialised form, whether in fully registered form (*au nominatif pur*) or in administered registered form (*au nominatif administré*).

(ii) Dematerialised Notes issued in registered dematerialised form (*au nominatif*) may not be converted into Dematerialised Notes in bearer dematerialised form (*au porteur*).

(iii) Dematerialised Notes issued in fully registered form (*au nominatif pur*) may, at the option of the Noteholder, be converted into Notes in administered registered form (*au nominatif administré*), and *vice versa*. The exercise of any such option by such Noteholder shall be made in accordance with Article 4 of Decree no. 83-359 of 2 May 1983. Any such conversion shall be effected at the cost of such Noteholder.

(b) **Materialised Notes**

Materialised Bearer Notes of one Specified Denomination may not be exchanged for Materialised Bearer Notes of another Specified Denomination.

3 Status

The obligations of the Issuer under the Notes may be either unsubordinated ("**Unsubordinated Notes**") or subordinated ("**Subordinated Notes**").

(a) **Status of Unsubordinated Notes**

The Unsubordinated Notes (being those Notes the status of which the applicable Pricing Supplement specified as Unsubordinated Notes) and, where applicable, any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank and will at all times rank *pari passu* and without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law) equally and rateably with all other present or future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding.

(b) **Status of Subordinated Notes**

(i) Subordination

Subordinated Notes (which term shall include both Subordinated Notes with a specified maturity date ("**Dated Subordinated Notes**") and Subordinated Notes without a specified maturity date ("**Undated Subordinated Notes**")) are unsecured subordinated obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves and *pari passu* with any other unsecured subordinated obligations of the Issuer with the exception of the *prêts participatifs* granted to the Issuer or *titres participatifs* issued by the Issuer. If any judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason, the rights of payment of the holders of Subordinated Notes shall be subordinated to the payment in full of unsubordinated creditors and, subject to such payment in full, the holders of Subordinated Notes shall be paid in priority to any *prêts participatifs* granted to the Issuer or *titres participatifs* issued by the Issuer. In the event of incomplete payment of unsubordinated creditors, the obligations of the Issuer in connection with the Subordinated Notes will be terminated. The holders of Subordinated Notes shall take all steps necessary for the orderly accomplishment of any collective proceedings or voluntary liquidation.

(ii) Dated Subordinated Notes

Unless otherwise specified in the relevant Pricing Supplement, payments of interest relating to Dated Subordinated Notes constitute obligations which rank equally with the obligations of the Issuer in respect of Unsubordinated Notes issued by the Issuer in accordance with Condition 3(a).

(iii) Undated Subordinated Notes

Unless otherwise specified in the relevant Pricing Supplement, payments of interest relating to Undated Subordinated Notes constitute obligations which rank equally with the obligations of the Issuer in respect of Unsubordinated Notes issued by the Issuer in accordance with Condition 3(a) and may be deferred in accordance with the provisions of Condition 5(h).

The use of the proceeds of issues of Undated Subordinated Notes will be set out in the applicable Pricing Supplement.

4 Negative Pledge

So long as any of the Unsubordinated Notes or, if applicable, any Receipts or Coupons relating to them, remains outstanding (as defined below), the Issuer will not, and will procure that none of its Principal Subsidiaries (as defined below), create or permit to subsist any mortgage, charge, pledge, lien or other security interest upon the whole or any part of its assets or revenues, present or future, to secure any present or future Indebtedness (as defined below) incurred or guaranteed by it (whether before or after the issue of the Unsubordinated Notes) unless the Issuer's obligations under the Unsubordinated Notes, Receipts and Coupons are equally and rateably secured therewith.

For the purposes of this Condition 4:

(i) "**Indebtedness**" means any indebtedness for borrowed money, represented by bonds, notes, debentures or other assimilated debt securities (*obligations* or *titres de créances négociables*) which are for the time being, or are capable of being, quoted, listed or ordinarily traded in on any stock exchange, over-the-counter-market or other securities market. For the avoidance of doubt, such Indebtedness does not include indebtedness for borrowed monies arising under loan agreements or credit facility agreements.

(ii) "**outstanding**" means, in relation to the Notes of any Series, all the Notes issued other than (a) those that have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable after such date) have been duly paid (i) in the case of Dematerialised Notes in bearer form and in administered registered form, to the relevant Euroclear France Account Holders on behalf of the relevant Noteholders as provided in Condition 7(a), (ii) in the case of Dematerialised Notes in fully registered form, to the account of the relevant Noteholders as provided in Condition 7(a) and (iii) in the case of Materialised Notes, to the Fiscal Agent and remain available for payment against presentation and surrender of Materialised Bearer Notes, Receipts and/or Coupons, as the case may be, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled as provided in the Conditions, (e) in the case of Materialised

Notes (i) those mutilated or defaced Materialised Bearer Notes that have been surrendered in exchange for replacement Materialised Bearer Notes, (ii) (for the sole purpose of determining how many such Materialised Bearer Notes are outstanding and without prejudice to their status for any other purpose) those Materialised Bearer Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Materialised Notes have been issued and (iii) any Temporary Global Certificate to the extent that it shall have been exchanged for one or more Definitive Materialised Bearer Notes, pursuant to its provisions.

(iii) "**Principal Subsidiary**" means, at any relevant time, a Subsidiary (as defined below) of the Issuer whose annual turnover (*chiffre d'affaires*) represents not less than 10 per cent. of the annual consolidated turnover (*chiffre d'affaires*) of the Group or whose operating income before tax (*résultat avant impôts*) represents not less than 10 per cent. of the consolidated operating income before tax (*résultat avant impôts*) of the Group (as defined below), as the case may be,

provided that:

(a) the turnover and the operating income before tax of any Subsidiary of the Issuer shall be calculated on the basis of the annual accounts of such Subsidiary which have been used to prepare the latest annual audited consolidated accounts of the Group;

(b) if a Subsidiary of the Issuer becomes a member of the Group after the date on which the latest annual audited consolidated accounts have been established, the turnover and the operating income before tax of such Subsidiary shall be prepared on the basis of its latest accounts;

(c) the turnover and the operating income before tax of the Group shall be prepared on the basis of the latest annual audited consolidated accounts (adjusted, if any) in order to take into account the impact of the turnover of any company or any other business (*fonds de commerce*) purchased or sold (as the case may be) after the date of establishment of such accounts; and

(d) if any Principal Subsidiary sells, transfers or otherwise conveys all or part of its assets to any other Subsidiary of the Issuer, the first shall cease to be treated as a Principal Subsidiary and the second shall become a Principal Subsidiary (unless it is already a Principal Subsidiary); the further accounts of such Subsidiaries and of the Group shall be used in order to determine whether such Subsidiaries are or not Principal Subsidiaries.

In this sub-paragraph (iii):

"**Group**" means the Issuer and its Subsidiaries.

"**Subsidiary**" means any entity which is controlled by any other entity within the meaning of Article L. 233-3 of the French *Code de Commerce.*

None of the above shall prevent the Issuer from securing any present or future Indebtedness for the benefit of holders of bonds, notes, debentures or other assimilated debt securities (*obligations* or *titres de créances négociables*) or for the benefit of lenders under loan agreements or credit facility agreements where such Indebtedness is incurred for the purpose of, and the proceeds thereof are used in, (i) the purchase of an asset and such security is provided over or in respect of such asset or (ii) the refinancing of any Indebtedness incurred for the purpose of (i) above, provided that the security is provided over or in respect of the same asset.

This Condition 4 shall not apply to Subordinated Notes.

5 Interest and other calculations

(a) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**FBF Definitions**" means the definitions set out in the *Fédération Bancaire Française* ("**FBF**") Master Agreement for forward financial instruments and its Technical Schedules for Foreign Exchange and Derivatives Transactions (the "**FBF Master Agreement**"), unless otherwise specified in the relevant Pricing Supplement.

"**Business Day**" means:

(i) in the case of Euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer or any successor thereto (the "**TARGET System**") is operating (a "**TARGET Business Day**"); and/or

(ii) in the case of a specified currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency; and/or

(iii) in the case of a specified currency and/or one or more business centre(s) specified in the relevant Pricing Supplement (the "**Business Centre(s)**"), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"):

(i) if "**Actual/365 - FBF**" or "**Actual/Actual - ISDA**" is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/Actual-ISMA**" is specified in the relevant Pricing Supplement:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

in each case where "**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date specified as such in the relevant Pricing Supplement or, if none is so specified, the Interest Payment Date

(iii) if "**Actual/365 (Fixed)**" is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365

(iv) if "**Actual/360**" is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 360

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30 or 31 day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)) and

(vi) if "**30/360**" or "**Actual 30A/360 (American Bond Basis)**" is specified in the relevant Pricing Supplement in respect of each Calculation Period, the fraction whose denominator is 360 and whose numerator is the number of days calculated as for Actual 30E/360, subject to the following exception:

where the last day of this period is the 31st and the first day is neither the 30 nor the 31, the last month of the period shall be deemed to be a month of 31 days. Using the previous notation as with 30E/360 the fraction is:

If dd2 = 31 and dd1 = (30,31)

1/360 x [(yy2 - yy1) x 360 + (mm2 - mm1) x 30 + (dd2 - dd1)]

or

1/360 x [(yy2 - yy1) x 360 + (mm2 - mm1) x 30 + Min (dd2 , 30) - Min (dd1 , 30)]

(vii) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Pricing Supplement,

in respect of each Calculation Period, the fraction whose denominator is 360 and whose numerator is the number of days elapsed during such period, calculated on the basis of a year comprising 12 months of 30 days, subject to the following the exception:

if the last day of the period is the last day of the month of February, the number of days elapsed during such month shall be taken as the actual number of days.

Where:

D1 (dd1, mm1, yy1) is the date of the beginning of the period

D2 (dd2, mm2, yy2) is the date of the end of the period

The fraction is:

$1/360 \times [(yy2 - yy1) \times 360 + (mm2 - mm1) \times 30 + \mathrm{Min}(dd2, 30) - \mathrm{Min}(dd1, 30)]$

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Pricing Supplement or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates;

"**Euro-zone**" means the region comprised of member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the relevant Pricing Supplement;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Pricing Supplement or, if none is so specified, (i) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro or (ii) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (iii) the day falling two Business Days in the city specified in the Pricing Supplement for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro;

"**Interest Payment Date**" means the date(s) specified in the relevant Pricing Supplement;

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the relevant Pricing Supplement;

"**ISDA Definitions**" means the 2000 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Pricing Supplement;

"**Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 ("**Reuters**") andTelerate ("**Telerate**")) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions in the relevant Pricing Supplement;

"**Reference Banks**" means the institutions specified as such in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be the Euro-zone);

"**Relevant Financial Centre**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Pricing Supplement or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be the Euro-zone) or, if none is so connected, Paris;

"**Relevant Date**" means, in respect of any Note, Receipt or Coupon, the date on which payment in respect of it first became due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (in the case of Materialised Notes if earlier) the date seven days after that on which notice is duly given to the holders of such Materialised Notes that, upon further presentation of the Materialised Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation;

"**Relevant Rate**" means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date;

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Pricing Supplement or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and for the purpose of this definition "**local time**" means, with respect to Europe and the Euro-zone as a Relevant Financial Centre, 11.00a.m., Brussels time;

"**Representative Amount**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Pricing Supplement or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

"**Specified Currency**" means the currency specified as such in the relevant Pricing Supplement or, if none is specified, the currency in which the Notes are denominated; and

"**Specified Duration**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant Pricing Supplement or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(c)(ii).

(b) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date except as otherwise provided in the relevant Pricing Supplement.

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Pricing Supplement.

(c) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear (except as otherwise provided in the relevant Pricing Supplement) on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Pricing Supplement as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Pricing Supplement and, unless otherwise specified in the relevant Pricing

Supplement, the provisions below relating to either FBF Determination, ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Pricing Supplement.

(A) FBF Determination for Floating Rate Notes

Where FBF Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant FBF Rate plus or minus (as indicated in the relevant Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "**FBF Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Transaction under the terms of an agreement incorporating the FBF Definitions and under which:

(a) the Floating Rate is as specified in the relevant Pricing Supplement and

(b) the relevant Floating Rate Determination Date (*Date de Détermination du Taux Variable*) is the first day of that Interest Accrual Period unless otherwise specified in the relevant Pricing Supplement

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Determination Date**" (*Date de Détermination du Taux Variable*) and "**Transaction**" have the meanings given to those terms in the FBF Definitions, provided that "**Euribor**" means the rate calculated for deposits in Euro which appears on Telerate Page 248, as more fully described in the relevant Pricing Supplement.

(B) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the relevant Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (B), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(a) the Floating Rate Option is as specified in the relevant Pricing Supplement

(b) the Designated Maturity is a period specified in the relevant Pricing Supplement and

(c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Pricing Supplement.

For the purposes of this sub-paragraph (B), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(C) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(a) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:

(i) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or

(ii) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date

(b) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (a)(i) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (a)(ii) applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent and

(c) if paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in the Euro-zone as selected by the Calculation Agent (the "**Principal Financial Centre**") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest* Notes: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the relevant Pricing Supplement.

(d) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon and is repayable prior to the Maturity Date is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(e)(i)).

(e) **Dual Currency Notes**: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

(f) **Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the relevant Pricing Supplement.

(g) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless (i) in the case of Dematerialised Notes, on such due date or (ii) in the case of Materialised Notes, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date.

(h) **Deferral of interest:**

In the case of Undated Subordinated Notes, interest shall be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer so elects) the interest accrued in the Interest Period ending on the day immediately preceding such date but the Issuer shall not have any obligation to make such payment. Notice of any Optional Interest Payment Date shall (for so long as the rules applicable to any Stock Exchange so require) be given to the Noteholders in accordance with Condition 15 and to the relevant Stock Exchange. Such notice shall be given at least seven days prior to the relevant Optional Interest Payment Date(s). Any interest not paid on an Optional Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**" which term shall include interest on such unpaid interest as referred to below. Arrears of Interest may, at the option of the Issuer, be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Noteholders in accordance with Condition 15 but all Arrears of Interest on all Undated Subordinated Notes outstanding shall become due in full on whichever is the earliest of:

(i) the Interest Payment Date immediately following the date upon which the *Assemblée Générale* of the shareholders of the Issuer passed a resolution to pay a dividend on the ordinary share capital of the Issuer and

(ii) (a) a judgment rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or (b) the liquidation of the Issuer for any other reason.

If notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged to do so upon the expiration of such notice. When Arrears of Interest are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the Arrears of Interest accrued in respect of the earliest Interest Period in respect of which Arrears of Interest have accrued and have not been paid in full. Arrears of Interest shall (to the extent permitted by law) bear interest accruing (but only, in accordance with Article 1154 of the Civil Code, after such interest has accrued for a period of one year) and compounding on the basis of the exact number of days which have elapsed at the prevailing rate of interest on the Undated Subordinated Notes in respect of each relevant Interest Period. For these purposes the following expressions have the following meanings:

"**Compulsory Interest Payment Date**" means any Interest Payment Date unless at the *Assemblée Générale* of the shareholders of the Issuer immediately preceding such date which was required to approve the annual accounts of the Issuer for the fiscal year ended prior to such *Assemblée Générale*, no resolution was passed to pay a dividend on the ordinary share capital of the Issuer in respect of such previous fiscal year.

"**Optional Interest Payment Date**" means any Interest Payment Date, as the case may be, other than a Compulsory Interest Payment Date.

(i) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:**

(i) If any Margin or Rate Multiplier is specified in the relevant Pricing Supplement, either (x) generally, in which case an adjustment shall be made to all Rates of Interest, or (y) in relation to one or more Interest Accrual Periods, in which case an adjustment shall be made to the Rates of Interest for the specified Interest Accrual Periods, such adjustment shall be calculated (in either case) in accordance with (c) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Pricing Supplement, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up),

(y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.

(j) **Calculations**: The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(k) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Optional Redemption Amounts, Early Redemption Amounts and Instalment Amounts**: As soon as practicable after the relevant time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(l) **Calculation Agent and Reference Banks**: The Issuer shall use its best efforts to procure that there shall at all times be four Reference Banks (or such other number as may be required by the Conditions) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the relevant Pricing Supplement and for so long as any Note is outstanding (as defined in Condition 4). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the

Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. So long as the Notes are listed on any stock exchange and the rules of that exchange so require, notice of any change of Calculation Agent shall be given in accordance with Condition 15.

6 Redemption, Purchase and Options

(a) **Final Redemption**: Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any option provided by the relevant Pricing Supplement including any Issuer's option in accordance with Condition 6(c) or any Noteholders' option in accordance with Condition 6(d), each Note shall be finally redeemed on the Maturity Date specified in the relevant Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within Condition 6(b) below, its final Instalment Amount.

(b) **Redemption by Instalments and Final Redemption**: Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified in the relevant Pricing Supplement) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(c) or (6)(d), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused (i) in the case of Dematerialised Notes, on the due date for such payment or (ii) in the case of Materialised Notes, on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(c) **Redemption at the Option of the Issuer, Exercise of Issuer's Options and Partial Redemption**: If a Call Option is specified in the relevant Pricing Supplement, the Issuer may, subject to compliance by the Issuer with all relevant laws, regulations and directives and on giving not less than 15 nor more than 30 days' irrevocable notice in accordance with Condition 15 to the Noteholders (or such other notice period as may be specified in the relevant Pricing Supplement), redeem or exercise any Issuer's option (as may be described) in relation to all, or, if so provided, some, of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption (including, where applicable, any Arrears of Interest), if any. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed specified in the relevant Pricing Supplement and no greater than the maximum nominal amount to be redeemed specified in the relevant Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option in respect of Materialised Notes, the notice to holders of such Materialised Notes shall also contain the number of the Definitive Materialised Bearer Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange requirements.

In the case of a partial redemption of or a partial exercise of an Issuer's option in respect of Dematerialised Notes, the redemption may be effected, at the option of the Issuer, either (i) by reducing the nominal amount of all such Dematerialised Notes in a Series in proportion to the aggregate nominal amount redeemed or (ii) by redeeming in full some only of such Dematerialised Notes and, in such latter case, the choice between those Dematerialised Notes that will be fully redeemed and those Dematerialised Notes of any Series that will not be redeemed shall be made in accordance with Article 9 of Decree no. 83-359 of 2 May 1983 and the provisions of the relevant Pricing Supplement, subject to compliance with any other applicable laws and stock exchange requirements.

So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Luxembourg a notice specifying the aggregate nominal amount of Notes outstanding and, in the case of Materialised Notes a list of any Definitive Materialised Bearer Notes drawn for redemption but not surrendered.

(d) **Redemption at the Option of Noteholders and Exercise of Noteholders' Options**: If a Put Option is specified in the relevant Pricing Supplement the Issuer shall, at the option of the Noteholder, upon the Noteholder giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption including, where applicable, any Arrears of Interest.

To exercise such option or any other Noteholders' option that may be set out in the relevant Pricing Supplement (which must be exercised on an Option Exercise Date) the Noteholder must deposit with any Paying Agent at its specified office during usual business hours a duly completed option exercise notice (the "**Exercise Notice**") in the form obtained during usual business hours from any Paying Agent or the Registration Agent, as the case may be, within the notice period. Such notice shall, in the case of Materialised Bearer Notes, have attached to it such Note (together with all unmatured Receipts and Coupons and unexchanged Talons). In the case of Dematerialised Notes, the Noteholder shall transfer, or cause to be transferred, the Dematerialised Notes to be redeemed to the account of the Paris Paying Agent specified in the Exercise Notice. No option so exercised and, where applicable, no Note so deposited or transferred may be withdrawn without the prior consent of the Issuer.

(e) **Early Redemption:**

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Nominal Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Pricing Supplement.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Nominal Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the relevant Pricing Supplement, shall be such rate as would produce an Amortised Nominal Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Nominal Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Amortised Nominal Amount becomes due and payable were the Relevant Date. The calculation of the Amortised Nominal Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(d).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Pricing Supplement.

(ii) Other Notes:

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(f), or upon it becoming due and payable as provided in Condition 9 shall be the Final Redemption Amount together with interest accrued to the date fixed for redemption (including, where applicable, any Arrears of Interest) unless otherwise specified in the relevant Pricing Supplement.

(f) **Redemption for Taxation Reasons:**

(i) If, by reason of any change in French law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified under Condition 8(b) below, the Issuer may, at its option, on any Interest Payment Date or, if so specified in the relevant Pricing Supplement, at any time, subject to having given not more than 45 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 15, redeem all, but not some only, of the Notes at their Early Redemption Amount together with, unless otherwise specified in the Pricing Supplement, any interest accrued to the date set for redemption (including, where applicable, any Arrears of Interest) provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes.

(ii) If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders or, if applicable, the holders of the interest coupons (the "**Couponholders**") of the full amounts then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 8(b) below, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven days' prior notice to the Noteholders in accordance with Condition 15, redeem all, but not some only, of the Notes then outstanding at their Redemption Amount together with, unless otherwise specified in the Pricing Supplement, any interest accrued to the date set for redemption (including, where applicable, any Arrears of Interest) on (A) the latest practicable Interest Payment Date on which the Issuer could make payment of the full amount then due and payable in respect of the Notes, provided that if such notice would expire after such Interest Payment Date the date for redemption pursuant to such notice of Noteholders shall be the later of (i) the latest practicable date on which the Issuer could make payment of the full amount then due and payable in respect of the Notes and (ii) 14 days after giving notice to the Fiscal Agent as aforesaid or (B) if so specified in the relevant Pricing Supplement, at any time, provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which the Issuer could make payment of the full amount payable in respect of the Notes, or, if applicable, Receipts or Coupons or, if that date is passed, as soon as practicable thereafter.

(g) **Partly Paid Notes**: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the relevant Pricing Supplement.

(h) **Purchases**: The Issuer shall have the right at all times to purchase Notes (provided that, in the case of Materialised Notes, all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(i) **Cancellation**: All Notes purchased by or on behalf of the Issuer must be cancelled, in the case of Dematerialised Notes, by transfer to an account in accordance with the rules and procedures of Euroclear France and, in the case of Materialised Bearer Notes, by surrendering the Temporary Global Certificate and the Definitive Materialised Bearer Notes in question together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in each case, if so transferred or surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with, in the case of Dematerialised Notes, all rights relating to payment of interest and other amounts relating to such Dematerialised Notes and, in the case of Materialised Notes, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so cancelled or, where applicable, transferred or surrendered for cancellation may not be re-issued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(j) **Illegality**: If, by reason of any change in French law, or any change in the official application of such law, becoming effective after the Issue Date, it will become unlawful for the Issuer to perform or comply with one or more of its obligations under the Notes, the Issuer will, subject to having given not more than 45 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 15, redeem all, but not some only, of the Notes at their Early Redemption Amount together with any interest accrued to the date set for redemption (including, where applicable, any Arrears of Interest).

7 Payments and Talons

(a) **Dematerialised Notes**: Payments of principal and interest (including, for the avoidance of doubt, any Arrears of Interest, where applicable) in respect of Dematerialised Notes shall (in the case of Dematerialised Notes in bearer dematerialised form or administered registered form) be made by transfer to the account denominated in the relevant currency of the relevant Euroclear France Account Holders for the benefit of the Noteholders and, (in the case of Dematerialised Notes in fully registered form), to an account denominated in the relevant currency with a Bank designated by the Noteholders. All payments validly made to such Euroclear France Account Holders will be an effective discharge of the Issuer in respect of such payments.

(b) **Materialised Bearer Notes**: Payments of principal and interest (including, for the avoidance of doubt, any Arrears of Interest, where applicable) in respect of Materialised Bearer Notes shall, subject as mentioned below, be made against presentation and surrender during usual business hours of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Materialised Bearer Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the Noteholder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of Euro, in a city in which banks have access to the TARGET System.

(c) **Payments in the United States**: Notwithstanding the foregoing, if any Materialised Bearer Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**: The Fiscal Agent, the Paying Agents, the Calculation Agent, the Redenomination Agent and the Consolidation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Redenomination Agent, the Consolidation Agent and the Registration Agent act solely as agents of the Issuer and the Calculation Agent(s) act(s) as independent experts(s) and, in each case such, do not assume any obligation or relationship of agency for any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Redenomination Agent, the Consolidation Agent and the Registration Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) a Redenomination Agent and a Consolidation Agent where the Conditions so require, (iv) Paying Agents having specified offices in at least two major European cities (including Paris so long as the Notes are listed on Euronext Paris and including Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange), (v) in the case of Dematerialised Notes in fully registered form, a Registration Agent, (vi) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other EU Directive implementing the conclusions of the ECOFIN Council Meeting of 26th-27th November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such European Council Directive 2003/48/EC of 3 June 2003 and (vii) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Materialised Bearer Notes denominated in U.S. Dollars in the circumstances described in paragraph (c) above.

On a redenomination of the Notes of any Series pursuant to Condition 1(d) with a view to consolidating such Notes with one or more other Series of Notes, in accordance with Condition 14, the Issuer shall ensure that the same entity shall be appointed as both Redenomination Agent and Consolidation Agent in respect of both such Notes and such other Series of Notes to be so consolidated with such Notes.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 15.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Unless Materialised Bearer Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Materialised Bearer Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (together, where applicable, with the amount of any Arrears of Interest corresponding to such Coupon) (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon (together, where applicable, with the amount of any Arrears of Interest corresponding to such Coupon) that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Amortised Nominal Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10).

(ii) If Materialised Bearer Notes so provide, upon the due date for redemption of any such Materialised Bearer Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Materialised Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Materialised Bearer Note that is redeemable in instalments, all Receipts relating to such Materialised Bearer Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Materialised Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Materialised Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, (including, for the avoidance of doubt, any Arrears of Interest if applicable) shall only be payable against presentation (and surrender if appropriate) of the relevant Definitive Materialised Bearer Note. Interest accrued on a Materialised Bearer Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Materialised Bearer Notes.

(g) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Materialised Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).

(h) **Non-Business Days**: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the Noteholder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) (A) (i) in the case of Dematerialised Notes, on which Euroclear France is open for business or (ii) in the case of Materialised Notes, on which banks and foreign exchange markets are open for business in the relevant place of presentation, (B) on which banks and foreign exchange markets are open for business in the relevant jurisdictions as shall be specified as "**Financial Centres**" in the relevant Pricing Supplement and (C) (i) (in the case of a payment in a currency other than Euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of a payment in Euro), which is a TARGET Business Day.

8 Taxation

(a) **Tax exemption for Notes issued or deemed to be issued outside France**: Interest and other revenues with respect to Notes which constitute *obligation*s and which, as may be specified in the relevant Pricing Supplement, are being issued or deemed to be issued outside the Republic of France benefit from the exemption provided for in Article 131 *quater* of the *Code Général des Impôts* (general tax code) from deduction of tax at source. Accordingly such payments do not give the right to any tax credit from any French source. The tax regime applicable to Notes which do not constitute *obligations* will be set out in the relevant Pricing Supplement.

As to the meaning of the expression "issued or deemed to be issued outside the Republic of France" see "Summary of the Programme - Taxation" above.

(b) **Additional Amounts**: If French law should require that payments of principal or interest in respect of any Note, Receipt or Coupon be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as shall result in receipt by the Noteholders or, if applicable, the holders of the receipts (the "**Receipts**") for the payment of instalments of principal (the "**Receiptholders**") and the Couponholders, as the case may be, of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon, as the case may be:

(i) **Other connection**: to, or to a third party on behalf of, a Noteholder or, if applicable, a Receiptholder or Couponholder, as the case may be, who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the Republic of France other than the mere holding of the Note, Receipt or Coupon; or

(ii) **Presentation more than 30 days after the Relevant Date**: in the case of Materialised Notes, more than 30 days after the Relevant Date except to the extent that the Noteholder or, if applicable, the Receiptholder or Couponholder, as the case may be, would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(iii) **Certification**: where the relevant Noteholder could avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption but fails to do so; or

(iv) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other EU Directive implementing the conclusions of the ECOFIN Council Meeting of 26th-27th November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such EU Directive; or

(v) **Payment by another paying agent**: presented for payment by or on behalf of a holder of any Materialised Note, Receipt or Coupon, as the case may be, who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another paying agent in a Member State of the EU.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or, in the case of Materialised Notes (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Nominal Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts (including, for the avoidance of doubt, all arrears of interest) payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

(c) **Tax exemption for Notes not issued or not deemed to be issued outside France**: Interest and other revenues with respect to Notes which, if so specified in the relevant Pricing Supplement, are not being issued or deemed to be issued outside the Republic of France only benefit from the exemption from deduction of tax at source provided by, and subject to the provisions of, Article 125 A III of the *Code Général des Impôts*, which requires *inter alia*, certification of non-French residency.

(d) **Certification of Non-Residency in France**: Each Noteholder shall be responsible for supplying certification of non-residency (a form of which shall be available at the specified offices of any of the Paying Agents or in such other form as may be required by the French tax authorities from time to time) in accordance with the provisions of Article 125 A III of the *Code Général des Impôts* and the Issuer shall not be responsible for any deduction or withholding in respect of any payment made under any Note, Receipt or Coupon resulting from the failure of such Noteholder to submit such certification.

9 Events of Default

The Representative (as defined in Condition 11), upon request of any Noteholder, or in the absence of a Representative, any Noteholder may, upon written notice to the Issuer and the Fiscal Agent before all defaults shall have been remedied, cause all the Notes held by such Noteholder to become immediately due and payable, whereupon such Notes shall become immediately due and payable at their principal amount, plus accrued interest, without any other formality, if any of the following events in respect of the Unsubordinated Notes (each an "**Event of Default**") and if any of the limited events of default only in respect of the Subordinated Notes as set out in the applicable Pricing Supplement, as provided in Condition 9(b) shall occur:

(a) **Unsubordinated Notes:**

An Event of Default will occur under the Unsubordinated Notes if:

(i) **Non-Payment of Interest**: the Issuer fails to pay any amount of interest in respect of the Unsubordinated Notes of the relevant Series (including the payment of any Additional Amounts in accordance with Condition 8(b)) or any of them within fifteen (15) days of the due date for payment thereof; or

(ii) **Non-Payment of Principal**: the Issuer fails to pay any amount of principal in respect of the Unsubordinated Notes of the relevant Series or any of them within seven (7) days of the date for payment thereof; or

(iii) **Breach of Other Obligations**: the Issuer fails to perform or observe any of its other obligations under these Conditions and (except where such failure is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such failure continues for the period of thirty (30) days next following the service by the Representative on the Issuer of notice requiring the same to be remedied at the request of any Noteholder; or

(iv) **Cross-Default**: any Relevant Indebtedness (as defined below) of the Issuer or any of its Principal Subsidiary becomes due and repayable prematurely by reason of a default by the Issuer in making any payment in respect thereof on the due date for such payment as extended by any applicable grace period as originally provided or the security for any such Relevant Indebtedness becomes enforceable unless, in each case, the Issuer is contesting in good faith in a court of competent jurisdiction that such Relevant Indebtedness is due or that such security is enforceable, in this Condition 9(a)(iv), "**Relevant Indebtedness**" means Financial Indebtedness (as defined below) which (either alone or when aggregated with the principal amounts of any other such Financial Indebtedness in respect of which any of the events described above have occurred) amounts to EUR 75,000,000 (or its equivalent in other currencies) in aggregate principal amount. "**Financial Indebtedness**" means (i) any indebtedness for borrowed money, represented by bonds, notes, debentures or other assimilated debt securities (*obligations* or *titres de créances négociables*) which are for the time being, or are capable of being, quoted, listed or ordinarily traded in on any stock exchange, over-the-counter-market or other securities market and (ii) indebtedness for borrowed monies arising under loan agreements or credit facility agreements; or

(v) **The Issuer or its Principal Subsidiaries cease payment**: the Issuer or any of its Principal Subsidiaries shall cease generally to pay, or shall threaten to stop payment, or shall be unable to, or shall admit inability to, service its debt pursuant to or for the purpose of any applicable law as it falls due, or shall be adjudicated or found bankrupt or insolvent; or

(vi) **Insolvency, Winding-up or Dissolution**: the Issuer initiates, applies for or is subject to the appointment of a conciliator (*conciliateur*), or ceases to pay its debts generally as and when they fall due or enter into an amiable settlement (*accord amiable*) with its creditors or a judgement is issued for the judicial liquidation (*liquidation judiciaire*) of the Issuer or for a transfer of the whole of its business (*cession totale de l'entreprise*), or in the absence of legal proceedings, if the Issuer makes a conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors, or a resolution is passed for its winding-up or dissolution except in connection with a merger or other reorganisation, consolidation or amalgamation pursuant to which the surviving entity assumes all the obligations of the Issuer with respect to the Unsubordinated Notes.

(b) **Subordinated Notes:**

In the case of Subordinated Notes and in accordance with Condition 3(b), if any judgement shall be issued for the judicial liquidation *(liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason then the Subordinated Notes shall become immediately due and payable, in accordance with Condition 3(b), at their principal amount together with any Arrears of Interest and accrued interest to the date of payment.

10 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Representation of Noteholders

Except as otherwise provided by the relevant Pricing Supplement, Noteholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *masse* (in each case, the "**Masse**").

The Masse will be governed by the provisions of the French *Code* of *Commerce* with the exception of Articles L.228-48, L.228-59 and L.228-65-II and by the decree no. 67-236 of 23 March 1967, with the exception of Articles 218, 222 and 224 subject to the following provisions:

(a) **Legal Personality**

The Masse will be a separate legal entity and will act in part through a representative (the "**Representative**") and in part through a general meeting of the Noteholders (the "**General Meeting**").

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

(b) **Representative**

The office of Representative may be conferred on a person of any nationality who agrees to perform such function. However, the following persons may not be chosen as Representatives:

(i) the Issuer, the members of its Board of Directors (*Conseil d'administration*), its general managers (*directeurs généraux*), its statutory auditors, or its employees as well as their ascendants, descendants and spouse; or

(ii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their Board of Directors, Executive Board (*Directoire*), or Supervisory Board (*Conseil de Surveillance*), their statutory auditors, or employees as well as their ascendants, descendants and spouse; or

(iii) companies holding 10 per cent. or more of the share capital of the Issuer or companies having 10 per cent. or more of their share capital held by the Issuer; or

(iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The names and addresses of the initial Representative of the Masse and its alternate will be set out in the relevant Pricing Supplement. The Representative appointed in respect of the first Tranche of any Series of Notes will be the Representative of the single Masse of all Tranches in such Series.

The Representative will be entitled to such remuneration in connection with its functions or duties as set out in the relevant Pricing Supplement.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by another Representative. In the event of the death, retirement or revocation of appointment of the alternate Representative, an alternate will be elected by the General Meeting.

All interested parties will at all times have the right to obtain the name and address of the Representative and the alternate Representative at the head office of the Issuer and the specified 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 Meeting) have the power to take all acts of management necessary in order to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, must be brought by or against the Representative.

The Representative may not be involved in the management of the affairs of the Issuer.

(d) **General Meeting**

A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth of the principal amount of the Notes outstanding, may address to the Issuer and the Representative a demand for convocation of the General Meeting. If such General Meeting has not been convened within two months after such demand, the Noteholders may commission one of their members to petition a competent court in Paris to appoint an agent (*mandataire*) who will call the General Meeting.

Notice of the date, time, place and agenda of any General Meeting will be published as provided under Condition 15.

Each Noteholder has the right to participate in a General Meeting in person, by proxy, correspondence, or, if the *statuts* of the Issuer so specify[1], videoconference or any other means of telecommunications allowing the identification of the participating Noteholders. Each Note carries the right to one vote or, in the case of Notes issued with more than one Specified Denomination, one vote in respect of each multiple of the lowest Specified Denomination comprised in the principal amount of the Specified Denomination of such Note.

(e) **Powers of the General Meetings**

The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternate Representative and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions 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 Meeting may not increase amounts payable by Noteholders, nor authorise or accept a postponement of the date of payment of interest on or a modification of the terms of repayment of or the rate of interest on the Notes, nor establish any unequal treatment between the Noteholders, nor decide to convert Notes into shares.

General Meetings may deliberate validly on first convocation only if Noteholders present or represented hold at least a quarter of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a simple majority of votes cast by Noteholders attending such General Meetings or represented thereat.

Decisions of General Meetings must be published in accordance with the provisions set forth in Condition 15.

(f) **Information to Noteholders**

Each Noteholder or representative thereof will have the right, during the 15-day period preceding the holding of each General Meeting, 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 Meeting, all of which will be available for inspection by the relevant Noteholders at the registered office of the Issuer, at the specified offices of any of the Paying Agents during usual business hours and at any other place specified in the notice of the General Meeting.

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[1] *At the date of this Offering Circular, the* statuts *of the Issuer do not contemplate the right for a Noteholder to participate in a General Meeting by videoconference or any other means of telecommunication allowing the identification of the participating Noteholders.*

(g) **Expenses**

The Issuer will pay all expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings and, more generally, all administrative expenses resolved upon by the General Meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the Notes.

(h) **Single Masse**

The holders of Notes of the same Series, and the holders of Notes of any other Series which have been assimilated with the Notes of such first-mentioned Series in accordance with Condition 14, shall, for the defence of their respective common interests, be grouped in a single Masse. The Representative appointed in respect of the first Tranche of any Series of Notes will be the Representative of the single Masse of all such Series.

12 Modifications

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

13 Replacement of definitive Notes, Receipts, Coupons and Talons

If, in the case of any Materialised Bearer Notes, a Definitive Materialised Bearer Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Fiscal Agent or such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Definitive Materialised Bearer Note, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Materialised Bearer Notes, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Materialised Bearer Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14 Further Issues and Consolidation

(a) **Further Issues:** Unless otherwise specified in the relevant Pricing Supplement, the Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further notes to be assimilated (*assimilées*) and form a single series with the Notes provided such Notes and the further notes carry rights identical in all respects (or in all respects save for the principal amount thereof and the first payment of interest in the relevant Pricing Supplement) and that the terms of such further notes provide for such assimilation and references in these Conditions to "**Notes**" shall be construed accordingly.

(b) **Consolidation:** The Issuer may, with the prior approval of the Redenomination and Consolidation Agents, from time to time on any Interest Payment Date occurring on or after the Redenomination Date on giving not less than 30 days' prior notice to the Noteholders in accordance with Condition 15, without the consent of the Noteholders, Receiptholders or Couponholders, consolidate the Notes of one Series with the Notes of one or more other Series issued by it, whether or not originally issued in one of the European national currencies or in Euro, provided such other Notes have been redenominated in Euro (if not originally denominated in Euro) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

15 Notices

(a) Subject as provided in Condition 15(c) below, notices to the holders of Dematerialised Notes in registered form (*au nominatif*) shall be valid if either, (i) they are mailed to them at their respective addresses, in which case they will be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the mailing, or, (ii) at the option of Issuer, they are published in a leading daily financial newspaper of general circulation in Europe (which is expected to be the *Financial Times*). Provided that, so long as such Notes are listed on any stock exchange(s), notices shall be valid if published in a daily newspaper with general circulation in the city/ies where the stock exchange(s) on which such Notes is/are listed which (x) in the case of Euronext Paris, is expected to be *La Tribune* or *Les Echos* and (y) in the case of the Luxembourg Stock Exchange, is expected to be the *Luxemburger Wort*.

(b) Subject as provided in Condition 15(c) below, notices to the holders of Materialised Bearer Notes and Dematerialised Notes in bearer form shall be valid if published in a daily leading newspaper of general circulation in Europe (which is expected to be the *Financial Times*) and so long as such Notes are listed on any stock exchange, in a leading daily financial newspaper with general circulation in the city/ies where the stock exchange(s) on which such Notes is/are listed which (i) in the case of Euronext Paris, is expected to be *Les Echos* or *La Tribune*, and (ii) in the case of the Luxembourg Stock Exchange, is expected to be the *Luxemburger Wort*. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Materialised Bearer Notes in accordance with this Condition.

(c) Notices required to be given to the holders of Dematerialised Notes (whether in registered or in bearer form) pursuant to these Conditions may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Notes are for the time being cleared in substitution for the mailing and publication as required by Conditions 15(a) and (b) above; except that (i) so long as the Notes are listed on the Paris and/or Luxembourg Stock Exchange and the rules applicable to that Stock Exchange so require, notices shall also be published in a leading daily newspaper of general circulation in the city/ies where the Stock Exchange(s) on which such Note(s) is/are listed, and (ii) notices relating to the convocation and decision(s) of the General Meetings pursuant to Condition 11 shall also be published in a leading daily newspaper of general circulation in Europe.

16 Governing Law and Jurisdiction

(a) **Governing Law:** The Notes (and, where applicable, the Receipts, the Coupons and the Talons) are governed by, and shall be construed in accordance with, French law.

(b) **Jurisdiction:** Any claim against the Issuer in connection with any Notes, Receipts, Coupons or Talons may be brought before any competent court in Paris.

TEMPORARY GLOBAL CERTIFICATES ISSUED IN RESPECT OF MATERIALISED BEARER NOTES

Temporary Global Certificates

A Temporary Global Certificate, without interest Coupons, will initially be issued in connection with Materialised Bearer Notes. Upon the initial deposit of such Temporary Global Certificate with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"), Euroclear or Clearstream, Luxembourg will credit the accounts of each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

The Common Depositary may also credit with a nominal amount of Notes the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, a nominal amount of Notes that is initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Exchange

Each Temporary Global Certificate issued in respect of Notes will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

(i) if the relevant Pricing Supplement indicates that such Temporary Global Certificate is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme - Selling Restrictions"), in whole, but not in part, for the Definitive Materialised Bearer Notes and

(ii) otherwise, in whole but not in part upon certification as to non-U.S. beneficial ownership (a form of which shall be available at the specified offices of any of the Paying Agents) for definitive Materialised Bearer Notes.

Delivery of Definitive Materialised Bearer Notes

On or after its Exchange Date, the holder of a Temporary Global Certificate may surrender such Temporary Global Certificate to or to the order of the Fiscal Agent. In exchange for any Temporary Global Certificate, the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Materialised Bearer Notes. In this Offering Circular, Definitive Materialised Bearer Notes means, in relation to any Temporary Global Certificate, the Definitive Materialised Bearer Notes for which such Temporary Global Certificate may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Temporary Global Certificate and a Talon). Definitive Materialised Bearer Notes will be security printed in accordance with any applicable legal and stock exchange requirements. Forms of such definitive Bearer Materialised Notes shall be available at the specified offices of any of the Paying Agent(s).

Exchange Date

"**Exchange Date**" means, in relation to a Temporary Global Certificate, the day falling after the expiry of 40 days after its issue date, provided that, in the event any further Materialised Notes are issued prior to such day pursuant to Condition 14(a), the Exchange Date for such Temporary Global Certificate shall be postponed to the day falling after the expiry of 40 days after the issue of such further Materialised Notes.

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be used for the Issuer's general purposes unless otherwise specified in the relevant Pricing Supplement.

DESCRIPTION OF GAZ DE FRANCE

General

Gaz de France was created in the form of an "*établissement public à caractère industriel et commercial*" by French Law n°46-628 dated April 8, 1946 relating to the nationalisation of electricity and gas (as amended) (*relative à la nationalisation de l'électricité et du gaz (telle que modifiée)*).

French Law n°2004-803 on public service in the electricity and gas industries and on electricity and gas utilities, promulgated on August 9, 2004, provides for the transformation of the legal status of Gaz de France from an *Etablissement Public national à caractère Industriel et Commercial* (EPIC) into a *Société Anonyme* (SA).

Since the publication on November 19, 2004 of the decree n°2004-1223, Gaz de France is now a *Société Anonyme.* The constitutive documents of Gaz de France were registered with the Paris Commercial Registry (*Registre du Commerce et des Sociétés*). On June 30, 2004, the Gaz de France group (the "Group") employed 38,161 staff.

History and Background

Gaz de France was created in 1946 through the nationalisation of the electricity and gas industries in France under the Law dated April 8, 1946.

From 1946 to 1957, the company modernised and concentrated gas production through the building of plants.

From the early 1960s, Gaz de France shifted from a small national gas producer to a major European natural gas operator by negotiating the first long-term procurement contracts with Algeria, the Netherlands and the former Soviet Union.

A liquefied natural gas (LNG) terminal was opened in Fos-sur-Mer in 1972. A second terminal was opened in Montoir de Bretagne in 1980. This was part of Gaz de France consolidating and diversifying the gas grid in France and the distribution of gas through Europe.

Regulatory Framework

As a European operator focused on the gas sector, and developing its activities in other energies, Gaz de France is subject to various regulations.

The Law n°2003-8 dated January 3, 2003 transposed Directive 98/30/EC of 1998 (the "First Gas Directive") in France by introducing competition between gas suppliers and giving the right to "eligible" customers to choose their gas suppliers. Regarding the electricity market, this 2003 Law strengthened the competition, introduced by the Law n°2000-108 of February 10, 2000, between electricity suppliers. These Laws provide for third party access to the transmission and distribution infrastructures on the basis of objective and non discriminatory conditions, as well as for accounting unbundling for transmission and distribution activities in integrated energy groups.

This 2003 Law also enlarges the field of the administrative regulatory body, now called "*Commission de Régulation de l'Energie (CRE)*" which controls the operating of the electricity and gas markets and the application of these regulations by energy operators.

On June 26, 2003, the European Parliament and the Council adopted Directive 2003/55/EC (the "Second Gas Directive") concerning common rules for the internal market in natural gas and repealing the First Gas Directive. On the same date, was also adopted Directive 2003/54/EC relating to common rules for the internal market in electricity and repealing Directive 96/92/EC. These Directives accelerated the opening of the electricity and gas markets. As of July 2007, all customers will have the possibility to choose their electricity and gas supplier. In vertically integrated undertakings, the systems operators shall be operated through legally separate entities (this requirement applies to transmission systems since July 1, 2004) and unbundling accounting obligations and independence commitments shall be strengthened. Mandatory third party access (TPA) to distribution and transmission systems, as well as to liquefied natural gas and storage facilities are also required.

As Law n°2004-803 dated August 9, 2004 transposed Directives 2003/54/EC and 2003/55/EC, it requires that Gaz de France transfer to a subsidiary - owned by the parent company and, as the case may be, solely by state-owned entities - its transmission activity before February 11, 2005. It also requires that Gaz de France create an independent service in charge of the distribution system and publish its operating conditions for storage access, which are to be negotiated with the applicant. This Law amended the provisions of Law n°46-628 dated April 8, 1946 which mostly applied to the organisation and activities (change of legal status and abrogation of the "principe de spécialité") of Electricité de France (EDF) and Gaz de France.

In addition, specific regulations continue to apply to each energy activity.

According to the Rectified Finance Law for 2001, the gas transmission infrastructures belong since July 2002 to Gaz de France and since the 2003 Law and its implementing Decree n°2003-944 dated October 3, 2003, the gas transmission activity is subject to a ministerial authorisation granted for an unlimited period. The gas storage activities are subject to a system of mining concessions granted by Decree.

The gas distribution activity remains a Gaz de France monopoly in application of the 1946 Law (except for local public distribution companies mentioned in article 23 of the 1946 Law) and is operated through concessions granted by local public authorities. Under the 2004 Law, in accordance with the 1946 Law, it is compulsory to maintain a common distribution service, with or without legal personality, between Gaz de France and EDF.

The prices for third party access to these transmission and distribution systems are adopted jointly by the finance and energy ministers, on the regulatory body's proposals.

The gas supply activities are also subject to the delivery of an authorisation granted by the minister in charge of energy. Since a ministerial order dated September 14, 2004, Gaz de France is an authorised gas supplier. As far as the electricity supply business is concerned, Gaz de France has received on 13 September 2004, pursuant to Decree no. 2004-388 of 30 April 2004, the authorisation to purchase electricity in order to resell it to eligible customers. This authorisation remains valid for five years.

All the above mentioned authorisations and/or concessions are delivered on the basis of objective and non discriminatory criteria (except for the distribution activities which are under a monopoly).

All gas and electricity companies are subject to public service obligations specified in the 2003 and 2004 Laws, such as continuity, security and quality of service. In addition, in order to guarantee fair competition on electricity and gas markets, the 2003 and 2004 Laws place confidentiality requirements on integrated groups.

Legal Status

French Law n°2004-803 on public service in the electricity and gas industries and on electricity and gas utilities, promulgated on August 9, 2004, provides for the transformation of the legal status of Gaz de France from an *Etablissement Public national à Caractère Industriel et commercial* (EPIC) into a *Société Anonyme*.

This transformation took effect upon the publication of the implementing decree setting out the company's constitutive documents on November 19, 2004. This transformation has no impact on the assets and financial situation of the company since, according to the law, all of the company's new property, rights, obligations, contracts and authorisations in France and other countries will be those of the Gaz de France parent company at the time its legal form is changed.

As a stated-owned company, Gaz de France is submitted to State control including the supervision by the *Agence des Participations de l'Etat* (APE) within the Ministry of Economy, Finance and Industry.

Since Gaz de France presents its accounting and financial statements according to the rules in effect in industrial and commercial companies, the only impact of the transformation into a *Société Anonyme* on the financial statements is the creation of capital stock, the amount of which has been determined by the decree, with the total amount of shareholder's equity remaining unchanged.

The transformation will neither affect the rules of composition of the board of Gaz de France which remains subject to Law n°83-675 dated July 26, 1983 relating to the democratisation of the public sector (see Management section).

Activity

As a *Société Anonyme*, Gaz de France is no longer subject to the "*principe de spécialité*" and today, the main activities of Gaz de France consist in prospecting, producing, processing, importing and exporting, purchasing, transporting, storing, distributing, supplying, trading, marketing combustible gas and any other energy.

Gaz de France activities are subject, when applicable, to public service missions ascribed by French legislation.

Headquarters and duration of Gaz de France

The headquarters of Gaz de France are located at 23, rue Philibert Delorme, 75017 Paris, France.

The duration of Gaz de France is ninety nine (99) years.

Shareholder structure

Gaz de France is 100% owned by the French State.

Share capital amounts to 903,000,000 euros made up of 451,500,000 shares with a par value of two euros each.

Law n°2004-803 of August 9, 2004 provides that French State will remain the owner of at least 70% of the shares.

Company Overview

Gaz de France is an integrated energy operator, focused on gas, among the leaders in the European market.

Gaz de France develops its business lines along the entire natural gas chain, from exploration-production through to customer services, presenting its activities into two complementary branches :

- an integrated "**Energy Supply and Services**" branch from production to the sale of energy and services,
- an "**Infrastructures**" branch whose activities, notably transmission, storage and distribution, are for the most part regulated, and which guarantee high-quality, non-discriminatory services to all gas infrastructure users.

All these activities are primarily conducted within a regulated framework. Gaz de France has one of the largest transmission and distribution networks in Europe, one of the largest European customer bases and sales volume with 60.2 billion m^3 of natural gas sold in 2003.

Gaz de France has strong positions in Europe and conducts operations globally via alliances and partnerships at all levels of the gas industry. The goal of Gaz de France is to continue to expand from its domestic market and develop its integrated activities in Europe.

Net sales in 2003 were 16,647 million euros with an EBITDA of 4,134 million euros and Gaz de France had a 15 million customers portfolio.

(millions of euros) 2003	Energy Supply and Services	Infrastructures	Other	Eliminations	Total
Net Sales	15,161	6,525[1]	60	(5,099)	16,647
EBITDA	950	3,169	15	-	4,134
Operating income	465	1,446	(32)	-	1,879

The two different branches are themselves further divided into business segments:

Energy Supply and Services

(millions of euros) 2003	Exploration – Production	Purchase and Sale of Energy	Services	Eliminations	Total
Net Sales	703	13,338	1,340	(220)	15,161
EBITDA	397	499	54	-	950
Operating income	145	316	4	-	465

Energy Supply and Services incorporates the following segments:

Exploration - Production:

- Management and development of interests in natural gas exploration and production licences, as an operator or a partner within the framework of operating agreements
- Marketing of natural gas and oil productions (petroleum, condensates,…), in particular through Supply and Trading

Purchase and Sale of Energy

- Management and optimisation of the Group's supply portfolio, mainly based on long-term contracts, the Group's own resources and short-term market transactions
- Sale of energy and related services for key accounts in France and Europe
- Sale of energy for residential, commercial and local government customers

Services

- Development of services that complement the supply of energy : energy services, industrial equipment maintenance, etc.

Infrastructures

(millions of euros) 2003	Transmission and Storage France	Distribution France	Transmission and Distribution International	Eliminations	Total
Net Sales	1,937	3,305	1,304	(21)	6,525
EBITDA	1,228	1,557	384	-	3,169
Operating income	609	598	239	-	1,446

[1] Includes 1,647 of external sales

Infrastructures incorporates all the transport and distribution businesses for the different segments:

Transmission and Storage – France

- Marketing and transport activities for shippers
- Development and operation of transmission facilities in France
- Development and operation of underground storage facilities in France
- Development and operation of LNG receiving terminals in France

Distribution – France

- Development and operation of distribution networks in France
- Marketing and distribution for suppliers

Transmission and Distribution – International

- Management (as operator in some countries) of subsidiaries, affiliates and assets in transmission, storage and distribution
- Operation of distribution networks through subsidiaries and affiliates that may also sell energy

Staff

Staff	**2001**	**2002**	**2003**
France	29,873	29,830	29,528
International	6,578	8,023	8,573
Total Gaz de France Group	36,451	37,853	38,101

Debt Instruments of the Issuer

Irredeemable securities (M =millions)	**Issuance date**	**Listing**	**Outstanding Amount as of December 31, 2003**	**Outstanding Amount as of June 30, 2004**
Titres participatifs	1985	Paris	485 MEUR	485 MEUR

Commercial Paper (M=millions)	**Programme size**	**Outstanding Amount as of December 31, 2003**	**Outstanding Amount as of June 30, 2004**
French CP	1,250 MEUR	502.7 MEUR	0
Euro CP	450 MUSD	174 MEUR	0
US CP	450 MUSD	0	0

Bonds (M=millions)	**Issue date**	Listing	**Maturity Date**
EUR 1,250 M - 4.75%	February 2003	Paris/Luxembourg	February 2013
EUR 750 M - 5.125%	February 2003	Paris/Luxembourg	February 2018
EUR 30 M – Euribor 3m	December 2003	Paris	December 2006
JPY 5,000 M – JPY LIBOR 6m + 0.005%	December 2003	Luxembourg	December 2006
JPY 3,000 M – 0.658%	March 2004	None	March 2009

Sector Overview

European Gas Market Trends

Trends

The key trends in the gas sector are: 1) an increasing net demand for gas in the power generation and residential markets offset in part by lower industrial demand; 2) a diversification of sources of supply; 3) increased negotiating power of consumers as Third Party access to transmission networks enables competitors to contact end users directly; 4) "gas-on-gas" competition as a pan-European market is developing; and 5) the ongoing consolidation and restructuring of the market participants.

Competition

Gaz de France is a leading operator in the European gas market. It operates one of the largest transmission networks in Europe and has one of the largest European customer bases.

Company Description

ENERGY SUPPLY AND SERVICES BRANCH

Exploration – Production

Exploration and production activities make a major contribution to the Group's principal objectives, which are to diversify and secure its supply portfolio and enhance the competitiveness of its commercial offering. In 2003, Gaz de France's reserves rose to 670 million boe (barrels oil equivalent), 72% of which were natural gas, representing an increase of almost 40% over 2002. Today the Group's production of natural gas, all subsidiaries combined, corresponds to 9% of sales, and the objective is to produce quantities of gas that cover 15% of its needs. To achieve this goal, Gaz de France is strengthening its presence in the North Sea and, in addition, exploring and developing gas fields in new regions like Algeria and Egypt.

The acquisition of Preussag Energie's German assets completed in May 2003 allowed Gaz de France to position itself as a major player in German onshore production activities.

In the United Kingdom, GDF Britain, a wholly owned subsidiary of Gaz de France, initiated, as operator, the development of the portfolio it acquired from CalEnergy in 2002, drilling the first development well at the Anglia field it operates.

In Norway, the Group is a partner in the Fram field (acquired in 2002), which began production as scheduled. It also significantly reinforced its presence in upstream operations in Norway through the acquisition in 2003 of a 30% interest in the Gjoa deposit. The development of the Snøhvit project was pursued in 2003, with start-up scheduled for 2006.

Purchase and Sale of Energy

Gaz de France's supply portfolio is one of the most diversified in Europe. It is primarily based on long-term contracts (an average of 20 years) through which the Group has access to the gas reserves of the main suppliers to the European market : Norway, Russia, Algeria, Netherlands, United Kingdom and Nigeria. These contracts represent approximately 90% of the volume of gas delivered in 2003. In this context, Gaz de France extended its main contract with the Russian supplier Gazprom until 2015. In addition, a contract for the annual delivery – to begin at the end of 2005 for 20 years - of 4.8 billion m^3 pear year of Egyptian gas in liquefied form took effect in 2003.

In connection with its objectives in terms of the supply of electricity in France and Europe, Gaz de France has undertaken to build an electricity supply portfolio, based in part on the acquisition and development of its own production capacities. In 2004, Gaz de France therefore pursued, with its partners, the construction of the DK6 power plant in Dunkerque (France) and acquired a combined heat and power plant in Shotton (Wales) in October 2003.

Lastly, Gaz de France trades in spot contracts to optimise the competitiveness of its natural gas or electricity supply portfolio through trades in organised markets, short-term purchases of gas from its usual long-term suppliers, and spot purchases or sales of LNG. In organised markets, Gaz de France operates through *Gaselys*[1], its trading subsidiary created in 2001 in partnership with Société Générale.

Services

As the third largest operator in France in the service sector and the second largest in Italy, Gaz de France, through its subsidiaries, and especially Cofathec®, develops a full range of services that complement energy supply in order to meet the needs of customers.

Cofathec® covers heating, ventilation and air conditioning, cogeneration, district heating networks, industrial utilities, production environments and controlled environments, industrial maintenance, multi-service and multi-technique service packages, facility management, etc. and offers a full range of customised services for the residential and commercial sectors, local authorities and industry.

INFRASTRUCTURES BRANCH

Transmission and Storage - France

In France, Gaz de France operates one of Europe's most extensive grids, comprising a high-pressure gas pipeline system of 31,185 kilometres, two LNG terminals and 14 underground storage sites. In July 2002, Gaz de France acquired the French transmission system which it had previously operated under a franchise agreement.

Third-party access to the transmission system is already effective. In 2003, the volume moved for third parties increased by 60%, rising to 31 billion kWh in 2003 from 19.2 billion kWh in 2002. In 2003, the Group continued to expand its transmission system by laying almost 400 kilometres of pipelines.

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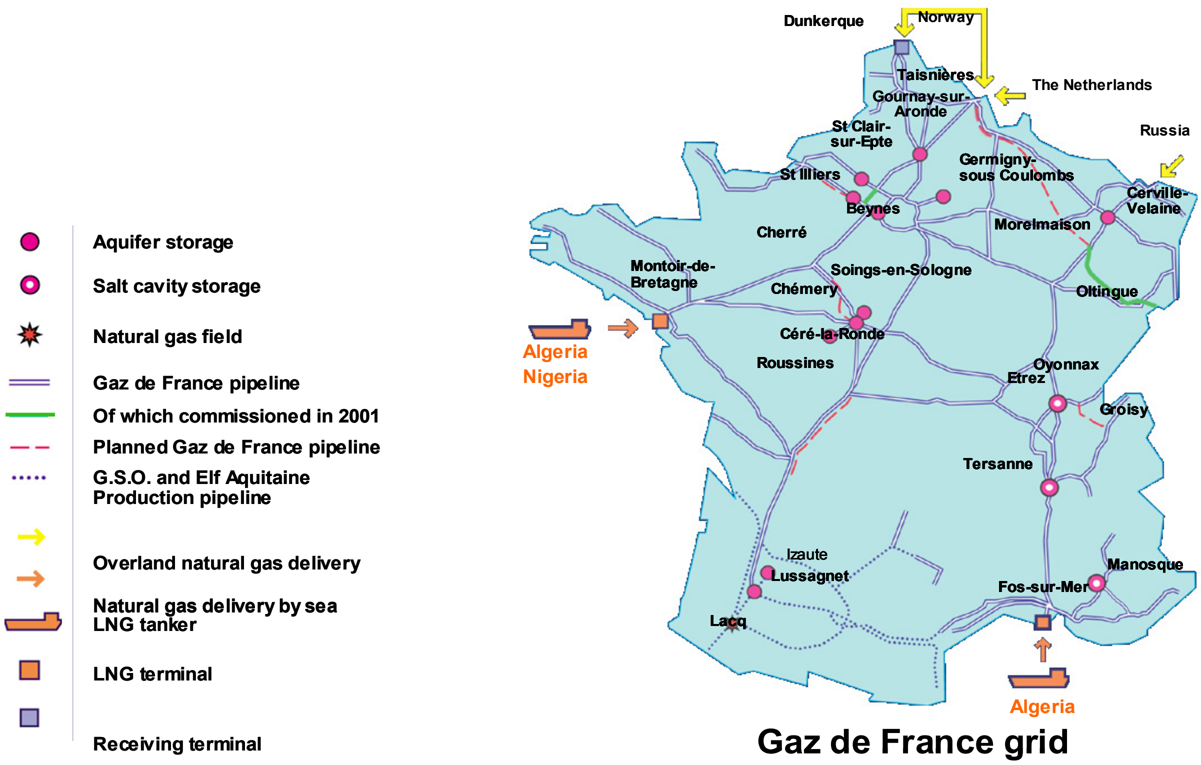
[1] Gaselys is authorised as an investment services provider.



Source: Annual Report

Gaz de France also operates two LNG receiving terminals in France: the Montoir-de-Bretagne terminal on the Atlantic Ocean coast, the largest in Europe, and Fos-sur-Mer on the Mediterranean coast. In 2003, almost 20 million m³ of LNG were unloaded from 282 tankers at the two existing LNG terminals at Fos-sur-Mers and Montoir-de-Bretagne. In addition, Gaz de France started in 2004 the construction of a new LNG terminal at Fos Cavaou. Start-up is scheduled for 2007.

Distribution-France

With 169,244 kilometres of mains and 8,770 municipalities connected, Gaz de France operates one of the most extensive natural gas distribution networks. While continuing to grow and modernise, the Group has significantly modified its distribution activities in France in anticipation of energy market deregulation for commercial and residential customers.

Signed with public authorities in 1999, the three-year plan for natural gas connection, which came to an end at the beginning of 2003, led to the connection of almost 1,070 municipalities or municipal syndicates to the distribution network. Today, approximately 8,770 municipalities in France, which account for 75% of the French population, are supplied with natural gas.

In order to meet the directive's requirements, the Group has reorganised, together with Electricité de France (EDF), distribution services in 2004. Management of the natural gas distribution network is organised in two entities : the Distribution System Operator and the Joint Operator of distribution networks (EDF-Gaz de France Distribution) set up with EDF. The Gaz de France Distribution System Operator decides investments for the distribution network and handles relations with the French energy regulatory commission and with network franchising authorities.

Sales of natural gas (billions of kWh)

	2001	2002	2003
Gaz de France	**471**	**477**	**519**
- Residential sector	170	157	173
- Commercial sector	76	73	80
- Industrial sector	178	188	194
- Other sales (other energy utilities, export and Local Distribution Companies)	47	59	72
Subsidiaries	**103**	**115**	**143**
TOTAL	**574**	**592**	**662**

Transmission and Distribution – International

Strategic holdings in several European transmission systems enable Gaz de France to secure the transmission of natural gas and to benefit from its privileged place at the crossroads of European gas exchanges. Through its subsidiaries and affiliates, the Group also operates several distribution networks in Europe.

In transmission, Gaz de France is also active in Germany through its subsidiary Megal. Lastly, the acquisition of the assets of Preussag Energie allows the Group to strengthen its position in Germany in transmission activities (through Erdgas Münster's 2,000 kilometre network in which Gaz de France now has an 11% equity interest) and to be present in the storage sector (with a capacity of 300 million m^3 at four locations).

As Europe's third largest market, Italy is one of Gaz de France privileged investment focuses in the field of distribution. In 2003, the Group acquired a 40% equity interest in the gas activities of Italcogim[1], Italy's fourth largest distributor of natural gas.

Gaz de France also owns distribution subsidiaries outside of Europe. In Mexico, it is the largest distributor in terms of the volume of gas channelled through its system and the second largest by the number of customers.

Risks

General Organisation

Gaz de France implemented a global Risk Management approach at the beginning of 2003 to comply with governance practices. The risk evaluation and management process takes place in conjunction with the Group's major evolution projects in the context of the deregulation of the gas market. In March 2004, Gaz de France created a department at corporate level dedicated to Global Risk Management: the Risk Management Delegation with specific attributions. Its main objectives are:

- to define a Group policy for Global Risk Management: introducing common practices and methodologies for risk assessment and management, producing a dynamic Group risks analysis for the Board of Directors and the Audit Committee, and
- to promote risk awareness through the whole Group.

Besides the Risk Management Delegation which reports to the Executive Secretary, the risk management organisation involves:

- the Risk Task Force, the members of which are in charge of local risk evaluation and monitoring,

[1] Unconsolidated as of December 31, 2003 and June 30, 2004.

- the skills-tank which is constituted by the Risk Task Force members and experts from internal departments (Industrial Safety Security and Health Division, Environmental Risks and Quality Department, Legal Department …) or external experts.

Group entities are responsible for identifying, assessing and prioritising the risks they are exposed to. As a consequence of the evaluation of their risks exposure, they are in charge of the elaboration and implementation of action plans to reduce their exposure. Once a year, they produce a risk map validated by their Executive Vice-President. The Risk Management Delegation and the experts belonging to the Group's Divisions assist the entities during this process.

The Risk Management Delegation, assisted by the Risk Task Force and the Skills-Tank, is in charge of the Group's Risk Map, based on the risks analysis performed by the business units (aggregation of BU's risk maps) and on information collected at corporate level.

Validated by the Executive Committee, the Group Risk Map is submitted to the Audit Committee. The risk map is a decision tool for the Executive Committee to take specific measures: special follow-up, actions for risk reduction, resource allocation and strategic orientations…

Risk maps are also used by the Audit Department to prepare the Group Audit program focusing control on the residual risks.

The Quality Security Environmental Integrated Group Management, created in 2004, provides a monitoring of the main actions for industrial and environmental risks reduction, and treatment of safety, security and health issues with quality processes.

The management of financial risks – liquidity, interest rate, foreign exchange and counterparty risks – is the responsibility of the Finance division. The centralisation of this activity ensures efficient implementation of risk control policy by making it possible to aggregate risks, control positions and concentrate trading in a single unit. The coherence of management decisions is guaranteed by cross-division decision-making bodies : the interest rate and foreign exchange committee and the credit committee.

Liquidity risk

Gaz de France has the benefit of various confirmed credit lines allowing access to significant liquidity, among which a 2 billion euros revolving credit facility signed in August 2002 for five years which is totally undrawn as of June 30, 2004. This credit facility includes common clauses related to events of default and Gaz de France acts in conformity with these clauses. More generally, Gaz de France does not anticipate any early repayment of its debt, due to covenants, which will materially affect its financial structure.

Gaz de France also obtains short term financing programs with a commercial paper programme of approximately 1 billion euros, a USCP programme of 450 million dollars and a EuroCP programme of 450 million dollars also. As of June 30, 2004, these programmes are totally undrawn. On September 14, 2004, the Board of Gaz de France authorised an increase in mobilisation ceilings to 1,250 million euros for French commercial paper and to 1 billion US dollars for both EuroCP and USCP programmes on a cumulative basis.

In February 2003, Gaz de France launched under its EMTN programme bond issues totalling 2 billion euros. The issues comprise two long term fixed rate tranches : a 10-year tranche of 1,250 million euros with a 4.75% coupon and a 15-year tranche of 750 million euros with a 5.125% coupon.

The maturity schedule of the Financial debt as of June 30, 2004 is as follows.

millions of euros	**Balance as of June 30, 2004**	**Maturity < 1 year**	**Maturity between 1 and 5 years**	**Maturity between 6 and 10 years**	**Maturity > 10 years**
Leasing	849	59	240	271	279
Bond issues	2,090	0	90	1,251	749
Other Loans	966	117	610	222	17
Bank overdrafts	465	461	4	0	0
Miscellaneous	190	158	13	5	14
Financial Debt	**4,560**	**795**	**957**	**1,749**	**1,059**

Interest rate and foreign exchange risks

As of June 30, 2004, leasing debt and debt negotiated at a fixed rate or at a rate converted to a fixed rate through interest swaps totalled 2,819 million euros. Fixed rate financing of originally less than 3 months is not included.

Gaz de France has not entered into interest rate swaps to convert the 2 billion euros fixed rate tranches issued in February 2003.

The Group entered into interest rate swaps to convert floating rate medium and long term loans to fixed rate. The hedged commitments totalled 193 million euros as of June 30, 2004 as explained in Note 18 a to Consolidated Financial Statements.

Breakdown of loan debt (bond issues and other loans) by currency after accounting for financial instruments used to hedge foreign exchange risk is the following:

millions of euros	June 30, 2004	**%**
EUR	1,932	63.22
USD	1,031	33.73
GBP	32	1.05
Other	61	2.00
Total	**3,056**	**100.00**

As of June 30, 2004, receivables and payables in foreign currency could be analysed as follows:

millions of euros	June 30, 2004
Payables in USD	46
Receivables in GBP	(117)

The Group uses interest and exchange derivative financial instruments exclusively to hedge against underlying financial risks resulting from its industrial and commercial activities and its asset base.

The corresponding commitments are detailed in the Notes to Consolidated Financial Statements (Note 18 a).

Commodities risk

In order to meet customer demand for natural gas in the medium and long term, the Group secures its supplies through contracts that may last up to 25 years and, also, by diversifying its sources of supply (including exploration and production). These contracts include reciprocal commitments referring to determined quantities of gas : a commitment by the Group to take delivery of minimum quantities, a commitment by suppliers to provide quantities at competitive prices.

Competitiveness is ensured by price adjustment formulas and clauses. Most of the Group's gas procurement is negotiated through such contracts. As of June 30, 2004, the Group's commitments totalled 23 billion m^3 for 2005, 204 billion m^3 for the period 2006-2009 and 468 billion m^3 for 2010 and beyond.

In addition, the Group entered into forward purchases and sales of natural gas within the framework of its trading activities: purchases and sales of natural gas in spot markets and financially engineered sales to industrial customers; and at its trading subsidiary, *Gaselys*, cash and carry campaigns and spread trading. As of June 30, 2004, Group commitments totalled 3 billion m^3 in forward purchases maturing in less than one year and 4 billion m^3 in forward sales maturing in less than one year.

In order to meet its commitments to take delivery of determined volumes of gas, the Group was led to enter into contracts to book land and sea transport capacities.

Moreover, subsidiaries in the Exploration and Production sector are committed to supply minimum quantities of natural gas to their customers. The corresponding commitment represented 12 billion m^3 as of June 30, 2004, of which 1 billion m^3 of less than one year.

Within the framework of its trading activities, the Group is also engaged in forward purchases and sales of oil and electricity. As of June 30, 2004, the Group's commitments were as follows :

billions of kWh	**Electricity**
- Forward purchases	4
- Forward sales	8

In addition to its own electricity production, the Group has negotiated long-term reserved electricity production capacities of 16 billion kWh per year for 22 years.

Gaz de France uses derivatives instruments to manage its exposure to fluctuations in the price of commodities. Swaps and options, generally backed by physical transactions concerning natural gas, are used as hedging instruments. Swaps allow a sale orpurchase price to be fixed at the time of negotiation for a specified quantity of gas at a future date. They serve to secure and guarantee the margin on a commercial transaction, whatever the future price of gas.

The details of these commitments is presented in the Notes to Consolidated Financial Statements (Note 18 b).

Counterparty risk

The Group implements a counterparty risk management policy based, first, on a systematic diversification of its counterparties and, secondly, on an evaluation of their financial situation. Consequently, all the financial instruments used by Gaz de France to manage its interest rate and foreign exchange risks are contracted with counterparties with a long term rating by Standard & Poor's or Moody's higher than A- or A3, respectively.

Energy counterparties of the trading subsidiary *Gaselys* are evaluated and rated on the basis of a financial analysis with reference, when available, to their S&P or Moody's credit-rating. On the basis of the result of this financial evaluation and the Group's relations with the counterparty, Gaz de France may make use of legal instruments such as master netting arrangements (providing setoff of accrued payables and accrued receivables vis-à-vis the same counterparty) or guarantee agreements (comfort letter, parent company guarantee, bank endorsement).

Lastly, because of the Group's organisation in business lines, the customer risk linked to the supply of gas is mainly confined to Energy Supply and Trading, all of whose customers are eligible since the opening of the market in July 2004. Consequently, customer risk is now monitored on a regular basis by the credit committee, a group of representatives of the Finance and Energy Supply and Trading divisions that meets monthly. In addition to analysing the capacity of major counterparties, the committee is responsible for defining a governance framework to manage and monitor credit risks.

Country risks

With regard to gas supplies, country risks are balanced by extensive geographic diversification involving long term suppliers from six countries: Norway, Russia, Algeria, Netherlands, United Kingdom and Nigeria. This diversified long-term supply portfolio is supplemented by proprietary resources and optimised by spot transactions. Supply is also bolstered by 14 underground storage sites in France, which serve to satisfy higher demand during the winter and can, over a period of several months, offset the consequences of any failure to perform on the part of a major supply source.

Business and investment risks are very limited. Non-European activities account for less than 1% of consolidated net sales and for 2% of net fixed assets.

Legal risks

As a European energy market player, Gaz de France has to comply with extensive regulations linked to liberalisation of electricity and gas markets as well as regulations linked to the energy activities. The Group ensures that the necessary measures to comply with these regulations are adopted.

Gaz de France protects all the results of its research as well as its copyrights, trade names and logos.

Otherwise, the Group is involved in some litigation in the normal course of business. In particular, Gaz de France is involved in an arbitration concerning take or pay obligations in a gas sale agreement, for a claim amounting to 20MEUR plus interest, for which Gaz de France has made a counter-claim of 27 MEUR. In addition, Gaz de France has been indicted in the course of a criminal investigation initiated following a gas explosion in Dijon. More generally, proceedings regarding the gas supply and distribution activities are pending, but none of them represents a significant amount (less that 10 MEUR). Gaz de France considers that none of the pending litigation would result in a substantial deterioration in its business, its assets or its financial condition.

Industrial and environmental Risks

The activities of Gaz de France consist mainly in natural gas exploration-production, transmission, distribution as well as facilities management. Therefore, industrial and environmental risks exist. They include emissions of greenhouse gases and risks of natural gas leaks that can possibly lead to intoxication or explosion.

As far as accidents occurring in customers' homes or installations are concerned, Gaz de France is not legally responsible. They represent, during the last ten years in France, 97% of accidents due to natural gas. However, those accidents can affect the image of natural gas and thus penalise the Group's development. That is why, in addition to the gas odorisation, Gaz de France implemented a program to improve quality and safety of customers' installations. This program includes quality audits (*Diagnostic Qualité Gaz de France*®) of those installations. In 2003, 492,787 audits were conducted in France. Furthermore, the Group regularly organises campaigns to heighten public awareness on its own or in partnership with the State. Gaz de France is as well proactive to push on improvement of the natural gas players' professionalism.

Concerning the Group's facilities, Gaz de France has an approach combining multiples means of maintaining safety comprising technical, organisational and human resources.

- From the beginning, at the stage of design of new installations, Gaz de France benefits from the expertise it acquired during the last 50 years. Furthermore, its policy is to use the best technologies available at the relevant time. When several equivalent options are considered, the choice is automatically made according to the highest degree of reliability and safety. When designing new installations of importance, Gaz de France conducts project reviews: investigating how an installation might deviate from the design intent by identifying all possible causes, analysing the consequences and elaborating corrective measures or protection if necessary.

- Distribution networks: the Group has a program to refurbish networks with outdated technologies. In France, grey cast iron pipes are replaced by polyethylene which is more resistant. Down from 35% of the French distribution networks in 1980 and from 15% at the end of 1990, grey cast iron pipes represented in 2003 only 1.7% of the networks. With 2,900 km remaining, the objective for the end of 2008 is to achieve their full replacement. All the distribution pipes are checked periodically in order to detect leaks in the underground network.

- Transmission network: in order to enable the Group to deliver the expected service, transport pipelines are inspected periodically. It is thus possible to identify potential flaws and to proceed to the necessary repairs. A prevention program of damages linked to third parties work close to the Group's installations is in place and leads them on specific occasions to reinforce their protection. Control centres supervise operations 24 hours a day all year long.

- Underground storage and LNG terminals: the exploitation of those sites is subject to authorisation from local authorities. Within this framework, they are subjected to studies, periodically updated, enabling the appreciation risks and the review of measures in place to control them. Those studies are carried out, in France, by the DRIRE, Regional Directions of Industry, Research and Environment (*Directions Régionales de l'Industrie, de la Recherche et de l'Environnement*), placed under the authority of the Ministry of the Economy, Finance and Industry and the Ministry of the Environment and Sustainable Development. The DRIRE frequently submit them to third party expertise. At the same time, a safety management system is in place in those sites, complying with the European Seveso II Directive. Its concrete implementation and its knowledge by the employees are regularly evaluated according to the International Safety Rating System (ISRS). Furthermore, these facilities are supervised 24 hours a day and operating processes are upgraded continuously.

- Sea Transport: the Group operates ships with high standards in terms of maintenance and with regular inspections by classification companies and all the ships are in conformity with International Ship and Port Facility Security Code (ISPS) requirements. Gaz de France participates in programs conducted at the international level by the Society of International Gas Tanker & Terminals Operators (SIGTTO) to promote safety and environmental protection in sea transport.

- Use of chemical products: a process of chemical risk management is in place within the Group and is included in the employees' safety and health management system. Principally, it includes the identification of all chemical products used, the reduction of their number, the evaluation of their toxicity and the implementation of adapted measures to control risks associated with their use.

Furthermore, Gaz de France works actively on the elaboration of norms and regulations to improve global performance in terms of industrial safety. As previously mentioned, the Group is involved in the SIGTTO, but is also in direct contact with the French Administration and is involved with various organisations such as the AFG (*Association Française du Gaz*), Eurogas (European Union of the Natural Gas Industry) or MarcoGas (Technical Association of the European Natural Gas Industry).

Environmental performance:

- The activities of Gaz de France generate emissions of different types of gaseous substances into the atmosphere. The Group has committed to a program to reduce Nox emissions at compressor stations by 83% before 2008 compared with 1999 levels and on a constant operating basis. In 2003, with a reduction of 68%, the Group is ahead of forecast levels. The greenhouse gas emissions from industrial activities (in thousand CO2 equivalent metric tons) were also reduced from 3,249 tons in 2002 to 3,092 in 2003 (at constant perimeter).

- Gaz de France remains the only French company to have signed a protocol with the Ministry of the Environment and Sustainable Development for the depollution of former gas facilities sites. Gaz de France and its German subsidiary Erdgas Erdöl pursue their multi-year program to rehabilitate sites polluted by past activities (gas plants, exploration and production sites). The objective is to reclaim land for safe residential, commercial and industrial use under technical conditions that are economically viable. The commitment of Gaz de France is to audit and reclaim the 467 former gas facilities sites under its responsibility by 2006. At the end of 2003, 87% were audited and 80% rehabilitated. The amount of provisions for sites restoration as of June 30, 2004 was 641 millions euros.

Asbestos

An amendment to the July 15, 1988 national agreement on the prevention and treatment of exposure to asbestos was signed on June 7, 2002 by the Chairman and Chief Executive Officer of Gaz de France and all the labour organisations. Reaffirming that prevention is a priority, it introduces concrete measures, in particular :

- employee follow-up and reconstitution of the history of employee exposure to asbestos,
- improved compensation for active and retired ill employees and their family.

Coverage of insurable risks

Gaz de France has identified and evaluated the insurable risks that the Group faces and in particular those that could ultimately damage the company's assets (industrial and commercial facilities), as well as damage to third parties, including environmental impairment. Such risks are covered by Group insurance programs which cover each of the following activities:

- Off-shore activities,
- LNG transit (by LNG tankers),
- LNG receiving terminals,
- Storage facilities,
- On-shore transit (pipelines) and pressure regulation,
- Gas supply and Services.

These policies are aimed at transferring catastrophic risks to the insurance market whenever possible, so that in the event of major damage, the Group only retains an acceptable amount of losses which will not affect significantly Group financial results.

All the insurers which work with the Group are major actors on the insurance market, as confirmed by their high rating level.

In addition, in order to ensure consistency of existing coverage, of the Group's insurance matters are centralised at the corporate level, within the Finance Division. All new projects launched by subsidiaries are integrated into Group's programs and are subject to Group's control.

RECENT DEVELOPMENTS

Hungary

In January 2004, Gaz de France signed an agreement to acquire the minority stakes held by the Hungarian oil and gas company MOL in the Egáz (35.46%) and Dégáz (27.18%) natural gas distribution companies.

Through this transaction, Gaz de France, present in natural gas distribution in Hungary since 1995, raised its equity interest in Egáz to 99.4% and its interest in Dégáz to 99.8%.

Egáz, based in Györ, to the North-West of Budapest, sells around 1 billion m³ of natural gas per year to 247,000 customers. Dégáz, based in Szeged, in South-Eastern Hungary, sells around 1.3 billion m³ annually to 485,000 customers. Together, they represent around one quarter of the Hungarian natural gas distribution market.

LNG carrier

NYK Armateur - a subsidiary of Gaz de France (40%) and the Japanese shipowner NYK LINE (60%) - signed in July 2004 a contract with Chantiers de l'Atlantique (Alstom Marine) for the construction of a 153,500 m³ LNG carrier to be chartered by Gaz de France for a period of 20 years.

This vessel, identical to the "Provalys" ordered by Gaz de France in September 2003, will be equipped with tanks which use the cryogenic cargo containment system developed by Gaztransport and Technigaz, a Gaz de France subsidiary. It will be powered by a diesel-electric propulsion system running mainly on natural gas.

Romania

On October 18, 2004 , Gaz de France signed an agreement for the acquisition of a 51% stake in the Romanian natural gas distributor Distrigaz Sud. Distrigaz Sud runs a natural gas distribution network of 13,400 km in Southern Romania. It serves around 900,000 private and business customers, particularly in the capital Bucharest. The company has total sales of 5.6 billion m³ of natural gas per year.

Unwinding of cross-holdings between Total and Gaz de France

Following the signature of a protocol of intent in November 2003, Gaz de France and Total signed agreements in October 2004 to separate cross-holdings in their joint transmission and natural gas supply companies in France, Gaz du Sud-Ouest (GSO, 30% owned by Gaz de France) and Compagnie Française du Méthane (CFM, 55% owned by Gaz de France).

Under these agreements, Gaz de France will become sole owner of CFM and Total sole owner of GSO. Total will take over a portion of CFM’s trading activities.

Lastly, under the terms of a partnership agreement, Total may acquire a 30% stake in Gaz de France’s future LNG terminal at Fos-sur-Mer, along with a regasification capacity of 2.25 billion m³ of natural gas.

These agreements remain subject to approval by the competent authorities. They should become effective on January 1, 2005.

Appointment

Jean-François Cirelli has been appointed Chairman and CEO of Gaz de France

On September 15, 2004, the French Council of Ministers appointed Jean-François Cirelli as Chairman and CEO of Gaz de France, on the recommendation of the Board of Directors. He has been Deputy Director in French Prime Minister Jean-Pierre Raffarin's cabinet since 2002, dealing with economic, social and industrial issues.

Gaz de France becomes a Société Anonyme

On November 19, 2004, the implementing decree officialising the change in legal status of Gaz de France from an *Etablissement Public national à caractère Industriel et Commercial* (EPIC) to a *Société Anonyme* (SA) was published in the *Journal Officiel*.

On 24 November 2004, pursuant to a decree published on 26 November 2004 in the French Journal Officiel, Jean-François Cirelli has been appointed Chairman and CEO of Gaz de France *Société Anonyme*.

CAPITALISATION OF GAZ DE FRANCE

The following table sets forth the audited consolidated capitalisation of Gaz de France as at December 31, 2002 and December 31, 2003 and the unaudited consolidated capitalisation of Gaz de France as at June 30, 2004 which has been subject to a limited review by the statutory auditors.

Consolidated capitalisation of Gaz de France Group

	December 31 (audited)	***December 31 (audited)***	***June 30 (limited review)***
	2002	**2003**	**2004**
		(in million Euros)	
EQUITY AND LIABILITIES			
Capital	903	903	903
Consolidated reserves and net income	8,373	8,813	9,343
Minority interests	246	269	203
Other	(17)	(129)	(74)
Equity	**9,505**	**9,856**	**10,375**
Value of franchises	3,209	3,553	3,509
Provisions for risks and expenses	5,442	6,665	6,774
Financial liabilities incl. irredeemable sec.	4,952	5,894	5,045
Accounts payables and related payables	1,851	1,769	1,353
Other current liabilities	3,577	3,820	3,684
TOTAL EQUITY AND LIABILITIES	**28,536**	**31,557**	**30,740**

There has been no material change in the consolidated capitalisation of the Issuer since June 30, 2004 except for an increase in Financial liabilities of approximately 600 millions Euros which is due to the cyclical nature of Gaz de France's activity.

MANAGEMENT AND SUPERVISION

General

Pursuant to Article 13 of Gaz de France's By-Laws in accordance with Law n° 83-675 dated 26 July 1983 relating to the democratisation of French State companies (as amended) (*relative à la démocratisation du secteur public (telle que modifiée)*), Gaz de France is administrated by a Board of Directors consisting of eighteen (18) members, each nominated for five (5) years. Six members are representatives of the French Government, six others are qualified individual board members, all of them being appointed by decree. The final six members are elected by the employees of Gaz de France.

The Chairman of the Board of Directors, chosen among the Directors and nominated by the Board, is appointed and may be removed by a decree of the Council of Ministers. Elected Employee Representatives representing the employees of Gaz de France may be removed in the event of serious negligence by a decision of the President of the Court of First Instance rendered in summary proceedings (*Président du Tribunal de Grande Instance statuant en référé*).

Composition of the Board of Directors

The members of the Board of Directors as of November 24, 2004 are listed below:

Chairman of the Board

Jean-François Cirelli

Representatives of the French Government

M. Paul-Marie Chavanne	Executive Vice-President of La Poste. Chairman and CEO of Géopost and Europe Airpost.
M. Christian Frémont	Prefect of the PACA region, prefect of the southern defence zone, prefect of the Bouches-du-Rhône.
Mme Clara Gaymard	Chief Executive of the French Investment Agency. Ambassador delegate for international investments.
M. Jacques Rapoport	Senior attaché to the Minister of Health, and to the Minister for Employment, Labour and Social Cohesion.
M. Denis Samuel-Lajeunesse	Director of the APE, state-owned assets agency, at the Ministry of the Economy, Finance and Industry.
Mme Florence Tordjman	Assistant director of gas and fossil energy distribution at the Energy and Raw Materials Department of the Ministry of Industry.

Qualified Individual Board Members

M. Jean-Louis Beffa	Chairman and CEO of Saint Gobain. Vice-Chairman of the Board of BNP Paribas and of the Supervisory Board of the Pension Reserve Fund.
M. Aldo Cardoso	Former Chairman and CEO of Andersen Worldwide.
M. Jean-François Cirelli	Chairman and CEO of Gaz de France.
M. Guy Dollé	Chairman and CEO of Arcelor. Chairman of the French Steel Federation and Chairman of Eurofer.
M. Peter Lehman	Chairman of the "Energy Saving Trust". Member of the Northern Ireland Electricity and Gas Regulatory Authority. Consultant.

M. Philippe Lemoine	Co-Chairman of the Board of Galeries Lafayettes. Chairman and CEO of Cofinoga, Laser.

<u>Elected Employees Representatives</u>

M. Olivier Barrault

M. Eric Buttazzoni

M. Bernard Calbrix

M. Jean-François Lejeune

M. Yves Ledoux

M. Daniel Rouvery

Pursuant to its by-laws, the Board has two advisory committees : the Audit and Accounts Committee and the Strategy Committee. The **Audit and Accounts Committee**, composed of four board members, examines and gives its opinion to the Board on the financial statements, the budget, internal control procedures and risk management policy. The **Strategy Committee**, composed of eight board members, gives its opinion to the Board on the Company's main strategic policies, and in particular its investment program and the monitoring of the contract between the Group and the State.

Executive Committee

The Executive Committee is the Group's principal strategic policy body. It examines general objectives and decisions that have the most important consequences for Gaz de France. The Committee meets every week. The permanent members of the Executive Committee are joined by the Vice Presidents concerned by the current agenda.

Executive officers

Jean-François Cirelli	Chairman and Chief Executive Officer
Yves Colliou	Executive Vice President
Jean-Marie Dauger	Executive Vice President

Other members

Georges Bouchard	Head of information and Public Affairs
Stéphane Brimont	Chairman's Advisor
Jean-François Carrière	Head of Strategy
Philippe Jeunet	Head of Finance

Supervision

Gaz de France financial accounts are subject to examination by French statutory auditors ("*Commissaires aux Comptes*") designated for six years.

According to the Law no. 46-628 dated 8 April 1946 (Article 29), Gaz de France's financial statements must be approved by the Board of Directors and, within six months following the completion of each accounting year, submitted for review, together with the report of its statutory auditors, to the Court of Accounts ("*Cour des comptes*"), an administrative jurisdiction which oversees public expenditure. The Court of Accounts issues an opinion on Gaz de France's financial statements within six months following the date of their submission. Statutory auditors' report and the opinion of the Court of Accounts are filed each year with Parliament.

As a state-owned company, Gaz de France is subject to:

- the supervision of *Agence des Participations de l'Etat* (APE) as provided by the decree n° 2004-963 dated September 9, 2004, and to
- the economic and financial control of the Government, exercised by Government Controllers, as provided by the decree n° 55-733 dated May 26, 1955 (as amended).

The Government Controllers and the statutory auditors are as follows:

Government Control Delegation

Gilbert Venet	Chief of the Economic and Financial Mission of Gaz de France and EDF
Dominique Lemaire	Government Controller assigned to Gaz de France

Statutory Auditors

Mazars & Guerard

Ernst & Young Audit

Accounting and Fiscal Years

Gaz de France's accounting and fiscal year coincides with the calendar year.

FINANCIAL HIGHLIGHTS AND MAJOR COMMENTS AS OF 31 DECEMBER 2003

Financial Highlights

Consolidated Financial Data

Billions of Euros	**1999**	**2000**	**2001**	**2002**	**2003**
Net sales exclusive of VAT	9.11	11.21	14.36	14.54	16.65
Operating income	1.09	0.87	1.64	1.55	1.88
Net income (Group share) before dividend	0.44	0.43	0.89	3.61①	0.91
Current cash flow	1.68	1.39	2.22	2.41	3.18
Capital expenditures	1.35	1.54	1.70	3.65	2.87
Cash flow / capital expenditures ratio	125%	90%	130%	66%	111%
Stockholders' equity	4.79	5.25	6.26	9.50	9.86
Net Indebtedness, including irredeemable securities	2.04	3.33	3.38	4.36	5.16
Debt/equity ratio	43%	64%	54%	46%	52%
Work Force	31,144	33,290	36,451	37,853	38,101
France	27,276	28,105	29,873	29,830	29,528
International	3,868	5,185	6,578	8,023	8,573

① 0.84 excluding acquisition of transmission systems

Sales of Natural Gas

Billions of kWh	**2000**	**2001**	**2002**	**2003**
Gaz de France				
- Residential and commercial sector	225	246	230	253
- Industrial sector	175	178	188	194
- Other sales	46	47	59	72
Subsidiaries	76	103	115	143
Total	522	574	592	662

- **Sales of natural gas**
  In 2003, Group sales of natural gas totalled 662 billion kWh, up 11.8% from 2002.

- **Business review**
  The Group's consolidated net sales totalled 16.65 billion euros in 2003, up 14.4% from 2002 (11.5% on a constant consolidation basis). Net sales from international activities rose 36% to 3.77 billion euros (including parent company sales). They accounted for 23% of the Group's total net sales, compared with 19% in 2002. Europe was the primary business focus, with non-European subsidiaries contributing approximately 1% of net sales. Net sales in the Energy Supply and Services branch totalled 15.16 billion euros (+13.3% compared with 2002) and operating income was 465 million euros. Net sales in the Infrastructures branch (including intra-group sales) amounted to 6.52 billion euros (+8.3% compared with 2002) and operating income was 1,446 million euros.

- **Results**

  Operating income totalled 1,879 million euros, representing an increase of 21% over 2002, with a colder climate in 2003 than in 2002. The contribution of international subsidiaries grew significantly, reflecting improved profitability and a broader consolidation base (acquisition of Preussag Energie in 2003 and of SPP in mid-2002). International subsidiaries reported operating income of 367 million euros, accounting for 20% of the total at the end of 2003, versus 5% in 2002. Net income (Group share) totalled 910 million euros.

- **Financial structure**

  Cash flow stood at 3.18 billion euros in 2003, representing an increase of 32% over 2002. Group investments totalled 2.87 billion euros. Capital expenditures, and especially those dedicated to maintenance and system development in France and other countries, continued to represent a significant part of the total at 1.68 billion euros. External growth investments (1.189 billion euros) were mainly related to the acquisition of Preussag Energie's German assets in May 2003, and of a 40% equity interest in Italcogim, Italy's fourth largest independent distributor of natural gas. For the first time since 1992, Gaz de France launched a bond issue of 2 billion euros in February 2003 that allowed the Group to restructure its debt by significantly extending its average maturity and to finance its growth operations while respecting prudent financial policy. At the end of 2003, stockholders' equity stood at 9.86 billion euros, with net indebtedness at 5.16 billion euros, representing 52% of stockholders' equity.

MANAGEMENT REPORT

In 2003, while the euro zone's economic growth stagnated at 0.5%, Gaz de France reported highly satisfactory financial results and continued to grow both in France and abroad.

The Group's activities are divided into two branches:

- "Energy Supply and Services" comprises exploration and production of natural gas and petroleum products, energy supply, trade and sales, and complementary services to energy supply,

- "Infrastructures" comprises all activities linked to infrastructures management, especially regarding domestic and international transmission and distribution.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated sales climbed 14.4% from 2002 to 16,647 million euros, or 11.5% on a constant consolidation basis.

International business continued to account for a significant portion of net sales, growing from 19% of total net sales in 2002 to 23% in 2003.

ACTIVITY OF THE BRANCHES

The Energy Supply and Services branch continued to grow steadily with improved profit margins

The Energy Supply and Services branch reported a 13% increase in 2003 net sales to 15,161 million euros, up 12% on a like-for-like basis. Operating income jumped from 238 million euros in 2002 (1.8% of net sales) to 465 million euros in 2003, or 3.1% of net sales.

For the Exploration-Production segment, the acquisition of Preussag Energie of Germany, subsequently renamed GDF Produktion Exploration Deutschland, pushed total reserves up by roughly 40% to 670 millions of boe (barrels of oil equivalent) at year end 2003. The operating income of this activity came to 145 million euros, more than double that of 2002 on a like-for-like basis.

This sharp rise in results reflects high oil prices, with an average price per barrel of Brent crude close to 29 dollars in 2003, compared to 25 dollars in 2002, partly offset by the euro's gain against the dollar in 2003.

The Group's total sales for Purchase and Sale of Energy climbed 11.8% from 2002 figures to 662 TWh (9.2% on a like-for-like basis). This business branch reported net sales of 13,338 million euros, up by 13% from 2002.

Gaz de France continued to expand its sale to major manufacturers in Europe. The impact of the losses of eligible customers in France was considerably offset by sales generated in other European countries, especially in the UK, Italy, Belgium and the Netherlands, where the 51 TWh gain in 2003 was practically twice the volume lost in France.

In November 2003, the Group launched a new brand known as Gaz de France Energies Communes® especially for local governments.

For the residential client base, considering the increase in the number of heating customers in France in 2003, up by 220,000, we can safely affirm that natural gas remains the energy of choice for heating in France.

Overall, the operating income generated by the business recorded significant growth and leveled off at 316 million euros. Returns were also higher at 2.4% of net sales in 2003 compared to 1.8% in 2002.

The Services sector confirmed its turnaround, and reported an operating profit of 4 million euros in 2003 compared to a 15 million euro loss in 2002, as net sales climbed 7.7% from 1,244 million euros in 2002 to 1,340 million euros in 2003. While the sector's turnaround is confirmed in France the recovery plan for Italy continued to project a return to profit for late 2004.

Significant contribution of Infrastructures branch to consolidated income

Today, a great part of the activity of the Infrastructures branch lies in internal services. Indeed, the Purchase and Sale of Energy segment entities book the capacities required to carry gas sold in the transmission and distribution systems from the Transmission and Distribution in France segments. Compensation for these services free to all is based on rates for third-party access to the transmission and distribution system. These rates have been proposed to the French Energy Regulation Commission at the Ministry for Economy, Finance and Industry for approval.

Consolidated sales for the Infrastructures branch amounted to 6,525 million euros, up 8.3% over 2002, or 4.4% on a like-for-like basis. This figure includes 4,878 million euros for internal services which are eliminated on consolidation.

The operating income of the Infrastructures branch stood at 1,446 million euros in 2003 compared to 1,321 million euros in 2002, and accounted for 77% of consolidated operating income.

The majority of consolidated net fixed assets are carried by this branch: net tangible and intangible fixed assets amounted to 17,809 million euros at December 31, 2003, accounting for 81% of the consolidated total.

In France, the activity of carrying third party supplies in the transmission network continued to grow with 110 connection contracts signed in 2003 compared to 40 contracts in 2002. The net sales of the Transmission and Storage activity in France totaled 1,937 million euros in 2003, up 2.9% over 2002. Operating income totaled 609 million euros, compared to 720 million euros in 2002. Note that the acquisition of transmission networks in 2002 for 5,042 million euros resulted in additional provisions of 151 million euros in 2002 (6 months), and 291 million euros in 2003 (12 months).

Distribution in France reported a 6% increase in net sales to 3,305 million euros, while its operating income inched up 11% from 2002 to 598 million euros. It serves a customer base of 8,770 towns where more than 75% of the population is now connected to the distribution system in France.

Net sales from the Transmission and Distribution-International segment increased 23% to 1,304 million euros. This rise was basically driven by the acquisition of a 24.5% equity interest in the Slovak gas group, SPP in the second half of 2002. At constant consolidation scope, net sales remained stable. Operating income reached 239 million euros and accounted for more than 18% of net sales. The performance of Mexican distribution subsidiaries was in keeping with forecasts, hence the operating loss on this region was contained at 5 million euros.

OPERATING BALANCES ON THE INCOME STATEMENT

EBITDA stood at 4,134 million euros, up by 842 million euros from 2002. This figure includes the additional 196 million euros contributed by the recently acquired subsidiaries, GDF Produktion Exploration Deutschland (formerly Preussag) and SPP. The increase in EBITDA on a like-for-like basis was mainly driven by larger volumes of gas sold.

Consolidated operating income of 1,879 million euros represents an increase of 328 million euros despite an increase depreciation, amortization and provisions.

The reassessment of transmission facilities purchased from the State in July 2002 resulted in an additional 140 million euros of depreciation expense in 2003. Further, disability pensions and allowances for labor accidents, occupational diseases and inability to work as well as exceptional end-of-career departures were fully accrued in 2003 (178 million euros).

The Group's net financial charge totaled 139 million euros compared to 22 million euros at December 31, 2002, representing an increase of 117 million euros, principally linked to an increase in interest owing to higher debt. The Group's tax liability amounted to 752 million euros being 43.3% of pretax income compared to 605 million in 2002 (40.8% of pretax income). The increase in the effective tax rate was mainly due to the impact of discounting deferred taxes to present value. Further, for reasons of prudence, some long-term deferred tax assets were not recognized.

Amortization of goodwill amounted to 76 million euros in 2003 compared to 40 million euros in 2002, mainly consisting of the full-year amortization of the goodwill of SPP (34 million euros in 2003 compared to 17 million euros in 2002 - 6 month), that of Preussag (3 million euros over 7 months), as well as the 20 million euros one-time write-down of Exploration and Production assets in the UK.

Net income – Group share rose by 8.6% to 910 million euros compared to 2002 net income which totaled 838 million euros exclusive of the one-time positive impact linked to the acquisition of the transmission networks. In 2002, reported consolidated net income was 3,612 million euros after adding in 2,774 million euros of one-time gain linked to the acquisition of transmission networks in France.

Cash flow stood at 3,184 million euros, up by 775 million euros over 2002.

The increase in working capital requirements totaled 474 million euros of which 200 million euros arose from increases in trade receivables caused by the climatic variations. Furthermore, a sale of receivables agreed to in 1999 ended in June 2003, resulting in an increase of 152 million euros in accounts receivable.

Total investments amounted to 2,870 million euros in 2003, compared to 3,655 million euros in 2002.

Capital expenditures totaled 1,681 million euros. They include 970 million euros of investments in the Infrastructures sector in France especially in Transmission (261 millions euros) and in Distribution (660 million euros). Capital expenditures of subsidiaries mainly concerned 287 million euros of investments in the Exploration and Production sector and 286 million euros in electricity production, in particular to continue the construction of the combined cycle plant in Dunkerque.

Investments in mergers and acquisitions reached 1,189 million euros and mainly included the acquisition of the German businesses of Preussag Energie for a net value of 859 million euros, announced at the end of 2002, and the acquisition of a 40% stake in the Italcogim group.

Dividends paid totaled 498 million euros of which 456 million euros was paid to Gaz de France shareholders and 42 million euros for dividends to the minority shareholders of wholly consolidated subsidiaries.

FINANCIAL STRUCTURE

Net debt at December 31, 2003 stood at 5,164 million euros, or 52% of shareholders' equity. This compares with 4,359 million euros at December 31, 2002, or 46% of shareholders' equity.

In February 2003, Gaz de France issued bonds worth 2 billion euros as part of the EMTN program set up in October 2002. This issue comprises two fixed rate long-term tranches, one a series totaling 1,250 million euros maturing in 10 years and the other 750 million euros maturing in 15 years. This issue was supplemented in December 2003 by private placements of 67 million euros to improve the structure of group debt, principally by extending its maturity.

As a result, the share of short-term net debt fell sharply to a mere 19% of total net debt at the end of December 2003 compared to 49% at December 2002. The share of fixed term indebtedness increased to 58% at year end December 2003 compared to 18% at December 31, 2002. Lastly, loan debt in euros was at 70% at end of 2003 compared to 52% a year before.

To supplement its ability to issue commercial paper whenever required, Gaz de France negotiated a revolving credit line for 2 billion euros that expires in 2007. This line had not been used as of December 31, 2003.

CORPORATE FINANCIAL STATEMENTS OF GAZ DE FRANCE

Gaz de France's net sales rose 11% from 2002 to 14,274 million euros in 2003, driven mainly by the more favorable weather conditions than in 2002.

EBITDA stood at 3,057 million euros in 2003, up by 432 million euros from 2002. The amount of insurance policy premiums accounted for as operating expense was identical to 2002, i.e., 375 million euros.

Operating income stabilized at 1,309 million euros compared to 2002 under the combined effects of a 140 million euros increase in depreciation, owing to the write-down of facilities acquired from the French government in July 2002, and the full provisions for exceptional end-of-career departures and benefits during service life for 178 million euros.

Net income amounted to 761 million euros in 2003, compared to 634 million euros in 2002, excluding the impact of the transmission network acquisition.

Net debt of Gaz de France stood at 3,371 million euros, up by 1,009 million euros from December 31, 2002.

RISK MANAGEMENT

The management of financial risks – interest rate, exchange rate and counterparty risk – is carried out by the Group's senior executives in the Financial Department. This ensures an effective implementation of risk policy by grouping risks, controlling positions and by providing a single point for market intervention.

The cross-functional committees in charge of the consolidated management of counterparty risk and the consistency of management decisions include the Exchange Rate Committee and the Credit Committee.

COUNTERPARTY RISKS

The Group implements a counterparty risk management policy based on systematic diversification of its counterparties and on an evaluation of their financial condition.

Consequently, all financial instruments used to manage its interest rate and foreign exchange risks are contracted with counterparties with a long-term rating by Standard & Poor's or Moody's at least higher than A - and A3 respectively.Energy counterparties of the trading subsidiary are evaluated and rated on the basis of a financial analysis with reference, when available, to the S&P or Moody's rating awarded to the counterparty. Based on this financial evaluation, Gaz de France may use legal instruments such as master netting agreements (providing a netting of accrued payables and accrued receivables vis-à-vis a single counterparty) or guarantee agreements (i.e., comfort letter, parent company guarantee, and bank endorsement).

Lastly, customer risk linked to gas supply is principally localized at the Trading Department, where all customers will become eligible at the opening of the market in July 2004. Consequently, customer risk is regularly monitored by the Credit Committee at the monthly meetings attended by representatives from the Finance and Trade Departments. In addition to giving credit approval to the principal energy counterparties, this Committee is in charge of preparing a governance framework for managing and monitoring the Trade segment's customer risk, on the eve of freeing up the markets.

COMMODITY RISKS

In order to meet customer demand for natural gas in the medium and long term, the Group secures its supplies through contracts with maximum terms of 25 years. These contracts include reciprocal commitments on determined quantities of gas:

- a commitment by the Group to take delivery of minimum quantities,
- a commitment by suppliers to provide quantities at competitive prices.

This competitiveness is ensured by price adjustment formulas and clauses.

In addition, the Group entered into natural gas forward purchases and sales agreements in the framework of its Trading activities: natural gas purchases and sales on spot markets and financially engineered sales to industrial customers. As part of its Trading activities, the Group is also engaged in forward purchases and sales of oil and electricity. The Group uses derivative instruments to manage its exposure to fluctuating commodity prices.

COUNTRY RISKS

With regard to gas supplies, country risks are balanced by extensive geographic diversification involving six long-term suppliers located within or near Europe. This diversified long-term supplies portfolio is supplemented by proprietary resources and optimized by short-term transactions. The security of supplies is further optimized by 13 underground storage sites in France, which can be used to satisfy higher demand in the winter and offset the consequences of a possible failure of a supply source.

Business and investment risks are very limited. Non-European activities accounted for less than 1% of consolidated net sales and for 2% of net fixed assets.

COVERAGE OF INSURABLE RISKS

Based on the Group's policy in past years to identify insurable risks (in particular those concerning the company's assets and the damages to third parties including environmental damages), Gaz de France has set up a systematic policy to transfer significant risks. For example, insurance policies with high coverage levels have been taken out to minimize the financial impact on the Group's financial condition in the event of a loss.

Further, to ensure consistent level of coverage for all risks, the insurance policies are managed centrally, by the Group's senior executives in the Financial Department. This policy has especially facilitated the extension of existing policies to cover the new projects of subsidiaries and to fully guide the decisions of subsidiaries controlled by the Group.

SWITCHOVER TO IFRS STANDARDS

Gaz de France is preparing to convert its consolidated financial statements into IFRS (International Financial Reporting Standards).

The Group is already applying all the preferential methods of CRC regulation n° 99-02, except the posting of restatements and employee benefits to the balance sheet. For the latter, Gaz de France has decided to use the preferential method when the new pension scheme financing mechanism for electricity and gas industries comes into force.

Further, the Group is participating in the work of IFRIC (International Financial Interpretations Committee), concerning the accounting treatment of public service delegation contracts (franchises) as defined by the SIC 29 interpretation. In so far as possible, qualifications made to the standards as they are published, in particular the revised versions of IAS 32 and 39 covering financial instruments, will be taken into account. Similarly, the provisions relating to prospecting and evaluation in extractive industries, which are currently subjected to exposure-draft, will be subsequently integrated.

In this changing context, the Group intends to adopt the IFRS reference system beginning on January 1, 2005, by producing comparable data for fiscal year 2004.

To this end, Gaz de France has created an ad hoc in-house team steered by the Group's Finance Department and supported by a network of correspondents within the sectors and subsidiaries, with some large subsidiaries already applying the IAS standards for their own needs.

Gaz de France has also called on outside experts:

- to assist the Group in diagnosing divergences regarding the evaluation and presentation of financial statements, especially in highly specialized fields like financial instruments, and in order to validate the principal accounting options as early as possible,
- to identify the additional data to be collected and the upgrade of information systems, particularly the Group's reporting and consolidation system and the principal upstream business systems.

The switchover project has entered its operational implementation phase which includes starting training programs, drawing up the opening balance sheet and compiling comparative data in accordance with IFRS 1 standards. At the same time, there is a team in charge of monitoring the IFRS authoritative accounting literature.

A progress report was presented to the Group's Audit Committee in September 2003.

Considering some lingering uncertainties, particularly concerning the accounting treatment of franchises, and in accordance with AMF recommendations, the Group will disclose the impacts of changing to IFRS on shareholders' equity, once this has been completely established.

OUTLOOK

The European natural gas market is expected to grow by roughly 30% by the year 2010. The opening of the electricity and gas markets, boosted by the second European directive passed in June 2003, will be completed on July 1, 2007. As of July 1, 2004, all professional customers and local governments will be eligible. Gaz de France has initiated several large-scale projects to meet these challenges. Some of them will be implemented in 2004:

- A new brand aimed commercial customers will be launched in 2004. With Gaz de France energY® dedicated to major industrial customers, and Gaz de France Energies Communes® dedicated to local governments, it will enable the Group to offer multiple energy supply and services products to 70% of the Group's customers who will become eligible starting July 1, 2004.

- In November 2003, Gaz de France and Total signed a letter of intent aimed at unwinding their cross-holdings in their joint natural gas transmission and supply companies in France, Gaz du Sud-Ouest (GSO in which Gaz de France has a 30% equity stake) and Compagnie Française du Méthane (CFM in which Gaz de France has a 55% stake).
  Under the terms of this joint letter of intent, Gaz de France would become the sole shareholder of CFM, and Total the sole shareholder of GSO. Further, Total would take part of the trading business of CFM in addition to a stake in the methane terminal under construction at Fos-sur-Mer (Mediterranean region).

- Network operators are required to guarantee transparent and indiscriminate third party access to the networks. In this context, the second European directive includes the spinning off of transmission activities in July 2004.
- In order to promote multi-energy offerings, the Group intends to increase its electricity production portfolio, primarily by commissioning its Dunkerque combined cycle plant which has a total capacity of 800 MW. Electricity production capacity has been reserved with AES in Spain in a plant currently under construction with a total capacity of 1,200 MW.

Considering the issues at stake, especially the business challenges of the current year, the Group's net income for 2004 is expected to be comparable to 2003 assuming average weather and at constant consolidation scope.

FINANCIAL HIGHLIGHTS OF THE LAST FIVE YEARS

(in millions of euros)

	2003	2002	2001	2000	1999
Net sales	16,647	14,546	14,357	11,211	9,109
EBITDA	4,134	3,292	2,851	2,001	2,406
Operating Income	1,879	1,551	1,637	874	1,094
Net Profit – Group Share (1)	910	3,612	891	431	419
Net intangible assets	1,394	1,410	871	732	527
Net tangible assets - non-franchised - franchised	 11,540 7,793	 10,328 7,272	 3,965 8,282	 3,728 7,736	 3,228 7,596
Net long-term investments	1,422	1,205	1,082	1,160	1,115
Working capital requirements	1,713	1,200	1,966	1,613	836
Shareholders' equity – Group share	9,587	9,259	5,962	5,050	4,598
Value of franchises – Franchisors' inherent rights	3,553	3,209	3,122	2,897	2,613
Net indebtedness	5,164	4,359	3,379	3,338	2,040
Cash flow	3,184	2,409	2,224	1,389	1,685
Capital expenditures	1,681	1,623	1,331	1,215	1,142
Growth investments	1,189	1,923	377	330	209

(1) Before dividend paid to the French government in 2000 and 1999

INTERNAL CONTROL REPORT

Gaz de France has initiated a three-stage process to produce the internal control report required by the August 1, 2003 financial security act.

The initial stage has resulted in the drafting of a first section devoted to the general description of Gaz de France's internal control organization and a more in-depth presentation of the accounting and financial auditing process. The descriptive part of the report- which is presented hereafter - was reviewed by the Board of Directors on March 17th, 2004. A second phase scheduled for the first half of 2004, will include the internal control organization of the leading subsidiaries and holdings. The completed report will then be reviewed by the Board of Directors in September 2004.

The third stage will entail an additional section added to the report concerning fiscal year 2004, which will be presented to the Board of Directors during first quarter 2005. This phase will assess the suitability and effectiveness of the Group's internal control system.

The first chapter of the fiscal year 2003 internal control report presents the organizational principles and the different people involved in internal control. Chapter 2 summarizes the method used to evaluate and control risks. Chapter 3 describes the accounting and financial control procedures.

CHAPTER 1: THE CONTROL ENVIRONMENT

1.1 Organization principles

1.1.1 Internal control as a tool for achieving results

Each entity director or manager organizes and oversees the internal control of his area of responsibility to obtain reasonable assurance that the performance targets set for him have been achieved. These control activities, carried out at all the hierarchical and functional levels of the relevant organization, entail delegating authorities, setting up control systems and internal-checks, assessing operational performance, safeguarding assets and separating functions, whenever required.

1.1.2 Audit as a management support function

Auditing is an internal control tool (control phase) integrated in the continuous improvement cycle of performance built around the four phases below: plan, deploy, control, and improve.

In accordance with the Group's management principles, Gaz de France has organized its audit resources in a decentralized way, within six sectors (Exploration and Production, Trading, Transmission, Distribution, Marketing and Services) as well as in the Group's steering functions and sector support functions. The Audit Department is in charge of functional coordination to ensure the coherence of the entire structure.

1.2 Bodies responsible for control

1.2.1 The Board of Directors

Gaz de France's Board of Directors reviews the financial statements, work schedules, long-term borrowing plans, plans concerning works contracts or goods and services supply contracts (for an amount in excess of 12 million euros before tax), plans for the acquisition, sale or exchange of property or real property rights projects (for an amount in excess of 5 million euros before tax).

The Board comprises three Commissions: the Operating and General Affairs Commission, the Finance Commission, the Equipment Commission and two Committees: the Strategy Committee and the Audit Committee. The latter is responsible for giving its opinion to the Board of Directors on internal control and the risk control policy.

1.2.2 Chairman and CEO's office

The Chairman is the head of the entire Group and is responsible for supervising the Group's management functions. Each of the three Executive Vice-Presidents supervises a coherent set of operational and functional activities; a Senior Executive Vice-President represents the Group on various organizations, especially abroad; and an Executive Secretary coordinates the activities of the Legal Department, the Audit Department and supervises the Joint Resources Delegation and Property Delegation.

1.2.3 The Executive Secretary

The Executive Secretary is responsible for evaluating all the Group's policies and organization concerning risk management. Each of the risk factors currently managed by the Group (industrial risks, country risks, financial risks, etc.) and the means to control them (preventive actions, insurance policies, etc.) continue to be under the responsibility of the relevant sectors and Departments.

1.2.4 The Audit Department

The Audit Department schedules audits to ensure, on behalf of the Chairman and CEO's office, the treatment and control of the principal risks identified within the Group. It checks the effectiveness and consistency of the various control structures set up within the sectors and certain Staff Departments. To this end, it mainly ensures the autonomy of the internal audit functions decentralized in the sectors so as to guarantee a broad scope of investigation, freely-expressed opinion and the proper consideration of their recommendations. At the request of the Chairman and CEO's office, it carries out Group audit assignments aimed at checking the proper application of the policies and decisions taken by the Group.

Lastly, the Audit Department coordinates the various audit departments. Its duties include making sure that sector auditors apply professional standards to provide an audit function consistent with overall Group policy. It publishes a charter, the framework for consistency in the Gaz de France audit function, which contains among other things, the profession's code of ethics and the engagement terms for internal auditing. It prepares and provides to sectors, with their assistance, methodological tools and is responsible for the professionalization of the Group's audit resources.

1.2.5 Management and support functions

In addition to other activities:

- The Finance Department oversees the production and presentation of the corporate accounts of EPIC, unrelated activities and the Group's consolidated accounts. To carry out this responsibility, the Finance Department relies on accounting and financial control procedures described in chapter 3.
  The Finance Department handles the Group's management control.
- The Corporate Communications and Public Affairs Department coordinates the various communication channels working in tandem with the Communication Delegation.
- The Strategy Department supervises and reviews prior to approval the Group and sector business plans and ensures their proper execution.
- The Major Projects Department oversees major corporate projects assigned to it by the Chairman and CEO's office and reports regularly thereon to the Executive Committee.
- The Legal Department oversees the coherence and efficiency of legal actions taken by departments, sectors, units and subsidiaries and directly monitors significant or delicate cases and disputes.
- The Permanent Security Mission checks the action of the departments in fields concerning prevention – security, the control of industrial risks, the control of risks linked to the use of natural gas and economic intelligence.
- The Communication Department coordinates the communications channels with the Corporate Communications and Public Affairs Department.

- The International Department oversees the Group's strategic coherence in its target countries outside France and consolidates country-specific business plans.
- The Corporate Human Resources Department is responsible for social intelligence and coordinating the Group's HR channels.
- The Purchasing Department is responsible for an expert analysis of purchases through process organization and management and coordination of its human resources channels.
- The IT Architectures Department defines the overall architecture of the corporate information system.

1.2.6 Management bodies

Collective coordination, sharing and group management required setting up formal cross-functional bodies and teams. Some of these bodies intervene more particularly in the financial field and help to keep risk under control:

- The Management Committee, chaired by the Chairman is the Group's principal strategic management body. It reviews general objectives and decisions that have far reaching consequences for the group in all fields.
- The Commitments Committee ensures the strategic supervision upstream of all mergers and acquisitions and carries out a gradual selection through presentation stages of standardized dossiers. It evaluates and proposes to the Management Committee the Group's investment and divestiture decisions which exceed the powers delegated to the sectors.
- The Upstream Committee proposes the energy sourcing strategy by geographic zone, and organizes the factors for achievement (Exploration and Production / Supplies, trading framework and/or partnerships with suppliers, etc.).
- The Upstream – Downstream Committee sets objectives for the Group's sales volumes and margins by geographic zone, monitors the realization thereof and studies the short term arbitrages that would help to reach the defined targets. It examines the possible synergies between energy sales and service sales, and proposes integrations likely to create value for the Group.
- The Sustainable Development and Quality Committee has the duty of proposing Group policies relating to sustainable development, environmental protection and quality, and oversees their implementation by the sectors and functional departments; it also ensures that the sectors and support functions apply quality assurance rules to their principal processes and controls them by performance reviews.

CHAPTER 2: RISK ASSESSMENT AND CONTROL

This approach takes place with a strong concern for coherence with the Company's advancement projects and preparation for the market opening. It is strongly based on a network of internal expertise coordinated by the Risk Control Taskforce.

In this context, the Audit Department prepares an audit program from a risk approach, based first on items supplied by the sectors, support and steering functions, and second, on the results of the audits it has already carried out.

This approach helps to define and prioritize audit subjects and results in increased control of the Group's highest residual risks. To this end, the "area covered" by the Group audits already carried out is assessed each year by the Audit Department for each of the sectors, and the support and steering functions. This assessment takes place within the framework of a five-year plan, which may be shorter for more volatile risks.

The Audit program is validated by the Chairman and CEO's office and the Audit Committee.

CHAPTER 3 : ACCOUNTING AND FINANCE INTERNAL CONTROL PROCEDURES

The Gaz de France Finance Department is responsible for corporate accounts, the accounts of unrelated activities and the consolidated accounts, through reporting to the Chairman's office, the Supervisory authority and the external auditing bodies.

The Finance Department's work is based on a decentralized system of accounting and internal control used by the sectors and the management and support functions. They produce an annual Year-end Certification specifying conditions for drawing up accounts and carrying out the internal control plan.

3.1 Organization of accounting and financial control

3.1.1 Role of the Finance Department

- Group audit and accounting quality

The Accounting Department defines the Group's accounting and financial audit policy in collaboration with the Statutory Auditors and the Audit Department. This entails identifying, assessing and monitoring risks in relation to the quality of the Group's accounting processes. The Accounting Department maintains a focus on financial security.

- Standardized accounting and management control

A Reporting Manual defines the Group's accounting principles and describes the organization of management processes. This document allows players to adopt the principles and procedures and efficiently participate in the processes for consolidating the Group's accounts and management report. It also constitutes an authoritative reference work that is used by external auditors and subsidiary managers.

3.1.2 Role of sectors and support functions

The respective responsibilities of sectors and the Financial Department in the fields of accounting, finance and taxes, are formalized by conventions. In this context, the sectors and support functions are responsible for their accounting and internal financial control. The same method applies to subsidiaries. The organization set up by the different sectors is as follows.

- **EDF - GDF SERVICES**

A specialized Department of the National Accounting Unit (NAU) annually prepares an Internal Control Program that lists the key controls to be carried out. The units adapt their internal control plan to each specific local situation and identified risks. The NAU audits the management processes and reviews the accounting quality of each unit to evaluate the effectiveness of each unit's internal control.

- **Transmission Department**

Within the Management System Taskforce, a specialized team carries out the unit's general audits, process audits, and accounting and financial audits. The control mechanism includes:

- an audit procedure that defines individual duties and responsibilities,
- an internal control plan for the units prepared under the Unit Director's responsibility,
- an annual assessment of the unit's contribution signed by its manager,
- control of the formal quality of accounting carried out by the Central Accounting Department.

- **Trading Department**

This Department sets up a mechanism based on:

  - a quality policy,
  - risk mapping,
  - an internal control plan, with a controlled rollout,
  - monitoring of corrective actions for identified weaknesses.

- **Mixed Central Functions (EDF and Gaz de France)**

The Department responsible for keeping these accounts has defined an accounting and tax quality authoritative reference and carries out accounting and financing review actions.

- The accounting and internal financial control of the Sales Department and support functions, is performed by the General Secretariat's Accounting Department.

3.1.3 Certificate for standardized year end

The above certificate is signed by the sector manager or the support function manager. It is a formal acknowledgement of the transfer of sector and support function accounts to the Finance Department. The certificate contains a description of the conditions under which the accounts were produced (completeness of economic facts – compliance – fairness), specifies the level of substantiation of the accounts and mentions the testing carried out on the accounting for economic facts.

A general assessment letter presenting a summary of the quality level of the accounting and evaluating the accounting and finance internal control is attached to the certificate.

These documents allow the Chairman, Chief Financial Officer and the Accounting Department manager to sign a letter of representation for the Statutory Auditors.

3.2. Duties of the Statutory Auditors

Gaz de France Group's Statutory Auditors are Ernst & Young and Mazars & Guérard. As part of their duty to certify the financial statements, they familiarize themselves with the systems of accounting and internal control in order to evaluate the audit risk. During the audit, they make recommendations on the internal control procedures and systems that may have an impact on the quality of the accounting and financial information produced.

In 2003, the Statutory Auditors analyzed the accounting procedures and evaluated the internal control systems for the EDF GDF Services, Transmission and Trading Departments. These audits were carried out both locally and centrally (EDF GDF Services Units and the Transmission Department).

GAZ DE FRANCE GROUP
CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2003

CONSOLIDATED BALANCE SHEET

(millions of euros)

ASSETS	Note	2003 Net	2002 Net	2001 Net
FIXED ASSETS				
Goodwill	**1**	1,060	1,046	403
Other intangible assets	**1**	334	364	468
Non-franchised tangible assets	**1**	11,540	10,328	3,965
Franchised tangible assets	**1**	7,793	7,272	8,282
Construction in progress	**1**	1,390	1,094	1,249
Investments in companies accounted for by the equity method	**2a**	452	462	400
Other long-term investments	**2b**	970	743	682
Financial sector investments	**2b**	227	253	272
TOTAL	**I**	**23,766**	**21,562**	**15,721**
CURRENT ASSETS				
Inventories and work in process	**3**	1,082	1,141	1,130
Accounts receivable	**4**			
Trade accounts receivable and related receivables		4,216	3,711	4,081
Other		1,602	1,334	1,403
Marketable securities	**5**	158	143	433
Cash on hand		572	450	277
Current financial sector assets	**4**	161	195	79
TOTAL	**II**	**7,791**	**6,974**	**7,403**
TOTAL	I + II	**31,557**	**28,536**	**23,124**

(millions of euros)

SHAREHOLDERS' EQUITY AND LIABILITIES		Note	2003	2002	2001
SHAREHOLDERS' EQUITY					
SHAREHOLDERS' EQUITY – Group share					
Capital stock			903	903	903
Consolidated retained earnings and net income			8,813	8,373	5,017
Other			(129)	(17)	42
Total shareholders' equity – Group Share	I	**6**	**9,587**	**9,259**	**5,962**
MINORITY INTERESTS	II	**6**	**269**	**246**	**300**
OTHER EQUITY					
Value of franchises -					
Franchisors' inherent rights			3,553	3,209	3,122
Irredeemable securities			485	485	485
Total other equity	III		**4,038**	**3,694**	**3,607**
PROVISIONS FOR LIABILITIES AND CHARGES	IV	**7a**	**6,665**	**5,442**	**4,663**
LIABILITIES					
Financial debt			5,409	4,467	3,604
Trade accounts payable and related payables			1,769	1,851	1,787
Taxes and social contributions			1,358	1,518	1,467
Other debts			2,060	1,617	1,394
Financial sector liabilities			402	442	340
Total liabilities	V	**8**	**10,998**	**9,895**	**8,592**
TOTAL	I to V		**31,557**	**28,536**	**23,124**

CONSOLIDATED STATEMENT OF INCOME

(millions of euros)

	Note	2003	2002	2001
Net sales	**10**	**16,647**	**14,546**	**14,357**
Inventory		(6)	-	(8)
Capitalized expenses		292	341	312
Production		**16,933**	**14,887**	**14,661**
Input		(10,535)	(9,427)	(9,719)
Value added	**11**	**6,398**	**5,460**	**4,942**
Payroll costs		(2,055)	(1,984)	(1,900)
Taxes and assimilated		(209)	(184)	(191)
EBITDA		**4,134**	**3,292**	**2,851**
Depreciation, amortization and provisions (net of reversals and transfers of charges)	**13**	(2,158)	(1,628)	(1,084)
Other operating income (expense)		(97)	(113)	(130)
Operating Income		**1,879**	**1,551**	**1,637**
Financial income (expense)	**14**	**(139)**	**(22)**	**(120)**
Income before exceptional items of consolidated companies		**1,740**	**1,529**	**1,517**
Exceptional income and charges	**15**	**(5)**	**(45)**	**(24)**
Corporate income tax	**16**	(752)	(605)	(551)
Impact (net of taxes) of the acquisition of transmission systems		-	2,774	-
Net income from consolidated companies		**983**	**3,653**	**942**
Share in income of companies accounted for by the equity method		73	42	33
Goodwill amortization		(76)	(40)	(21)
Group's consolidated net income		**980**	**3,655**	**954**
CONSOLIDATED INCOME – GROUP SHARE		**910**	**3,612**	**891**
Consolidated income – Minority interests		70	43	63

N.B.: calculation of earnings per share is not applicable to Gaz de France, since its capital is not divided into shares (Notes B – Capital stock).

CONSOLIDATED CASH FLOW STATEMENT

(millions of euros)

		2003	2002	2001
Cash flows from operating activities				
Net income – Group share	a	910	3,612	891
Minority interests	b	70	43	63
Net income (loss) from companies accounted for by the equity method	c	(73)	(42)	(33)
Amortization and provisions	d	2,533	1,438	805
Other activities	e	(289)	(2,663)	485
Dividends received from companies accounted for by the equity method	f	33	21	13
1. Cash flows (a+b+c+d+e+f)		**3,184**	**2,409**	**2,224**
2. Change in working capital requirements (note 18)		**+ 474**	**- 472**	**+ 190**
I - Net cash flow from operating activities	**(1 - 2)**	**2,710**	**2,881**	**2,034**
Cash flows from investing activities				
Capital expenditures on property, plant and equipment	g	1,681	1,623	1,331
Growth investments	h	1,189	1,923	377
Acquisition of the transmission system (note C)	i	-	109	-
1. Capital expenditures (g + h + i) (note 17)		**2,870**	**3,655**	**1,708**
2. Other activities		**306**	**223**	**202**
Grants	j	2	13	1
Net proceeds from sale of assets	k	95	265	30
Reduction of long-term investments	l	314	101	242
3. Proceeds (j + k + l)		**411**	**379**	**273**
II - Net cash used in investing activities	**(1 + 2 - 3)**	**2,765**	**3,499**	**1,637**
III - Net cash flows after operating and investing activities	**(I - II)**	**(55)**	**(618)**	**397**
Cash flow from financing activities				
1. Capital increase and additional paid-in capital		**5**	**1**	**2**
2. Dividends		**(498)**	**(379)**	**(31)**
3. Issuance of borrowings		**8,276**	**2,775**	**229**
4. Repayment of borrowings		**7,576**	**1,887**	**450**
IV – Net cash used in financing activities	**(1 + 2 + 3 – 4)**	**+ 207**	**+ 510**	**- 250**
V – Effect of exchange rate fluctuations in cash and cash equivalents		**+ 12**	**+ 2**	**+ 42**
VI – Change in cash and cash equivalents (note 19)	**(III + IV + V)**	**+ 164**	**- 106**	**+ 189**

A - PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Gaz de France and of significant subsidiaries over which the Group exercises either legal or effective control, joint or a significant influence.

There are 265 companies in the consolidation scope. 76 companies and 11 sub-groups are directly consolidated. Of the 76 companies, 50 are "fully consolidated" (F), 16 are "consolidated by the proportionate consolidation method" (P) and 10 are "accounted for by the equity method" (E).

Main companies	Country	Method 2003	Percentage interest		
			2003	2002	2001
GAZ DE FRANCE	France	Parent company	Parent company	Parent company	Parent company
Energy Supply and Services branch					
Exploration Production					
GDF Britain Group	United Kingdom	F	100.00	100.00	100.00
Efog	United Kingdom	E	22.50	22.50	22.50
GDF Production Nederland	Netherlands	F	100.00	100.00	100.00
N.G.T.	Netherlands	P	38.57	38.57	38.57
Groupe E.E.G.	Germany	F	100.00	100.00	75.00
Gaz de France Produktion Exploration Deutschland	Germany	F	100.00	-	-
Gaz de France Norge	Norway	F	100.00	100.00	100.00
Purchase and Sale of Energy					
Messigaz	France	F	100.00	100.00	100.00
CFM et CFMH - Négoce	France	F	55.00	55.00	55.00
Gaselys	France	P	51.00	51.00	51.00
Méthane Transport	France	P	50.00	50.00	50.00
Groupe GDF Energy Supply & Solutions	United Kingdom	F	100.00	100.00	100.00
Services					
Groupe Cofathec	France	F	100.00	100.00	100.00
Groupe Finergaz	France	F	100.00	100.00	100.00
GNVert	France	F	100.00	100.00	100.00
Groupe CGST Save	France	E	20.00	20.00	20.00

Main companies	Country	Method 2003	Percentage interest 2003	2002	2001
Infrastructures					
Transmission and Storage - France					
CFM et CFMH – Transport	France	F	55.00	55.00	55.00
G.S.O.	France	E	30.00	30.00	30.00
Distribution - France					
Gaz de Strasbourg	France	E	24.90	24.90	24.90
Transmission and Distribution - International					
Sofregaz	France	E	34.00	34.00	34.00
Groupe Gasag	Germany	P	31.57	31.57	31.57
Megal GmbH	Germany	P	43.00	43.00	43.00
Megal Finco	Cayman islands	P	43.00	43.00	43.00
Degaz	Hungary	F	72.59	72.59	72.59
Egaz	Hungary	F	63.96	63.96	63.96
Groupe Slovensky Plynarensky Priemysel	Slovakia	P	24.50	24.50	-
Groupe GDF Québec	Canada	F	100.00	100.00	100.00
Groupe Noverco	Canada	E	17.56	17.56	17.56
Consorcio Mexigas	Mexico	F	100.00	100.00	100.00
Natgasmex	Mexico	F	100.00	100.00	100.00
Tamauligas	Mexico	F	100.00	100.00	100.00
Energia Mayakan	Mexico	F	67.50	67.50	67.50
Gasoductos del Bajio	Mexico	F	100.00	100.00	100.00
Servicios Industriales de Energia	Mexico	P	50.00	50.00	50.00
Transnatural	Mexico	P	50.00	50.00	50.00
Gaseba	Argentina	F	100.00	100.00	96.91
Gaseba Uruguay	Uruguay	F	51.00	51.00	49.42
Other					
Cogac	France	F	100.00	100.00	100.00
GDF International	France	F	100.00	100.00	100.00
Pétrofigaz	France	P	54.72	54.72	54.72

The exhaustive list of companies in the consolidation scope has been enclosed in Supplementary Disclosures (D), note 26.

B - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

GENERAL POLICIES

Accounting standards

The Group's consolidated financial statements are prepared in conformity with the generally accepted accounting principles in France (French GAAP), in particular the decree of June 22, 1999 which confirms regulation 99-02 of the French financial accounting standards board (CRC).

In some cases, the subsidiaries' individual financial statements have been restated in order to harmonize the Group's valuation methods.

Pursuant to article 4 of law n° 46.628 of April 8, 1946, Gaz de France presents its accounting and financial statements according to the applicable rules in industrial and commercial companies. Gaz de France keeps its books in accordance with the French uniform chart of accounts.

Pursuant to the decree of October 22, 1947, and article 9 of the decree of August 29, 1949, Gaz de France's chart of accounts was approved by the Ministry of the Economy, Finance and Budget on August 7, 1985, at the recommendation of the French financial accounting standards advisory council (CNC), dated December 19, 1984.

Reporting currency

The consolidated financial statements are prepared in euros.

Use of estimates

While preparing the consolidated financial statements, Gaz de France Group had to make estimates and assumptions which affect the amounts reported in the financial statements and accompanying notes, namely for provisions, recognition of deferred tax assets, calculation of goodwill and employee benefits.

The financial statements reflect the best estimates, based on the information available on the balance sheet date.

CONSOLIDATION POLICY AND PROCEDURES

The consolidation scope

Companies consolidated by the Group comprise significant subsidiaries and sub-subsidiaries over which the Group has at least a significant influence.

Non-significant subsidiaries are not consolidated. The evaluation of a company's significance is based on the accounts of the subgroup to which it belongs, with the relative weight of sub-subsidiaries being taken into account. Overall, earnings from non-significant subsidiaries account for less than 5% of the Group's key figures (balance sheet total, shareholders' equity, net sales and workforce).

Consolidation methods

Subsidiaries and sub-subsidiaries over which Gaz de France holds legal or effective control, directly or indirectly, are fully consolidated.

The subsidiaries and sub-subsidiaries over which Gaz de France exercises shared control are consolidated on a proportionate consolidation basis.

The other subsidiaries and sub-subsidiaries are accounted for under the equity method.

Inter-company accounts between consolidated companies have been eliminated when significant transactions are involved. For companies consolidated by the proportionate consolidation method, the elimination is based on the proportionate percentage in the accounts.

Financial sector subsidiaries

The financial statements of the financial sector subsidiaries are prepared in accordance with the chart of accounts for financial institutions.

They are reclassified as follows in the Group's accounts:

customer loans are posted in the Investments or Current Assets of the finance sector;

refinancing of customer loans is posted under financial sector Liabilities.

Balance sheet date

The fiscal year lasts 12 months, from January 1 to December 31. No interim accounts were drawn up for non-calendar year companies, since the impact of these companies was minor and their balance sheet date was within three months or less of the parent's balance sheet date.

Goodwill

A "surplus from initial consolidation" was determined for each consolidated company during the Group's first consolidation. It is equal to the difference between the value of investments as of December 31, 1991 and the proportionate share of shareholders' equity at the same date. This surplus is maintained in the Group's balance sheet as a consolidation reserve until the sale of the equity interest.

For all newly consolidated companies, goodwill arising on consolidation is measured by the difference between the purchase price and the share of the estimated fair value of net assets at the date of acquisition.

Goodwill is amortized following the straight-line method over a maximum period of 20 years, determined according to the nature of the business of each subsidiary concerned.

Business goodwill is stated at its market value and impairment may be recognized.

Any negative goodwill is recorded under provisions. This amount is reversed over a period determined according to the nature of the business of each subsidiary concerned.

Foreign currency translation

Balance sheet items are translated into euros using the closing rate method (rate as of December 31), and the statement of income is translated on the basis of the official average exchange rate. Translation adjustments in the balance sheet and statement of income are recorded in equity under "Translation adjustment" in "Other".

For self-contained subsidiaries whose accounting currency is different from the local currency, the translation is carried out in two stages. First, it is converted from the local to the accounting currency at the historical exchange rate, then from the accounting currency to the euro, using the closing rate method.

Deferred taxes

Deferred income taxes arise from timing differences between the net value of assets or liabilities as reported in the balance sheet and the amount resulting from the application of tax rules.

Deferred taxes are calculated by fiscal entity, according to the "liability method", with all the timing differences maintained.

Net deferred tax assets are recognized when these tax assets are deemed to be recoverable with reasonable certainty.

In most cases, deferred tax assets and liabilities are discounted at a rate of 5% on the basis of when the corresponding timing differences are scheduled to reverse.

SHAREHOLDERS' EQUITY

Capital stock

The capital stock of Gaz de France is the sum of: initial capital, which represents the net sum of the rights, assets and obligations transferred to the Company when the business was nationalized in 1946, and the capitalized surplus in the form of special funds granted by the French government until 1982.

The calculation of earnings per share does not apply to Gaz de France, since its capital is not divided up into shares.

Other equity

Value of franchises – Franchisors' inherent rights

Pursuant to French GAAP concerning operations carried out under a public service franchise and articles 521-1 and 523-1 of CRC regulation 99-03, the value of franchisors' inherent rights to franchised property recorded in the assets, is also carried within liabilities. It includes:

- the corresponding value of assets not financed by the Company,

- the corresponding value of the assets replaced by using the provision for asset replacement,

- the franchised asset termination fund,

the depreciation of assets not financed by the company and of non-replaceable assets, which is deducted.

Irredeemable Securities

Gaz de France issued irredeemable securities in 1985 and 1986 as authorized by law n° 83.1 of January 1, 1983 and law n° 85.695 of July 11, 1985. Their issue price is posted under liabilities. Their remuneration is recognized as an interest expense.

INTANGIBLE ASSETS

Goodwill is recorded under a specific asset heading.

The other intangible fixed assets mainly include:

- leases,

- business goodwill,

- costs of user rights to patents and licenses,

- software.

Capital increase costs, debt issue expenses and R&D costs are recorded as expenses for the fiscal year.

The Group's intangible assets are stated at their acquisition or production cost.

In the event of an unfavorable event, assets undergo an impairment test and an impairment write-down is recognized if the assets' current value is lower than its book value.

TANGIBLE ASSETS

The Group's tangible assets are stated at their acquisition or production cost.

The following are the average depreciation periods for property, plant and equipment built by the Group:

- 30 years for gas utility pipes,

- 25 years for transmission pipelines and underground storage facilities.

These service lives vary for property, plant and equipment acquired by the Group, according to local situations and the residual service life of equipment on the acquisition date. They never exceed the service lives applicable to assets of the same type built by the Group.

In the event of unfavorable prospects, assets undergo an impairment test and a provision is recognized if the assets' current value is lower than its net book value.

Non-franchised assets

Non-franchised assets are those which belong to the Group itself or have been financed through leasing agreements. Premises and equipment are depreciated on the basis of their estimated service lives.

Franchised assets

These items are fixed assets:

- financed by the company: they are initial assets or replacements brought into the franchise by Gaz de France,

- and granted for free of charge by third parties and franchisors.

Pursuant to articles 393-1 and 442-22 of CRC regulation 99-03, all Gaz de France assets operated under a franchise are recorded as a special item in assets.

Initial assets financed by the Company

Among assets, so-called "initial items" financed by the company give rise to the so-called *caducité* amortization spread over the term of the contract to account for the financing of the "last item" ("non-replaceable") that must be returned for free of charge at the end of the franchise. Upon early renewal of a franchise, the balance of the relevant accounts is written off for an amount which would have been recorded until the normal termination of the contract. This expense is transferred to a specific account for franchised fixed assets. These assets are depreciated over the remaining life of the original contract. Depreciation of assets over the life of the contract and transfers of charges are recorded under " Depreciation, amortization and provisions" in the income statement.

Assets granted free of charge by third parties

The value of franchised equipment granted free of charge is stated in assets with a corresponding amount recorded as "Value of franchises – Franchisors' inherent rights". Each asset is depreciated using the straight line method over the service life of the asset to record the loss in value of the asset and the corresponding reduction in the franchisor's rights. This depreciation has no impact on the income statement.

Replaceable franchised assets

Replaceable franchised assets are assets which are likely to be replaced before the term of the corresponding franchise contract.

Replaceable franchised assets financed by the company are depreciated on a straight line basis.

In addition, these assets are covered by a provision for replacement calculated for each asset on the difference between the asset replacement cost, determined according to the appropriate indexes and its original cost, i.e., the depreciable base. This provision is accrued gradually when the franchised assets are put into service and remains in effect until their actual replacement. It is posted under "Provisions" (article 441-15 of CRC regulation 99-03).

Replaceable franchised assets granted free of charge at the beginning or in the process of the contract are solely subject to a provision for replacement which covers the total replacement cost of the assets.

Provisions for replacement and depreciation for premises and equipment are posted under "Depreciation, amortization and provisions" in the statement of income.

When an asset is replaced, the replacing asset is recorded in the assets, and the related accrued provision for replacement is credited to "Franchisors' inherent rights – used provisions".

Non-replaceable franchised assets

Non-replaceable franchised assets are assets which are not likely to be replaced before the term of the corresponding franchise contract.

Non-replaceable franchised assets are depreciated on a straight line basis using the service life of each item to record the decrease in value of the asset and the corresponding reduction in "Value of franchises – Franchisors' inherent rights". This depreciation has no effect on the statement of income.

The item "Value of franchises – Franchisors' inherent rights" is constituted by depreciation of franchised asset termination and/or by a reduction of the provision for replacement previously booked.

Leasing agreements

Long-term lease agreements for which the Group bears nearly all the risks and advantages inherent to the ownership of leased assets are recorded as finance leases. These are mainly finance-lease contracts and lease agreements for which the rental payments cover the main part of the fair value of leased goods.

Fixed assets financed by leasing agreements are posted under tangible assets with a corresponding liability under loans. According to the characteristics of the leasing agreements, the goods are depreciated either over the service life of similar categories of fixed assets, or over the duration of the leasing agreement. The loan is reduced over the duration of the agreement. The portion of payments that exceeds the repayment of the initial fair value is recognized as an interest expense.

Exploration and production companies

The accounts of consolidated subsidiaries and companies accounted for by the equity method involved in exploration and production were prepared in accordance with that sector's specific accounting policies, as defined by the Financial Accounting Standards Board (F.A.S.B. standard 19). These rules are compliant with French GAAP.

The Group applies the "successful efforts" accounting method.

Geological and geophysical expenses are recorded as expenses in the year they are incurred.

Unproved properties are capitalized; they are depreciated if no marketable reserves are discovered.

Drilling in process is capitalized. The cost of drilling exploratory wells, which did not result in the discovery of proven marketable reserves, is charged to expense.

Site restoration costs are charged to expense using the unit-of-production method, on the basis of proven developed reserves.

Fixed assets linked to gas production (proven properties, productive exploratory wells, development expenses and production start up costs) are depreciated using the unit-of-production method, on the basis of proven developed reserves.

LONG-TERM INVESTMENTS

Investments in companies accounted for by the equity method

This item corresponds to the value of the investment in companies accounted for by the equity method.

Other long-term investments include:

Interests in unconsolidated companies

The gross value of interests in unconsolidated companies is their cost of acquisition. When the assets' market value determined on the basis of the net value of the interest, corrected to account for subsequent events, is lower than the book value, the difference is accrued.

Loans to companies in which the Group has equity stakes

These assets represent loans made to companies in which the Group has an equity interest and which are not fully consolidated. These loans may be written down for impairment if the shareholders' equity of the affiliate becomes negative.

Other long-term investments

This item mainly includes securities, other than equity stakes, which the group intends to hold in the long term.

GAS IN UNDERGROUND STORAGE FACILITIES

The gas injected into underground storage facilities includes working gas, which can be pumped without damaging consequences for future operations, and cushion gas, which cannot be taken from underground storage facilities and is essential to their operation.

Cushion gas

Valued at average acquisition cost, regardless of the source, plus the costs of regasification, transmission and injection into the system, cushion gas is recorded as a fixed asset. It is depreciated on a straight-line basis over 25 years, as are above-ground installations of underground storage facilities.

Working gas

Working gas is included in inventory. It is valued at average acquisition cost on entering the French transmission system, including the cost of regasification, regardless of the source.

A write-down of inventory is recognized in income when the net realizable value calculated as being the selling price minus direct and indirect expected costs of completion and disposal, is less than the weighted average cost.

VALUATION OF INVENTORIES

Group inventory outflows are valued on a weighted average cost basis. The financial statements of subsidiaries which apply another inventory valuation method are not restated when the administrative cost to make the adjustments is considered disproportionate with regard to its effect on the consolidated financial statements.

ACCOUNTS RECEIVABLE

Accounts receivable include all receivables corresponding to the sale of energy, related services and receivables relating to operations. Bad debts are accrued within receivables based on both specific allowances and statistical general provisions including data for previous write-offs.

Receivables also include energy deliveries which have not yet been invoiced, whether hedged or not.

RETIREMENT COMMITMENTS AND OTHER BENEFITS

In the notes, Gaz de France discloses the commitments estimated for pensions, other post-employment benefits and long-term benefits.

Insurance policies have been taken out to cover the payment of pension benefits (partial coverage) and end-of-career compensation (full coverage).

Disability allowances and allowances for industrial accidents, disease and inability to work outstanding at year-end are fully accrued.

The same applies to long-service benefits, and special retirement bonuses.

Provisions for pensions and related benefits are accounted for by the subsidiaries in their accounts.

The special status of Gaz de France and the resulting commitments are disclosed in note 21.

OTHER PROVISIONS FOR LIABILITIES AND CHARGES

- Provisions for site restoration are designed to cover the present value for reclaiming sites where gas facilities are or were located. The amount of provisions reflects the best estimate of discounted total future costs, with respect to current regulatory requirements, technical knowledge and acquired experience.

Provisions are initially booked as the corresponding liability to a tangible asset that is depreciated over the estimated residual operational life of the corresponding site. The effect of adjustmenting estimates is reported in the statement of income prospectively. Allocations and reversals of provisions, including the unwinding of discounting charges are recorded to operating expenses.

- Service companies record provisions for full warranty and product maintenance contracts.

FOREIGN CURRENCY TRANSLATIONS

Foreign currency transactions are translated into euros by applying the exchange rate in force on the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in force on the balance sheet date. The resulting exchange rate differences of these transactions are recorded as income or loss.

Non-monetary assets and liabilities denominated in foreign currency are reported at the historical exchange rate applicable on the date of the transaction, with the exception of revalued non monetary assets and liabilities, which are converted at the applicable exchange rate on the date of revaluation.

FINANCIAL INSTRUMENTS

The financial instruments used by the Group to hedge and manage its foreign exchange, interest rate and “commodity” risks are recorded as off-balance sheet commitments for capital and future interests in swap contracts which are valued on the basis of December 31 rates.

Hedging transactions

The change in the market value of contracts for forward purchases or sales of foreign currencies is recognized in the income statement symmetrically to the gain (loss) on the hedged item.

Commodity derivatives are stated at market value and recorded symmetrically to the gain (loss) on the hedged item. In the event of the disappearance of the hedged item, the hedging operation is unwound and the losses and gains are recognized as income.

Other transactions

Unrealized losses are recognized in the income statement. Unrealized gains resulting from over-the-counter transactions are only recorded if these markets have sufficient volume and liquidity. When the contracts are unwound, the losses and gains are recognized in the income statement.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed the period in which they were incurred.

UNCOMPLETED CONTRACTS

Service contracts which are not completed at the balance sheet date are accounted for by the percentage-of-completion method.

DISCLOSURE IN THE STATEMENT OF INCOME OF TRADING ACTIVITIES (GASELYS SUBSIDIARY)

Only the gross margin generated by these activities is recorded in net sales.

EXCEPTIONAL ITEMS

Consolidated exceptional income and loss include unusual or infrequent items as well as items considered to be of an exceptional nature under published GAAP, mainly profit or loss on disposal of fixed assets.

STATEMENT OF CASH FLOWS

The Group's statement of cash flows has been prepared according to the indirect method, from net income.

Since write downs of current assets are assimilated to writte-offs, the change in current assets is reported net of write downs. The cash position of the statement of cash flows includes cash and cash equivalents minus bank overdrafts.

The most significant movements that have an impact on the balance sheet but which are not considered as cash flow – in particular fixed asset acquisitions under leasing agreements - are reported in the Notes.

C – CHANGES IN ACCOUNTING POLICIES

1 - Major transactions

1.1 – Major transactions in 2003

a) Acquisition of the German company, Preussag Energie

In May 2003, Gaz de France acquired the oil and gas exploration and production businesses of the TUI group in Germany. Gaz de France Produktion Exploration Deutschland – formerly Preussag Energie – reports annual net sales of around 280 million euros and employs 630 people.

The acquisition price paid by Gaz de France net of cash represents an investment of 859 million euros and led to the recognition of 96 million euros of goodwill. The fair value acquisition balance sheet is as follows:

(millions of euros)

Assets		Shareholders' equity and liabilities	
Fixed assets	1,493	Shareholders' equity	981
Current assets	312	Provisions	729
		Operating liabilities	95
Total assets	**1,805**	**Total shareholders' equity and liabilities**	**1,805**

The main impacts of the acquisition of Gaz de France Produktion Exploration Deutschland on the consolidated accounts as of December 31, 2003 were as follows:

- net sales: + 163 million euros,
- operating Income: + 32 million euros,
- net income – Group share: + 33 million euros,
- balance sheet total: +1,375 million euros,
- net debt: - 34 million euros,

b) Other changes in consolidation by creation, acquisition and disposal

The other main changes in consolidation in 2003 were as follows:

- In Services, acquisition via Cofathec of the remaining 50% of Cofathec Jacorossi Progetti, 100 % of Raichon Fluides et Energies and 100% of Nuova Sipe.

The main impacts of these other changes on the consolidated accounts as of December 31 2003 were as follows:

- net sales: + 47 million euros,
- operating Income: -14 million euros,
- net income – Group share: - 30 million euros,
- balance sheet total: + 11 million euros,
- net debt: + 1 million euros.

1.2 – Major transactions in 2002

a) Acquisition of the Slovakian gas group Slovensky Plynarensky Priemysel (SPP)

In July 2002, Gaz de France and Ruhrgas jointly acquired a 49 % equity interest in the Slovak gas group SPP At December 31, 2002, Gaz de France and Ruhrgas each held 24.5 % of SPP, with Gazprom having a purchase option (see section D – Note 20).

Since SPP is jointly controlled by the Slovak State, Ruhrgas and Gaz de France, SPP is consolidated on a proportional basis at 24.5 %. The price paid by Gaz de France (1,427 million euros) led to the recognition of 685 million euros of goodwill. The fair value acquisition balance sheet is as follows:

(millions of euros)

Assets		Shareholders' equity and liabilities	
Fixed assets	822	Shareholders' equity	742
Current assets	113	Provisions	84
		Financial debt	69
		Operating liabilities	40
Total assets	**935**	**Total shareholders' equity and liabilities**	**935**

SPP reported annual net sales (24.5% on a proportional basis) of approximately 380 million euros. The consolidated financial statements for 2002 included the activity of the SPP group in the second half of 2002.

b) Other changes in consolidation through creation, acquisition and disposal

The other main changes in consolidation in 2002 were as follows:

- in Exploration and Production, acquisition of 100% of the British firm CalEnergy Gas (now Gaz de France Britain E & P Limited) and of an additional 25% equity interest in the EEG Group (which now consolidates Kazgermunai in Kazakhstan on a proportional basis and no longer by the equity method);
- in Supply and Trading, creation of G.D.F. Armateur, and acquisition via GDF Energy Supply & Solutions of 100% of the British firm RWE Trading Direct (now Gaz de France Marketing Limited);
- in Distribution, acquisition of an additional 35% equity interest in EMB, then sale of the Group's total equity interest in EMB (80%) to Gasag; and sale of a 41 % equity interest in Gas Nea (the gain from the sale was not significant);
- in Services, acquisition via Cofathec of 100% of Zanzi company (since merged into Cofathec Servizi), 100% of Tarlin and 50% of Climespace;
- creation of DK6 to carry the commitments for the construction of a combined cycle plant at Dunkerque.

The main impacts of these other changes on the consolidated financial statements as of December 31, 2003 were as follows:

- net sales: + 158 million euros,
- operating Income: + 68 million euros,
- net income – Group share: + 67 million euros,
- balance sheet total: + 337 million euros,
- net debt: + 47 million euros.

c) Acquisition of the transmission system in France

Pursuant to article 81 of the amended law of finances for 2001, existing franchise contracts were terminated and, correlatively, ownership of the gas transmission system was transferred to Gaz de France on July 10, 2002. The values determined by the special evaluation commission, which were communicated to Gaz de France by the Minister of the Economy, Finance and Industry, were as follows:

- 4,933 million euros in compensation for the early termination of Gaz de France's franchises,
- 5,042 million euros representing the sale price of the transmission system to Gaz de France.

The net effect of this transaction on the Group's cash position (-109 million euros) was recorded as a special item in "Capital expenditures" in the statement of cash flows.

The effect of this transaction on 2002 net income and on Shareholders' equity as of December 31, 2002, was an extraordinary income (net of taxes) of 2,774 million euros for the Gaz de France Group.

2 - Changes in accounting principles

2.1 – Changes in accounting principles in 2003

First application of CRC regulation 00-06 on liabilities for certain provisions for site restoration.

Until December 31, 2002, provisions for the costs of restoring operating sites of technical facilities were accrued over time. Beginning on January 1, 2003, these costs are now fully accrued under liabilities as a contra account to a tangible asset at the present value of future restoration costs. The retroactive application of this change in accounting principles led to the reversal of one million euros from reserves on December 31, 2003 (note 6).

2.2 – Reminder of changes in accounting principles in 2002

a) First application of CRC regulation 00-06 on liabilities

In application of this new regulation, the Group reversed certain provisions for major repairs related to facilities upgrades. These repairs are now recognized in the statement of income when they are incurred, while expenses related to facility improvement or the extension of estimated service life are capitalized.

The first application of this regulation is considered as a change in accounting principle. Consequently, provisions for major repairs net of tax which do not meet the new criteria were reversed against retained earnings amounting to 30 million euros as of December 31, 2002 (note 6).

b) Early renewal of franchise agreements

As of January 1, 2002, depreciation of assets over the outstanding term of the original agreement in the event of the early renewal of a franchise agreement is recorded as a special item in franchised tangible assets (see section B - Franchised assets). Until December 31, 2001, they were treated as deferred charges (234 million euros as of December 31, 2001).

c) Elimination of the legal revaluations of 1959 and 1976

As of January 1, 2002, the legal revaluations of 1959 and 1976 were eliminated from the consolidated financial statements in conformity with CRC regulation 99-02. The result was a decrease in net fixed assets and retained earnings in the amount of 26 million euros as of December 31, 2002 (note 6).

3 - Segment division

The Group's activities are now divided into six segments placed into two branches, Energy Supply and Services and Infrastructures. The chosen segmentation provides better information on the activity level and the profits derived from energy trading, as well as from transmission and distribution infrastructures. This information is namely based on the transmission system Third-Party Acess tariffs and of distribution network TPA tariff proposals that have been submitted by the French regulator (CRE). Opening data in the December 31, 2002 balance sheet have been restated in accordance with this new segmentation.

D – SUPPLEMENTARY DISCLOSURES

Note 1 - Intangible and tangible assets

(millions of euros)

	Gross value at Dec 31, 2003	Amortization & depreciation	Net value at Dec 31, 2003	Net value at Dec 31, 2002	Net value at Dec. 31, 2001
Intangibles					
Goodwill	1,362	302	1,060	1,046	403
Other intangible assets	512	178	334	364	468
	1,874	**480**	**1,394**	**1,410**	**871**
Property, plant and equipment					
Non franchised	18,002	6,462	11,540	10,328	3,965
Franchised	13,402	5,609	7,793	7,272	8,282
	31,404	**12,071**	**19,333**	**17,600**	**12,247**
Construction in progress, payments on account	**1,392**	**2**	**1,390**	**1,094**	**1,249**
Total	**34,670**	**12,553**	**22,117**	**20,104**	**14,367**

The cumulative depreciation and amortization amounted to 10,438 million euros at December 31, 2002.

Depreciation and provisions for 2003 are broken down by expense type in note 13.

The business goodwill of Services subsidiaries was fully subject to impairment tests on December 31, 2003. The method used was based on the expected net cash flows per sub-group. This approach resulted in the recognition of an impairment loss of 21 million euros for the Italian subsidiaries' business goodwill.

The 93 million euros in provisions recognized at December 31, 2002 on the fixed assets of Mexican Distribution subsidiaries remained unchanged at December 31, 2003. The operating conditions for 2003 show no indication of additional impairment compared to December 31, 2002.

Goodwill (gross value) changed as follows:

(millions of euros)

Goodwill on December 31, 2002 (gross value)	**1,250**
Gaz de France Produktion Exploration Deutschland	96
Translation adjustments and other	16
Goodwill on December 31, 2003 (gross value)	**1,362**

The so-called "*caducité*" depreciation of assets, recognized in the event of the early renewal of a franchise agreement and which is spread over the remaining life of the original contract, is recorded in franchised fixed assets:

(millions of euros)

	Gross value, at Dec 31, 2003	Depreciation	Net value at Dec 31, 2003	Net value at Dec 31, 2002	Net value at Dec. 31, 2001
	454	47	407	253	-

At December 31, 2001, the same type of depreciation was accounted for as deferred charges (section C note 2.2b).

Non-franchised property, plant, and equipment presented above include leased facilities in the following amounts:

(millions of euros)

	Gross value at Dec 31, 2003	Amortization and depreciation	Net value at Dec 31, 2003	Net value at Dec 31, 2002	Net value at Dec. 31, 2001
Leased facilities	1,030	253	777	498	496

Note 2 – Long-term investments

Note 2 a - Investments in companies accounted for by the equity method

(millions of euros)

	Share of net equity		
	at Dec 31, 2003	at Dec 31, 2002	at Dec. 31, 2001
French companies	137	137	79
Foreign companies			
- EFOG	263	244	241
- Other	52	81	80
Total	**452**	**462**	**400**

The main items in EFOG's balance sheet as of December 31, 2003, are as follows:

(millions of euros)

Assets		**Shareholders' equity and Liabilities**	
Fixed assets	1,399	Shareholders' equity	1,167
Current assets	822	Provisions and long-term deferred taxes	355
		Long-term financial debt	544
		Operating liabilities	155
Total assets	**2,221**	**Total shareholders' equity and liabilities**	**2,221**

Note 2 b – Other long-term investments and financial sector investments

(millions of euros)

	Gross value at Dec 31, 2003	Of which more than one year	Contin-gencies	Net value at Dec. 31, 2003	Net value at Dec. 31, 2002	Net value at Dec. 31, 2001
Other long-term investments						
Non-consolidated equity interests	486	-	45	441	190	202
Receivables related to investment	216	130	17	199	222	179
Loans	118	98	1	117	107	79
Other long-term investments	215	194	2	213	224	222
	1,035	**422**	**65**	**970**	**743**	**682**
Financial sector investments	**227**	**120**	**-**	**227**	**253**	**272**
Total	**1,262**	**542**	**65**	**1,197**	**996**	**954**

Gaz de France sold loans granted to employees to an ad-hoc entity ("*Fonds Commun de Créances"*) for a consideration of 265 million euros (91 million euros sold in 2003 and 174 million euros in 2001). Gaz de France was given a mandate to continue managing these commitments.

The investments of the subsidiaries Pétrofigaz and Gaselys are accounted for in a specific financial sector item owing to the specific nature of their activity.

Main unconsolidated investments

(millions of euros)

	% stake	Net value	Income/ Loss	Sharehol-ders'equity (excluding net income)	Net sales	Latest FYE
Italcogim	40.00	186	22	153	276	(1)
Investment firm in Austria	20.00	81	7	395	-	31/12/03
GDF Milano - Arcalgas	100.00	56	1	56	-	31/12/02
EC Wybrzeze	14.05	20	7	108	112	30/04/03
Groupe Technip	7.15	5	(20)	1 958	4 711	31/12/03
Other		93				
Total		**441**				

(1) Estimated data on December 31, 2003.

The market value of TECHNIP securities was 146 million euros at December 31, 2003.

Equity investments in the Italian gas distribution companies Arcalgas and Italcogim are not consolidated because of the restrictions on control resulting from current regulations in these countries.

Note 3 - Inventories and work in process

(millions of euros)

	Gross value at Dec 31, 2003	Depreciation	Net value at Dec 31, 2003	Net value at Dec 31, 2002	Net value at Dec. 31, 2001
Gas inventories	998	-	998	1,061	1,041
Other inventories and work in process	99	15	84	80	89
Inventories and work in progress	1,097	15	1,082	1,141	1,130

Note 4 - Receivables and other current assets

(millions of euros)

	Gross value at Dec. 31, 2003	Of which more than one year	Depreciation	Net value at Dec. 31, 2003	Net value at Dec. 31, 2002	Net value at Dec. 31, 2001
Trade accounts receivables	**4,365**	**121**	**149**	**4,216**	**3,711**	**4,081**
Deferred taxes	27	9	-	27	111	95
Prepaid expenses	46	-	-	46	46	32
Deferred charges (section C – note 2.2 b)	-	-	-	-	2	235
Due from affililates	287	74	1	286	44	88
Other receivables	1,281	97	38	1,243	1,131	953
	1,641	**180**	**39**	**1,602**	**1,334**	**1,403**
Financial sector current	**161**	**-**	**-**	**161**	**195**	**79**
Total	**6,167**	**301**	**188**	**5,979**	**5,240**	**5,563**

Note 5 - Marketable securities

(millions of euros)

	Gross value at Dec 31, 2003	Depreciation	Net value at Dec 31, 2003	Net value at Dec 31, 2002	Net value at Dec. 31, 2001
Marketable securities	167	9	158	143	433

The market value of marketable securities was 172 million euros as of December 31, 2003.

Note 6 - Shareholders' equity and minority interests

(millions of euros)

	Group share	Minority interests
Shareholders' equity at Dec. 31, 2000	**5,050**	**204**
Dividends paid	-	(27)
Translation adjustments	21	3
Changes in percentage interest and consolidation scope	-	56
Miscellaneous	-	1
Net income	891	63
Shareholders' equity at Dec. 31, 2001	**5,962**	**300**
Dividends paid	(312)	(53)
Translation adjustments	(7)	(2)
Changes in percentage interest and consolidation scope	-	(41)
Elimination of legal revaluations of 1959 and 1976 (section C – note 2.2 c)	(26)	-
First application of CRC regulation 00-06 on liabilities (section C - note 2.2 a)	30	-
Miscellaneous	-	(1)
Net income	3,612	43
Shareholders' equity at Dec. 31, 2002	**9,259**	**246**
Dividends paid	(456)	(42)
Translation adjustments	(109)	(12)
Changes in percentage interests and consolidation scope	-	2
Impact of changes in accounting principles and miscellaneous	(17)	5
Net income	910	70
Shareholders' equity at Dec. 31, 2003	**9,587**	**269**

The "Translation adjustments" item results from:

- the difference between the value of shareholders' equity of foreign corporations translated at the December 31, 2003 exchange rate and the value of shareholders' equity translated at the historical exchange rates after restatement, if any, to reflect the Group's accounting principles;

- the difference, for foreign companies, between net income translated at the year-end rate and that translated at the average exchange rate;

- net foreign exchange gains (losses) related to foreign currency loans taken out by French companies to finance foreign companies.

Translation adjustments which are now fixed, recorded as of December 31, 1998 for euro-zone subsidiaries totaled - 2.3 million euros for the Group and - 0.3 million euros for minority interests.

Cumulative translation adjustments as of December 31, 2003, included in shareholders' equity - Group share, totaled - 130 million euros (-17 million euros at December 31, 2002 and – 7 million euros at December 31, 2001).

Minority interests is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries.

Note 7 – Provisions

Note 7 a – Provisions for liabilities and charges

(millions of euros)

	Balance as of Dec. 31, 2002	**Addition**	**Unused**	**Used**	**Reclassi-fications**	**Changes in consolidation**	**Translation adjustments**	**Balance as of Dec. 31, 2003**
Replacement of franchised assets	2,901	513	(101)	(210)	-	-	-	3,103
Site restoration	504	14	-	(20)	66	86	(2)	648
Employee benefits	190	195	-	(5)	-	84	-	464
Taxes	26	5	-	(3)	-	-	-	28
Major repairs and full warranty	120	25	(4)	(36)	(9)	-	-	96
Deferred taxes	1,434	129	-	(188)	(74)	558	(2)	1,857
Negative goodwill net of reversals	22	(7)	-	-	-	-	-	15
Other provisions	243	265	(11)	(76)	16	2	(1)	438
Financial sector provisions	2	3	-	(2)	13	-	-	16
Provisions for liabilities and charges	5,442	1, 142	(116)	(540)	12	730	(5)	6,665

Changes in the consolidation scope mainly related to the acquisition of Gaz de France Produktion Exploration Deutschland (section C 1.1 a).

Replacement of franchised assets

This item concerns the replacement of the gas distribution facilities in France.

It is calculated as described in section II. The amount of reversals for use in the year (210 million euros) contributed to an increase in the item "Value of franchises – Franchisors' inherent rights".

Thirty-one percent of the provision for replacement of distribution networks is expected to be used between 2004 and 2008 and 69% after 2008.

Site restoration

The principle of this provision is presented in section B. It mainly concerns Gaz de France and its exploration and production subsidiaries

The Gaz de France sites concerned are:

- first the lands on which manufactured gas production plants were located. The accrual is determined statistically on the basis of samples of representative sites;
- second, the pipes, storage sites and methane carrier terminals in service.

For the latter, as for exploration and production facilities, the estimated cost of dismantling equipment is fully accrued under liabilities, with a counter part in tangible assets. The related depreciation and unwinding of discounting charge are recorded to operating income (loss) (section C – 2.1).

Employee benefits

For Gaz de France, pension commitments are partly covered by insurance type funds and a provision of 137 million euros. Long-service benefits are accrued (24 million euros).

For the first time in 2003, Gaz de France accrued disability pensions and allowances for labor accidents, occupational illness and inability to work (151 million euros), as well as exceptional retirement bonuses (27 million euros).

Note 7 b – Depreciation and amortization

(en millions d'euros)

	Balance as of Dec. 31, 2002	Addition	Unused	Used	Reclassi-fications	Changes in consolidation	Translation adjustments	Balance as of Dec. 31, 2003
Intangible assets	33	1	(1)	-	36	-	(7)	62
Tangible assets	54	-	-	-	(7)	-	(16)	31
Long-term investements	70	20	(7)	-	(28)	15	-	70

Note 8 – Liabilities

Note 8 a – Maturity schedule

(millions of euros)

	Balance as of Dec. 31, 2003	Maturity				Balance at Dec. 31, 2002	Balance at Dec. 31, 2001
		1 year or less	1 to 5 years	6 to 10 years	More than 10 years		
Financial debt							
Leasing	862	56	230	297	279	607	563
Bonds	2,053	-	67	1,244	742		
Other loans	1,716	899	621	159	37	3,078	2,244
Bank overdrafts	546	546	-	-	-	625	678
Miscellaneous	232	203	16	6	7	157	119
	5,409	**1,704**	**934**	**1,706**	**1,065**	**4,467**	**3,604**
Trade accounts payable	**1,769**	**1,767**	**2**	**-**	**-**	**1,851**	**1,787**
Taxes and social contributions	**3,418**	**3,356**	**28**	**34**	**-**	**3,135**	**2,861**
Financial sector debt	**402**	**402**	**-**	**-**	**-**	**442**	**340**
Liabilities	**10,998**	**7,229**	**964**	**1,740**	**1,065**	**9,895**	**8,592**

In 1999, Gaz de France sold receivables to guarantee a 198 million euro loan. The 4-year program ended in 2003. Since the sale of receivables was without recourse, the transaction resulted in a decrease in trade accounts receivable and a reduction in financial debt of 198 million euros from 1998 to 2002 inclusive.

Note 8 b – Categories of bonds

	Balance at Dec. 31, 2003	Date of issue	Date of maturity	Rate	Listing market
Public issues					
- EUR	EUR 1,250M	02/2003	02/2013	4.75%	Paris/Luxembourg
	EUR 750M	02/2003	02/2018	5.125%	Paris/Luxembourg
Private investment					
- EUR	EUR 30M	12/2003	12/2006	3-mo Euribor	Paris
- yen	JPY 5,000M	12/2003	12/2006	6-mo JPY Libor +0.005%	Luxembourg

The private investments in yen are covered by a EUR/JPY cross currency swap at 3-month Euribor. These various transactions have been concluded under the EMTN program established in October 2002.

Note 8 c – Analysis of bonds and other loans

	Balance at Dec. 31, 2003	Maturity			
		1 year or less	1 to 5 years	6 to 10 years	More than 10 years
EUR	3,211	650	526	1,280	755
USD	472	233	123	105	11
GBP	45	14	-	18	13
Other	41	2	39	-	-
Total	**3,769**	**899**	**688**	**1,403**	**779**

Hedging swaps are detailed in Note 20 a.

Less than 30% of debts contain financial covenants; these relate solely to subsidiaries. The Gaz de France Group complies with these covenants in its operations.

Note 8 d – Other financial debt

Other financial debt (leasing, bank overdrafts and miscellaneous) are mainly denominated in euros.

Note 9 – Debt analysis by interest rate and by currency after taking financial hedging instruments into account

Note 9 a – Debt by interest rate

Leasing debt, bonds and other debt negotiated at a fixed rate or converted to a fixed rate through interest-rate swaps totaled 3,008 million euros at December 31, 2003.

Fixed-rate financing of less than 3 months at origin is not included in this amount.

Note 9 b – Debt by currency

After accounting for currency hedging instruments, bonds and other loans were categorized by currency as follows:

(millions of euros)

	Dec. 31, 2003	%
EUR	2,651	70.34
USD	45	1.19
GBP	1,069	28.36
Other	4	0.11
Total	**3,769**	**100**

Note 10 – Net sales

(millions of euros)

	2003	2002	2001
Gas sales			
- domestic	11,371	10,481	11,015
- foreign	2,516	1,830	1,493
Services rendered and miscellaneous	2,760	2,235	1,849
Net sales	**16,647**	**14,546**	**14,357**

Note 11 – Value added

(millions of euros)

	2003	2002	2001
Group share	5,956	5,214	4,686
Minority interests	442	246	256
Value added	**6,398**	**5,460**	**4,942**

Interest/dividends on irredeemable securities are based on the official average bond interest rate and the higher of growth in the value added of Gaz de France or of the consolidated entity (Group share only).

Note 12 – Research and development expense

In 2003, research and development expense totaled 89 million euros, down from 118 million euros in 2002.

Note 13 – Depreciation, amortization and provisions

Note 13 a – Depreciation (net of reversals and transfers of charges)

(millions of euros)

	2003	2002	2001
Depreciation of franchised assets	494	331	374
Other depreciation (net of reversals)	1,150	950	629
Depreciation (net of reversals)	**1,644**	**1,281**	**1,003**

The increase in depreciation of franchised assets was due to the early termination of franchise contracts. These additional depreciation is capitalized under fixed assets with transfers of charges account as a counterpart (note 1).

The increase in other depreciation and amortization was mainly the result of additional depreciation of transmission facilities acquired in July 2002 (151 million euros in 2002 and 291 million euros in 2003).

Note 13 b – Provisions (net of reversals)

(millions of euros)

	2003	2002	2001
Replacement of franchised assets	412	408	315
Site restoration	(6)	5	44
Employees (note 7 a)	190	(3)	-
Major repairs and full warranty	(15)	55	35
Impairment write-downs	28	(4)	(27)
Other operating provisions	78	(45)	(172)
Provisions (net of reversals)	**687**	**416**	**195**

The increase in provisions for employees was mainly due tonew exceptional provisions in 2003 for exceptional early retirement and regular pension and benefit payments in force at the end of the year (disability allowances, allowances for industrial accidents, disease and inability to work).

Note 13 c – Transfers of charges on fixed assets

(millions of euros)

	2003	2002	2001
Transfers of charges on fixed assets	(173)	(69)	(114)

These transfers of charges relate to "*caducité*" depreciation of franchised assets capitalised under assets (note 1).

Note 14 –Financial income (expense)

(millions of euros)

	2003 Expense	2003 Income	2003 Net	2002 Net	2001 Net
Interest and related expenses	340	122	(218)	(120)	(176)
Income from non-consolidated equity interests	-	39	39	35	39
Foreign exchange gains (losses)	195	357	162	44	21
Net financial provisions	136	14	(122)	19	(4)
Total	**671**	**532**	**(139)**	**(22)**	**(120)**

Note 15 – Exceptional items

(millions of euros)

	Expense	Income
Sale of intangible and tangible assets	62	74
Sale of long-term investments	13	23
Other	49	22
	124	**119**
Exceptional items	**5**	**-**

Taxes on exceptional items totaled 3 million euros.

Note 16 – Taxes and deferred taxes

Gaz de France is the parent company of a group that has opted for a tax consolidation as defined in Article 223A of the French Tax Code comprising 84 companies in 2003.

The tax expense on income was as follows:

(millions of euros)

	2003	2002	2001
Current tax	720	573	483
Deferred tax	32	32	68
Income tax	**752**	**605**	**551**

The impact of the tax audit of Gaz de France for the years 1995-1997 was recognized in the 2001 accounts.

Note 16 a – Tax proof : reconciliation of theoretical tax expense and actual income tax

(millions of euros)

	2003	2002	2001
Consolidated net income before taxes	1,735	1,484	1,493
Theoretical tax expenses (applicable tax rate in France)	615	526	544
Impact of discounted deferred taxes	45	16	14
Impact of differences in tax rates	(16)	(2)	(7)
Impact of the use of tax loss carryforwards	(30)	(10)	(13)
Impact of the year's unused deficits	43	63	55
Other permanent differences	95	12	(42)
Actual income tax	**752**	**605**	**551**

Note 16 b – Deferred tax

(millions of euros)

	At Dec. 31, 2002	Change during the year Income	Other	At Dec. 31, 2003
Deferred tax liability	(1,434)	59	(482)	(1,857)
Deferred tax asset	111	(17)	(67)	27
Net deferred tax	**(1,323)**	**42**	**(549)**	**(1,830)**

Note 16 c – Breakdown of deferred tax assets and liabilities on the basis of temporary differences

(millions of euros)

	2003	2002	2001
Fixed assets	(1,583)	(1,091)	(172)
Provisions and accrued expenses	10	50	48
Unrealized profits in inventory	11	9	9
Loss carryforwards	66	65	64
Deferred taxation on contributions from customers for franchised assets	(132)	(126)	(137)
Accelerated cost recovery	(98)	(85)	(135)
Other regulated provisions	(117)	(114)	(103)
Other	13	(31)	27
Net deferred taxes	**(1,830)**	**(1,323)**	**(399)**

Note 16 d – Unrecognized deferred tax assets

(millions of euros)

	Unrecognized deferred tax assets			
Nature of temporary differences	Total	Less than 5 years	More than 5 years	Indefinite carryforwards
Loss carryforwards	52	29	7	16
Other temporary differences	34	13	20	1
Total	**86**	**42**	**27**	**17**

Note 17 – Capital expenditures

Capital expenditures on property, plant and equipment include acquisition of tangible and intangible assets.

Growth investments include long-term investments and the effect on cash and cash equivalents of changes in the consolidation scope.

Investing and financing activities with no effect on changes in cash and cash equivalents:

(millions of euros)

	2003	2002	2001
Leasing acquisitions	45	7	24

Note 18 – Change in working capital requirements

(millions of euros)

	2003	2002	2001
Change in inventories	(67)	(8)	(91)
Change in accounts receivable*	436	(276)	748
Change in trade accounts payable*	(10)	(32)	(14)
Change in other items	115	(156)	(453)
Change in working capital requirements	**474**	**(472)**	**190**

*net of payments on account

The sale of receivables described in note 8 resulted in an increase of 152 million euros in accounts receivable in 2003.

Note 19 – Cash and cash equivalents

Cash and cash equivalents include available cash, temporary bank overdrafts, and highly liquid, readily convertible securities that are stable in value, as well as current accounts used as cash resources.

(millions of euros)

	2003	2002	2001
Cash and cash equivalents	512	450	277
Marketable securities	158	143	433
Bank overdrafts	(546)	(625)	(663)
Current accounts considered as cash	(24)	(1)	8
Net cash in the financial sector	60	29	47
Cash and cash equivalents	**160**	**(4)**	**102**

Note 20 – Consolidated off-balance sheet commitments

Note 20 a – Financial commitments

Financial risk management policy (interest and currency rates) is defined at Group level in order to aggregate all the risks, control positions and perform market transactions from a single point.

Consolidated management of the counterparty risk and the coherence of management decisions are achieved primarily by cross-company decision-making bodies : the Exchange Rate Committee and Credit Committee.

Hedging currency risk

To manage its exposure to exchange rate fluctuations, Gaz de France uses forward contracts to buy or sell foreign currencies to hedge its gas purchases, tangible assets and financing activities.

(millions of euros)

Forward contracts	Commitments fixed portion as of Dec. 31, 2003 by due date			Estimated value as of Dec. 31, 2003	Foreign exchange differential as of Dec. 31, 2003	Commitments fixed portion as of Dec. 31, 2002
	2004	2005	2006 and beyond			
Short position						
- GBP	418	106	-	523	1	155
- USD	791	36	1	818	10	136
- Other currencies	4	-	-	4	-	-
Long position						
- GBP	165	14	1	163	(17)	43
- USD	437	81	16	572	38	241
- Other currencies	5	-	38	42	(1)	-

The foreign exchange differential on these commitments was - 27 million euros as of December 31, 2002.
Gaz de France entered into a currency option for a nominal value of 11 million euros.

As of December 31, 2003, exposure to currency exchange risks was as follows :

(millions of euros)

Currency	USD	GBP
Bonds and other loans	472	45
Other receivables	41	(254)
Net balance sheet position	**513**	**(209)**
Forward currency buying	(534)	(180)
Forward currency selling	828	524
Net exposure (hedged forward transactions)	**807**	**135**

Hedging interest rate risk

(millions of euros)

Maturities for swaps	Nominal amount as of Dec. 31, 2003					Nominal amount as of Dec. 31, 2002
	One year or less	1 to 5 years	From 6 to 10 years	More than 10 years	Total	
Swaps fixed-rate payable / floating-rate receivable	551	184	-	201	936	925
Swaps floating-rate payable / fixed-rate receivable	118	270	159	235	782	432
Swaps floating rate to floating rate	-	39	-	-	39	-

Gaz de France entered into short-term rate swaps mainly to convert fixed rate commercial paper to floating rate paper. The amount hedged was 551 million euros at December 31, 2003 and 925 million at December 31, 2002.

Following the sale of employee homeowner loans in 2001 and 2003 to a special purpose vehicle, Gaz de France has kept a minor part of the interest rate risk on a nominal amount equal to the difference between the remaining capital amount actually owed and the theoretical model of the remaining capital amount owed at the time of sale. This difference came to 5 million euros on December 31, 2003. The nominal value of the corresponding interest rate swaps was 200 million euros.

The Group also entered into interest rate swaps to convert variable rate medium and long-term loans to fixed-rate. The hedged commitments totaled 220 million euros at December 31, 2003 and 226 million euros a year earlier.

Financial sector subsidiaries hedge interest rate risk on their assets (issued with a fixed rate) with interest rate swaps, which enable them to refinance their debt at a fixed rate. The nominal value of these swaps was 215 million euros as of December 31, 2003 and 206 million euros on December 31, 2002. The instruments mature mainly in 2004.

Lastly, the Group's private investments in yen are hedged by a EUR/JPY cross currency swap at 3-month Euribor. These various transactions were concluded under the EMTN program established in October 2002 (note 8a).

Commitments on companies outside the consolidation scope

Gazprom has a purchase option of 0.5 billion euros on a portion of the shares of the Slovak gas utility Slovenksy Plynarensky Priemysel (SPP). This option can be exercised until July 2004 (section C– 1.2 a).

In addition, the Group entered into simultaneous sale and purchase options on shares with the current shareholders of two Italian gas distribution companies (Arcalgas and Italcogim). These options can be exercised on a staggered basis between 2004 and 2007 for a total of 380 million euros.

OTHER FINANCIAL COMMITMENTS GRANTED AND RECEIVED

(millions of euros)

	Dec. 31, 2003		Dec. 31, 2002	
	Commitments granted	Commitments received	Commitments granted	Commitments received
Lines of credit in foreign currencies (1)	2,258	2,258	1,832	1,832
Guarantees and endorsements	374	158	363	130
Performance bonds	74	6	80	4
Other	6	4	34	11
Total	**2,712**	**2,426**	**2,309**	**1,977**

(1) Since August 2002, Gaz de France has been extended a revolving credit line of 2 billion euros that will expire in 2007. The banks have the right to withdraw individually if control were to change hands.

Note 20 b – Commodity commitments

Commitments related to natural gas

In order to meet customer demand for natural gas in the medium and long term, the Group secures its supplies through contracts that may last up to 25 years.

These contracts include reciprocal commitments referring to determined quantities of gas :

- a commitment by the Group to take delivery of minimum quantities,
- a commitment by suppliers to provide quantities at competitive prices.

This competitiveness is ensured by price adjustment formulas and clauses. Most of the Group's gas procurement is negotiated through such contracts.

As of December 31, 2003, the Group's commitments totaled 45 billion m^3 for 2004, 194 billion m^3 for the period 2005-2008 and 466 billion m^3 for 2009 and beyond.

In addition, the Group entered into forward purchases and sales of natural gas within the framework of its trading activities purchases and sales of natural gas in spot markets and financially engineered sales to industrial customers ; and at Gaselys, cash and carry campaigns and spread trading.

As of December 31, 2003, Group commitments totaled 5 billion m^3 for forward purchases maturing in less than one year and 6 billion m^3 for forward sales maturing in less than one year.

In order to meet its commitments to take delivery of determined volumes of gas, the Group entered into contracts to book land and sea transport capacities.

Finally, the subsidiaries in the Exploration and Production sector committed to supply minimum quantities of natural gas to their customers. The corresponding commitment represented 5 billion m^3 as of December 31, 2003, including 1 billion m^3 within the year.

Commitments related to oil and electricity

Within the framework of its trading activities, Gaz de France engages in forward purchases and sales of oil and electricity. As of December 31, 2003, these commitments were as follows:

(in TWh)

	Oil	Electricity
- Long position	12	4
- Short position	10	4

In addition, the Group has electricity production capacities from gas of 16 TWh per annum for 22 years.

Derivative instruments

Gaz de France uses derivative instruments to manage its exposure to fluctuations in the price of commodities.

Swaps and options, generally backed by physical transactions concerning natural gas, are used as hedging instruments. Swaps allow a sale or purchase price to be fixed at the time of negotiation for a specified quantity of gas at a future date. They serve to secure and guarantee the margin on a commercial transaction, whatever the future price of gas.

Options serve to guarantee ceiling prices for gas (calls) and sometimes floor prices (puts).

	Notional amount as of Dec. 31, 2003				Differential as of Dec. 31, 2003 millions of euros	Notional amount as of Dec. 31, 2002 millions of euros
	millions of GWh by maturity			millions of euros		
	2004	2005	2006 and beyond			
Options (long position)						
- Natural gas	2,129	-	-	22	-	62
- Oil	1,824	88	-	14	(1)	39
- Electricity	-	112	-	3	-	8
Options (short position)						
- Natural gas	1,606	-	-	15	(1)	63
- Oil	335	-	-	4	-	23
- Electricity	-	112	-	3	-	9
Swaps						
- Natural gas	30,629	5,096	377	482	29	118
- Oil	133,829	27,512	3,121	1,505	25	799

As of December 31, 2002, the commitment differential on derivative instruments was 14 million euros.

Consolidated commitments include 51% of Gaselys' commitments with third parties as well as 49% of Gaz de France's commitments with Gaselys.

Note 20 c – Counterparty risk

Gaz de France conducts a counterparty risk management policy based partly on systematic diversification of its counterparties, and partly on an evaluation of their financial situation.

Consequently, all the financial instruments used to manage its interest rate and exchange rate risks are contracted with counterparties with a rating (long term / short term) by Standard & Poor's or Moody's higher than A-/A3.

Energy counterparties of the trading subsidiary are evaluated and rated on the basis of financial analysis with reference, when available, to the counterparty's S&P or Moody's rating. According to the result of this financial evaluation and the Group's relations with the counterparty, Gaz de France may make use of legal instruments such as master netting arrangements (providing setoff of accrued payables and accrued receivables towards the same counterparty) or guarantee agreements (comfort letter, parent company guarantee, bank endorsement).

Finally, given Gaz de France's divisional structure, the customer risk associated with the supply of gas is largely confined to the Trading Division, whose customers are all eligible for the opening up of the market beginning on July 2004. Consequently, the customer risk is now being closely monitored by the Credit Committee, which meets with representatives from the Financial and Trading Divisions on a monthly basis. In addition to analysis of the major counterparties' capacity, this Committee is responsible for defining a governance framework for the management and monitoring of credit risk in Trading, on the eve of the opening up of the markets.

Note 20 d – Other commitments

(millions of euros)

	Dec. 31, 2003		Dec. 31, 2002	
	Commitments granted	Commitments received	Commitments granted	Commitments received
Investment commitments	1,004	1,004	1,049	1,049
Rental commitments and related commitments	97	97	167	167
Commitments related to non-consolidated equity interest	165	165	201	201
Other	3	5	42	-
Total	**1,269**	**1,271**	**1,459**	**1,417**

Commitments related to non-consolidated equity interests are mainly swaps. Gaz de France has subscribed to two financial instruments, the underlying entity of which is a service-sector company. These swaps, which have a nominal value of 165 million euros, allow the Group to benefit from the income on the securities as well as from any change in their value, while assuming the cost of their financing, i.e. approximately 5 million euros per year.

The commitments granted to banks by Gaz de France and its consolidated subsidiaries as a guarantee for loans contracted by consolidated subsidiaries are eliminated from consolidated commitments.

Note 20 e –Insurable risks

Following identification of insurable risks (in particular those linked to damage to its own property as well as to damage to third parties, including environmental harm) over the past few years, Gaz de France has instituted a policy of insuring all significant risks. Accordingly, the insurance policies taken out provide high coverage levels so that, in the event of a loss, the effect on the Group's financial situation would be limited.

In order to ensure that the coverage is coherent, insurance management is centralized for the Group. This has allowed new projects at subsidiaries to be integrated within existing policies and influence brought to bear for majority-controlled subsidiaries.

Note 20 f – Other points

Gaz de France and its tax consolidated subsidiaries were subject to a tax audit for fiscal 2001 and 2002. The conclusions of the audits currently underway are expected to be known by the end of 2004.

In 2003, Gaz de France launched a general audit on the physical inventory of assets belonging to Distribution in France. The operation is designed to reconcile the book position as of January 1, 2004 with the technical files showing the actual position on that date. It will also be concerned with the accuracy of movements affecting business assets (date of commissioning, decommissioning, transfers).

Preliminary work to prepare reference data and validate the concept and methodology was completed in December 2003.

The impact of any inventory discrepancies on the financial statements for 2004 cannot be evaluated yet.

Note 21 – Pension commitments and other commitments to employees

Note 21 a – Commitments related to post-employment benefits

1. Characteristics of the electricity and gas industry retirement plan

The retirement plan for regular electricity and gas industry employees is specific, legal and mandatory. The conditions for determining retirement benefits and for financing the plan, which were defined in the specific National Code for these employees (decree of June 22, 1946) are the responsibility of the French government. The companies themselves have no legal right to adapt or modify the terms.

The plan is not an employer plan, but is part of legislation governing mandatory pension schemes as defined in article L 711-1 of the French Social Security Code. It is not limited to nationalized utilities but includes all electricity and gas industry companies, whatever their legal status.

Gaz de France is a state-owned public utility with industrial and commercial activities that has obligations as well as rights and guarantees pursuant to its status.

2. Current financial obligations of Gaz de France

The French law transposing the European Directive on Electricity of February 10, 2000, which laid down the principle of the extension of the status of employees of the electricity and gas industries, led to the extension of the special retirement plan to new operators entering the French electricity and gas market. In article 46, it introduced provisions leading to a change in the presentation of the accounts of the Electricity and Gas Industries plan, which is now included in the financial statements of EDF.

Every year, Gaz de France records the Company's contribution to the pension plan in its financial statements. This contribution, which includes the expenses of compensation with the other legal retirement plan regulations, is determined by the application of a general average rate on an assessment of payroll charges excluding bonuses. In 2003, the contribution of Gaz de France amounted to 437 million euros (422 million euros in 2002) and the general average rate was 61.8% (60% in 2002).

3. Commitments related to pensions and other post-employment benefits

Pursuant to the recommendations of the CNC dated April 1, 2003 (2003-R.01), the commitments of Gaz de France are determined on an actuarial basis applied to all employees in electricity and gas industries.

This projected unit credit method incorporates estimates of:

- end-of-career level of salary, reflecting seniority, and a significant adjustment for career advancement. It does not take inflation into account since the increase in basic salary is deemed to correlate with it;
- age of retirement, determined on the basis of criteria that are characteristic of employees in electricity and gas industries (years of active service, number of children for women);
- the number of retired persons, based on mortality tables (French Bureau of Statistics) and on a turnover rate based on statistics for employees in electricity and gas industries;
- payment of pensions to surviving spouses, incorporating life expectancy of employees and their spouses, and the percentage of married employees in electricity and gas industries.

Commitments are calculated using the following principles:

- they are evaluated on the basis of the rights vested as of the date of calculation;
- they are stated before deduction of the proportion financed by employee contributions. As an indication, at December 31, 2003, employee contributions totaled 56 million euros, and Gaz de France's employer contribution was 437 million euros;
- they are determined for all employees, both active and retired, who belong to the specific pension plan in effect in the electricity and gas industries. The allocation of the relative share of each electricity and gas industry company is calculated in proportion to respective payrolls, excluding bonuses.

Under these conditions, using a discount rate net of inflation of 3%, commitments related to pensions and other post-employment benefits are evaluated at 13.62 billion euros before tax, of which 12.91 billion euros for pensions (12.51 billion as of December 31, 2002) and 0.71 billion euros for the following benefits – medical insurance, reduced energy prices, solidarity benefits, immediate benefits in the event of death, partial reimbursement of educational costs and lump sum payments at retirement.

The commitment for these benefits (excluding retirement pensions) was evaluated at 1.14 billion euros as of December 31, 2002. Its reduction by 0.43 billion is mainly due to a change in the valuation of obligations related to the benefit of discount energy prices (substitution of the assessment of actual outlay of resources without counterpart for the value of the energy supplied at the sale price).

These pension commitments and other post-employment benefits would involve a significant deferred tax asset.

Gaz de France took out insurance policies with several insurers towards its obligations in terms of pensions and lump-sum retirement benefits. As of December 31, 2003, the value of these contracts stood at 1.68 billion euros.

For pensions, payments to insurers totaled 0.37 billion euros in 2003 (identical amount to payments in 2002).

Finally, Gaz de France recorded a provision for retirement benefits in the amount of 137 million euros as of December 31, 2003 (unchanged from December 31, 2002). In 2003, for the first time, Gaz de France recorded a reserve of 27 million euros for lump sum payments on retirement.

4. Reorganization of pension financing

At the request of the public authorities, Gaz de France and the other electricity and gas utilities opened discussions with four representative labor organizations in order to propose to the State a series of recommendations on how to reorganize the way the special electricity and gas industry pension scheme is financed. This initiative produced an agreement entitled "Reorganizing the financing of the special retirement plan of the Electricity and Gas Industries" signed by the employer representatives and three labor organizations. This document was submitted to the Minister of the Economy, Finances and Industry on January 10, 2003.

The public authorities are currently consulting with the different parties in this reform and they have presented the principles of the projected reorganization to the European Commission, which has approved the accounting for it with Community rules (decision dated December 16, 2003). The reform is due to take effect in 2005, after the necessary legislative modifications have been made.

In addition to maintaining the special Electricity and Gas Industries plan, in organizational terms, this reform consists of creating a pension fund that manages all the benefits and obligations of the plan. It sets up financial agreements with the standard pension schemes (CNAV, AGIRC and ARRCO) for the portion of benefits corresponding to their own offerings. The reform finances, through a fixed rate contribution, the commitments introduced by the transmission and distribution activities, which correspond to the portion of benefits in excess of the benefits offered by the standard pension scheme at the date of the reform.

After reform, the gross commitments for pensions will be limited to the portion of benefits acquired in excess of the benefits offered by the standard scheme under general law and not financed by the fixed-rate contribution.

Note 21 b – Commitments related to long-term benefits granted to Gaz de France employees

These commitments represent 183 million euros, at a discount rate net of inflation of 3% (173 million euros in 2002). They concern the following:

- disability allowances, allowances for industrial accidents, disease and disability compensation current at the year end (151 million euros);

- disability benefits due following temporary occupational incapacity (8 million euros);

- long-service benefits (seniority medals : 24 million euros).

Gaz de France has recorded a 24 million euro provision for seniority medals in France (25 million euros as of December 31, 2002).

In addition, in 2003, for the first time, Gaz de France recorded a provision of 151 million euros for pensions and benefits current at the year end (disability, occupational accident, occupational illness and disability).

Note 22 – Workforce

The Group employed 38,101 people as of December 31, 2003, as compared with 37,853 as of December 31, 2002. The breakdown was 36,072 in fully consolidated companies and 2,029 for the share of companies consolidated on a proportionate consolidation method.

The average headcount for the period was 38,293 people with 36,118 in fully consolidated companies and 2,175 for the share of companies consolidated on a proportionate consolidation method. The corresponding payroll costs totaled 2,055 million euros in 2003, as compared with 1,984 million euros in 2002.

Note 23 – Business segment reporting

Energy Supply and Services incorporates the following segments:

- Exploration-Production

Through its consolidated subsidiaries and companies non-consolidated equity interests, Gaz de France Group has a portfolio of oil and gas assets, principally oil and gas-producing facilities in the North Sea and Germany, and exploration and development fields in Algeria and Egypt. The E&P segment sells a major part of its production to the Supply, Trade and Sales division.

- Purchase and Sale of Energy

This segment comprises the trading businesses. Sales deal with all customers, whether residential, commercial or other energy companies. Sales are made principally through Gaz de France and CFM Négoce in France, and through Gaz de France and GDF ESS in other European countries outside France. The Trading business is operated by Gaselys.

- Services

The Services business consists of the provision of services related to the supply of energy, chiefly:

- the running and maintenance of heating and cooling production facilities, industrial maintenance, controlled environment facilities, and the management of industrial units (Cofathec Group);
- electricity production (Finergaz Group);
- natural gas vehicles (GNVert).

Infrastructures incorporates all the transport and distribution businesses for the different segments:

- Transmission and Storage France

Gaz de France wholly owns and operates the network for the transmission of gas to its customers and, pursuant to European directives, to third parties. This segment also includes the management of LNG terminals and storage facilities as well as the Compagnie Française du Méthane (CFM) transmission business.

- Distribution France

This segment incorporates the management of distribution networks in France – investment, renovation, maintenance – mainly provided by Gaz de France.
The distribution networks are operated on a franchise system granted by local authorities.

- Transmission and Distribution - International

The Group owns holdings in a number of gas transmission and distribution companies, mainly in Europe (Germany, Hungary, Slovak Republic and Portugal) and in Mexico. Most of these companies also market gas.

Internal services are invoiced between segments at market price, and mainly involve the following services:

- between Purchase and Sale of Energy and Transmission and Storage - France:
  - reservation and utilization of supply capacities in the commercial gas transmission network. Compensation for this service is based on rates for third-party access to the transmission network approved by the French Energy Regulation Committee;
  - reservation and utilization of storage capacities necessary for the marketing of gas.

- between Purchase and Sale of Energy and Distribution - France: reservation and utilization of supply capacities in the commercial gas distribution network. Compensation for this service is based on the draft rates for third-party access to the distribution network proposed by the French Energy Regulation Committee.

In addition, indirect expenses are re-charged between segments.
The elimination of internal services in the consolidation process should be taken into account when segment indicators are reconciled with the financial statements.

December 31, 2003

(millions of euros)

Gaz de France Group	Energy Supply and Services	Infrastructures	Other	Eliminations	Total
Net sales	15,161	6,525 (a)	60	(5,099)	16,647
EBITDA	950	3,169	15	-	4,134
Operating income	465	1,446	(32)	-	1,879
Net tangibles and intangibles	3,766	17,809	542	-	22,117

Energy Supply and Services	Exploration - Production	Purchase and Sale of Energy	Services	Eliminations	Total
Net sales	703	13,338	1,340	(220)	15,161
EBITDA	397	499	54	-	950
Operating income	145	316	4	-	465
Net tangibles and intangibles	2,824	333	609	-	3,766

Infrastructures	Transmission and Storage - France	Distribution - France	Transmission and Distribution - International	Eliminations	Total
Net sales	1,937	3,305	1,304	(21)	6,525
EBITDA	1,228	1,557	384	-	3,169
Operating income	609	598	239	-	1,446
Net tangibles and intangibles	6,350	8,603	2,856	-	17,809

(a): includes 1,647 of external net sales

The principal impact of changes in consolidation on the contribution of the Energy Supply and Services branch as of December 31, 2003 was as follows:

- net sales: 210 million euros;
- EBITDA: 80 million euros;
- operating income: 18 million euros;
- net tangible and intangible assets: 1,534 million euros.

The principal impact of changes in consolidation scope on the contribution of the Infrastructures branch as of December 31, 2003 was as follows:

- net sales: 427 million euros;
- EBITDA: 169 million euros;
- operating income: 119 million euros;
- net tangible and intangible assets: 1,431 million euros.

December 31, 2002

(millions of euros)

Gaz de France Group	Energy Supply and Services	Infrastructures	Other	Eliminations	Total
Net sales	13,381	6,024 (a)	38	(4,897)	14,546
EBITDA	500	2,768	24	-	3,292
Operating income	238	1,321	(8)	-	1,551
Net tangibles and intangibles	2,063	17,757	284	-	20,104

Energy Supply and Services	Exploration - Production	Purchase and Sale of Energy	Services	Eliminations	Total
Net sales	413	11,826	1,244	(102)	13,381
EBITDA	235	250	15	-	500
Operating income	46	207	(15)	-	238
Net tangibles and intangibles	1,309	195	559	-	2,063

Infrastructures	Transmission and Storage - France	Distribution - France	Transmission and Distribution – International	Eliminations	Total
Net sales	1,883	3,106	1,061	(26)	6,024
EBITDA	1,166	1,368	234	-	2,768
Operating income	720	539	62	-	1,321
Net tangibles and intangibles	6,723	7,994	3,040	-	17,757

(a) includes 1,166 of external net sales

Note 24 – Geographical segment reporting

(millions of euros)

Dec. 31, 2003	**France**	**Europe excluding France**	**NAFTA**	**Rest of the world**	**Eliminations**	**Consolidated**
Net sales	14,096	2,897	142	11	(499)	**16,647**
EBITDA	3,366	725	39	4	-	**4,134**
Operating income	1,531	327	18	3	-	**1,879**
Net tangibles and intangibles	16,193	5,487	427	10	-	**22,117**
Dec. 31, 2002						
Net sales	12,549	2,215	136	14	(368)	**14,546**
EBITDA	2,849	438	11	(6)	-	**3,292**
Operating income	1,470	157	(85)	9	-	**1,551**
Net tangibles and intangibles	15,630	3,954	509	11	-	**20,104**

Net sales are analyzed according to the geographical area where the sales originated.

Net sales analyzed by destination are detailed in note 10.

The Group's fixed assets are analyzed by the area in which they are located.

Note 25 – Subsequent events

Unwinding of cross-holdings between Total and Gaz de France

To meet the changing market for natural gas in Europe, Gaz de France and Total signed a letter of intent to unwind their cross-holdings in their joint transmission and natural gas supply companies in France, Gaz du Sud-Ouest (GSO 30%-owned by Gaz de France) and Compagnie Française du Méthane (CFM 55%-owned by Gaz de France).

Under the terms of this joint letter of intent, Gaz de France would become the sole shareholder of CFM, and Total the sole shareholder of GSO. In addition, Total would assume some of the trading business of CFM and a stake in the LNG terminal being built at Fos-sur-Mer.

It is not expected that there will be any negative impact on the shareholders' equity of the Gaz de France Group when this agreement takes effect.

European Commission

At the end of February 2004, Gaz de France received notice that proceedings had begun in relation to disputes concerning transmission contracts.

Based on information brought to our attention, we do not consider that the proceedings will have a material impact on the financial statements.

Gaz de France increases stake in Egaz and Degaz

Gaz de France has increased its stake in the two Hungarian distribution companies, Egaz and Degaz, and it now holds almost all their capital, after buying out the stake of the Hungarian company Mol for a total of 44.3 million euros. This transaction is still subject to approval by the Hungarian Energy Office.

Egaz and Degaz are already fully consolidated.

Note 26 – Complete list of consolidated companies

Companies	Country	Consol. method 2003	Percentage interest 2003	Percentage interest 2002
GAZ DE FRANCE	**France**	**Parent company**	**Parent company**	**Parent company**
Energy Supply and Services				
Exploration - Production				
GDF Britain Group	United Kingdom	F	100.00	100.00
Efog	United Kingdom	E	22.50	22.50
GDF Production Nederland	Netherlands	F	100.00	100.00
GDF Holding Noordzee	Netherlands	F	100.00	100.00
NGT	Netherlands	P	38.57	38.57
GDF Exploration Algeria	Netherlands	F	100.00	100.00
GDF Exploration Egypt	Netherlands	F	100.00	100.00
GDF Exploration Germany	Netherlands	F	100.00	100.00
GDF Exploration Poland	Netherlands	F	100.00	100.00
GDF Exploration UK	Netherlands	F	100.00	100.00
GDF Participation Nederland	Netherlands	F	100.00	100.00
EEG Group	Germany	F	100.00	100.00
Gaz de France Produktion Exploration Deutschland	Germany	F	100.00	-
Gaz de France Norge	Norway	F	100.00	100.00
Production North Sea Netherlands	United States	F	100.00	100.00
Purchase and Sale of Energy				
Messigaz	France	F	100.00	100.00
GDF International Trading	France	F	100.00	100.00
GDF. Armateur	France	F	100.00	100.00
GDF Armateur 2	France	F	100.00	-
GDF Méthane Investissements 2	France	F	100.00	-
GazTransport et Technigaz	France	F	40.00	40.00
Compagnie Française du Méthane (CFM) et CFMH - Négoce	France	F	55.00	55.00

Méthane Transport	France	P	50.00	50.00
Gaselys	France	P	51.00	51.00
Gaselys UK	United Kingdom	P	51.00	51.00
Group GDF Energy Supply & Solutions	United Kingdom	F	100.00	100.00
Gaz de France Deutschland	Germany	F	100.00	100.00
Etac	Netherlands	E	25.00	25.00
Services				
Cofathec Group	France	F	100.00	100.00
Finergaz Group	France	F	100.00	100.00
GNVert	France	F	100.00	100.00
CGST Save Group	France	E	20.00	20.00
Thion Group	France	E	34.00	34.00
Infrastructures				
Transmission and Storage - France				
Compagnie Française du Méthane (CFM) et CFMH - Transport	France	F	55.00	55.00
Gaz du Sud-Ouest (GSO)	France	E	30.00	30.00
Distribution - France				
Gaz de Strasbourg	France	E	24.90	24.90
Transport and Distribution - International				
Sofregaz	France	E	34.00	34.00
Megal GmbH	Germany	P	43.00	43.00
Megal Finco	Cayman Islands	P	43.00	43.00
Gasag Group	Germany	P	31.57	31.57
EVO	Germany	E	24.50	24.50
Segeo	Belgium	E	25.00	25.00
Portgas	Portugal	E	12.67	12.67
Degaz	Hungary	F	72.59	72.59
Egaz	Hungary	F	63.96	63.96
Pozagas	Slovak Republic	P	43.37	43.37
Slovensky Plynarensky Priemysel (SPP) Group	Slovak Republic	P	24.50	24.50
GDF Québec Group	Canada	F	100.00	100.00
Noverco Group	Canada	E	17.56	17.56
Energia Mayakan	Mexico	F	67.50	67.50
Servicios Mayakan	Mexico	F	67.50	67.50
Compania Gasoductos del Bajio	Mexico	F	100.00	-
Gasoductos del Bajio	Mexico	F	100.00	100.00
MI Comercializadora	Mexico	F	100.00	100.00
MI Consultadores	Mexico	F	100.00	100.00
MI Servicios	Mexico	F	100.00	100.00
Servicios Industriales de Energia	Mexico	P	50.00	50.00
Transnatural	Mexico	P	50.00	50.00
Consorcio Mexigas	Mexico	F	100.00	100.00
Natgasmex	Mexico	F	100.00	100.00
Tamauligas	Mexico	F	100.00	100.00
Gaseba	Argentina	F	100.00	100.00
Gaseba Uruguay	Uruguay	F	51.00	51.00
Other				
Cogac	France	F	100.00	100.00
GDF International	France	F	100.00	100.00
SFIG	France	F	100.00	100.00
Société Immobilière Assomption La Fontaine	France	F	100.00	100.00
DK6	France	F	100.00	100.00
GDF Production Investissements	France	F	100.00	100.00
GDF Production Investissements Netherlands	France	F	100.00	100.00
GDF Berliner Investissements	France	F	100.00	100.00
Mexico Investissements	France	F	100.00	100.00
Gas del Sur	France	F	100.00	100.00
GDF Styrie Investissements	France	F	100.00	100.00
Laurentides Investissements	France	F	100.00	100.00
GDF Investissements 2	France	F	100.00	100.00
GDF Investissements 24	France	F	100.00	100.00
GNL Transport Investissements	France	F	100.00	100.00
GNL Marine Investissements	France	F	100.00	100.00
Pétrofigaz	France	P	54.72	54.72
SDIG Mc Cann Corporate	France	-	Deconsolidated	34.00
GDF Investment Netherlands	United Kingdom	F	100.00	100.00

Investment Gas Holland	United Kingdom	F	100.00	100.00
MI del Bajio Marketing	Netherlands	F	100.00	100.00
Merida Pipeline	Netherlands	F	67.50	67.50
Mayakan Pipeline	Netherlands	F	67.50	67.50
Slovak Gas Holding	Netherlands	P	49.00	-
Merida Holding	Barbados	F	67.50	67.50

Breakdown of the 11 subgroups:

Cofathec Group	Compagnie Française des Activités Thermiques et Climatiques	France
	ADF Group (14 entities)	France
	APS Sinergia	Italy
	Aquatherm	Belgium
	Artault et Cie	France
	Aulnay Energie Services	France
	Blanc Mesnil Energie Services	France
	Busseuil	France
	Calliance	France
	Castagnetti	Italy
	Chaleur	Switzerland
	Chelles Chaleur	France
	Climespace	France
	Cofathec Benelux	Belgium
	Cofathec Energie Services	France
	Cofathec Energy	United Kingdom
	Cofathec Entreprise	France
	Cofathec GMI	Belgium
	Cofathec Heatsave	United Kingdom
	Cofathec International	France
	Cofathec Italia	Italy
	Cofathec Jacorossi Progetti	Italy
	Cofathec Maintenance	France
	Cofathec Projis	France
	Cofathec Rueda	Belgium
	Cofathec Sales	United Kingdom
	Cofathec Service Industria	Italy
	Cofathec Services	France
	Cofathec Servizi	Italy
	Cofathec UK	United Kingdom
	Coriance	France
	Cottier Equipements	France
	Danto Rogeat	France
	Energie Meaux	France
	Gennedith	France
	Globalia	France
	Korb	Belgium
	Korb Service	Belgium
	Les Mureaux Energie Services	France
	Minerg Appelsa Services	Switzerland
	Neu Montage Maintenance	France
	Nuova Sipe	Italy
	Omega Concept	France
	Omega Concept Italy	Italy
	Pictet	France
	Prasi	Italy
	Raichon Fluides et Energies	France
	R+M Réalisation et Maintenance	France
	Ris Energie Services	France
	Saccir	Italy
	SEP Les Gresilles	France
	SEP Opération Saint Michel	France
	S.E.P.T.	France
	Stade Energie SAS	France
	Servizi Lombardia	Italy
	SI Servizi	Italy
	SI Servizi Adriatica	Italy
	SI Servizi Umbria	Italy
	Sofredith	France
	Sogit	France
	Somoclim	Monaco

	Société Thermique de La Doua	France
	Société Thermique de Salon de Provence	France
CGST Save Group	CGST SAVE	France
	H. Saint Paul	France
	PROMODO Group (16 entities)	France
	Depann'Gaz Services	France

Finergaz Group	Finergaz	France
	Société de Cogénération de Montoir	France
	Ficobel	France
	Compagnie de Cogénération de Champblain	France
	Société Gardannaise de Cogénération	France
	Société Girondine de Cogénération	France
	Gensel	France
	Compagnie de Cogénération de la Braye	France
	Figenal	France
	Corely	France
	Isergie	France
	FINergaz Energie Services	France
	SEP Michelin Joué les Tours	France
	SEP Michelin Bourges	France
	SEP Michelin Montceau les Mînes	France
	SEP Michelin Roanne	France
	SEP Michelin Poitiers	France
	SEP SKW Rousselot	France
	Compagnie de Cogénération de la Dordogne	France
	COBEFI	France
	GIE Etoile Bassens	France
	Compagnie de Cogénération de la Vologne	France
	INCO	France
	EUROFIN	France
	Société de Cogénération de Chalampé	France
Thion Group	Ne Varietur	France
	Thion & Cie	France
	Arizzoli, Bernard et Perre	France
	Bes	France
	Charbonnière de Saône et Loire	France
	Curchal	France
	Decoparc	France
	Gie Dalkia Soccram	France
	Gie Soccram Dalkia	France
	Jesel & Widemann	France
	Juratrom	France
	Maison Balland Brugneaux	France
	SC2M	France
	Scider	France
	Sicar	France
	Soccram	France
	Socomin	France
	Soparec	France
	Sotrapac	France
	Storapro	France
	Tournaux	France
	Trottier Escribe	France
GDF Britain Group	GDF Britain	United Kingdom
	Gaz de France Britain E&P Ltd (formerly CalEnergy Gaz UK)	United Kingdom
GDF Energy Supply & Solutions Group	GDF Energy Supply & Solutions	United Kingdom
	Gaz de France Marketing Ltd	United Kingdom
	Gaz de France Sales Ltd	United Kingdom
	Gaz de France Services Ltd	United Kingdom

	Gaz de France Solutions Ltd	United Kingdom
S.P.P. Group	Slovensky Plynarensky Priemysel	Slovak Republic
	Geoterm Kosice	Slovak Republic
	Interkvet	Slovak Republic
	Nafta Group (9 entities)	Slovak Republic
	Probugas	Slovak Republic
	Prva paroplynova spolocnost	Slovak Republic
	Slovgeoterm	Slovak Republic
	Slovrurgas	Slovak Republic
	SPP Bohemia	Czech Republic
Gasag Group	GASAG	Germany
	BAS	Germany
	BEGA.tec	Germany
	HSW	Germany
	E.M.B.	Germany
	GASAG WärmeService	Germany
E.E.G. Group	Erdgas Erdöl GmbH	Germany
	E.E.G.T.	Germany
	Kazgermunai	Kazakhstan
	VEGO OEL	Germany
GDF Quebec Group	GDF Québec Inc.	Canada
	BELLC	United States
	Intragaz Holding	Canada
	Intragaz Sec	Canada
	Intragaz Holding Limited Partnership	Canada
	Intragaz Energy Limited Partnership	Canada
	Intragaz US Inc.	United States
	MEG International	Canada
	MEG Holding US	United States
Noverco Group	Noverco Inc.	Canada
	Gaz Metropolitain Inc.	Canada
	Gaz Metropolitain Sec	Canada

RAPPORT DES COMMISSAIRES AUX COMPTES SUR LES COMPTES CONSOLIDES DE GAZ DE FRANCE POUR L'EXERCICE S'ACHEVANT AU 31 DECEMBRE 2003

GAZ DE FRANCE

Exercice clos au 31 décembre 2003

Rapport des commissaries aux comptes
sur les comptes consolidés

Mesdames, Messieurs,

En exécution de la mission qui nous a été confiée par arrêté ministériel, nous avons procédé au contrôle des comptes consolidés de Gaz de France relatifs à l'exercice clos le 31 décembre 2003, tels qu'ils sont joints au présent rapport.

Les comptes consolidés ont été arrêtés par le conseil d'administation. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

Opinion sur les comptes consolidés

Nous avons effectué notre audit selon les normes professionnelles applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives. Un audit consiste à examiner, par sondages, les éléments probants justifiant les données contenues dans ces comptes. Il consiste également à apprécier les principes comptables suivis et les estimations significatives retenues pour l'arrêté des comptes et à apprécier leur présentation d'ensemble. Nous estimons que nos contrôles fournissent une base raisonnable à l'opinion exprimée ci-après.

Nous certifions que les comptes consolidés sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les entreprises comprises dans la consolidation.

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur la note C2-1 de l'annexe qui expose les conditions de première application à certaines provisions pour reconstitution des sites du règlement n° 00-06 du CRC relatif aux passifs.

Justification des appréciations

En application des dispositions de l'article L. 225-235 du Code de commerce relatives à la justification de nos appréciations, qui s'appliquent pour la première fois à cet exercice, nous portons à votre connaissance les éléments suivants :

- Comme indiqué dans la note B de l'annexe, Gaz de France met en œuvre, pour les activités d'exploration-production, les principes comptables définis par les normes américaines. Il en a été notamment ainsi pour l'acquisition de la société Preussag Energie (note C-1.1.a). Dans le cadre de notre appréciation des estimations significatives retenues pour l'arrêté des comptes, nous avons examiné les conditions d'application de ces principes et notamment les modalités d'affectation des prix d'acquisition. Nous avons procédé à l'appréciation du caractère raisonnable de ces estimations.

- Comme décrit en note D-1 de l'annexe, Gaz de France a procédé à des tests de dépréciation des actifs corporels et incorporels à long terme pour lesquels il existait des indices de perte de valeur durable. Dans le cadre de notre appréciation des estimations significatives retenues pour l'arrêté des comptes, nous avons examiné la méthodologie appliquée par l'entreprise ainsi que les paramètres utilisés pour ces estimations comptables et nous sommes assurés du caractère raisonnable des valeurs retenues dans les comptes.

- Comme indiqué dans les notes B, D-7.a et D-13.b de l'annexe, Gaz de France, dans le cadre de ses activités, constitue des provisions pour le renouvellement des ouvrages de distribution de gaz en France ainsi que pour la reconstitution de certains sites. Dans le cadre de notre appréciation des estimations significatives retenues pour l'arrêté des comptes, nous nous sommes assurés que les hypothèses et modalités de calcul des provisions reflètent la meilleure estimation de l'entreprise de ses obligations en fonction des exigences réglementaires actuelles.

- La note D-21 de l'annexe relative aux engagements de retraite et autres engagements postérieurs à l'emploi décrit les spécificités du régime de retraite des entreprises des Industries Electriques et Gazières et mentionne le montant des engagements résultant pour Gaz de France de ce régime ainsi que la valeur des contrats d'assurance souscrits pour y faire face. Elle fait également mention du processus de refondation en cours du financement du régime spécial des IEG. Dans le cadre de notre appréciation des estimations significatives retenues pour l'arrêté des comptes, nous avons examiné les bases et modalités du calcul actuariel des engagements ainsi que l'information donnée par l'entreprise, étant rappelé que ces engagements ne font pas l'objet de provision, en application de l'option ouverte par les principes comptables applicables en France. Nous avons procédé à l'appréciation du caractère raisonnable des estimations effectuées.

Les appréciations que nous avons portées sur ces éléments s'inscrivent dans le cadre de notre démarche d'audit qui porte sur les comptes consolidés pris dans leur ensemble et ont donc contribué à la formation de l'opinion sans réserve exprimée dans la première partie de ce rapport.

Vérification spécifique

Par ailleurs, nous avons également procédé, conformément aux normes professionnelles applicables en France, à la vérification des informations relative au groupe, données dans le rapport de gestion.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Le 17 mars 2004

Les Commissaires aux Comptes

Mazars & Guérard	Ernst & Young Audit
Michel Barbet-Massin, Xavier Charton	Patrick Gounelle, Philippe Hontarrède

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF GAZ DE FRANCE FOR YEAR ENDED 31 DECEMBER 2003

Mazars & Guérard
39, rue Wattignies
75012 Paris
S.A. au capital de € 4.800.000

Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

ERNST & YOUNG Audit
11, allée de l'Arche
92400 Courbevoie
S.A. au capital de € 3.044.220

Commissaire aux Comptes
Membre de la compagnie
régionale de Paris

GAZ DE FRANCE

Year ended December 31, 2003

In compliance with our assignment, we have audited the accompanying consolidated financial statements of Gaz de France for the year ended December 31, 2003.

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law and this is presented after the Opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification of information in the group management report.
This report, together with the statutory auditors' report addressing financial and accounting information in the Presidents' report on internal control, should be read in conjunction with French law and professional auditing standards applicable in France.

Statutory Auditors' Report on the consolidated financial statements

(Free translation of a French language original)

In compliance with our assignment, we have audited the accompanying consolidated financial statements of Gaz de France for the year ended December 31, 2003.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2003, and of the results of the Group's operations included in the consolidation for the year then ended, in accordance with French accounting principles.

Without qualifying our opinion, we draw attention to the matter disclosed in Note C-2.1 to the consolidated financial statements relating to the conditions of the first application to certain provisions for site restoration of CRC regulation 00-06 on liabilities.

Justification of our assessments

In accordance with the requirements of article L. 225-235 of the Commercial Code relating to the justification of our assessments, which came into effect for the first time this year, we bring to your attention the following matters :

- As stated in Note B to the consolidated financial statements, Gaz de France applies, for exploration and production activities, accounting principles as defined by American standards. Namely the acquisition of Preussag Energie was accounted for following these principles (Note C-1.1.a). As part of our assessment of significant estimates used for the preparation of the financial statements, we have examined the conditions of such application and namely the allocation of purchase prices. We carried out an assessment of the reasonableness of these estimates.

- As stated in Note D-1 to the consolidated financial statements, Gaz de France carried out impairment tests on tangible and intangible long living assets for which there was an indication of a potential impairment loss. As part of our assessment of significant estimates used for the preparation of the financial statements, we have examined the methodology applied by the company and parameters used for these accounting estimates and ensured the reasonableness of accounted values in the books.

- As stated in Notes B, D-7.a and D-13.b to the consolidated financial statements, Gaz de France, in the course of its business, provides for replacement of franchised gas distribution assets in France and for restoration of certain sites. As part of our assessment of significant estimates used for the preparation of the financial statements, we ensured that hypothesis and the calculation methodology of provisions reflect the best estimate of the company of its obligations in connection with current regulatory requirements.

- Note D-21 to the consolidated financial statements relating to pension commitments and other commitments related to post-employment benefits describes the features of the electricity and gas industry retirement plan and indicates the amount of the obligation of Gaz de France resulting from this plan as well as the value of subscribed insurance contracts to deal with obligations. This Note also indicates the process in progress relating to the reorganization of the way the electricity and gas industry retirement plan is financed. As part of our assessment of significant estimates used for the preparation of the financial statements, we have examined data and actuarial assumptions used for the calculation of the engagement as well as the information disclosed by the company ; for remainder purposes, these engagements are not provided for, in accordance with the alternative treatment as laid out by applicable French regulation. We have carried out the assessment of the reasonableness of the estimates.

Our assessments on these matters were made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the development of the unqualified audit opinion expressed in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report with regard to its fair presentation and conformity with the consolidated financial statements.

March 17, 2004

Les Commissaires aux Comptes

Mazars & Guérard	Ernst & Young Audit
Michel Barbet-Massin, Xavier Charton	Patrick Gounelle, Philippe Hontarrède

FINANCIAL STATEMENTS OF GAZ DE FRANCE AS OF 31 DECEMBER 2003

BALANCE SHEET

Assets

(millions of euros)	Note	Gross	2003 Depreciation, amortization and impairment	Net	2002 Net
FIXED ASSETS					
Intangible assets	C 1-2	92	57	35	39
Non-franchised tangible assets	C 1-2	10,262	3,683	6,579	6,945
Franchised tangible assets	C 1-2	13,236	5,590	7,646	7,120
Construction in progress	C 1-2	622	-	622	640
Payments on account for tangible assets		3	-	3	5
Long-term investments	C 4-5-24	5,843	12	5,831	4,362
TOTAL FIXED ASSETS (I)		**30,058**	**9,342**	**20,716**	**19,111**
CURRENT ASSETS					
Inventories and work in process					
• Gas		605	-	605	658
• Other inventories and work in process		61	14	47	51
Payments on account		31	-	31	22
Accounts receivable	C 5				
• Trade accounts receivable and related receivables		3,366	59	3,307	2,881
• Other		1,136	11	1,125	923
Marketable securities		62	4	58	70
Cash on hand		96	-	96	79
TOTAL CURRENT ASSETS (II)		**5,357**	**88**	**5,269**	**4,684**
DEFERRED CHARGES (III)	C 6	**13**	**-**	**13**	**-**
FOREIGN CURRENCY – TRANSLATION ADJUSTMENTS (IV)		**35**	**-**	**35**	**11**
TOTAL ASSETS (I TO IV)		**35,463**	**9,430**	**26,033**	**23,806**

SHAREHOLDERS' EQUITY AND LIABILITIES

(millions of euros)	**Note**	**2003**	**2002**
TOTAL EQUITY			
Shareholders' equity			
Issued capital stock		21	21
Special funds		882	882
Revaluation surplus		50	51
Regulated reserves		34	34
Retained earnings		6,519	3,888
Net income		761	3,086
Capital grants		4	3
Regulated provisions	C 9	618	613
Total shareholders' equity (I)		**8,889**	**8,578**
Other equity			
Value of franchises - Franchisors' inherent rights		3,531	3,191
Irredeemable securities	C 8	485	485
Total other equity (II)		**4,016**	**3,676**
TOTAL (I + II)		**12,905**	**12,254**
PROVISIONS FOR LIABILITIES AND CHARGES (III)	C 9	**5,470**	**5,003**
LIABILITIES	C 10-11-12		
Financial debt			
• Loans		2,746	1,856
• Other		294	170
		3,040	**2,026**
Payments on account		44	46
Trade accounts payable and related payables		1,657	1,697
Taxes and social contributions		858	1,165
Other liabilities		2,047	1,559
TOTAL LIABILITIES (IV)		**7,646**	**6,493**
ACCRUALS AND DEFERRED INCOME (V)		**-**	**-**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS (VI)		**12**	**56**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES (I TO VI)		**26,033**	**23,806**

STATEMENT OF INCOME
(millions of euros)

	Note	2003	2002
Gas sales		13,331	12,086
Other sales		943	772
Net sales	C 13	**14,274**	**12,858**
Change in inventory		(3)	3
Capitalized expenses		285	336
Production		14,556	13,197
Gas purchased and change in gas inventory		(7,890)	(7,132)
Other purchases		(206)	(205)
Other services		(1,693)	(1,549)
Value added		**4,767**	**4,311**
Tax expense		(150)	(151)
Payroll costs		(1,560)	(1,535)
EBITDA		**3,057**	**2,625**
Net depreciation and amortization expense	C 15	(1,161)	(873)
Net provisions	C 15	(667)	(399)
Other operating income (expense)		80	(41)
Operating income		**1,309**	**1,312**
Net financial income (expense)	C 16	**(54)**	**(191)**
Income before exceptional items		1,255	1,121
Impact (net of tax) of the acquisition of the transmission system		-	2,452
Other exceptional items		20	27
Exceptional items	C 17	**20**	**2,479**
Corporate income tax	C 18	**(514)**	**(514)**
NET INCOME		**761**	**3,086**

CASH FLOW STATEMENT

(millions of euros)	Note	2003	2002
I - CASH FLOW FROM OPERATING ACTIVITIES			
Net income	1a	761	3,086
Depreciation, amortization and provisions	1b	1,847	2,229
Other activities	1c	(195)	(3,337)
1. Cash flow	**(1a+1b+1c)**	**2,413**	**1,978**
Change in inventory	2a	(56)	(71)
Change in trade accounts receivable	2b	426	(258)
Change in trade accounts payable	2c	(39)	(136)
Change in other items	2d	(49)	(290)
2. Change in working capital requirements	**(2a + 2b - 2c + 2d)**	**360**	**(483)**
I - NET CASH FLOW FROM OPERATING ACTIVITIES	**(1 -2)**	**2,053**	**2,461**
II - CASH FLOW FROM INVESTING ACTIVITIES			
Tangible assets		970	1,091
Investment in subsidiaries and affiliates		1,561	2,011
Acquisition of the transmission system		-	109
1. Capital expenditures		**2,531**	**3,211**
Miscellaneous long-term investments		171	190
Other fixed assets		47	100
2. Other investments		**218**	**290**
Contributions from customers		1	-
Net proceeds from sale of assets		45	18
Reduction of long-term investments		205	106
3. Proceeds		**251**	**124**
II - NET CASH USED IN INVESTING ACTIVITIES	**(1+2-3)**	**2,498**	**3,377**
III - NET CASH FLOW AFTER OPERATING AND INVESTING ACTIVITIES	**(I - II)**	**(445)**	**(916)**
IV - CASH FLOW FROM FINANCING ACTIVITIES			
1. Dividend paid to the State		**(456)**	**(312)**
Long-term loans		2,054	-
Medium and short-term debt		6,172	2,666
2. Market operations		**8,226**	**2,666**
Irredeemable securities		-	-
Long-term loans		1	2
Medium and short-term debt		7,384	1,674
3. Reimbursement and repayment		**7,385**	**1,676**
IV - NET CASH FROM FINANCING ACTIVITIES	**(1+2- 3)**	**385**	**678**
V - CHANGE IN CASH AND CASH EQUIVALENTS AT YEAR END	**(III + IV)**	**(60)**	**(238)**

Notes to the Financial Statements

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to article 4 of law n° 46.628 of April 8, 1946, Gaz de France presents its accounting and financial statements according to the applicable rules for industrial and commercial companies. Gaz de France keeps its books in accordance with the French uniform chart of accounts. Pursuant to the decree of October 22, 1947, and article 9 of the decree of August 29, 1949, Gaz de France's chart of accounts was approved by the Ministry of the Economy, Finance and Budget on August 7, 1985, on the recommendation of the French financial accounting standards advisory council (CNC), dated December 19, 1984.

Shareholders' equity

Capital

The capital stock of Gaz de France is made up of issued capital stock, which represents the net sum of the rights, assets and obligations transferred to the Company when the sector was nationalized in 1946, and the capitalized surplus in the form of special funds granted by the French government until 1982. The calculation of earnings per share is not applicable to Gaz de France since its capital is not divided into shares. Until December 31, 2000, a dividend on Gaz de France's capitalized surplus was paid as a fixed sum and sometimes a variable sum appropriated from net income. This dividend was recognized in income in the year under review. As of 2001, the dividend of the capitalized surplus was discontinued and replaced by a dividend that is accounted for as an appropriation of net income in the following year (article 79 of the rectified law of finance of December 28, 2001).

Revaluation surplus

This item is the result of the legal asset write-ups of 1959 and, for non-depreciable, non-franchised assets, that of 1976.

Capital grants

The grants received from local governments and public authorities for tangible assets are recorded here and recognized in income in proportion to the depreciation of the assets in question.

Other equity

Value of franchises – Franchisors' inherent rights

Pursuant to French GAAP concerning operations carried out under a public service franchise and articles 521-1 and 523-1 of CRC (the French financial accounting standards board) regulation 99-03, the value of franchisors' inherent rights to franchised property recorded in the assets is also carried on the liabilities side of the balance sheet.

This item includes:

• the corresponding value of assets not financed by the Company,

• the corresponding value of assets replaced by using the replacement contingency,

• the franchised asset termination fund,

• the depreciation of assets not financed by the Company and of non-replaceable assets, which is deducted.

Irredeemable securities

Gaz de France issued irredeemable securities in 1985 and 1986 as authorized by law No. 83.1 of January 10, 1983 and law No. 85.695 of July 11, 1985. These securities are recorded under liabilities at their cost of issue. They bear interest which is expensed (see note 8).

Intangible assets

This item principally involves the actual cost of software, which is amortized over the estimated service life.

Debt issue and research and development costs are charged as an expense when incurred.

Tangible assets

Gaz de France operates under public service franchises granted by municipalities or groups of municipalities. As aresult, the Company's assets may be its own or they may be franchised. Property, plant, and equipment are carried at acquisition or construction cost, including incidental expenses, with the exception of those that were acquired before December 31, 1976, which are stated at the book value at that date. Depreciation is calculated for the majority of tangible assets by the straight-line method. For certain assets, declining-balance fiscal depreciation superior to straight-line economic depreciation is charged.

The difference between the declining-balance depreciation expense and the straight-line depreciation expense is recorded in “Regulated provisions” on the balance sheet.

Non-franchised assets

Non-franchised assets which belong to Gaz de France are depreciated on the basis of their estimated service lives.

The principal service lives used to calculate depreciation are indicated in note 2.

Franchised assets

These items are fixed assets:

• financed by the Company, i.e. initial assets or replacements brought into the franchise by Gaz de France,

• and granted free of charge by third parties and franchisors.

Pursuant to articles 393-1 and 442-22 of CRC regulation 99-03, all Gaz de France assets operated under a franchise are recorded as a special item in assets.

• Initial assets financed by the Company

Among assets, so-called “initial items” financed by the Company give rise to the so-called *caducité* amortization spread over the term of the contract to account for the financing of the “last item” (non-replaceable) that must be returned free of charge at the end of the franchise. Upon early renewal of a franchise, the balance of the relevant accounts is written off for an amount which would have been recorded until the normal termination of the contract. This expense is transferred to a specific account for franchised fixed assets. These assets are depreciated over the remaining life of the original contract. Depreciation of assets over the life of the contract and transfers of charges are recorded under “Depreciation and amortization and provisions” in the income statement.

• Assets granted free of charge by third parties

The value of franchised equipment granted free of charge is stated in the assets with a corresponding amount recorded as “Value of franchises – Franchisors’ inherent rights”. Each asset is depreciated using the straight-line method over the service life of the asset to record the loss in the asset’s value and the corresponding reduction in the franchisor’s rights. This depreciation has no impact on the statement of income.

• Replaceable franchised assets

Replaceable franchised assets are assets which are likely to be replaced before the term of the corresponding franchise contract.

Replaceable franchised assets financed by the Company are depreciated on a straight-line basis.

In addition, these assets are covered by a contingency for replacement calculated for each asset on the difference between the asset replacement cost, determined according to the appropriate indexes, and its original cost, i.e. the depreciable base. This provision is constituted progressively when the franchised assets are put into service and remains in effect until their actual replacement.

It is recorded under provisions (article 441-15 of CRC regulation 99-03).

Replaceable franchised assets granted free of charge at the beginning or in the course of the contract are solely subject to a contingency for replacement which covers the total replacement cost of the assets.

Provisions for replacement and depreciation for premises are posted under “Depreciation, amortization and provisions” in the income statement.

When an asset is replaced, the replacing asset is recorded under assets, and the related accrued provision for replacement is credited to “Franchisors’ inherent rights – used provisions”.

• Non-replaceable franchised assets

Non-replaceable franchised assets are assets which are not likely to be replaced before the term of the corresponding franchise contract.

Non-replaceable franchised assets are depreciated on a straight-line basis using the service life of each item to record the decrease in value of the asset and the corresponding reduction in "Value of franchises – Franchisors' inherent rights". This depreciation has no effect on the statement of income.

The item "Value of franchises – Franchisors' inherent rights" is constituted by depreciation of franchised asset termination and/or by a reduction of the contingency for replacement previously booked.

Long-term investments

Interest in subsidiaries and affiliates

Interest in subsidiaries and affiliates is recorded at acquisition cost, and written up if acquired before December 31, 1976. If the value to the business, determined on the basis of the fair value of the interest corrected to account for subsequent events, is lower than the year-end book value, the difference is written off.

Loans to subsidiaries and affiliates

These assets represent loans made to companies in which Gaz de France has an equity interest. These assets may be written down for impairment if the shareholders' equity of the affiliate becomes negative.

Other long-term investments

This item principally includes equity securities which are held for the long term.

Gas in underground storage facilities

The gas injected into underground storage facilities includes working gas, which can be extracted without prejudicial consequences for future operations, and cushion gas, which cannot be dissociated from the underground storage facilities and is essential to their operation.

Cushion gas

Valued at average acquisition cost, regardless of the source, plus the costs of regasification, transmission and injection into the system, cushion gas is recorded as a fixed asset. It is depreciated on a straight-line basis over 25 years, like the above-ground installations of underground storage facilities.

Working gas

Working gas is included in inventory. It is valued at average acquisition cost on entering the French transmission system, including the cost of regasification, regardless of the source. Inventory deletions are valued each month at the weighted average cost. A write-down of inventory is recognized when the net realizable value, calculated as being the selling price minus direct and indirect expected costs of completion and disposal, is less than the weighted average cost.

Accounts receivable

Accounts receivable include all receivables corresponding to the sale of energy, related services and receivables relating to operations. They also include energy deliveries that have not yet been invoiced, recorded at the effective sale price. Estimated consumption is valued at the last known selling price (excluding customer standing charge) after deduction of advance payments. In both cases, provisions cover future billing costs as well as bad debt risk.

Allowance for uncollectible accounts

The item "Ordinary customers" is covered by an allowance for uncollectible accounts which is calculated statistically on the basis of the age categories of the outstanding receivables. The bad debt risk for major customers is assessed individually.

Foreign currency translation

Assets and liabilities denominated in foreign currency are translated at the December 31 exchange rate. The consequent foreign currency translation adjustments are recorded in the balance sheet under assets or liabilities, depending on whether there is a potential foreign exchange gain or loss.

Other loss provisions

The contingency for foreign exchange loss is equal to the total net potential capital loss on the overall foreign exchange position (payables and receivables in foreign currencies and foreign exchange risk management instruments) as well as the potential capital loss on other foreign currency transactions.

The contingency for site restoration is designed to cover the estimated cost of reclaiming sites where gas facilities are or were located, in accordance with general guidelines concerning environmental protection and legislative and regulatory provisions governing specific facilities. The corresponding amounts are charged to operating expense.

Retirement benefits (see note 22)

Lump sum payment at retirement

The amount of lump sum benefits paid at retirement is accrued in proportion to the vested benefits of all regular employees at the end of the fiscal year. This is insured externally through an insurance policy.

Pensions

The specific pension scheme for employees of the French electricity and gas industries, which includes Gaz de France, and its accounting requirements are described in note 22.

Financial instruments

The financial instruments used by Gaz de France to hedge and manage its foreign exchange, interest rate and “commodity” risks are recorded as off-balance sheet commitments for capital and future interest in swap contracts, and valued on the basis of December 31 rates. With regard to contracts for forward purchases or sales of foreign currencies considered as hedging instruments, the change in market value is recognized in income symmetrically to the gain (loss) on the hedged item. In the event of the disappearance of the hedged item, the hedging operation is unwound and the losses and gains are recognized in income. The results of swaps are accounted for at the swaps’ maturity.

The results of these transactions are recorded differently depending on whether they were negotiated on a recognized investment market (a result which is equal to the change in value is recorded before the contract is unwound) or by private contract (the result is recognized when the contract is unwound, with the possibility of making an allowance for potential capital loss).

Exceptional items

Exceptional incomes and losses include unusual or infrequent items as well as items considered to be of an exceptional nature under published GAAP, principally profit or loss on disposal of fixed assets.

B - CHANGES IN ACCOUNTING POLICIES

Change in contingency for restoration of industrial sites

The cost of dismantling has been estimated at December 31, 2003, in accordance with changes in legal requirements.

The expense is spread over the term between the current period and the start of dismantling. Retroactive application of this change in method has resulted in a 6 million euros increase in the contingency expense as of December 31, 2003 (see notes 9 and 15).

C – SUPPLEMENTAL DISCLOSURES

Note 1 – Intangible and tangible assets
Changes in gross value:

(millions of euros)	As of Dec. 31, 2002	Increase	Decrease	As of Dec. 31, 2003
Intangible assets	**84**	**8**	**-**	**92**
Non-franchised property, plant, and equipment				
Land	95	5	4	96
Buildings	645	14	20	639
Equipment, tools and machinery	9,038	249	38	9,249
Other	285	30	37	278
	10,063	**298**	**99**	**10,262**

Franchised property, plant, and equipment				
Land	1	-	-	1
Buildings	5	-	-	5
Equipment, tools and machinery	12,340	942	52	13,230
	12,346	**942**	**52**	**13,236**
Construction in progress	**640**	**1,016**	**1,034**	**622**
Payments on account	**5**	**-**	**2**	**3**
TOTAL	**23,138**	**2,264**	**1,187**	**24,215**

In the event of early renewal of a franchise agreement, the depreciation of franchised fixed assets is transferred to assets and recorded as a special item in franchised equipment, tools and machinery (173 million euros, see note 15). This residual balance is then depreciated over the remaining life of the original contract (note 2).

Note 2 – Depreciation, amortization and impairment

Increases and decreases in depreciation, amortization and impairment:

(millions of euros)	**As of Dec. 31, 2002**	**Increase**	**Decrease**	**As of Dec. 31, 2003**
Intangible assets	**45**	**12**	**-**	**57**
Non-franchised property, plant, and equipment				
Land	7	4	3	8
Buildings	362	27	17	372
Equipment, tools and machinery	2,519	601	33	3,087
Other	230	23	37	216
	3,118	**655**	**90**	**3,683**
Franchised property, plant, and equipment				
Land	-	-	-	-
Buildings	5	-	-	5
Equipment, tools and machinery	5,221	422	58	5,585
	5,226	**422**	**58**	**5,590**
Construction in progress	**-**	**-**	**-**	**-**
TOTAL	**8,389**	**1,089**	**148**	**9,330**

The significant changes in depreciation of non-franchised assets were linked to the acquisition of the transmission system on July 10, 2002.

The service lives used to calculate depreciation are:

• 30 years for distribution mains,

• 25 years for transmission pipelines and underground storage facilities.

Depreciation and amortization expense can be broken down as follows:

(millions of euros)	As of Dec. 31, 2002	As of Dec. 31, 2003
Straight-line method	526	676
Reducing-balance method	21	18
Depreciation of franchised assets	330	375
Depreciation of residual balance of franchised assets	-	20
Reclassifications	107	-
Depreciation and amortization	**984**	**1,089**

Note 3 – Leasing

Buildings and other tangible assets leased by Gaz de France would be recorded as follows if they were fully owned:

(millions of euros)	Gross value	Accumulated depreciation as of Dec. 31, 2002	Charge for the year	Net value
Buildings	226	90	8	128
Other tangible assets	20	4	3	13
TOTAL	**246**	**94**	**11**	**141**

Contractual commitments:

(millions of euros)		Leasing fees		
	Paid during the year	To be paid	One year or less	More than one year
Buildings	19	155	20	135
Other tangible assets	8	20	6	14
TOTAL	**27**	**175**	**26**	**149**

Note 4 – Long-term investments

Variations in gross value:

(millions of euros)	As of Dec. 31, 2002	Increase	Decrease	As of Dec. 31, 2003
Interest in subsidiaries and affiliates	3,688	1,314	-	5,002
Loans to subsidiaries and affiliates	496	1,654	1,424	726
Homeowner loans to employees	63	41	96	8
Other long-term investments	123	23	39	107
TOTAL	**4,370**	**3,032**	**1,559**	**5,843**

Interest in and loans to subsidiaries and affiliates are broken down in note 24.
The acquisition of Preussag added 994 million euros to the value of subsidiaries and affiliates.
Gaz de France sold its loans to employees to an asset fund for 265 million euros (91 million euros in 2003 and 174 million euros in 2001). Gaz de France was given a mandate to continue to manage these commitments.

Note 5 – Accounts receivable schedule

(millions of euros)	Gross value as of Dec. 31, 2003	Maturity	
		One year or less	**More than one year**
Fixed assets			
Loans to subsidiaries and affiliates	726	261	465
Loans	28	5	23
Other	70	-	70
Current assets			
Trade accounts receivable and related receivables	3,366	3,348	18
Other receivables	1,135	1,135	-
TOTAL	**5,325**	**4,749**	**576**

Note 6 – Deferred charges

(millions of euros)	As of Dec. 31, 2002	As of Dec. 31, 2003
Redemption premium on bonds	**-**	**13**

Note 7– Shareholders' equity

(millions of euros)	Change in shareholders' equity
Shareholders' equity as of Dec. 31, 2001	**5,909**
Dividends paid	(312)
Partial reversal of provisions for major repairs (First application of CRC regulation 00-06 on liabilities)	+ 30
Regulated provisions	(133)
Miscellaneous	(2)
Income	+ 3,086
Shareholders' equity as of Dec. 31, 2002	8,578
Dividends paid	(456)
Regulated provisions	+ 5
Miscellaneous	+ 1
Income	+ 761
Shareholders' equity as of Dec. 31, 2003	**8,889**

Note 8 – Irredeemable securities

(millions of euros)	As of Dec. 31, 2003	As of Dec. 31, 2002
	485	**485**

In 1985 and 1986 Gaz de France issued irredeemable securities. The securities can be redeemed totally or in part at the issuer's option. The remuneration of the irredeemable securities includes a fixed portion calculated on the basis of the official average bond interest rate and a variable portion calculated on the basis of changes in value added. The expense recorded in 2003 was 28 million euros.

Note 9 – Provisions

Note 9 a – Regulated provisions

(millions of euros)	As of Dec. 31, 2002	Additions	Reversals	As of Dec. 31, 2003
Accelerated fiscal depreciation	360	44	39	365
Price rises	252	-	-	252
Special revaluation reserve	1	-	-	1
REGULATED PROVISIONS	**613**	**44**	**39**	**618**

Note 9 b – Provisions for liabilities and charges

(millions of euros)	As of Dec. 31, 2002	Additions	Unused	Used	Reclassi-fications	As of Dec. 31, 2003
Replacement of franchised assets	2,872	512	100	210	-	3,074
Site restoration	339	103	95	9	-	338
Commitments to employees	196	209	-	17	-	388
Taxes (notes 17 and 18)	1,249	3	23	88	-	1,141
Major repairs	43	14	5	21	-	31
Other loss provisions	304	220	10	16	-	498
Provisions for liabilities and charges	**5,003**	**1,061**	**233**	**361**	**-**	**5,470**

Replacement of franchised assets
The method used to calculate this contingency is described in the Summary of Significant Accounting Policies (note A).
Usage during the year (210 million euros) was added to the item "Value of franchises – Franchisors' inherent rights".
The average timetable of usage for distribution networks is:
• 31% of the total phased from 2004 to 2008,
• 69% of the total after 2008.

Site restoration
The principle of this provision is presented in the Summary of Significant Accounting Policies.
The Gaz de France sites concerned are:
• first, the areas of land on which manufactured gas production plants were located. The contingency is determined statistically on the basis of samples of representative sites,
• second, the pipes, storage sites and LNG terminals in service. The cost of restoring sites on which technical facilities were operated is progressively accrued. The calculation method for this contingency was changed in 2003 (see Changes in Accounting Policies).

Commitments to personnel
Pension commitments are partially covered by insurance funds and a contingency of 137 million euros. Seniority medals are provisioned in full (24 million euros). In 2003, Gaz de France set aside a provision for the first time for pensions and benefits for disability, occupational accidents, illness and inability to work current at the year end (151 million euros), as well as for exceptional early retirement (27 million euros).

Other loss provisions
This item mainly concerns provisions relating to subsidiaries and other third parties and for legal disputes.

Note 9 c – Impairment

(millions of euros)	As of Dec. 31, 2002	Additions	Unused	Reclassi-fications	As of Dec. 31, 2003
Impairment	**86**	**43**	**29**	**-**	**100**

Note 10 – Categories of financial debt

(millions of euros)	As of Dec. 31, 2003	As of Dec. 31, 2002
Loan debt		
Bonds	2,067	-
Other loans	679	1,856
	2,746	**1,856**
Other financial debt		
Customer deposits	41	44
Accrued interest	91	2
Bank overdrafts	128	89
Miscellaneous	34	35
	294	**170**
TOTAL	**3,040**	**2,026**

Increase in loan debt
The increase in loan debt is due to the issue of bonds in 2003 (see note 11 a). This increase is partially offset by repayment of other loans (net decrease of 1,177 million euros).

End of sale of receivables program
In 1999, Gaz de France sold receivables to guarantee a 198 million euros bank loan. The 4-year program ended in 2003. Since the sale of receivables was without recourse, the transaction resulted in a decrease in trade accounts receivable and a reduction in financial debt of 198 million euros between 1998 and 2002.

Note 11 – Liabilities schedule

(millions of euros)	As of Dec. 31, 2003	Maturity 1 year or less	1 to 5 years	6 to 10 years	More than 10 years
Financial debt					
Bonds	2,067	-	67	1,250	750
Other loans	679	677	2	-	-
Other categories of financial debt	294	257	37	-	-
	3,040	**934**	**106**	**1,250**	**750**
Trade accounts payable and related payables	**1,657**	**1,657**	**-**	**-**	**-**
Tax and social contributions	**858**	**858**	**-**	**-**	**-**
Other liabilities					
• customers	1,045	1,045	-	-	-
• current accounts of subsidiaries	450	450	-	-	-
• miscellaneous liabilities	552	552	-	-	-
	2,047	**2,047**	**-**	**-**	**-**
SUB-TOTAL	**7,602**	**5,496**	**106**	**1,250**	**750**
Payments on account	**44**	**44**	**-**	**-**	**-**
TOTAL	**7,646**	**5,540**	**106**	**1,250**	**750**

Note 11 a – Breakdown of bonds

(millions of euros)	As of Dec. 31, 2003	Issue date	Maturity	Interest rate	Listing market
Public issues					
• millions of euros	**1,250**	02/2003	2013	4,75%	
• millions of euros	**750**	02/2003	2018	5,125%	
Private placements					
• millions of euros	**30**	11/2003	2006	3 mo. Euribor	Paris
• millions of yens	**5,000**	11/2003	2006	JPY 6 mo. Libor + 0,005%	Luxembourg

The private placements in yens are hedged by a EUR/JPY cross-currency swap at 3-month Euribor. These various transactions were concluded under the EMTN program established in October 2002.

Note 11 b – Breakdown of other loans

(millions of euros)	As of Dec. 31, 2003	Maturity 1 year or less	1 to 5 years	6 to 10 years	More than 10 years
EUR	505	503	1	1	-
USD	174	174	-	-	-
GBP	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	**679**	**677**	**1**	**1**	**-**
At a fixed rate	**679**	**677**	**1**	**1**	**-**

Note 11 c – Other categories of financial debt

Other categories of financial debt (e.g. customer deposits, bank loans, bank overdrafts) are mainly denominated in euros.

Note 12 – Debt by interest rate and by currency

As of December 31, 2003, bonds and other borrowings totaled 2,746 million euros (1,856 million euros as of December 31, 2002).

(millions of euros)	**Dec. 31, 2003**	**%**
EUR	2,535	92.3
GBP	-	-
USD	174	1.3
Other	37	6.4
TOTAL	**2,746**	**100**

Note 13 – Net sales

(millions of euros)	**2003**	**2002**	**Change**
Gas sales			
• domestic	12,217	11,394	+ 823
• foreign	1,114	692	+ 422
Services rendered and miscellaneous	578	518	+ 60
Earnings from ancillary activities and other sales	365	254	+ 111
Net sales	**14,274**	**12,858**	**+ 1,416**

Note 14 – Research and development expense

(millions of euros)	**2003**	**2002**	**Change**
Research and development expense	**89**	**118**	**(29)**

Note 15 – Depreciation, amortization, provisions (net of reversals), and transfers of charges

Note 15 a – Depreciation and amortization expense

(millions of euros)	**2003**	**2002**	**Change**
Straight-line depreciation	676	526	150
Declining-balance depreciation	18	21	(3)
Depreciation of franchised assets	494	331	163
Reversals	(27)	(5)	(22)
Net depreciation and amortization expense	**1,161**	**873**	**288**

The increase in straight-line depreciation was mainly the result of additional write-downs of acquired transmission facilities. The increase in depreciation of franchised assets is due to early termination of franchise agreements (a total of 135 million euros), offset by the transfer of charges (note 15 c).

Note 15 b – Net allocations to provisions

(millions of euros)	**2003**	**2002**	**Change**
Replacement of franchised assets	412	407	5
Site restoration	(1)	(11)	10
Commitments to employees	193	1	192
Major repairs	(12)	9	(21)
Other loss provisions	64	(8)	72
Impairment write-downs	11	1	10
Net provision expense	**667**	**399**	**268**

In 2003, Gaz de France set aside a contingency reserve for the first time for pensions and benefits for disability, occupational accidents, illness and inability to work current at the year end (151 million euros), as well as for exceptional early retirement (27 million euros).

Note 15 c – Transfers of charges

(millions of euros)	**2003**	**2002**
Transfers of charges	**(198)**	**(70)**

Transfers of charges are mainly due to *"caducité"* depreciation of franchised fixed assets being transferred to balance sheet assets (173 million euros, see notes 1 and 2).

Note 16 – Financial income (expense)

(millions of euros)	**2003 Expense**	**2003 Income**	**2003 Net**	**2002 Net**
Interest and related income (expense)	(234)	137	(97)	(27)
Foreign exchange gains (losses)	(97)	275	+ 178	+ 13
Net financial provisions	(151)	16	(135)	(177)
TOTAL	**(482)**	**428**	**(54)**	**(191)**

Note 17 – Exceptional items

(millions of euros)	**Expense**	**Income**
Sale of tangible and intangible assets	23	46
Sale of long-term investments	-	-
Accelerated fiscal depreciation	45	39
Other	1	4
	69	**89**
Total exceptional income	**–**	**20**

Note 18 – Taxes and deferred taxes

1. Corporate income tax
In 2003, corporate income tax was levied at the rate of 35.43%. It included the temporary, exceptional 3% contribution based on corporate income tax before tax credits, and the 3.3% contribution introduced in 2000.

(millions of euros)	**2003**	**2002**
Gaz de France corporate income tax for the year (excluding tax-consolidated Group) (1)	599	499
Corporate income tax for the year related to tax-consolidated subsidiaries	23	(2)
Provisions for corporate income tax (2)	(108)	34
Other	-	(17)
Corporate income tax for the year	**514**	**514**

(1) In 2002, the amount specified does not take account of tax on the reversal of the contingency for renewal of the transmission network which was recorded in exceptional income for 151 million euros.
(2) Includes 85 million euros for reversal of the provision to be phased over 14 years for the purchase of the transmission network.

2. Deferred taxes
The increase and decrease in future income tax liability shown below are attributable to temporary timing differences between the recognition of certain income and expenses for tax and financial reporting purposes.
The future tax rate used as a base for calculation included the additional 3% contribution. It also included the 3.3% contribution of tax due, minus the sum of 763,000 euros, introduced in 2000.

(millions of euros)	**2003**	**2002**
Increase in future income tax liability (tax base)		
• Unrecorded deductible expenses	**-**	-
• Untaxed recorded income	**463**	490
Decrease in future income tax liability (tax base)		
• Temporarily non-deductible expenses	**267**	214
• Unrecorded taxed income	**4**	2
Increase in future tax liability		
• Base	**192**	274
• Amount	**68**	97

3. Tax consolidation plan
The option to file a consolidated income tax return, subscribed by Gaz de France for a period of 5 years, expired on December 31, 2002. It was renewed for an additional 5 year period (until December 31, 2007).

Note 19 – Cash and cash equivalents
Cash and cash equivalents include available cash, temporary bank overdrafts, and highly liquid, readily convertible securities that present insignificant risk of changes in value, as well as current accounts used as cash resources.

(millions of euros)	**2003**	**2002**
Cash and cash equivalents	96	79
Bank overdrafts	(128)	(89)
Marketable securities	62	75
Current accounts considered as cash	(33)	(8)
Cash and cash equivalents	**(3)**	**57**

Note 20 – Off-balance sheet commitments

Note 20 a – Financial commitments

Hedging foreign exchange risk

To manage its exposure to exchange rate fluctuations, Gaz de France uses forward contracts to buy or sell foreign currencies to hedge its gas purchases, tangible assets and financing activities.

As of December 31, 2003, the corresponding commitments were as follows:

(millions of euros)	Commitments set portion as of Dec. 31, 2003			Estimated value as of Dec. 31, 2003	Foreign exchange differential as of Dec. 31, 2003	Commitments set portion as of Dec. 31, 2002
Forward contracts	**by due date**					
	2004	**2005**	**2006 and beyond**			
Long position						
• GBP	**128**	**3**	**-**	**129**	**(2)**	42
• USD	**27**	**5**	**4**	**34**	**(2)**	59
• CHF	**4**	**-**	**-**	**4**	**-**	-
• PY	**-**	**-**	**38**	**37**	**(1)**	-
Short position						
• GBP	**266**	**23**	**-**	**287**	**+ 2**	154
• USD	**703**	**13**	**3**	**696**	**+ 23**	48
• CHF	**5**	**-**	**-**	**5**	**-**	-

The foreign exchange differential on these commitments was – 2 million euros as of December 31, 2002.
Gaz de France entered into a currency option for a nominal value of 11 million euros.

Hedging interest rate risk

(millions of euros)	Nominal amount as of Dec. 31, 2003				Total	Nominal amount as of Dec. 31, 2002
	1 year or less	**1 to 5 years**	**6 to 10 years**	**More than 10 years**		
Swaps fixed-rate payer / floating-rate receiver	551	145	-	201	**897**	925
Swaps floating-rate payer / fixed-rate receiver	–	145	-	206	**351**	-
Swaps floating rate to floating rate	-	38	-	-	**38**	-

Other financial commitments granted and received

(millions of euros)	Dec. 31, 2003 Commitments granted	Dec. 31, 2003 Commitments received	Dec. 31, 2002 Commitments granted	Dec. 31, 2002 Commitments received
Lines of credit in euros (1)	2,050	2,050	1,618	1,618
Guarantees and endorsements	43	-	21	-
Commitments to subsidiaries	180	146	98	167
Other	-	-	11	10
TOTAL	**2,273**	**2,196**	**1,748**	**1,795**

(1) Since August 2002, Gaz de France has benefited from a line of revolving credit for 2 billion euros that will expire in 2007. The lending banks have the right to withdraw individually if control changes hands.

Note 20 b – Commodity commitments

Commitments related to natural gas

In order to meet customer demand for natural gas in the medium and long term, Gaz de France secures its supplies through contracts that may last up to 25 years. These contracts include reciprocal commitments referring to determined quantities of gas:

• a commitment by Gaz de France to take delivery of minimum quantities,

• a commitment by suppliers to provide quantities at competitive prices.

This competitiveness is assured by price adjustment formulae and clauses. Most of the Group's gas procurement is negotiated through such contracts.

As of December 31, 2003, Gaz de France's commitments totaled 43 billion m3 for 2004, 187 billion m3 for the period 2005-2008 and 466 billion m3 for 2009 and beyond.

In addition, Gaz de France entered into forward purchases and sales of natural gas (principally for less than one year), within the framework of its trading activities: purchases and sales of natural gas in spot markets and financially engineered sales to industrial customers.

As of December 31, 2003, commitments due in less than one year totaled 2 billion m3 in forward purchases and 4 billion m3 in forward sales. In order to meet its commitments to take delivery of determined volumes of gas, Gaz de France entered into contracts to book land and sea transport capacities.

Derivative instruments

Gaz de France uses derivative instruments to manage its exposure to fluctuations in the price of commodities within the framework of its trading activities: purchases and sales of natural gas in spot markets and financially engineered sales to industrial customers. Swaps and options, generally backed by physical transactions concerning natural gas, are used as hedging instruments. Swaps allow a sale or purchase price to be fixed at the time of negotiation for a specified quantity of gas at a future date. They serve to secure and guarantee the margin on a commercial transaction, whatever the future price of gas.

Options serve to guarantee ceiling prices for gas (calls) and sometimes floor prices (puts).

	Notional amount as of Dec. 31, 2003 in GWh by maturity 2004	2005	2006 and beyond	millions of euros	Differential as of Dec. 31, 2003 in millions of euros	Notional amount as of Dec. 31, 2002 in millions of kWh
SWAPS (long position)						
Oil products – Gaselys	112,395	23,056	2,895	1,513	**(37)**	54,293
Oil products – Other counterparty	-	-	-	-	**-**	90
SWAPS (short position)						
Oil products – Gaselys	23,379	2,643	147	251	**+ 8**	16,025
Oil products – Other counterparty	-	-	-	-	-	165
SWAPS (long position)						
Natural gas – Gaselys	1,000	17	-	12	**-**	9,120
Natural gas – Other counterparty	-	-	-	-	**-**	-
SWAPS (short position)						
Natural gas – Gaselys	12,787	10,072	770	266	**(8)**	5,509
Natural gas – Other counterparty	-	-	-	-	**-**	264
OPTIONS (long position)						
Oil products – Gaselys	619	-	-	9	**(2)**	2,208
Oil products – Other counterparty	58	-	-	1	-	1,900
OPTIONS (short position)						
Oil products – Gaselys	-	-	-	-	**-**	420
Oil products – Other counterparty	117	-	-	1	**-**	2,116
SWAPTIONS						
Oil products – Gaselys	2,984	180	-	18	**+ 1**	-
Oil products – Other counterparty	-	-	-	-	**-**	-

As of December 31, 2002, the commitment differential was – 4 million euros on options and +10 million euros on swaps.

The counterparty in most Gaz de France swap transactions is Gaselys, a joint subsidiary of Gaz de France and Société Générale.

Note 20 c – Counterparty risk

Gaz de France conducts a counterparty risk management policy based partly on systematic diversification of its counterparties, and partly on an evaluation of their financial situation.

Consequently, all the financial instruments used to manage its interest rate and exchange rate risks are contracted with counterparties with a rating (long term /short term) by Standard & Poor's or Moody's higher than A– / A3 respectively.

Energy counterparties of the trading subsidiary are evaluated and rated on the basis of financial analysis with reference, when available, to the counterparty's S&P or Moody's rating. According to the result of this financial evaluation and Gaz de France's relations with the counterparty, Gaz de France may make use of legal instruments such as master netting arrangements (providing setoff of accrued payables and accrued receivables towards the same counterparty) or guarantee agreements (comfort letter, parent company guarantee, bank endorsement).

Finally, given Gaz de France's organization by business segments, the customer risk associated with the supply of gas is largely confined to the Trading Department, whose customers are all eligible for the opening up of the market beginning in July 2004. Consequently, the customer risk is now being closely monitored by the Credit Committee, which meets with representatives from the Finance and Trading Departments on a monthly basis. In addition to analysis of the major counterparties' capacity, this Committee is responsible for defining a governance framework for the management and monitoring of credit risk in trading in preparation for the opening up of the markets.

Note 20 d – Other commitments

(millions of euros)	Dec. 31, 2003 Commitments granted	Dec. 31, 2003 Commitments received	Dec. 31, 2002 Commitments granted	Dec. 31, 2002 Commitments received
Investment commitments	156	156	173	173
Rental commitments and related commitments	642	439	368	292
Other	1	-	35	34
TOTAL	**799**	**595**	**576**	**499**

Rental commitments and related commitments included the leasing commitments mentioned in note 3, as well as commitments related to the two LNG tankers being built by Chantiers de l'Atlantique, for delivery in 2004 and 2005.

Note 20 e – Management of insurable risks

Following identification of insurable risks (in particular those linked to damage to its own property as well as to damage to third parties, including environmental harm) undertaken over the past few years, Gaz de France has instituted a policy insuring all significant risks. Accordingly, the insurance policies taken out provide high coverage levels so that, in the event of a loss, the effect on the Group's financial situation would be limited.

In order to ensure that the coverage is coherent, insurance management is centralized for the Group. This has allowed new projects at subsidiaries to be integrated within existing policies and the Group's influence brought to bear for majority-controlled subsidiaries.

Note 21 – Workforce

The number of Company employees by job category as of December 31 was as follows:

	2003	2002	Change
Regular			
Employees	6,987	7,327	(340)
Supervisors	12,403	12,696	(293)
Management	4,943	4,889	54
	24,333	**24,912**	**(579)**
Temporary	**67**	**98**	**(31)**
TOTAL	**24,400**	**25,010**	**(610)**

The annual average number of employees in 2003 was 24,516, of whom 24,384 were permanent hire and 132 temporary hire, compared with 25,112 in 2002, of whom 24,950 were permanent and 162 temporary.

Note 22 – Pension commitments and other commitments to employees

Note 22 a – Commitments related to postemployment benefits

1. Characteristics of the electricity and gas industry retirement plan

The retirement plan for regular electricity and gas industry employees is specific, legal and mandatory. The conditions for determining retirement benefits and for financing the plan, which were defined in the specific national code for these employees (decree of June 22, 1946) are the responsibility of the French government. The companies themselves have no legal right to adapt or modify the terms.

The plan is not an employer plan, but is part of legislation governing mandatory pension schemes as defined in article L 711-1 of the French Social Security code. It is not limited to nationalized utilities but includes all electricity and gas industry companies, whatever their legal status.

Gaz de France is a state-owned public utility with industrial and commercial activities that has obligations as well as rights and guarantees pursuant to this status.

2. Current financial obligations of Gaz de France

The French law transposing the European Directive on Electricity of February 10, 2000, which laid down the principle of the extension of the status of employees of the electricity and gas industries, led to the extension of the special retirement plan to new operators entering the French electricity and gas market. In article 46, it introduced provisions leading to a change in the presentation of the accounts of the electricity and gas industries plan, which is now included in the financial statements of EDF.

Every year, Gaz de France records the Company's contribution to the pension plan in its financial statements.

This contribution, which includes the expenses of compensation with the other legal retirement plan regulations, is determined by the application of a general average rate on an assessment of payroll charges excluding bonuses. In 2003, Gaz de France contributed 437 million euros (422 million euros in 2002) and the general average rate was 61.8% (60% in 2002).

3. Commitments related to pensions and other post-employment benefits

Pursuant to the recommendations of the CNC dated April 1, 2003 (2003-R.01), the commitments of Gaz de France are determined on an actuarial basis applied to all employees in electricity and gas industries.

This projected unit credit method incorporates estimates of:

• end-of-career, level of salary reflecting seniority, and a significant factor for career advancement. It does not take inflation into account since the increase in basic salary is deemed to correlate with it;

• age of retirement, determined on the basis of criteria that are characteristic of employees in electricity and gas industries (years of active service, number of children for women);

• the number of retired persons, based on mortality tables (French Bureau of Statistics) and on a turnover rate based on statistics for employees in electricity and gas industries;

• payment of pensions to surviving spouses, incorporating life expectancy of employees and their spouses, and the percentage of married employees in electricity and gas industries.

Commitments are calculated using the following principles:

- they are evaluated on the basis of the rights vested as of the date of calculation;
- they are stated before deduction of the portion financed by employee contributions. As an indication, at December 31, 2003, employee contributions totaled 56 million euros, and Gaz de France's employer contribution was 437 million euros; they are determined for all employees, both active and retired, who come under the specific pension system in effect in the electricity and gas industries. The allocation of the relative share of each electricity and gas industry company is calculated pro rata to respective payrolls, excluding bonuses.

Accordingly, using a discount rate net of inflation of 3%, commitments related to pensions and other postemployment benefits are evaluated at 13.62 billion euros before taxes, of which 12.91 billion euros are for pensions (12.51 billion as of December 31, 2002) and 0.71 billion euros for the following benefits – medical insurance, reduced energy prices, solidarity benefits, immediate benefits in the event of death, partial reimbursement of educational costs, sabbaticals and lump sum payments at retirement.

The commitment for these benefits (excluding retirement pensions) was evaluated at 1.14 billion euros as of December 31, 2002. Its reduction by 0.43 billion is mainly due to a change in the valuation of obligations related to the benefit of discount energy prices (substitution of the assessment of actual outlay of resources without counterpart for the value of the energy supplied at the sale price).

These pension commitments and other post-employment benefits would involve a significant deferred tax asset.

Gaz de France took out insurance policies with several insurers towards its obligations in terms of pensions and lump-sum retirement benefits. As of December 31, 2003, the value of these contracts stood at 1.68 billion euros.

For pensions, payments to insurers totaled 0.37 billion euros in 2003 (identical to payments made in 2002).

Lastly, Gaz de France recorded a 137 million euro provision for retirement benefits as of December 31, 2003 unchanged from December 31, 2002). In 2003, for the first time, Gaz de France recorded a reserve of 27 million euros for lump sum payments on retirement.

4. Reorganization of pension financing

At the request of the public authorities, Gaz de France and the other electricity and gas utilities opened discussions with four representative labor organizations in order to propose recommendations to the State on how to reorganize the way the special electricity and gas industry pension scheme is financed. This initiative produced a Summary of Conclusions signed by the employer representatives and three labor organizations. This document was submitted to the Minister of the Economy, Finance and Industry on January 10, 2003.

The public authorities are currently consulting with the different parties in this reform and they have presented the principles of the planned reorganization to the European Commission, which has approved its compatibility with Community rules in a decision dated December 16, 2003.

The reform is due to take effect in 2005, after the necessary legislative modifications have been made.

In addition to maintaining the special electricity and gas industries plan, in organizational terms, this reform consists of creating a pension fund that manages all the benefits and obligations of the plan. Taking account of demographic changes, it sets up financial agreements with other standard pension schemes (CNAV, AGIRC and ARRCO) for the portion of benefits that correspond to their offerings. It then uses fixed-rate contributions to finance the commitments incurred by infrastructure activities, which correspond to the portion of benefits in excess of the benefits offered by the standard pension schemes at the date of the reform.

After reform, the gross commitments for pensions will be limited to the amount of benefits acquired in excess of the benefits offered under the standard scheme and not financed by the fixed-rate contribution.

Note 22 b – Commitments related to long-term benefits granted to Gaz de France employees

These commitments represent 183 million euros, at a discount rate net of inflation of 3% (173 million euros in 2002). They concern the following:

• disability allowances, allowances for industrial accidents, disease and disability compensation current at the year end (151 million euros);

• disability benefits owed following temporary occupational incapacity (8 million euros);

• long-service benefits (seniority medals: 24 million euros).

Gaz de France has recorded a 24 million euros provision for seniority medals in France (25 million euros as of December 31, 2002).

In addition, in 2003, for the first time, Gaz de France recorded a provision of 151 million euros for pensions and benefits outstanding at the year end (disability, occupational accident, occupational illness and incapacity).

Note 23 – Profit sharing

A gainsharing plan for Gaz de France and EDF employees has been set up in accordance with ordinance n°. 86-1134 dated October 21, 1986.

Employees may invest all or part of their profit sharing benefits in a company mutual fund instead of receiving payment in cash. If they do so, they receive an employer contribution matching their invested benefits. Profit sharing is treated as a payroll cost and the matching sum as a miscellaneous current operating expense.

Note 24 – Subsidiaries and affiliates

Company name	Capital as of Dec. 31, 2003	Other equity in last published balance sheet	Percentage of equity owned as of Dec. 31, 2003	Value of securities Gross	Value of securities Provision	Loans and advances granted by GDF	Guarantees and endorsement provided by GDF	Net sales of last published financial year	Net profit (loss) of last published financial year	Dividends received by Gaz de France during the year	Year-end date of last published financial year
Commercial, industrial,											
financial and real estate activities											
Subsidiaries (in which Gaz de France has an equity interest of more than 50%)											
G.D.F. INTERNATIONAL	4,200	251	100.00	4,200	-	594	-	20	22	-	Dec. 31, 2003
COGAC	684	22	100.00	685	-	44	-	1	-6	-	Dec. 31, 2003
Société Foncière et Immobilière du Gaz (SFIG)	56	34	96.52	57	-	-	-	26	13	2	Dec. 31, 2003
C.F.M.H.	30	316	55.00	17	-	-	-	1,636	90	29	Dec. 31, 2003
				4,959	**-**	**638**				**31**	
Affiliates (in which Gaz de France has an equity interest of 10% to 50%)											
French companies				14	-	-	-	635	34	9	Dec. 31, 2003
GSO	5	118	30.00	5	-	-	-	4,711	- 20	6	Dec. 31, 2003
TECHNIP	72	1,866	7.15	3	2	66	-	-	-	8	
Other affiliates	-	-	-	**22**	**2**	**66**				**23**	
Foreign companies				6	-	-	-	45	8	5	Dec. 31, 2003
MEGAL GmbH	20	8	43.00	-	-	-	-	129	- 2	-	Dec. 31, 2003
MEGAL FINCO	1	(56)	43.00	1	-	-	-	6	-	-	Dec. 31, 2003
SEGEO	6	38	25.00	14	7	21	-	-	-	12	
Other affiliates	-	-	-	**21**	**7**	**21**				**17**	
Other interests (in which Gaz de France has an equity interest of less than 10%)											
PETROFIGAZ	36	20	1.88	4	-	-	-	26	9	-	Dec. 31, 2003
Other interests	-	-	-	3	-	-	-	-	-	-	
				7	**-**	**-**			**-**		
TOTAL											
				5,009	**9**	**725**				**71**	

Note 25 – Subsequent events

Unwinding of cross-holdings between Total and Gaz de France

To meet the changing market for natural gas in Europe, Gaz de France and Total signed a letter of intent to unwind their cross-holdings in their joint transmission and natural gas supply companies in France, Gaz du Sud-Ouest (GSO 30%-owned by Gaz de France) and Compagnie Française du Méthane (CFM 55%-owned by Gaz de France).

Under the terms of this joint letter of intent, Gaz de France would become the sole shareholder of CFM, and Total the sole shareholder of GSO. In addition, Total would assume some of the trading business of CFM and a stake in the LNG terminal being built at Fos-sur-Mer.

It is not expected that there will be any negative impact on the shareholders' equity of the Gaz de France Group when this agreement takes effect.

European Commission

At the end of Febuary 2004, Gaz de France received notice that proceedings had begun in relation to disputes conceming transmission contracts. Based on information brought to our attention, we do not consider that the proceedings will have a material impact on the financial statements.

Gaz de France increases stake in Egaz and Degaz

Gaz de France has increased its stake in the two Hungarian distribution companies, Egaz and Degaz, and it now owns almost all their capital, after buying out the stake of the Hungarian company MOL for a total of 44.3 million euros.

This transaction is still subject to approval by the Hungarian Energy Office. Egaz and Degaz are already wholly consolidated.

RAPPORT GENERAL DES COMMISSAIRES AUX COMPTES SUR LES COMPTES DE GAZ DE FRANCE ETABLIS POUR L'EXERCICE S'ACHEVANT AU 31 DECEMBRE 2003

Mesdames, Messieurs,

En exécution de la mission qui nous a été confiée par arrêté ministériel, nous vous présentons notre rapport relatif à l'exercice clos le 31 décembre 2003, sur :

- le contrôle des comptes annuels de Gaz de France, tels qu'ils sont joints au présent rapport,
- les vérifications spécifiques et les informations prévues par la loi.

Les comptes annuels ont été arrêtés par le Conseil d'administration. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

Opinion sur les comptes annuels

Nous avons effectué notre audit selon les normes professionnelles applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes annuels ne comportent pas d'anomalies significatives. Un audit consiste à examiner, par sondages, les éléments probants justifiant les données contenues dans ces comptes. Il consiste également à apprécier les principes comptables suivis et les estimations significatives retenues pour l'arrêté des comptes et à apprécier leur présentation d'ensemble. Nous estimons que nos contrôles fournissent une base raisonnable à l'opinion exprimée ci-après.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de l'entreprise à la fin de cet exercice.

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur la note B de l'annexe qui expose les conditions de première application à certaines provisions pour reconstitution des sites du règlement n° 00-06 du CRC relatif aux passifs.

Justification des appréciations

En application des dispositions de l'article L. 225-235 du Code de commerce relatives à la justification de nos appréciations, qui s'appliquent pour la première fois à cet exercice, nous portons à votre connaissance les éléments suivants :

- Comme indiqué dans la note A de l'annexe, une provision pour dépréciation est constituée pour la différence entre la valeur d'utilité des titres de participation, déterminée à partir de la situation nette comptable de la participation corrigée des informations connues depuis la clôture de l'exercice, et leur valeur d'inventaire. Dans le cadre de notre appréciation des estimations significatives retenues pour l'arrêté des comptes, nous avons procédé à l'appréciation du caractère raisonnable des estimations effectuées.

- Comme indiqué dans les notes A, C-9.b et C-15.b de l'annexe, Gaz de France, dans le cadre de ses activités, constitue des provisions pour le renouvellement des ouvrages de distribution de gaz ainsi que pour la reconstitution de certains sites. Dans le cadre de notre appréciation des estimations significatives retenues pour l'arrêté des comptes, nous nous sommes assurés que les hypothèses et modalités de calcul des provisions reflètent la meilleure estimation de l'entreprise de ses obligations en fonction des exigences réglementaires actuelles.

- La note C-22.a de l'annexe relative aux engagements de retraite et autres engagements postérieurs à l'emploi décrit les spécificités du régime de retraite des entreprises des Industries électriques et gazières et mentionne le montant des engagements résultant pour Gaz de France de ce régime ainsi que la valeur des contrats d'assurance souscrits pour y faire face. Elle fait également mention du processus de refondation en cours du financement du régime spécial des IEG. Dans le cadre de notre appréciation des estimations significatives retenues pour l'arrêté des comptes, nous avons examiné les bases et modalités du calcul actuariel des engagements ainsi que l'information donnée par l'entreprise, étant rappelé que ces engagements ne font pas l'objet de provision, en application de l'option ouverte par les principes comptables applicables en France. Nous avons procédé à l'appréciation du caractère raisonnable des estimations effectuées.

Les appréciations que nous avons portées sur ces éléments s'inscrivent dans le cadre de notre démarche d'audit qui porte sur les comptes annuels pris dans leur ensemble et ont donc contribué à la formation de l'opinion sans réserve exprimée dans la première partie de ce rapport.

Vérifications et informations spécifiques

Nous avons également procédé, conformément aux normes professionnelles applicables en France, aux vérifications spécifiques prévues par la loi.

Nous n'avons pas d'observations à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du Conseil d'administration sur la situation financière et les comptes annuels.

Le 17 mars 2004,

Les commissaires aux comptes,

Mazars & Guérard	Ernst & Young Audit
Michel Barbet-Massin, Xavier Charton	Patrick Gounelle, Philippe Hontarrède

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF GAZ DE FRANCE FOR YEAR ENDED 31 DECEMBER 2003

(*Free translation of a French language original*)

In compliance with our assignment, we have audited the accompanying annual financial statements of Gaz de France for the year ended December 31, 2003.

These annual financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2003, and of the results of its operations for the year then ended, in accordance with French accounting principles.

Without qualifying our opinion, we draw attention to the matter disclosed in note B to the annual financial statements relating to the conditions of the first application to certain provisions for site restoration of CRC regulation 00-06 on liabilities.

Justification of our assessments

In accordance with the requirements of article L. 225-235 of the Commercial Code relating to the justification of our assessments, which came into effect for the first time this year, we bring to your attention the following matters:

- As stated in note A to the annual financial statements, when the value in use determined on the basis of the net value of investments, corrected to account for subsequent events, is lower than the book value, the difference is provided for. As part of our assessment of significant estimates used for the preparation of the financial statements, we have carried out an assessment of the reasonableness of the estimates.
- As stated in notes A, C-9.b and C-15.b to the annual financial statements, Gaz de France, in the course of its business, provides for replacement of franchised gas distribution assets in France and for restoration of certain sites. As part of our assessment of significant estimates used for the preparation of the financial statements, we ensured that hypothesis and the calculation methodology of provisions reflect the best estimate of the company of its obligations in connection with current regulatory requirements.
- Note C-22.a to the annual financial statements relating to pension commitments and other commitments related to post-employment benefits describes the features of the electricity and gas industry retirement plan and indicates the amount of the obligation of Gaz de France resulting from this plan as well as the value of subscribed insurance contracts to deal with obligations. This note also indicates the process in progress relating to the reorganization of the way the electricity and gas industry retirement plan is financed. As part of our assessment of significant estimates used for the preparation of the financial statements, we have examined data and actuarial assumptions used for the calculation of the engagement as well as the information disclosed by the company; for remainder purposes, these engagements are not provided for, in accordance with the alternative treatment as laid out by applicable French regulation. We have carried out the assessment of the reasonableness of the estimates.

Our assessments on these matters were made in the context of the performance of our audit of the annual financial statements taken as a whole and therefore contributed to the development of the unqualified audit opinion expressed in the first part of this report.

Specific procedures and disclosures prescribed by law

We have also carried out, in accordance with French professional standards, the specific procedures prescribed by French law.

We have no matters to report with regard to the fair presentation of the management report and its conformity with the annual financial statements.

March 17, 2004,

Mazars & Guérard	Ernst & Young Audit
Michel Barbet-Massin, Xavier Charton	Patrick Gounelle, Philippe Hontarrède

GAZ DE FRANCE GROUP CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2004

Pages

CONSOLIDATED BALANCE SHEET

(millions of euros)

ASSETS	Note	June 30, 2004 Net	June 30, 2003 Net	Dec. 31, 2003 Net
FIXED ASSETS				
Goodwill	**1**	1,016	1,006	1,060
Other intangible assets	**1**	318	376	334
Non-franchised tangible assets	**1**	11,156	11,666	11,540
Franchised tangible assets	**1**	7,831	7,383	7,793
Construction in progress	**1**	1,695	1,485	1,390
Investments in companies accounted for by the equity method	**2a**	443	427	452
Other long-term investments	**2b**	955	761	970
Financial sector investments	**2b**	206	213	227
I		**23,620**	**23,317**	**23,766**
CURRENT ASSETS				
Inventories and work in process	**3**	773	848	1,082
Accounts receivable	**4**			
- Trade accounts receivable and related receivables		3,581	3,186	4,216
- Other		1,289	1,493	1,602
Marketable securities	**5**	599	196	158
Cash on hand		738	732	572
Current financial sector assets	**4**	140	139	161
II		**7,120**	**6,594**	**7,791**
TOTAL I to II		**30,740**	**29,911**	**31,557**

(millions of euros)

SHAREHOLDERS' EQUITY AND LIABILITIES		Note	June 30, 2004	June 30, 2003	Dec. 31, 2003
TOTAL EQUITY					
Shareholders' equity - Group share					
Capital stock			903	903	903
Consolidated retained earnings and net income			9343	8,738	8,813
Other			(74)	(108)	(129)
	I	**6**	**10,172**	**9,533**	**9,587**
MINORITY INTERESTS	II	**6**	**203**	**249**	**269**
OTHER EQUITY					
Value of franchises -					
Franchisors' inherent rights			3,509	3,314	3,553
Irredeemable securities			485	485	485
	III		**3,994**	**3,799**	**4,038**
PROVISIONS FOR LIABILITIES AND CHARGES	IV	**7a**	**6,774**	**6,681**	**6,665**
LIABILITIES					
Financial debt			4,560	4,859	5,409
Trade accounts payable and related payables			1,353	1,350	1,769
Taxes and social contributions			1,316	1,216	1,358
Other debt			1,958	1,845	2,060
Financial sector liabilities			410	379	402
	V	**8**	**9,597**	**9,649**	**10,998**
TOTAL	I to V		**30,740**	**29,911**	**31,557**

CONSOLIDATED STATEMENT OF INCOME

(millions of euros)

	Note	June 30, 2004	June 30, 2003	Dec. 31, 2003
Net sales	**10**	**9,503**	**8,849**	**16,647**
Inventories		-	-	(6)
Capitalized expenses		135	119	292
Production		**9,638**	**8,968**	**16,933**
Input		(6,024)	(5,426)	(10,535)
Value added		**3,614**	**3,542**	**6,398**
Payroll costs		(1,106)	(1,044)	(2,055)
Taxes and assimilated		(113)	(105)	(209)
EBITDA		**2,395**	**2,393**	**4,134**
Depreciation, amortization and provisions (net of reversals and transfers of charges)	**12**	(921)	(987)	(2,158)
Other operating income (expense)		(29)	(48)	(97)
Operating income		**1,445**	**1,358**	**1,879**
Financial income (expense)	**13**	**(129)**	**(1)**	**(139)**
Income before exceptional items of consolidated companies		**1,316**	**1,357**	**1,740**
Exceptional items	**14**	**1**	**(4)**	**(5)**
Corporate income tax		(471)	(500)	(752)
Net income from consolidated companies		**846**	**853**	**983**
Share in income of companies accounted for by the equity method		41	47	73
Goodwill amortization		(29)	(44)	(76)
Group's consolidated net income		**858**	**856**	**980**
CONSOLIDATED NET INCOME - GROUP SHARE		**835**	**816**	**910**
Consolidated net income - minority interests		23	40	70

N.B. The calculation of net income per share does not apply to Gaz de France, since the Company's capital is not divided into shares (see Summary of Significant Accounting Policies - Shareholders' equity).

CONSOLIDATED CASH FLOW STATEMENT

(millions of euros)

		June 30, 2004	June 30, 2003	Dec. 31, 2003
I – OPERATING ACTIVITIES				
Net income - Group share	a	835	816	910
Minority interests	b	23	40	70
Net income (loss) of companies accounted for by the equity method	c	(41)	(47)	(73)
Depreciation, amortization and provisions	d	954	1,131	2,533
Other activities	e	(16)	(136)	(289)
Dividends received from companies accounted for by the equity method	f	71	37	33
1. Cash flow (a+b+c+d+e+f)	**1**	**1,826**	**1,841**	**3,184**
2. Change in working capital requirements (note 16)	**2**	**(678)**	**(264)**	**+ 474**
NET CASH FROM OPERATING ACTIVITIES	**(1 - 2) I**	**2,504**	**2,105**	**2,710**
II - INVESTING ACTIVITIES				
1. Investments (note 15)				
Capital expenditures on property, plant and equipment		629	688	1 681
Growth investments		76	919	1 189
	1	**705**	**1,607**	**2,870**
2. Other activities	**2**	**196**	**119**	**306**
3. Proceeds				
Grants		5	-	2
Net proceeds from sale of assets		5	55	95
Retirement of long-term investments		239	142	314
	3	**249**	**197**	**411**
II - NET CASH USED IN INVESTING ACTIVITIES	**(1 + 2 - 3) II**	**652**	**1,529**	**2,765**
III - NET CASH AFTER OPERATING AND **INVESTING ACTIVITIES**	**(I – II) III**	**1,852**	**576**	**197**
IV – FINANCING ACTIVITIES				
1. Capital increase and additional paid-in capital	**1**	**-**	**-**	**5**
2. Dividends	**2**	**(338)**	**(496)**	**(498)**
3. Issuance of borrowings	**3**	**1,486**	**3,316**	**8,276**
4. Repayments of borrowings	**4**	**2,291**	**2,707**	**7,576**
IV - NET CASH AFTER FINANCING ACTIVITIES	**(1 + 2 + 3 – 4) IV**	**(1,143)**	**113**	**207**
V - Impact of exchange rate fluctuations	**V**	**+ 6**	**(6)**	**+ 12**
VI - Change in cash and cash equivalents (note 17)	**(III + IV + V) VI**	**+ 715**	**+ 683**	**+ 164**

A – PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Gaz de France and of significant subsidiaries in which the Group exercises either legal or effective control, shared control or a significant influence.

There are 268 companies in the consolidated entity – 77 companies and 11 sub-groups directly. Of the 77 companies, 57 are "fully consolidated" (F); 12 are consolidated using "the proportionate consolidation method" (P); and 8 are accounted for by "the equity method" (E).

			Percentage interest		
Main companies	**Country**	**Consolidation method 2004**	**June 30, 2004**	**June 30, 2003**	**Dec. 31, 2003**
GAZ DE FRANCE	**France**	**Parent company**	**Parent company**	**Parent company**	**Parent company**
Energy Supply and Services					
Exploration and Production					
GDF Britain Group	United Kingdom	F	100.00	100.00	100.00
Efog	United Kingdom	E	22.50	22.50	22.50
GDF Production Nederland	Netherlands	F	100.00	100.00	100.00
N.G.T.	Netherlands	P	38.57	38.57	38.57
Erdgas Erdöl Group	Germany	F	100.00	100.00	100.00
Gaz de France Produktion Exploration Deutschland	Germany	F	100.00	100.00	100.00
Gaz de France Norge	Norway	F	100.00	100.00	100.00
Purchase and Sale of Energy					
Messigaz	France	F	100.00	100.00	100.00
CFM et CFMH - Négoce	France	F	55.00	55.00	55.00
Gaselys	France	P	51.00	51.00	51.00
Méthane Transport	France	P	50.00	50.00	50.00
GDF Energy Supply & Solutions Group	United Kingdom	F	100.00	100.00	100.00
Services					
Cofathec Group	France	F	100.00	100.00	100.00
Finergaz Group	France	F	100.00	100.00	100.00
GNVert	France	F	100.00	100.00	100.00
CGST Save Group	France	E	20.00	20.00	20.00
Infrastructures					
Transmission and Storage - France					
CFM and CFMH - Transport	France	F	55.00	55.00	55.00
G.S.O.	France	E	30.00	30.00	30.00
Distribution - France					
Gaz de Strasbourg	France	E	24.90	24.90	24.90
Transmission and Distribution - International					
Sofregaz	France	E	34.00	34.00	34.00
GASAG Group	Germany	P	31.57	31.57	31.57
Megal GmbH	Germany	P	43.00	43.00	43.00
Megal Finco	Cayman Islands	P	43.00	43.00	43.00
Degaz	Hungary	F	99.77	72.59	72.59
Egaz	Hungary	F	99.42	63.96	63.96
Slovensky Plynarensky Priemysel Group	Slovak Republic	P	24.50	24.50	24.50
GDF Quebec Group	Canada	F	100.00	100.00	100.00
Noverco Group	Canada	E	17.56	17.56	17.56
Consorcio Mexigas	Mexico	F	100.00	100.00	100.00
Natgasmex	Mexico	F	100.00	100.00	100.00
Tamauligas	Mexico	F	100.00	100.00	100.00
Energia Mayakan	Mexico	F	67.50	67.50	67.50
Gasoductos del Bajio	Mexico	F	100.00	100.00	100.00
Servicios Industriales de Energia	Mexico	P	50.00	50.00	50.00
Transnatural	Mexico	P	50.00	50.00	50.00
Gaseba	Argentina	F	100.00	100.00	100.00
Gaseba Uruguay	Uruguay	F	51.00	51.00	51.00

Other					
Cogac	France	F	100.00	100.00	100.00
GDF International	France	F	100.00	100.00	100.00
Pétrofigaz	France	P	54.72	54.72	54.72

A complete list of consolidated companies is presented in Supplementary Disclosures, note 24.

B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL POLICIES

Accounting standards

The Group's consolidated financial statements are prepared in conformity with accounting principles generally accepted in France (French GAAP), in particular the decree of June 22, 1999, which confirms regulation 99-02 of the French financial accounting standards board (CRC).

In some cases, the subsidiaries' individual financial statements have been restated in order to harmonize the Group's valuation methods.

Pursuant to article 4 of the law n° 46.628 of April 8, 1946, Gaz de France presents its accounting and financial statements according to the rules in effect in industrial and commercial companies. Gaz de France keeps its books in accordance with the French uniform chart of accounts.

Pursuant to the decree of October 22, 1947, and article 9 of the decree of August 29, 1949, Gaz de France's chart of accounts was approved by the Ministry of the Economy, Finances and Budget on August 7, 1985, on the recommendation of the French financial accounting standards advisory council (CNC), dated December 19, 1984

Currency

The consolidated financial statements are presented in euros.

Use of estimates

The preparation of the consolidated financial statements leads the Gaz de France Group to make estimates and assumptions that have an impact on the amounts reported in the financial statements or in the notes, particularly with regard to provisions for risks, the recognition of deferred taxes, the determination of initial goodwill, the valuation of equity interests and provisions for employee benefits.

The financial statements reflect the best estimates, on the basis of available information at the end of the closing period.

CONSOLIDATION POLICY AND PROCEDURES

The consolidated entity

Significant directly and indirectly controlled subsidiaries are consolidated or accounted for by the equity method

Affiliates in which the Group does not exercise at least a significant influence are not consolidated.

The significant character of a company is appreciated on the basis of the sub-group to which it belongs, with the relative weight of the indirectly controlled subsidiaries taken into account Altogether, non-significant affiliates represent less than 5% of the Group's key figures (total assets, shareholders' equity, net sales and workforce).

Special purpose entities

Significant special purpose entities controlled by the Group, i.e. those for which the Group may define financial and operating policies so as to benefit from their activities, are consolidated whatever their legal form.

Consolidation methods

Subsidiaries over which Gaz de France holds legal or effective control, directly or indirectly, are fully consolidated. The directly and indirectly controlled subsidiaries over which Gaz de France exercises joint control are accounted for using the proportionate consolidation method.

Other directly and indirectly controlled subsidiaries are accounted for by the equity method.

Inter-company accounts have been eliminated when significant transactions are involved. For companies accounted for using the proportionate consolidation method, the elimination is based on the parent's proportionate share of assets and liabilities.

Financial sector subsidiaries

The financial statements of financial sector subsidiaries are prepared in accordance with generally accepted accounting policies in France for financial entities.

They are reclassified in the Group's financial statements in the following manner.

- Customer loans are recorded as investments or current financial sector assets.
- Refinancing of customer loans is included in financial sector liabilities.

Closing date

The closing date for these semiannual financial statements was June 30, 2004. They cover the period from January 1 to June 30. For non-calendar year companies, no interim accounts were drawn up, since the impact of these companies was minor and their half yearly period was within three months or less of June 30.

Goodwill

A "surplus from initial consolidation" was determined when the Group's financial statements were first consolidated. For each consolidated company, this was considered to be equal to the difference between the value of investments as of December 31, 1991, and the proportionate share of shareholders' equity at the same date. This surplus is maintained in the Group's balance sheet until the sale of the equity interest.

For all newly consolidated companies, goodwill on consolidation is measured by the difference between the purchase price and the share of the estimated fair value of net assets at the date of acquisition.

Goodwill is amortized by the straight-line method over a period determined according to the nature of the business of each subsidiary concerned, but not to exceed 20 years.

Business goodwill is stated at market value and impairment may be recognized.

Any negative goodwill is recorded under provisions. This amount is reversed over a period determined according to the nature of the business of each subsidiary concerned.

Foreign currency translation

Balance sheet items are translated into euros using the rate at the close of the period (rate as of June 30), and the statement of income is translated on the basis of the official average exchange rate.

Translation adjustments in the balance sheet and statement of income are recorded in equity under "Other".

For self-contained operations whose functional currency is different from the local currency, the translation is carried out in two stages. First, from the local to the operating currency, historical exchange rates are used. Second, from the operating currency to the euro, the rate at the close of the period is applied.

Deferred taxes

Deferred income taxes arise from timing differences between the net value of assets or liabilities as reported in the balance sheet and the amount resulting from the application of tax rules.

Deferred taxes are calculated by fiscal entity, according to the "liability method", with all the timing differences maintained.

Net deferred tax assets are recognized when these tax assets are considered to be recoverable with reasonable certainty.

In most cases, deferred tax assets and liabilities are discounted at a rate of 5% on the basis of when the corresponding timing differences are scheduled to reverse.

As of June 30, income tax expense is calculated for each tax entity by applying an estimated yearly effective tax rate to net income before taxes.

SHAREHOLDERS' EQUITY

Capital stock

The capital stock of Gaz de France is made up of the initial capital, which represents the net sum of the rights, assets and obligations transferred to the Company when the sector was nationalized in 1946, and the capitalized surplus in the form of special funds granted by the government until 1982.

Calculation of earnings per share is not applicable to Gaz de France since its capital is not divided into shares.

OTHER EQUITY

Value of franchises - Franchisors' inherent rights

In accordance with French GAAP concerning operations carried out under a public service franchise and with articles 521-1 and 523-1 of CRC regulation 99-03, the value of franchisors' inherent rights to franchised property recorded in the assets is also carried in the liabilities of the franchisee.

This item specifically includes:
- the corresponding value of assets not financed by the Company;
- the corresponding value of the assets replaced by using the provision for asset replacement;
- the franchised asset termination fund;
- the depreciation of assets not financed by the Company and of non-replaceable assets, which is deducted.

Irredeemable securities

Gaz de France issued irredeemable securities in 1985 and 1986 as authorized by law, no. 83.1, dated January 1, 1983, and by law, no. 85.695, dated July 11, 1985. These securities are recorded in the liabilities at their cost of issue. Their remuneration is recognized in interest expense.

INTANGIBLE ASSETS

Goodwill is recorded under a specific asset heading.
Other intangible assets include:
- leases,
- business goodwill,
- cost of user rights to patents and licenses,
- software.

Capital increase, debt issue and research and development costs are charged to expense when incurred.
The Group's intangible assets are carried at acquisition or production cost.

In the event of an unfavorable event, assets undergo an impairment test and an impairment write-down is recognized if the assets' current value is lower than its book value.

TANGIBLE ASSETS

The Group's property, plant, and equipment are stated at acquisition or construction cost.
The following service lives are used to calculate depreciation for property, plant, and equipment at the Gaz de France Group:

- 30 years for distribution mains,
- 25 years for transmission pipelines and underground storage facilities.

These service lives vary for property, plant, and equipment acquired by the Group to reflect local situations and the remaining service life of equipment at the acquisition date. In no case do they exceed the service lives applicable to assets of the same type constructed by the Group.
In the event of unfavorable prospects, assets undergo an impairment test and a provision is recognized if the assets' current value is lower than its net book value.

Non-franchised assets

Non-franchised assets are those that belong to the Group itself or have been financed through lease agreements. They are depreciated on the basis of their estimated service lives.

Franchised assets

These items are fixed assets:
- financed by the Company, i.e. initial assets or replacements brought into the franchise by Gaz de France,
- donated by third parties and franchisors

Pursuant to articles 393-1 and 442-22 of CRC regulation 99-03, all Gaz de France assets operated under a franchise are recorded as a special item in the assets.

- Initial assets financed by the Company

Among assets, so-called "initial items" financed by the company give rise to the so-called caducité amortization spread over the term of the contract to account for the financing of the "last item" ("non-replaceable") that must be returned free of charge at the end of the franchise. Upon early renewal of a franchise, the balance of the relevant accounts is written off for an amount that would have been recorded until the normal termination of the contract. This expense is transferred to a specific account for franchised fixed assets.

These assets are depreciated over the remaining life of the original contract. Depreciation of assets over the life of the contract and transfers of charges are recognized in operating income.

- Assets donated by third parties

The value of franchised equipment donated free of charge is stated in the assets with a corresponding amount recorded as "Value of franchises - Franchisors' inherent rights". Each such asset is depreciated using the straight-line method over the service life of the asset to record the loss in value and the corresponding reduction in the franchisor's rights. This depreciation has no impact on the statement of income.

- Replaceable franchised assets

Replaceable franchised assets are assets that are likely to be replaced before the term of the corresponding franchise contract. Replaceable franchised assets financed by the Company are depreciated on a straight-line basis.

In addition, these assets are covered by a provision for replacement calculated, for each asset, on the basis of the difference between the asset replacement cost, determined according to appropriate indexes, and its original cost, i.e. the depreciable base. This provision is accrued progressively when the franchised assets are put into service and remains in effect until their actual replacement. It is recorded under "Provisions for liabilities and charges" (article 441-15 of CRC regulation 99-03).

Replaceable franchised assets donated free of charge at the beginning or in the process of the contract are solely subject to a provision for replacement that covers the total replacement cost of the assets.

Depreciation of property, plant, and equipment and provisions for replacement are charged against operating income as depreciation, amortization and provisions.

When an asset is replaced, the replacing asset is recorded in assets, and in a corresponding manner, the provision for replacement is credited to "Franchisors' inherent rights - Provision adjustments".

- Non-replaceable franchised assets

Non-replaceable franchised assets are assets that are not likely to be replaced before the term of the corresponding franchise contract.
Non-replaceable franchised assets are depreciated on a straight-line basis using the service life of each item to record the decrease in value of the asset and the corresponding reduction in "Value of franchises - Franchisors' inherent rights". This depreciation has no effect on the statement of income.

Lease agreements

Long-term lease agreements for which the Group bears practically all the risks and advantages inherent to the ownership of the leased assets are recorded as finance leases. They are principally finance lease contracts and lease agreements for which rental payments cover the main part of the fair value of the leased items.

Assets financed through lease agreements are recorded as tangible assets with corresponding loan debt in liabilities. According to the lease agreement, the assets are depreciated either over service lives used to calculate depreciation for similar categories of fixed assets, or over the duration of the lease agreement. The loan is amortized over the duration of the agreement. The portion of leasing fees that exceeds the repayment of the initial capital is recognized as an interest expense;

Exploration and production activities

The accounts of consolidated subsidiaries and companies accounted for by the equity method involved in exploration and production were prepared in accordance with the accounting policies applied in this sector, as defined by the Financial Accounting Standards Board in FAS no. 19. These policies are compatible with French GAAP.

These policies are compatible with French GAAP.

The Group applies the successful efforts accounting method.

Geological and geophysical expenses are recorded in the year they are incurred.

Mining rights are capitalized; they are depreciated if no marketable reserves are discovered.

Drilling in process is capitalized.

The cost of drilling exploratory wells that have not resulted in the discovery of marketable reserves is charged to expense.

Site restoration costs are charged to expense using the unit-of-production method, on the basis of proved developed reserves

Fixed assets related to the production of gas (proved properties, productive exploratory wells, development and production startup costs) are depreciated using the unit-of-production method, on the basis of proved developed reserves.

LONG-TERM INVESTMENTS

Investments in companies accounted for by the equity method

This item corresponds to the value of the share of equity owned in companies accounted for by the equity method.

The other long-term investments include the following categories.

Interests in non consolidated companies

The gross book value of interest in companies outside the consolidated entity is the cost of acquisition. When the value to the business, determined on the basis of the net value of the interest, corrected to account for subsequent events, is lower than the year-end value, the difference is accrued.

Loans to companies which are not fully consolidated.

These assets represent loans made to companies in which the Group has an equity interest and which are not consolidated. These loans may be written down for impairment if the shareholders' equity of the affiliate becomes negative.

Other long-term investments

This item mainly includes securities, other than equity investments, which the Group intends to hold for the long term.

GAS IN UNDERGROUND STORAGE FACILITIES

The gas injected into underground storage facilities includes working gas, which can be withdrawn without adversely affecting future operations, and cushion gas, which cannot be dissociated from the underground storage facilities and is essential for operations.

Cushion gas

Valued at average acquisition cost, whatever the source, plus the cost of regasification, transmission and injection into the system, cushion gas is recorded as a fixed asset and depreciated on a straight-line basis over 25 years, like the above-ground installations of the underground storage facilities.

Working gas

Working gas is carried in inventory. It is valued at average acquisition cost on entering the French transmission system, including the cost of regasification, regardless of the source. A write-down of inventory is recognized in income when the net realizable value, calculated as being the selling price minus direct and indirect expected costs of completion and disposal is less than the weighted average cost

VALUATION OF INVENTORIES

Group inventory outflows are valued on a weighted average cost basis. The financial statements of subsidiaries that apply another inventory valuation method are not restated when the cost of making these restatements is disproportionate in relation to the impact on the consolidated financial statements.

ACCOUNTS RECEIVABLE

Accounts receivable include all the items corresponding to receivables related to the sale of goods and to operations. Accounts receivable are recorded at their nominal value. Bad debt is accrued within receivables based on both specific allowances and statistical general provisions including data for previous writte-offs.

This item also comprises receivables representing energy deliveries that have not yet been billed, whether or not they have been accounted for.

RETIREMENT BENEFITS

In the notes to the financial statements, Gaz de France mentions its estimated commitments with regard to retirement benefits, other post-employment benefits and other long-term employee advantages.

Insurance policies have been taken out to cover the payment of retirement benefits (partial coverage) and lump sum benefits paid at retirement (full coverage).

Disability pensions and annuities for work-related accidents, occupational illness and work incapacity are fully accrued at the end of the period.

The same applies to length-of-service benefits and special retirement bonuses.

Provisions for retirement benefits and related commitments are accounted for by Group subsidiaries in their accounts.

The specific retirement plan of Gaz de France and its corresponding commitments are presented in note 19.

OTHER PROVISIONS FOR LIABILITIES AND CHARGES

• Provisions for site restoration are designed to cover the current cost of reclaiming sites where gas facilities are or were located. The amount of these provisions reflects the best estimate of discounted total future costs, with respect to regulatory requirements, technical expertise and acquired experience.

Provisions are initially booked as the corresponding liability to a tangible asset that is depreciated over the estimated residual service life of the site in question. The effect of adjusting estimates is reported in the statement of income on the basis of prospects. Provisions and reversals, including the unwinding of discount charges, are recorded in operating income.

• Service companies record provisions for full warranty and product maintenance contracts.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into euros by applying the exchange rate applied on the date the transaction takes place. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the end of the period. Any difference resulting from these transactions is recorded as income or expense.

Non-monetary assets and liabilities denominated in foreign currency are recorded at the historical exchange rate in effect on the date of the transaction, with the exception of revalued non-monetary assets and liabilities, denominated in foreign currency, that are converted at the exchange rate in effect on the date they are revalued.

FINANCIAL AND OPERATING INSTRUMENTS

The financial instruments used by the Group to hedge and manage its foreign exchange, interest rate and commodity risks are recorded as off-balance sheet commitments, for capital and future interest in swap contracts which are valued on the basis of June 30 rates.

HEDGING TRANSACTIONS

The change in the market value of contracts for forward purchases or sales of foreign currencies is recognized in income symmetrically to the gain (loss) on the hedged item.

Commodity derivatives are stated at market value and recorded symmetrically to the gain (loss) on the hedged item. In the event of the disappearance of the hedged item, the hedging operation is unwound and the losses and gains are recognized in income.

Other transactions

Unrealized losses are charged to income. Unrealized gains resulting from over-the-counter transactions are only recorded if these markets have sufficient volume and liquidity. When the contracts are unwound, losses and gains are recognized in income.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to income in the period in which they were incurred.

UNCOMPLETED CONTRACTS

Service contracts that are not completed by the end of the fiscal year are accounted for by the percentage-of-completion method.

PRESENTATION IN THE STATEMENT OF INCOME OF TRADING ACTIVITIES (GASELYS SUBSIDIARY)

Only the gross margin generated by these activities is recorded in net sales.

EXCEPTIONAL ITEMS

Consolidated exceptional income and loss include unusual or infrequent items as well as items considered to be of an exceptional nature under promulgated GAAP, principally profit or loss on disposal of fixed assets.

CASH FLOW STATEMENT

The Group's cash flow statement has been prepared using the indirect method, from net income.

Since write-downs of current assets are considered as write-offs, the change in current assets is reported net of write-downs. The cash position in the cash flow statement includes cash and cash equivalents, minus bank overdrafts.

The most significant movements that impact the balance sheet, but are not considered as cash flow (in particular acquisitions of fixed assets under lease agreements), are presented in the notes to the financial statements.

C – CHANGES IN ACCOUNTING POLICIES

1. Seasonal nature of business

Results as of June 30 are influenced by the seasonal character of the consumption of natural gas, which is traditionally greater in the first half because of the winter months.

Consequently, the interim financial statements cannot be considered as a valid base to estimate the year's income and cash flows.

2. Acquisition of the German company Preussag Energie

In May 2003, Gaz de France acquired the oil and gas exploration and production activities of the TUI group in Germany. In the first half of 2004, the Group's net sales included six months of net sales of the company Gaz de France Produktion Exploration Deutschland – formerly Preussag Energie – as compared with one month of net sales in the first half of 2003. The increase in semiannual net sales due to this change was 113 million euros.

3. Changes in the scope of consolidation

On March 31, 2004, the Gaz de France Group respectively acquired 27.18% and 35.46% of the Hungarian distribution companies Degas and Egaz, increasing its equity stake to 99.77% and 99.42%.

The gas trading company MED Lng & Gas in which the Group has a 50% interest became part of the consolidated entity.

MED Lng & Gas is accounted for using the proportionate consolidation method. Its parent company net sales as of June 30, 2004, totaled 87 million euros (representing a contribution of 43.5 million euros).

4. Changes in accounting principles in the 2003 annual financial statements

First application of CRC regulation 00-06 on liabilities for certain provisions on site restoration

Until December 31, 2002, provisions for the expense of site restoration at locations where technical facilities were operated were accrued progressively. As of January 1, 2003, these costs are fully accrued in liabilities as a contra entry to a tangible asset for the present value of future restoration costs. Retroactive application of this change in accounting policy led to a reduction in reserves of 1 million euros as of December 31, 2003.

5. Segment division

The Group's activities are now divided into six segments organized in two branches, Energy Supply and Services, and Infrastructures. This segmentation provides better information on the volume of business and the profitability of energy trading activities, on the one hand, and of the management of transmission and distribution infrastructures on the other. This information mainly concerns rates for third-party access to the transmission system and the projected rate schedule for third-party access to the distribution network proposed by the French energy regulatory commission (CRE) and applied since 2004.

Data for the first half of 2003 has been restated to reflect this new segment breakdown.

D – SUPPLEMENTAL DISCLOSURES ON THE BALANCE SHEET, STATEMENT OF INCOME AND CASH FLOW STATEMENT

Note 1 - Intangible and tangible assets

(millions of euros)

	Gross book value as of 6/30/2004	Amortization and depreciation	Net book value as of 6/30/2004	Net book value as of 6/30/2003	Net book Value as of 12/31/2003
Intangible assets					
Goodwill	1,352	336	1,016	1,006	1,060
Other intangible assets	523	205	318	376	334
	1,875	**541**	**1,334**	**1,382**	**1,394**
Tangible assets					
Non-franchised	18,404	7,248	11,156	11,666	11,540
Franchised	13,661	5,830	7,831	7,383	7,793
	32,065	**13,078**	**18,987**	**19,049**	**19,333**
Construction in progress, payments on account	**1,700**	**5**	**1,695**	**1,485**	**1,390**
	35,640	**13,624**	**22,016**	**21,916**	**22,117**

Cumulated depreciation and amortization totaled respectively 12,553 million euros as of December 31, 2003 and 11,905 million euros as of June 30, 2003.

Depreciation, amortization and provisions in the first half of 2004 are broken down by type in note 12.

The so-called “caducité” depreciation of assets, recognized in the event of the early renewal of a franchise agreement and which is spread over the remaining life of the original contract, is recorded in franchised fixed assets :

(millions of euros)

	Gross book value as of 6/30/2004	Depreciation and amortization	Net book value as of 6/30/2004	Net book value as of 6/30/2003	Net book value as of 12/31/2003
	454	64	390	306	407

The non-franchised tangible assets presented above included leased facilities in the following amounts.

(millions of euros)

	Gross book value as of 6/30/2004	Amortization and depreciation	Net book value as of 6/30/2004	Net book value as of 6/30/2003	Net book value as of 12/31/2003
Leased facilities	1,261	526	735	543	777

Note 2 – Long-term investments

Note 2 a - Investments in companies accounted for by the equity method

(millions of euros)

	Share of net assets		
	6/30/2004	**6/30/2003**	**12/31/2003**
French companies	131	138	137
Foreign corporations			
- EFOG	248	236	263
- Other	64	53	52
	443	**427**	**452**

The main items in EFOG's balance sheet as of June 30, 2004, are as follows.

(millions of euros)

Assets		**Shareholders' equity and liabilities**	
Fixed assets	1,351	Total equity	1,104
Current assets	275	Provisions and long-term deferred taxes	349
		Long-term financial debt	-
		Current liabilities	173
Total assets	**1,626**	**Total shareholders' equity and liabilities**	**1,626**

Note 2 b - Other long-term investments and financial sector investments

(millions of euros)

	Gross book value as of 6/30/2004	Of which more than one year	Provisions	Net book value as of 6/30/2004	Net book value as of 6/30/2003	Net book value as of 12/31/2003
Other long-term investments						
Non-consolidated equity interests	522	-	45	477	242	441
Receivables related to investments	209	132	17	192	195	199
Loans	61	45	1	60	127	117
Other long-term investments	229	96	3	226	197	213
	1,021	**273**	**66**	**955**	**761**	**970**
Financial sector investments	**206**	**162**	**-**	**206**	**213**	**227**
	1,227	**435**	**66**	**1,161**	**974**	**1,197**

Gaz de France sold employee loans to an special purpose vehicle for 265 million euros (91 million euros in 2003 and 174 million euros en 2001). Gaz de France has a mandate to continue to manage these commitments.

The investments of the subsidiaries Pétrofigaz and Gaselys are accounted for in a specific financial sector item owing to the fact that their activity differs from that of the Group's other subsidiaries

Information on the main non consolidated investments

(millions of euros)

	% equity interest	Net book value	Net income	Equity (excluding net income)	Net sales	End of latest reported year
Italcogim	40.00	186	31	150	278	12/31/03
Société d'investissement en Autriche	20.00	81	7	395	-	12/31/03
Arcalgas	33.00	56	6	51	120	12/31/03
EC Wybrzeze	22.12	33	7	109	112	4/30/03
Technip Group	7.15	5	1	1,855	2,521	6/30/04
Other		116				
Total		**477**				

The market value of Technip securities totaled 189 million euros as of June 30, 2004.

Equity investments in the Italian gas distribution companies Arcalgas and Italcogim are not consolidated because of the restrictions on control resulting from current regulations in this country.

Note 3 – Inventories and work in process

(millions of euros)

	Gross book value as of 6/30/2004	Depreciation	Net book value as of 6/30/2004	Net book value as of 6/30/2003	Net book value as of 12/31/2003
Gas inventories	676	-	676	758	998
Other inventories and work in process	114	17	97	90	84
Inventories and work in process	**790**	**17**	**773**	**848**	**1,082**

Note 4 – Receivables and other current assets

(millions of euros)

	Gross book value as of 6/30/2004	Of which more than one year	Depreciation	Net book value as of 6/30/2004	Net book value as of 06/30/2003	Net book value as of 12/31/2003
Trade accounts receivable	**3,740**	**214**	**159**	**3,581**	**3,186**	**4,216**
State – Deferred income taxes	26	5	-	26	181	27
Prepaid expenses	32	1	-	32	38	46
Deferred charges	1	-	-	1	6	-
Due from affiliates	272	34	1	271	-	286
Other receivables	975	62	28	947	1,268	1,243
Bond redemption premium	12	12	-	12	-	-
	1,318	**114**	**29**	**1,289**	**1,493**	**1,602**
Current financial sector assets	**140**	**-**	**-**	**140**	**139**	**161**
	5,198	**328**	**188**	**5,010**	**4,818**	**5,979**

Note 5 – Marketable securities

(millions of euros)

	Gross book value as of 6/30/2004	Depreciation	Net book value as of 6/30/2004	Net book value as of 06/30/2003	Net book value as of 12/31/2003
Marketable securities	608	9	599	196	158

The market value of marketable securities was 620 million euros as of June 30, 2004.

Note 6 – Shareholders' equity and minority interests

(millions of euros)

	Group contribution	Minority interests
Equity as of 12/31/2002	**9,259**	**246**
Dividends paid	(456)	(42)
Translation adjustments	(109)	(12)
Changes in percentage interest and consolidation scope	-	2
Impact of changes in accounting policies and miscellaneous	(17)	5
Net income	910	70
Equity as of 12/31/2003	**9,587**	**269**
Dividends paid	(318)	(20)
Translation adjustments	70	1
Changes in percentage interest and consolidation scope	-	(71)
Impact of changes in accounting policies and miscellaneous	(2)	1
Net income	835	23
Equity as of 06/30/2004	**10,172**	**203**

Translation adjustments result from:

- the difference between the value of equity of foreign corporations translated at the exchange rate at the end of the period and the value of the equity of foreign corporations translated at historical exchange rates after restatement, if any, to reflect accounting policies;
- the difference, for foreign companies, between net income translated at the closing exchange rate and net income translated at the period's average exchange rate;
- net foreign exchange gains (losses) related to foreign currency loans negotiated by French companies to finance foreign companies.

Translation adjustments, which are now fixed, recorded as of December 31, 1998, for euro-zone subsidiaries totaled –2.3 million euros for the Group share and –0.3 million euros for minority interests.

Cumulative translation adjustments as of June 30, 2004, included in shareholders' equity – Group share totaled - 74 million euros (-130 million euros as of December 31, 2003 and -108 millions euros as of June 30, 2003).

Minority interests represent the claim of non-controlling shareholders on the income and net assets of the Group's consolidated companies.

Note 7 – Provisions

Note 7a – Provisions for liabilities and charges

(millions of euros)

	Balance as of 12/31/2003	Allowances	Reversals	Uses	Reclassifications	Changes in the consolidated entity	Translation adjustments	Balance as of 6/30/2004
Replacement of franchised assets	3,103	140	-	-	-	-	-	3,243
Site restoration	648	16	-	12	(12)	-	1	641
nployee benefits	464	24	-	32	16	-	-	472
Taxes	28	3	-	4	-	-	-	27
Major repairs and full warranty	96	9	-	18	-	-	-	87
Deferred taxes	1,857	43	-	96	3	-	4	1,811
gative goodwill, net of reversals	15	(2)	-	-	(2)	27	-	38
Other provisions	438	78	2	74	(18)	-	-	422
Financial sector provisions	16	1	-	-	16	-	-	33
Provisions for liabilities and charges	**6,665**	**312**	**2**	**236**	**3**	**27**	**5**	**6,774**

Replacement of franchised assets

This item concerns the replacement of Gaz de France's distribution facilities.

It is calculated as described in the Summary of Significant Accounting Policies in section B.

Twenty-nine percent of the provision for replacement of distribution networks is expected to be used between July 2004 and June 2008, and 71% after June 2008.

Site restoration

The principle of this provision is presented in section B. It primarily concerns Gaz de France and its exploration and production subsidiaries.

The Gaz de France sites concerned are:

- on the one hand, the land on which manufactured gas plants were located; the accrual is determined statistically on the basis of selected representative sites;

- on the other hand, mains, storage facilities and LNG terminals in service.

For the latter, as for exploration and production facilities, the present value of estimated dismantling costs is fully accrued, with a contra entry in property, plant, and equipment. Corresponding depreciation and unwinding of discounts are charged to operating income.

Employee benefits

Concerning Gaz de France, retirement commitments are partially covered through insurance policies and a provision of 137 million euros. Length-of-service awards are provisioned (25 million euros), as are disability pensions, annuities for work-related accidents, compensation for occupational illness and work incapacity (159 million euros), and lump sum benefits on retirement (29 million euros).

Note 7b – Depreciation and amortization

(millions of euros)

	Balance as of 12/31/2003	Allowances	Reversals	Uses	Reclassifications	Changes in the consolidated entity	Translation adjustments	Balance as of 6/30/2004
Intangible assets	62	-	-	-	(25)	-	-	37
Tangible assets	31	3	(1)	-	(13)	-	-	20
Long-term investments	70	1	(1)	-	(5)	-	-	65

Note 8 – Liabilities

Note 8 a – Maturity schedule

(millions of euros)

	Balance as of 6/30/2004	Maturity: One year or less	Maturity: From one to five years	Maturity: From six to ten years	Maturity: More than ten years	Balance as of 6/30/2003	Balance as of 12/31/2003
Financial debt							
Leasing	849	59	240	271	279	594	862
Bond issues	2,090	-	90	1,251	749	1,989	2,053
Other loans	966	117	610	222	17	1,745	1,716
Bank overdrafts	465	461	4	-	-	307	546
Miscellaneous	190	158	13	5	14	224	232
	4,560	**795**	**957**	**1,749**	**1,059**	**4,859**	**5,409**
Trade accounts payable	**1,353**	**1,345**	**8**	**-**	**-**	**1,350**	**1,769**
Taxes, social contributions and other debt	**3,274**	**3,112**	**130**	**32**	**-**	**3,061**	**3,418**
Financial sector debt	**410**	**250**	**160**	**-**	**-**	**379**	**402**
Total debt	**9,597**	**5,502**	**1,255**	**1,781**	**1,059**	**9,649**	**10,998**

Note 8 b – Categories of bonds

	Balance as of 6/30/2004	Issue date	Maturity	Rate	Stock exchange where listed
Public issues					
- euros	EUR 1,250 M	2/2003	2/2013	4.75%	Paris/Luxembourg
	EUR 750 M	2/2003	2/2018	5.125%	Paris/Luxembourg
Private placements					
- euros	EUR 30 M	11/2003	12/2006	Euribor 3 months	Paris
- yen	JPY 5,000 M	11/2003	12/2006	JPY Libor 6 m + 0.005%	Luxembourg
	JPY 3,000 M	3/2004	3/2009	0.658%	None

Private placements in yen are hedged by a EUR/JPY cross currency swap against three-month Euribor.
These various transactions were conducted under the EMTN program launched in October 2002.

Note 8 c – Analysis of bond issues, other borrowings and other financial debts

	Balance as of 6/30/2004	Maturity			
		One year or less	From one to five years	From six to ten years	More than ten years
EUR	2,681	57	529	1,345	750
USD	230	4	97	113	17
GBP	32	4	14	14	-
Other currencies	113	51	60	1	-
Total	**3,056**	**117**	**700**	**1,473**	**767**

Corresponding hedges are discussed in note 18 a.

Less than 20% of all debt involves financial covenants, which exclusively concern subsidiaries. The Gaz de France Group operates in compliance with these covenants.

Note 9 – Debt analysis by interest rate and by currency after accounting for financial hedges

Note 9 a – Analysis by interest rate

Leasing debt and other debt negotiated at a fixed rate or at a rate converted to a fixed rate through interest rate swaps totaled 2,819 million euros as of June 30, 2004.

Fixed rate financing of originally less than 3 months is not included.

Note 9 b – Debt by currency

The following table presents a breakdown of loan debt by currency after accounting for financial instruments used to hedge foreign exchange risk.

(millions of euros)

	6/30/2004	**%**
EUR	1,932	63.22
USD	1,031	33.73
GBP	32	1.05
Other	61	2.00
Total	**3,056**	**100**

Note 10 – Net sales

(millions of euros)

	6/30/2004	6/30/2003	12/31/2003
Gas sales			
- domestic	6,161	6,388	11,371
- foreign	1,716	1,204	2,516
Services rendered and miscellaneous	1,626	1,257	2,760
Net sales	**9,503**	**8,849**	**16,647**

Note 11 – Research and development expense

In the first half of 2004, research and development expense totaled 44 million euros, compared with 89 million euros for the year 2003.

Note 12 – Depreciation, amortization and provisions (net of reversals and transfers of charges)

Note 12 a – Depreciation (net of reversals and transfers of charges)

(millions of euros)

	6/30/2004	6/30/2003	12/31/2003
Depreciation of franchised assets	163	141	321
Other depreciation (net of reversals)	629	574	1,150
Depreciation (net of reversals)	**792**	**715**	**1,471**

Note 12 b – Provisions (net of reversals)

(millions of euros)

	6/30/2004	6/30/2003	12/31/2003
Replacement of franchised assets	140	158	412
Site restoration	4	(4)	(6)
Employee benefits	(8)	142	190
Major repairs and full warranty	(9)	6	(15)
Impairment write-downs	1	(8)	28
Other provisions for operating liabilities and charges	1	(22)	78
Provisions (net of reversals)	**129**	**272**	**687**

Note 13 – Financial income (expense)

(millions of euros)

	6/30/2004 Expense	6/30/2004 Income	6/30/2004 Net	6/30/2003 Net	12/31/2003 Net
Interest and related expenses	166	42	(124)	(89)	(218)
Income from non consolidated equity interests	-	28	28	18	39
Foreign exchange gains (losses)	62	28	(34)	84	162
Net financial provisions	56	57	1	(14)	(122)
Total	**284**	**155**	**(129)**	**(1)**	**(139)**

Financial income was impacted by:

- growth in interest expense on the debt, linked to the bonds issued in 2003;
- the inversion of the result from foreign exchange transactions involving loans and financial futures, reflecting the depreciation of the euro compared to the U.S. dollar in the first half of 2004.

Note 14 – Exceptional items

(millions of euros)

	Expense	Income
Sale of tangible and intangible assets	3	4
Sale of long-term investments	5	2
Other	3	6
	11	**12**
Exceptional items (net)		**1**

Note 15 – Investments

Capital expenditures on property, plant and equipment include acquisition of tangible and intangible assets.

Growth investments include acquisitions of long-term investments and the impact on cash and cash equivalents of corresponding changes in the consolidated entity.

Investing and financing activities with no effect on changes in cash and cash equivalents :

(millions of euros)

	6/30/2004	6/30/2003	12/31/2003
Leasing acquisitions	9	4	45

Note 16 – Change in working capital requirements

(millions of euros)

	6/30/2004	6/30/2003	12/31/2003
Change in inventories	(309)	(307)	(67)
Change in accounts receivable*	(635)	(610)	+ 436
Change in trade accounts payable*	+ 417	+ 539	(10)
Change in other items	(151)	+ 114	+ 115
Change in working capital requirements	**(678)**	**(264)**	**+ 474**

* Net of payments on account

Note 17 – Cash and cash equivalents

Cash and cash equivalents include available cash, temporary bank overdrafts, and highly liquid, readily convertible investments (mutual funds) that are stable in value, as well as current accounts used as cash resources.

(millions of euros)

	6/30/2004	6/30/2003	12/31/2003
Cash and cash equivalents	638	732	512
Marketable securities	599	196	158
Bank overdrafts	(462)	(308)	(546)
Current accounts considered as cash	11	59	(24)
Net financial sector cash	89	-	60
Cash and cash equivalents	**875**	**679**	**160**

Note 18 – Consolidated off-balance sheet commitments

Note 18 a – Financial commitments

Financial risk management policy (interest rate and foreign exchange) is defined at the Group level in order to aggregate risks, control positions and concentrate trading in a single unit.

Consolidated management of counterparty risks and the coherence of management decisions are ensured by cross-division decision-making bodies, i.e. the interest rate and foreign exchange committee and the credit committee.

Foreign exchange risk hedges

To manage its exposure to exchange rate fluctuations, Gaz de France uses forward contracts to buy or sell foreign currencies to hedge its gas purchases, tangible assets and financing activities.

(millions of euros)

Forward contracts	Commitments fixed portion as of 6/30/2004 by due date by 2005	2006	2007 and beyond	TOTAL	Estimated value as of 6/30/2004	Foreign exchange differential as of 6/30/2004	Commitments fixed portion as of 12/31/2003
Short position							
- GBP	194	275	97	566	570	(4)	524
- USD	1,007	101	17	1,125	1,126	(1)	828
- Other currencies	1	-	-	1	1	-	4
Long position							
- GBP	88	13	2	103	104	1	180
- USD	349	278	63	690	685	(5)	534
- Other currencies	1	1	61	63	62	(1)	43

The foreign exchange differential on these commitments was a negative 10 million euros as of June 30, 2004; it was + 31 million euros as of December 31, 2003.

As of June 30, 2004, exposure to foreign exchange risks could be analyzed by currency as follows.

(millions of euros)

Currency	USD	GBP
Bonds and other borrowings	230	32
Other receivables	46	(117)
Net balance sheet position	**276**	**(85)**
Forward currency purchases	(690)	(103)
Forward currency sales	1,125	566
Net exposure (future transactions covered)	**711**	**378**

Hedging interest rate risk

(millions of euros)

Swap maturities	Notional amount as of 6/30/2004					Notional amount as of 12/31/2003
	One year or less	From one tofive years	From six toten years	More than ten years	Total	
Swaps fixed rate payable / floating rate receivable	-	196	1	196	393	936
Swaps floating rate payable / fixed rate receivable	72	463	48	199	782	782
Swaps floating rate to floating rate	-	41	-	-	41	39

Following the sale of employee homeowner loans in 2001 and 2003 to a special purpose vehicle, Gaz de France kept a marginal interest rate risk on a nominal amount equal to the difference between the remaining capital in fact due and the capital remaining due according to the theoretical model at the date of the sale. This difference amounted to 3 million euros as of June 30, 2004. The nominal amount of the corresponding interest rate swaps was 196 million euros

The Group also entered into interest rate swaps to convert floating rate medium- and long-term loans to fixed rate. The hedged commitments totaled 193 million euros as of June 30, 2004 (220 million euros as of December 31, 2003).

Financial sector subsidiaries hedge interest rate risk on their assets (issued with a fixed rate) by interest rate swaps that allow them to refinance at a fixed rate (notional amount of 215 million euros as of June 30, 2004, and of 215 million euros as of December 31, 2003). The maturities for these instruments are mainly in the next 18 months.

Lastly, private placements in yen were hedged by a EUR/JPY cross currency swap against three-month Euribor.

These various transactions were conducted under the EMTN program launched in October 2002 (see note 8b).

Commitments on equity interets

Gazprom has a purchase option of 0.5 billion euros on a portion of the shares of the Slovak gas utility Slovenksy Plynarensky Priemysel (S.P.P.). Gaz de France and Gazprom are currently discussing conditions under which this option, initially to be exercised by July 2004, may be extended.

The Group entered into simultaneous sale and purchase options on shares with the current shareholders of two Italian gas distribution companies (Arcalgas and Italcogim). These options can be exercised on a staggered basis between 2004 and 2009 for a total of 413 million euros.

Other financial commitments granted and received

(millions of euros)

	6/30//2004		12/31/2003	
	Commitments granted	Commitments received	Commitments granted	Commitments received
Lines of credit in foreign currencies (1)	2,327	2,414	2,258	2,258
Guarantees and endorsements	485	105	374	158
Performance bonds	84	24	74	6
Other	-	-	6	4
Total	**2,896**	**2,543**	**2,712**	**2,426**

(1) Since August 2002, Gaz de France benefits from a line of revolving credit in the amount of 2 billion euros that will expire in 2007. The banks have the right to withdraw individually if control of the Company were to change hands.

Note 18 b – Commodity commitments

Commitments related to natural gas

In order to meet customer demand for natural gas in the medium and long term, the Group secures its supplies through contracts that may last up to 25 years.

These contracts include reciprocal commitments referring to determined quantities of gas:

- a commitment by the Group to take delivery of minimum quantities,

- a commitment by suppliers to provide quantities at competitive prices.

This competitiveness is ensured by price adjustment formulas and clauses. Most of the Group's gas procurement is negotiated through such contracts.

As of June 30, 2004, the Group's commitments totaled 23 billion m^3 for 2005, 204 billion m^3 for the period 2006 - 2009 and 468 billion m^3 for 2010 and beyond.

In addition, the Group entered into forward purchases and sales of natural gas within the framework of its trading activities: purchases and sales of natural gas in spot markets and financially engineered sales to industrial customers; and at Gaselys, cash and carry campaigns and spread trading.

As of June 30, 2004, group commitments totaled 3 billion m^3 in forward purchases of less than one year, and 4 billion m^3 in forward sales of less than one year.

In order to meet its commitments to take delivery of determined volumes of gas, the Group was led to enter into contracts to book land and sea transport capacities.

Moreover, subsidiaries in the exploration and production sector committed to make minimal quantities of natural gas available to their customers. The corresponding commitment represented 12 billion m^3 as of June 30, 2004, of which 1 billion m^3 of less than one year.

Commitments related to electricity

Within the framework of its trading activities, the Group engages in forward purchases and sales of electricity. As of June 30, 2004, the Group's commitments were as follows.

(billions of kWh)

	Electricity
- Forward purchases	4
- Forward sales	8

In addition to its own electricity production, the Group has negotiated long-term reserved electricity production capacities of 16 billion kWh per year for 22 years.

Derivative instruments

The Group uses derivative instruments to manage its exposure to fluctuations in the price of commodities.

Swaps and options, generally backed by physical transactions concerning natural gas, are used as hedging instruments. Swaps allow a sale or purchase price too be fixed at the time of negotiation for a specified quantity of gas at a future date. They serve to secure and guarantee the margin on a commercial transaction, whatever the future price of gas.

Options serve to guarantee ceiling prices for gas (calls) and sometimes floor prices (puts).

	Notional amount as of 6/30/2004				Differential as of 6/30/2004 (millions of euros)	Notional amount as of 12/31/2003 (millions of euros)
	millions of kWh by maturity			millions of euros		
	2005	2006	2007 and beyond			
Options (long position)						
- Natural gas	936	752	-	18	(1)	22
- Oil	2,040	510	-	41	2	14
- Electricity	-	-	-	-	-	3
Options (short position)						
- Natural gas	1,394	544	368	26	(3)	15
- Oil	13	-	-	6	(1)	4
- Electricity	-	-	-	-	-	3
Swaps						
- Natural gas	17,736	11,522	1,156	433	11	482
- Oil	40,612	30,521	7,645	1,833	116	1,505

The differential on derivative instruments was 52 million euros as of December 31, 2003.

Consolidated commitments include 51% of Gaselys' commitments with third parties as well as 49% of Gaz de France's commitments with Gaselys.

Note 18 c – Counterparty risk

The Group implements a counterparty risk management policy based, first, on a systematic diversification of its counterparties and, secondly, on an evaluation of their financial situation.

Consequently, all the financial instruments used by Gaz de France to manage its interest rate and foreign exchange risks are contracted with counterparties with a rating (long term/short-term) by Standard and Poor's or Moody's higher than A - /A 3.

Energy counterparties of the trading subsidiary are evaluated and rated on the basis of a financial analysis with reference, when available, to their S&P or Moody's rating. On the basis of the result of this financial evaluation and the Group's relations with the counterparty, Gaz de France may make use of legal instruments such as master netting arrangements (providing setoff of accrued payables and accrued receivables vis-à-vis the same counterparty) or guarantee agreements (comfort letter, parent company guarantee, bank endorsement, etc.).

Lastly, because of the Group's organization in business lines, the customer risk linked to the supply of gas is mainly confined to Energy Supply and Trading, all of whose customers will be eligible when the market is deregulated in July 2004. Consequently, customer risk is now monitored on a regular basis by the credit committee, a group of representatives of the Finance and Energy Supply and Trading divisions that meets monthly. In addition to analyzing the capacity of major counterparties, the committee is responsible for defining a governance framework to manage and monitor credit risks in Energy Supply and Trading prior to the opening up of the market.

Note 18 d – Other commitments

(millions of euros)

	6//30/2004		12/31/.2003	
	Commitments granted	**Commitments received**	**Commitments granted**	**Commitments received**
Investment commitments	1,487	1,487	1,004	1,004
Leasing commitments and related commitments	88	88	97	97
Commitments related to non consolidated equity interests	165	165	165	165
Other	30	-	3	5
Total	**1,770**	**1,740**	**1,269**	**1,271**

Commitments related to interest in companies outside the consolidated entity are mainly swaps. The Group subscribed two financial instruments, the underlying entity of which is a service-sector company. These swaps, which have a nominal value of 165 million euros, allow the Group to benefit from the income on the securities as well as from any change in their value, while assuming the cost of their financing, i.e. approximately 5 million euros per year.

The commitments granted to banks by Gaz de France and its consolidated subsidiaries as a guarantee for loans contracted by consolidated subsidiaries are eliminated from consolidated commitments.

Note 18 e – Coverage of insurable risks

On the basis of the identification of insurable risks (in particular those related to damage to the Group's own facilities, as well as damage to third parties, including the impact on the environment) conducted over the last few years, Gaz de France has introduced a policy of insuring all significant risks. Insurance policies are taken out with high coverage levels to make it possible to limit the financial impact on the Group's accounts if an incident were to occur.

Moreover, in order to coordinate current coverage, management of insurance is centralized at the level of the Group. In this way, new projects launched by subsidiaries are integrated into existing policies and insurance at majority holdings is subject to Group oversight.

Note 18 f – Other items

Gaz de France and its tax consolidated subsidiaries were audited by tax authorities for the fiscal years 2001 and 2002. The conclusions of the audits should be announced by the end of 2004.

In 2003, Gaz de France launched a general audit of the physical inventory of distribution assets in France. The operation involves reconciling the book position as of January 1, 2004, with the technical data that represents physical reality at that date. It also analyzes the reliability of flows affecting the Company's assets (commissioning, decommissioning, transfers). The inventory analysis will be completed in the autumn of 2004.

Note 19 – Pension commitments and other commitments to employees

Note 19 a – Pension commitments and other commitments to employees related to postemployment benefits

1. Characteristics of the electricity and gas industry retirement plan

The retirement plan for regular electricity and gas industry employees is specific, legal and mandatory. The conditions for determining retirement benefits and for financing the plan, which were defined in the specific national code for these employees (decree of June 22, 1946), are the responsibility of the French government. The companies themselves have no legal right to adapt or modify the terms.

The plan is not an employer plan, but is part of legislation governing mandatory pension schemes as defined in article L 711-1 of the French Social Security code. It is not limited to nationalized utilities but includes all electricity and gas industry companies, whatever their legal status.

Gaz de France is a state-owned public utility with industrial and commercial activities that has obligations as well as rights and guarantees pursuant to its status.

2. Current financial obligations of Gaz de France

The French law transposing the European Directive on Electricity of February 10, 2000, which laid down the principle of the extension of the status of employees of Electricity and Gas Industries, led to the extension of the special retirement plan to new operators entering the French electricity and gas market.

In article 46, it introduced provisions leading to a change in the presentation of the accounts of the plan of Electricity and Gas Industries now included in the financial statements of EDF.

Every year, Gaz de France records the Company's contribution to the pension plan in its financial statements. This contribution, which includes the expense of compensations with other legal retirement plans, is determined by the application of a general average rate on an assessment of payroll excluding bonuses. In the first half of 2004, the contribution of Gaz de France amounted to 219 million euros (220 million euros in the first half of 2003 and 437 million euros for the year 2003) and the general average rate was 63% in the first half of 2004 (61.8% in 2003).

3. Commitments related to pensions and other post-employment benefits

Pursuant to the CNC recommendations of April 1, 2003 (2003-R.01), the commitments of Gaz de France are determined on an actuarial basis applied to all employees in electricity and gas industries.

This projected unit credit method incorporates estimates of:

- end-of-career level of salary, reflecting seniority, and a significant adjustment for career advancement. It does not take inflation into account since the increase in basic salary is deemed to correlate with it;

- age of retirement, determined on the basis of criteria that are characteristic of employees in electricity and gas industries (years of active service, number of children for women);

- the number of retired persons, based on mortality tables (French Bureau of Statistics) and on a turnover rate based on statistics for employees in electricity and gas industries;

- payment of pensions to surviving spouses, incorporating life expectancy of employees and their spouses, and the percentage of married employees in electricity and gas industries.

Commitments are calculated using the following principles.

- They are evaluated on the basis of the rights vested as of the date of calculation.

- They are stated before deduction of the proportion financed by employee contributions. As an indication, as of December 31, 2003, employee contributions totaled 56 million euros, and Gaz de France's employer contribution was 437 million euros.

- They are determined for all employees, both active and retired, who belong to the specific pension system in effect in electricity and gas industries. The allocation of the relative share of each electricity and gas industry company is calculated in proportion to respective payrolls, excluding bonuses.

Under these conditions, using a discount rate net of inflation of 3%, commitments related to pensions and other post-employment benefits are evaluated at 14.02 billion euros before taxes, of which 13.30 billion euros for pensions (12.91 billion euros as of December 31, 2003) and 0.72 billion euros for the following benefits – medical insurance, reduced energy prices, solidarity benefits, immediate benefits in the event of death, partial reimbursement of educational costs and lump sum payments at retirement (0.71 billion euros as of December 31, 2003).

These pension commitments and other post-employment benefits would involve a significant deferred tax asset.

Gaz de France took out insurance policies with several insurers towards its obligations in terms of pensions and lump-sum retirement benefits. As of June 30, 2004, the value of these contracts stood at 1.74 billion euros.

For pensions, payments to insurers totaled 0.13 billion euros in the first half of 2004 (compared with 0.22 billion euros in the first half of 2003 and 0.37 billion euros for the year 2003).

Finally, Gaz de France recorded a provision for retirement benefits in the amount of 137 million euros as of June 30, 2004 (same amount as of December 31, 2003) and a reserve for lump sum payments on retirement of 29 million euros (27 million euros as of December 31, 2003).

4. Reorganization of pension financing

Title IV of the French law on public service in the electricity and gas industries and on electricity and gas utilities, voted by the National Assembly on August 9, 2004, organizes a reform of the financing of the special retirement plan for employees of the electricity and gas industries, which will take effect on January 1, 2005.

In addition to maintaining the special electricity and gas industries retirement plan, the reform involves:

- at an organic level, creating a pension fund to manage all the special plan's benefits and commitments;

- signing financial backing agreements between the electricity and gas industries retirement plan and general pension systems (CNAV, AGIRC and ARRCO) in order to join with these systems to provide mutualist coverage for the risks related to the benefits they pay;

- financing through a fixed rate contribution the portion of benefits acquired as of December 31, 2004, exceeding the benefits offered by the general pension systems (specific benefits), related to Transmission and Distribution activities;

- making the companies finance the specific benefits acquired as of December 31, 2004, that are not related to Transmission and Distribution activities;

- making the companies finance, on a shared basis, all the specific benefits of the electricity and gas industries retirement plan acquired after January 1, 2005.

After the reform, gross pension commitments will be:

- limited to the portion of benefits acquired that exceed benefits from the general system and not financed by the fixed rate contribution;

- increased, if necessary, by the amount of exceptional contributions due to general pension systems owing to the financial backing by the general systems of the special electricity and gas industries retirement plan for the portion not financed by the fixed rate contribution.

The amount of these exceptional contributions and their payment schedule will be determined by ministry decree for CNAV and by the financial agreements as concerns AGIRC and ARRCO.

Note 19 b – Commitments related to long-term benefits granted to Gaz de France employees

These commitments represent 192 million euros, at a discount rate net of inflation of 3% (183 million euros en 2003). They concern the following:

- disability allowances, allowances for industrial accidents, disease and disability compensation current at the end of the period (159 million euros);

- length-of-service awards (25 million euros);

- disability benefits that may be paid subsequent to temporary work incapacity (8 million euros).

The first two categories of commitments have been entirely covered by provisions since December 31, 2003.

Note 20 – Workforce

The Group employed a workforce of 38,161 people as of June 30, 2004, compared with 38,101 as of December 31, 2003. The breakdown was 36,206 in fully consolidated companies and 1,955 for the companies using the proportionate consolidation method.

The average workforce numbered 37,494: 35,504 in fully consolidated companies and 1,990 in pro rata consolidated companies.

Corresponding payroll costs totaled 1,106 million euros as of June 30, 2004, compared with 1,044 million euros as of June 30, 2003.

Note 21 – Business Segment breakdown

Energy Supply and Services includes the following business segments.

- Exploration and Production

Through its consolidated and non-consolidated subsidiaries and affiliates, the Gaz de France Group has a portfolio of oil and gas assets, mainly oil- and gas-producing assets in the North Sea and Germany, and exploration and development fields in Algeria and Egypt. The Exploration and Production segment sells a major part of its production to the Purchase and Sale of Energy segment.

- Purchase and Sale of Energy

This segment comprises the Group's trading activities. Sales target residential and commercial customers, as well as other energy utilities, and are mainly handled by Gaz de France and CFM Négoce in France. To this end, the marketer Gaz de France uses the in-house services of operators at the Infrastructures entities Gaz de France - Transmission and Gaz de France - Distribution to transport its gas. Sales are also conducted by Gaz de France and GDF ESS in European countries other than France. Trading is the responsibility of Gaselys.

- Services

This segment offers a gamut of services to complement the supply of energy, in particular:
  - the operation and maintenance of HVAC facilities, industrial maintenance, controlled environment facilities, and the management of industrial units (Cofathec Group);
  - the production of electricity (Finergaz Group);
  - natural gas for vehicles (GNVert).

Infrastructures includes all transmission and distribution activities, broken down into the following segments.

- Transmission, Storage, LNG terminals - France

Gaz de France wholly owns and operates the transmission system used to deliver gas to its customers and, in application of European directives, to transport energy for third parties. This segment also includes the management of LNG terminals and storage facilities, as well as the transmission business of Compagnie Française du Méthane.

- Distribution - France

This segment is primarily comprised of the Gaz de France entity in charge of managing the distribution network in France (investment, replacement, maintenance).
Distribution networks are operated as franchises granted by local governments.

- Transmission and Distribution - International

The Group has equity interests in several gas transmission and distribution companies, mainly in Europe (Germany, Hungary, the Slovak Republic, Portugal) and in Mexico. Most of these companies also market gas.

Internal services are invoiced between segments at market price. The principal internal transactions are as follows.

- between Purchase and Sale of Energy and Transmission - France:
  - reservation and utilization of transport capacities in the marketed gas transmission system – the cost of this service is based on a rate schedule for third-party access to the transmission system approved by the French energy regulatory commission (CRE);
  - reservation and utilization of storage capacities required for marketing and sales;

- between Purchase and Sale of Energy and Distribution France: reservation and utilization of transport capacities in the marketed gas distribution network – the cost of this service is based on a rate schedule for third-party access to the distribution network prepared by the French energy regulatory commission (CRE), and applied since 2004.

In addition, indirect expenses are re-billed among the segments.

In order to reconcile sector indicators with the data in the financial statements, internal services are eliminated in the consolidation process.

June 30, 2004

(millions of euros)

Gaz de France Group	Energy Supply and Services	Infrastructures	Other	Eliminations	Total
Net sales	8,727	3,545 (a)	28	(2,797)	9,503
EBITDA	668	1,726	1	-	2,395
Operating income	451	999	(5)	-	1,445
Net tangible and intangible assets*	3,575	16,886	539	-	21,000

Energy Supply and Services	Exploration and Production	Purchase and Sale of Energy	Services	Eliminations	Total
Net sales	476	7,662	745	(156)	8,727
EBITDA	311	319	38	-	668
Operating income	139	280	32	-	451
Net tangible and intangible assets*	2,734	271	570	-	3,575

Infrastructures	Transmission-Storage - France	Distribution - France	Transmission and Distribution - International	Eliminations	Total
Net sales	1,051	1,740	765	(11)	3,545
EBITDA	627	882	217	-	1,726
Operating income	346	506	147	-	999
Net tangible and intangible assets*	6,241	8,683	1,962	-	16,886

* Excluding goodwill

(a) Including 965 million euros in external net sales

The increase in net sales in Energy Supply and Services linked to changes in the consolidated entity was due to the fact that six months of business were accounted for at Preussag in 2004, versus one month in 2003 (acquisition in May 2003), i.e. 113 million euros.

June 30, 2003

(millions of euros)

Gaz de France Group	Energy Supply and Services	Infrastructures	Other	Eliminations	Total
Net sales	8,066	3,500 (a)	23	(2,740)	8,849
EBITDA	674	1,711	8	-	2,393
Operating income	523	865	(30)	-	1,358
Net tangible and intangible assets*	3,769	16,725	416	-	20,910

Energy Supply and Services	Exploration and Production	Purchase and Sale of Energy	Services	Eliminations	Total
Net sales	273	7,196	677	(80)	8,066
EBITDA	183	466	25	-	674
Operating income	93	415	15	-	523
Net tangible and intangible assets*	3,083	180	506	-	3,769

Infrastructures	Transmission and Storage - France	Distribution - France	Transmission and Distribution - International	Eliminations	Total
Net sales	1,040	1,756	717	(13)	3,500
EBITDA	599	899	213	-	1,711
Operating income	268	454	143	-	865
Net tangible and intangible assets*	6,523	8,165	2,037	-	16 725

* Excluding goodwill

(a) Including 856 million euros in external net sales

Note 22 –Geographical segment reporting

(millions of euros)

June 30, 2004	France	Europe excluding France	NAFTA	Rest of the world	Eliminations	Consolidated
Net sales	7,891	1,910	82	4	(384)	**9,503**
EBITDA	1,855	516	24	-	-	**2,395**
Operating income	1,148	283	14	-	-	**1,445**
Net tangible and intangible assets*	16,094	4,518	377	11	-	**21,000**
June 30, 2003						
Net sales	7,598	1,414	72	5	(240)	**8,849**
EBITDA	2,011	365	16	1	-	**2,393**
Operating income	1,134	221	2	1	-	**1,358**
Net tangible and intangible assets*	15,610	4,880	409	11	-	**20,910**

* Excluding goodwill.

Net sales are analyzed according to the geographic area in which sales originated.

Gas sales included in net sales are analyzed by destination in note 10.

The Group's fixed assets are analyzed by location.

Note 23 – Subsequent events

Unwinding of cross-holdings between Total and Gaz de France

To respond to changes in the market for natural gas in Europe, Gaz de France and Total signed a letter of intent in November 2003 to unwind cross-holdings in their joint transmission and natural gas supply companies in France, Gaz du Sud-Ouest (GSO, 30%-owned by Gaz de France) and Compagnie Française du Méthane (CFM, 55%-owned by Gaz de France).

Under the terms of this equitable letter of intent, Gaz de France would become the sole shareholder of CFM, and Total the sole shareholder of GSO. In addition, Total would acquire some of CFM's trading activities, as well as a stake in the projected LNG terminal at Fos-sur-Mer.

The application of this letter of intent is not expected to have any negative impact on the shareholders' equity of the Gaz de France Group.

European Commission

At the end of February 2004, proceedings were initiated against Gaz de France and the Company was notified of complaints related to transport contracts.

On the basis of currently available information, the Company believes that these proceedings will not have any material impact on the financial statements.

Change in legal status: transformation of Gaz de France into a limited responsibility company (société anonyme)

The French law on public service in the electricity and gas industries and on electricity and gas utilities, voted by the National Assembly on August 9, 2004, provides for the transformation of the legal status of the Gaz de France parent company into a limited responsibility company (société anonyme).

This transformation, which will take effect with the publication of a decree of application defining the company's by-laws, has no impact on the assets and financial situation of the company, since, according to the law, all of the new company's property, rights, obligations, contracts and authorizations in France and other countries will be those of the Gaz de France parent company at the time its legal form is changed.

Since Gaz de France presents its accounting and financial statements according to the rules in effect in industrial and commercial companies, the only impact of the transformation into a société anonyme on the financial statements will be the creation of capital stock, the amount of which will be determined by the above mentioned decree, with the total amount of shareholders' equity remaining unchanged.

Note 24 – Complete list of consolidated companies

Companies	Country	Consolidation method 2004	Percentage interest June 30, 2004	Percentage interest December 31, 2003
GAZ DE FRANCE	**France**	**Parent company**	**Parent company**	**Parent company**
Energy Supply and Services				
Exploration and Production				
GDF Britain Group	United Kingdom	F	100.00	100.00
EFOG	United Kingdom	E	22.50	22.50
GDF Production Nederland	Netherlands	F	100.00	100.00
GDF Holding Noordzee	Netherlands	F	100.00	100.00
N.G.T.	Netherlands	P	38.57	38.57
GDF Exploration Algeria	Netherlands	F	100.00	100.00
GDF Exploration Egypt	Netherlands	F	100.00	100.00
GDF Exploration Germany	Netherlands	F	100.00	100.00
GDF Exploration Poland	Netherlands	F	100.00	100.00
GDF Exploration UK	Netherlands	F	100.00	100.00
GDF Participation Nederland	Netherlands	F	100.00	100.00
EEG Group	Germany	F	100.00	100.00
Gaz de France Produktion Exploration Deutschland	Germany	F	100.00	100.00
Gaz de France Norge	Norway	F	100.00	100.00
Production North Sea Netherlands	United States	F	100.00	100.00
Purchase and Sale of Energy				
Messigaz	France	F	100.00	100.00
GDF International Trading	France	F	100.00	100.00
G.D.F. Armateur	France	F	100.00	100.00
GDF Armateur 2	France	F	100.00	100.00
GDF Méthane Investissements 2	France	F	100.00	100.00
GazTransport et Technigaz	France	F	40.00	40.00
Compagnie Française du Méthane (CFM) and CFMH - Négoce	France	F	55.00	55.00
Méthane Transport	France	P	50.00	50.00
Gaselys	France	P	51.00	51.00
Gaselys UK	United Kingdom	P	51.00	51.00
GDF Energy Supply & Solutions Group	United Kingdom	F	100.00	100.00
Med Lng & Gas	United Kingdom	P	50.00	-
Gaz de France Deutschland	Germany	F	100.00	100.00
ETAC	Netherlands	E	25.00	25.00
Services				
Cofathec Group	France	F	100.00	100.00
Finergaz Group	France	F	100.00	100.00
GNVert	France	F	100.00	100.00
CGST Save Group	France	E	20.00	20.00
Thion Group	France	E	34.00	34.00
Infrastructures				
Transmission and Storage - France				
Compagnie Française du Méthane (CFM) and CFMH - Transport	France	F	55.00	55.00
Gaz du Sud-Ouest (GSO)	France	E	30.00	30.00
Distribution - France				
Gaz de Strasbourg	France	E	24.90	24.90
Transmission and Distribution - International				
Sofregaz	France	E	34.00	34.00
Megal GmbH	Germany	P	43.00	43.00
Megal Finco	Iles Caïman	P	43.00	43.00
GASAG Group	Germany	P	31.57	31.57
E.V.O.	Germany	E	24.50	24.50
Segeo	Belgium	E	25.00	25.00
Portgas	Portugal	E	12.67	12.67
Degaz	Hungary	F	99.77	72.59

Egaz	Hungary	F	99.42	63.96
Pozagas	Slovak Republic	P	43.38	43.38
Slovensky Plynarensky Priemysel (S.P.P.) Group	Slovak Republic	P	24.50	24.50
GDF Quebec Group	Canada	F	100.00	100.00
Noverco Group	Canada	E	17.56	17.56
Energia Mayakan	Mexico	F	67.50	67.50
Servicios Mayakan	Mexico	F	67.50	67.50
Compania Gasoductos del Bajio	Mexico	F	100.00	100.00
Gasoductos del Bajio	Mexico	F	100.00	100.00
MI Comercializadora	Mexico	F	100.00	100.00
MI Consultadores	Mexico	F	100.00	100.00
MI Servicios	Mexico	F	100.00	100.00
Servicios Industriales de Energia	Mexico	P	50.00	50.00
Transnatural	Mexico	P	50.00	50.00
Consorcio Mexigas	Mexico	F	100.00	100.00
Natgasmex	Mexico	F	100.00	100.00
Tamauligas	Mexico	F	100.00	100.00
Gaseba	Argentine	F	100.00	100.00
Gaseba Uruguay	Uruguay	F	51.00	51.00
Other				
Cogac	France	F	100.00	100.00
GDF International	France	F	100.00	100.00
S.F.F	France	F	100.00	100.00
Société Immobilière Assomption La Fontaine	France	F	100.00	100.00
DK6	France	F	100.00	100.00
GDF Production Investissements	France	F	100.00	100.00
GDF Production Investissements Pays-Bas	France	F	100.00	100.00
GDF Berliner Investissements	France	F	100.00	100.00
Mexico Investissements	France	F	100.00	100.00
Gas del Sur	France	F	100.00	100.00
GDF Styrie Investissements	France	F	100.00	100.00
Laurentides Investissements	France	F	100.00	100.00
GDF Investissements 2	France	F	100.00	100.00
GDF Investissements 24	France	F	100.00	100.00
GNL Transport Investissements	France	F	100.00	100.00
GNL Marine Investissements	France	F	100.00	100.00
Pétrofigaz	France	P	54.72	54.72
GDF Investment Netherlands	United Kingdom	F	100.00	100.00
Investment Gas Holland	United Kingdom	F	100.00	100.00
MI del Bajio Marketing	Netherlands	F	100.00	100.00
Merida Pipeline	Netherlands	F	67.50	67.50
Mayakan Pipeline	Netherlands	F	67.50	67.50
Slovak Gas Holding	Netherlands	P	49.00	49.00
Merida Holding	Barbados	F	67.50	67.50

Breakdown of 11 subgroups

Cofathec Group	COmpagnie Française des Activités THermiques Et Climatiques	France
	ADF Group (14 entities)	France
	APS Sinergia	Italy
	Aquatherm	Belgium
	Artault et Cie	France
	Aulnay Energie Services	France
	Blanc Mesnil Energie Services	France
	Busseuil	France
	Calliance	France
	Castagnetti	Italy
	Chaleur	Switzerland
	Chelles Chaleur	France
	Climespace	France
	Cofathec Ascensori	Italy
	Cofathec Benelux	Belgium
	Cofathec Energie Services	France
	Cofathec Energy	United Kingdom
	Cofathec GMI	Belgium
	Cofathec Heatsave	United Kingdom
	Cofathec International	France
	Cofathec Italia	Italy
	Cofathec Maintenance	France
	Cofathec Oméga (formerly Cofathec Entreprise)	France
	Cofathec Progetti	Italy
	Cofathec Projis	France
	Cofathec Rueda	Belgium
	Cofathec Sales	United Kingdom
	Cofathec Service Industria	Italy
	Cofathec Services	France
	Cofathec Servizi	Italy
	Cofathec UK	United Kingdom
	Coriance	France
	Cottier Equipements	France
	Danto Rogeat	France
	Energie Meaux	France
	Gennedith	France
	Globalia	France
	Korb	Belgium
	Korb Service	Belgium
	Les Mureaux Energie Services	France
	Minerg Appelsa Services	Switzerland
	Neu Montage Maintenance	France
	Nuova Sipe	Italy
	Omega Concept	France
	Omega Concept Italie	Italy
	Pictet	France
	Prasi	Italy
	Raichon Fluides et Energies	France
	R+M Réalisation et Maintenance	France
	Ris Energie Services	France
	Saccir	Italy
	SEP Les Gresilles	France
	SEP Mégajoule	France
	SEP Opération Saint Michel	France

	S.E.P.T.	France
	Servizi Lombardia	Italy
	Stade Energie SAS	France
	SI Servizi	Italy
	SI Servizi Adriatica	Italy
	SI Servizi Umbria	Italy
	Sofredith	France
	Sogit	France
	Somoclim	Monaco
	Société Thermique de La Doua	France
	Société Thermique de Salon de Provence	France
CGST Save Group	CGST SAVE	France
	H. Saint Paul	France
	PROMODO Group (16 entities)	France
	Depann'Gaz Services	France
Finergaz Group	Finergaz	France
	Société de Cogénération de Montoir	France
	Ficobel	France
	Compagnie de Cogénération de Champblain	France
	Société Gardannaise de Cogénération	France
	Société Girondine de Cogénération	France
	Gensel	France
	Compagnie de Cogénération de la Braye	France
	Figenal	France
	Corely	France
	Isergie	France
	FINergaz Energie Services	France
	SEP Michelin Joué les Tours	France
	SEP Michelin Bourges	France
	SEP Michelin Montceau les Mînes	France
	SEP Michelin Roanne	France
	SEP Michelin Poitiers	France
	SEP SKW Rousselot	France
	Compagnie de Cogénération de la Dordogne	France
	COBEFI	France
	GIE Etoile Bassens	France
	Compagnie de Cogénération de la Vologne	France
	INCO	France
	EUROFIN	France
	Société de Cogénération de Chalampé	France
Thion Group	Ne Varietur	France
	Arizzoli, Bernard et Perre	France
	Bes	France
	Charbonnière de Saône et Loire	France
	Curchal	France
	Decoparc	France
	Gie Dalkia Soccram	France
	Gie Soccram Dalkia	France
	Jesel & Widemann	France
	Juratrom	France
	Maison Balland Brugneaux	France
	SC2M	France
	Scider	France
	Sicar	France
	Soccram	France
	Socomin	France
	Soparec	France
	Sotrapac	France
	Storapro	France

	Thion & Cie	France
	Tournaux	France
	Trottier Escribe	France
GDF Britain Group	GDF Britain	United Kingdom
	Gaz de France Britain E&P Ltd	United Kingdom
GDF Energy Supply & Solutions Group	GDF Energy Supply & Solutions	United Kingdom
	Gaz de France Marketing Ltd	United Kingdom
	Gaz de France Sales Ltd	United Kingdom
	Gaz de France Services Ltd	United Kingdom
	Gaz de France Solutions Ltd	United Kingdom
S.P.P. Group	Slovensky Plynarensky Priemysel	Slovak Republic
	Geoter m Kosice	Slovak Republic
	Interkvet	Slovak Republic
	Nafta Group (9 entities)	Slovak Republic
	Probugas	Slovak Republic
	Prva paroplynova spolocnost	Slovak Republic
	Slovgeoterm	Slovak Republic
	Slovrurgas	Slovak Republic
	SPP Bohemia	Czech Republic
GASAG Group	GASAG	Germany
	BAS	Germany
	BEGA.tec	Germany
	HSW	Germany
	E.M.B.	Germany
	GASAG WärmeService	Germany

EEG Group	Erdgas Erdöl GmbH	Germany
	E.E.G.T.	Germany
	Kazgermunai	Kazakhstan
	VEGO OEL	Germany
GDF Quebec Group	GDF Québec Inc	Canada
	BELLC	United States
	Intragaz Holding	Canada
	Intragaz Sec	Canada
	Intragaz Holding Limited Partnership	Canada
	Intragaz Energy Limited Partnership	Canada
	Intragaz US Inc.	United States
	MEG International	Canada
	MEG Holding US	United States
Noverco Group	Noverco Inc	Canada
	Gaz Metropolitain Inc	Canada
	Gaz Metropolitain Sec	Canada

INTERIM FINANCIAL STATEMENTS OF GAZ DE FRANCE
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2004

BALANCE SHEET

(millions of euros)

ASSETS	June 2004			June 2003	Dec. 2003
	Gross	Depreciation, amortization and provisions	Net	Net	Net
FIXED ASSETS					
Intangible assets	94	63	31	34	35
Non-franchised tangible assets	10,279	3,987	6,292	6,649	6,579
Franchised tangible assets	13,489	5,808	7,681	7,231	7,646
Construction in progress	722	-	722	747	622
Payments on account for tangible assets	5	-	5	7	3
Long-term investments	6,242	12	6,230	5,484	5,831
I	**30,831**	**9,870**	**20,961**	**20,152**	**20,716**
CURRENT ASSETS					
Inventories and work in process					
Gas	447		447	432	605
Other inventories and work in process	68	14	54	49	47
Payments on account	32	-	32	33	31
Accounts receivable					
Trade accounts receivable and related	2,648	65	2,583	2,352	3,307
Other	1,086	11	1,075	1,050	1,125
Marketable securities	374	4	370	83	58
Net cash	27		27	105	96
II	**4,682**	**94**	**4,588**	**4,104**	**5,269**
DEFERRED CHARGES III	**13**		**13**	**14**	**13**
Translation adjustments – Assets IV	**19**		**19**	**35**	**35**
GENERAL TOTAL (I to IV)	**35,545**	**9,964**	**25,581**	**24,305**	**26,033**

(millions of euros)

SHAREHOLDERS' EQUITY AND LIABILITIES		June 2004	June 2003	Dec. 2003
TOTAL EQUITY				
SHAREHOLDERS' EQUITY				
Authorized capital		21	21	21
Special funds		882	882	882
Revaluation surplus		50	51	50
Regulated reserves		34	34	34
Retained earnings		6,962	6,519	6,519
Net income		677	723	761
Capital grants		9	4	4
Regulated provisions		616	607	618
	I	**9,251**	**8,841**	**8,889**
OTHER EQUITY				
Value of franchises -				
Franchisors' inherent rights		3,486	3,293	3,531
Irredeemable securities		485	485	485
	II	**3,971**	**3,778**	**4,016**
PROVISIONS FOR LIABILITIES AND CHARGES	**III**	**5,513**	**5,196**	**5,470**
LIABILITIES				
Financial debt				
Loans		2,093	2,614	2,746
Other		347	208	294
		2,440	**2,822**	**3,040**
Payments on account		33	43	44
Trade accounts payable and related payables		1,084	1,057	1,657
Taxes and social contributions		851	891	858
Other debt		2,436	1,674	2,047
	IV	**6,844**	**6,487**	**7,646**
ACCRUALS AND DEFERRED INCOME	**V**		**-**	
Translation adjustments – Liabilities	**VI**	**2**	**3**	**12**
GENERAL TOTAL (I to VI)		**25,581**	**24,305**	**26,033**

STATEMENT OF INCOME

(millions of euros)	June 30, 2004	June 30, 2003	Dec. 31, 2003
Gas sales	7,498	7,288	13,331
Other sales	475	444	943
Net sales	**7,973**	**7,732**	**14,274**
Changes in inventory	(1)	(1)	(3)
Capitalized expenses	129	118	285
Production	**8,101**	**7,849**	**14,556**
Gas purchased and changes in gas inventory	(4,620)	(4,209)	(7,890)
Other purchases	(105)	(99)	(206)
Other services	(765)	(798)	(1,693)
Value added	**2,611**	**2,743**	**4,767**
Tax expense	(83)	(81)	(150)
Payroll costs	(833)	(805)	(1,560)
EBITDA	**1,695**	**1,857**	**3,057**
Net depreciation and amortization	(492)	(558)	(1,161)
Net provisions	(128)	(290)	(667)
Other operating income (expense)	(46)	(24)	80
Operating income	**1,029**	**1,033**	**1,309**
Financial income (expense)	**(20)**	**101**	**(54)**
Income before exceptional items	**1,009**	**1,134**	**1,255**
Exceptional items	**2**	**4**	**20**
Corporate income tax	(334)	(415)	(514)
NET INCOME	**677**	**723**	**761**

CASH FLOW STATEMENT

(millions of euros)		June 30, 2004	June 30, 2003	Dec. 31, 2003
I - Operating activities				
Net income	1a	677	723	761
Depreciation, amortization and contingencies	1b	533	804	1 847
Other activities	1c	-	(63)	(195)
1. Current cash flow (1a+1b+1c)	**1**	**1,210**	**1,464**	**2,413**
Change in inventory	2a	- 151	- 228	- 56
Change in trade accounts receivable	2b	- 723	-529	426
Change in trade accounts payable	2c	- 572	- 640	- 39
Change in other items	2d	- 425	+184	- 49
2. Change in working capital requirements (2a+2b-2c+2d)	**2**	**- 727**	**+ 67**	**+ 360**
I - Net cash from operating activities	**(1 - 2)**	**1,937**	**1,397**	**2,053**
II - Investing activities				
1. Investments				
Tangible assets		375	366	970
Interest in subsidiaries and affiliates		222	1,139	1,561
	1	**597**	**1,505**	**2,531**
2. Other activities				
Miscellaneous long-term investments		242	55	171
Other fixed assets		8	8	47
	2	**250**	**63**	**218**
3. Proceeds				
Contributions from customers		5	-	1
Net proceeds from sale of assets		2	5	45
Retirement of long-term investments		58	47	205
	3	**65**	**52**	**251**
II - Net cash used in investing activities	**(1 + 2 - 3)**	**782**	**1,516**	**2,498**
III – Net cash after operating and investing activities	**(I - II)**	**1,155**	**(119)**	**(445)**
IV - Financing activities				
1. Dividend paid to the State	**1**	**(318)**	**(456)**	**(456)**
2. Issuance of borrowings				
Long-term loans		23	1,986	2,054
Medium- and short-term debt		1,404	1,254	6,172
	2	**1,427**	**3,240**	**8,226**
3. Reimbursement and repayment				
Irredeemable securities			-	-
Long-term loans			1	1
Medium- and short-term debt		2,091	2,541	7,384
	3	**2,091**	**2,542**	**7,385**
IV - Net cash after financing activities	**(1 + 2 - 3)**	**(982)**	**242**	**385**
V – Change in cash and cash equivalents	**(III + IV)**	**+ 173**	**+ 123**	**- 60**

SIX-MONTHLY MANAGEMENT REPORT
ON GAZ DE FRANCE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2004

In the first half of 2004, the Gaz de France Group pursued its development in Europe and reported growth in results compared with the first half of 2003, in an economic environment marked by an increase in the price of oil, the appreciation of the U.S. dollar vis-à-vis the euro and moderate growth in business. The first half of 2004 was characterized by a significant rise in sales, driven by weather conditions that were slightly more favorable than in the first half of 2003, and by full consolidation in the 2004 financial statements of the Exploration and Production activities acquired in Germany in 2003.

CONSOLIDATED FINANCIAL STATEMENTS

At 9,503 million euros, consolidated net sales as of June 30, 2004, were up 7.4% from the same period in 2003. Excluding the change in consolidation related to the acquisition of Preussag Energie on June 1, 2003, the increase was 6.1%.

Gas sales at the end of June 2004 totaled 397 billion kWh (approximately 36 billion m^3). Excluding the impact of weather variations and the consolidation of Preussag Energie, the increase in the Group's gas sales was 10%, mainly reflecting the development of sales, particularly outside of France to eligible customers, and in France to the residential sector.

The contribution of international activities, including exports, to the Group's net sales continued to increase, representing 26.4% of consolidated net sales, versus 20.6% in the first half of 2003.

ACTIVITY AND OPERATING INCOME BY BRANCH

Energy Supply and Services

Energy Supply and Services reported net sales of 8,727 million euros in the first half of 2004, up 8.2% from the same period in 2003. Operating income stood at 451 million euros, representing 31.2% of the Group's operating income (in the first half of 2003, it was 523 million euros, 38.5% of the Group's operating income).

The Exploration and Production segment generated net sales of 476 million euros as of June 30, 2004 (273 million euros in the first half of 2003), and operating income of 139 million euros (93 million euros as of June 30, 2003). This strong growth was mainly due to the acquisition of the German activities of Preussag Energie, which was consolidated as of June 1, 2003, and to the startup of production at the FRAM field in Norway, combined with the impact of the rise in the price of Brent, which is favorable to this activity.

The average price of a barrel of Brent was close to 34 U.S. dollars in the first half of 2004, versus 29 U.S. dollars in the first half of 2003, representing an increase of 17%. However, the euro/dollar parity was an average of 1.23 in the first half of 2004, compared with 1.10 in the first half of 2003, as the U.S. dollar depreciated 11% vis-à-vis the euro between the two periods, attenuating the impact of the increase in the price of Brent.

In the segment Purchase and Sale of Energy, net sales totaled 7,662 million euros, up 6.5% from the first half of 2003.

A further step was taken in the deregulation of the gas market in France. Pursuant to the law transposing the European directive, facilities consuming more than 83 million kWh of natural gas per year (1,200 of them), as well as all cogeneration facilities may choose their supplier of natural gas as of August 10, 2003. The loss in volume sold to eligible customers in France was stable at 13 billion kWh, since the volume was also 13 billion kWh in the first half of 2003 (27 billion kWh for the year 2003).

Sales continued to grow in Europe in the industrial sector, particularly in the United Kingdom, Italy, Belgium and the Netherlands, as well as in France in the heating market with 102,000 new heating customers in the first half of 2004 (+97,000 in the first six months of 2003).

Operating income in this segment was 280 million euros in the first half of 2004, compared with 415 million euros in the first half of 2003. Despite the increase in volume sold and slightly more favorable weather conditions, this activity's gross margin contracted in the first half of 2004, compared with the first half of 2003, reflecting the impact of rate schedules, supply conditions and inventory depletion in the first half of 2004.

Net sales in the Services segment totaled 745 million euros, up 10% from the same period in 2003. Operating income was 32 million euros in the first half of 2004, versus 15 million euros in the first six months of 2003. The Services sector in Italy confirmed its gains with operating income of 7 million euros in the first half of 2004, after an operating loss of 4 million euros in the first half of 2003.

Infrastructures

At 3,545 million euros in the first half of 2004, net sales in Infrastructures remained stable compared with 2003. Net sales included 2,580 million euros in internal services that were eliminated in consolidation. In fact, entities in the Purchase and Supply of Energy segment negotiate with the Transmission and Distribution - France segments to reserve the capacities they require to transport sold gas through the transmission system and distribution networks. These generally available services are billed on the basis of the rate schedule for third-party access to the transmission system and on the projected rates for third-party access to the distribution network approved by the French energy regulatory commission (CRE).

Concerning gas transport for third parties through the French transmission system, 49 new connection contracts were signed in the first half of 2004, in addition to the 110 contracts signed as of December 31, 2003.

Operating income in Infrastructures totaled 999 million euros in the first half of 2004, representing an increase of 134 million euros over the first half of 2003, mainly due to a decrease in insurance premiums earmarked to cover retirement commitments and a decline in allowances to provisions. In the first half of 2003, disability pensions and annuities for work-related accidents, occupational illness and work incapacity had been fully covered by provisions.

Net sales in the Transmission and Distribution - International segment amounted to 765 million euros, up 6.7%. Operating income rose slightly (147 million euros in the first half of 2004 compared with 143 million euros in the first half of 2003).

GROUP STATEMENT OF INCOME ITEMS

At 2,395 million euros as of June 30, 2004, EBITDA was generally stable compared with the first half of 2003.

The Group's operating income, analyzed above by segment, was 1,445 million euros at the end of June 2004, up 6.4%.

The Group reported net financial expense of 129 million euros as of June 30, 2004, compared with 1 million euros as of June 30, 2003, with the increase primarily due to foreign exchange results. Within the framework of its asset hedging policy, the Group has a primary or synthetic debt in U.S. dollars of approximately 1 billion U.S. dollars, reflecting current exposure of certain assets to fluctuations in the parity of this currency. In the first half of 2003, the 8.2% depreciation of the U.S. dollar vis-à-vis the euro had generated foreign exchange gains of 84 million euros; on the other hand, in the first half of 2004, the almost 4% appreciation of the U.S. dollar vis-à-vis the euro resulted in a foreign exchange loss of 34 million euros.

The Group’s tax charge amounted to 471 million euros, i.e. 35.8% of income before taxes, a rate close to the usual French tax rate.

Amortization of goodwill totaled 29 million euros in the first half of 2004. Amortization of goodwill in the first six months of 2003 (44 million euros) included the exceptional amortization of Exploration and Production assets in the United Kingdom in the amount of 20 million euros.

As of June 30, 2004, net income - Group share stood at 835 million euros, up 2.3% from the first half of 2003.

Cash flow totaled 1,826 million euros at the end of June 2004, compared with 1,841 million euros in the first half of 2003.

Working capital requirements traditionally decline in the first half of the year because of the seasonal nature of the business. This decrease was, however, significantly more marked in 2004 than in 2003 (-678 million euros in the first half of 2004, versus -264 million euros in the first half of 2003), primarily owing to a decrease in corporate income tax payments.

In addition, a transaction involving the sale of receivables, initiated in 1999 and terminated in June 2003, had caused a temporary increase in working capital requirements in the amount of 152 million euros.

Investments totaled 705 million euros in the first half of 2004, compared with 1,607 million euros in the first six months of 2003.

The Group’s capital expenditures amounted to 629 million euros, mainly in Transmission and Storage - France (92 million euros), Distribution - France (265 million euros) and Exploration and Production (178 million euros).

External growth investments totaled 76 million euros as of June 30, 2004, because no significant transaction was finalized as of this date. In the first half of 2003, growth investments totaled 919 million euros and principally involved the acquisition of Preussag Energie in Germany for 859 million euros.

Cash flow and resources generated by the decrease in working capital requirements made it possible to generate a cash surplus of 2,504 million euros, used to finance investments, pay dividends, which totaled 318 million euros, and reduce the Group's net debt by 1,456 million euros from December 31, 2003.

Financial structure

Net debt as of June 30, 2004, stood at 3,708 million euros, i.e. 35.7% of total equity, versus 5,164 million euros as of December 31, 2003 (52.4% of total equity).

Net debt is carried by the parent company for 76% as of June 30, 2004, compared with 73% as of June 30, 2003).

The fixed rate portion of net debt is preponderant (76% as of June 30, 2004, versus 65% as of June 30, 2003).

Net debt mainly involved long- term commitments (84% as of June 30, 2004, compared with 71% as of June 30, 2003.

Finally, loan debt in euros accounted for 63% of the total at the end of June 2004, compared with 66% as of December 31, 2003.

Net debt totaled 4,416 million euros as of June 30, 2003, i.e. 45.1% of total equity.

GAZ DE FRANCE PARENT COMPANY FINANCIAL STATEMENTS

Net sales of Gaz de France totaled 7,973 million euros as of June 30, 2004, up 3.1% from the first half of 2003, mainly owing to slightly more favorable weather conditions and sustained 4.6% growth in sales in Europe (3.7% in France), notwithstanding the impact of the reductions in rates in the second half of 2003.

EBITDA stood at 1,695 million euros compared with 1,857 million euros in the first half of 2003. The 200 million euro decline in the gas gross margin was partially offset by a 96 million euro decrease in insurance premiums earmarked to cover retirement commitments.

Operating income totaled 1,029 million euros, compared with 1,033 million euros as of June 30, 2003. Operating income in the first half of 2003 had been affected by a provision for employee benefits that was fully funded in 2003 and simply adjusted in the first half of 2004.

Gaz de France posted a financial loss of 20 million euros. Major foreign exchange gains in 2003 helped generate financial income of 101 million euros as of June 30, 2003. The structure of the debt and the inversion of the euro/U.S. dollar parity were the principal reasons for the decrease in this item.

Net income was 677 million euros as of June 30, 2004, versus 723 million euros at the end of June 2003.

Gaz de France reported net debt of 2,528 million euros, representing a decrease of 843 million euros from December 31, 2003. Net debt totaled 3,118 million euros at the end of June 2003.

RISK MANAGEMENT

The Risk Control division, which reports to the Company Secretary of Gaz de France, defines a comprehensive risk management policy for Gaz de France, while applying risk management procedures at the Group level. It pilots cross-division operations within the Group in order to ensure the identification, quantification and good management of risks (financial, industrial, human, etc.).

The management of *financial risks* – interest rate, foreign exchange, liquidity and counterparty risks – is the responsibility of the Finance division. The centralization of this activity ensures efficient implementation of risk control policy by making it possible to aggregate risks, control positions and concentrate trading in a single unit.

The coherence of management decisions is guaranteed by cross-division decision-making bodies, i.e. the interest rate and foreign exchange committee and the credit committee.

INTEREST RATE AND FOREIGN EXCHANGE RISK

The Group uses derivative financial instruments (interest rate and foreign exchange) exclusively to hedge against underlying financial risks resulting from its industrial and commercial activities and its asset base.

LIQUIDITY RISK

The Group has a confirmed syndicated loan of 2 billion euros and ensures its daily liquidity through a French commercial paper program of 1,067 million euros and commercial paper programs totaling 900 million U.S. dollars. These instruments were not used as of June 30, 2004.

At its April 28, 2004, meeting, the Board authorized an increase in mobilization ceilings for commercial paper programs to 1,250 million euros and to 1 billion U.S. dollars.

COUNTERPARTY RISK

The Group implements a counterparty risk management policy based, first, on a systematic diversification of its counterparties and, secondly, on an evaluation of their financial situation.

Consequently, all the financial instruments used by Gaz de France to manage its interest rate and foreign exchange risks are contracted with counterparties with a rating (long term/short-term) by Standard and Poor's or Moody's higher than A- /A3.

Energy counterparties of the trading subsidiary *Gaselys* are evaluated and rated on the basis of a financial analysis with reference, when available, to their S&P's or Moody's rating. On the basis of the result of this financial evaluation and the Group's relations with the counterparty, Gaz de France may make use of legal instruments such as master netting arrangements (providing setoff of accrued payables and accrued receivables vis-à-vis the same counterparty) or guarantee agreements (comfort letter, parent company guarantee, bank endorsement, etc.).

A credit committee meets monthly to certify the main energy counterparties and define a governance framework to manage and monitor credit risks in Energy Supply and Trading activities.

COMMODITY RISKS

In order to meet customer demand for natural gas in the medium and long term, the Group secures its supplies by negotiating contracts that may last up to 25 years and, also, by diversifying its sources of supply (including for Exploration and Production). These contracts include reciprocal commitments referring to determined quantities of gas:

- a commitment by the Group to take delivery of minimum quantities,
- a commitment by suppliers to provide quantities at competitive prices.

Competitiveness is ensured by indexation and price adjustment formulas.
In addition to its long-term supplies, the Group buys on spot markets, within the framework of its trading activities.
The Group uses derivative instruments to manage its exposure to fluctuations in the price of commodities.
The Group also uses derivatives to cover price-engineered offerings designed to meet the needs of industrial customers or in its trading activities.

COUNTRY RISK

Country risks linked to gas supplies are balanced by extensive geographic diversification involving six long-term suppliers located in or near Europe. This diversified long-term supply portfolio is supplemented by proprietary resources and optimized by spot transactions. Supply is also bolstered by 14 underground storage facilities in France, which serve to satisfy higher demand during the winter and can, over a period of several months, offset the consequences of any failure to perform on the part of a major supply source.

Business and investment risks are very limited. Non-European activities account for less than 1% of the Group's net sales and 2% of net fixed assets.

COVERAGE OF INSURABLE RISKS

Inn the last few years, Gaz de France has identified the insurable risks to which the Group is exposed, and in particular those linked to damage to its own property, as well as to damage to third parties, including environmental harm. On this basis, Gaz de France has implemented a policy that provides for the systematic transfer of significant risks. The Group's insurance policies therefore have high coverage levels so as to limit the financial impact on the Group's accounts, if such an incident were to occur.

In addition, in order to coordinate current coverage, management of insurance is centralized at the executive management level, in the Finance division. In this way, new projects launched by subsidiaries are integrated into existing policies and insurance at majority holdings is subject to Group oversight.

CHANGEOVER TO IFRS STANDARDS

Gaz de France continues to prepare for the changeover to international accounting standards, and plans to adopt International Financial Reporting Standards (IFRS) as of January 1, 2005, producing comparable data for 2004.

The program is piloted by the Group's Finance division, which is assisted by a network of correspondents within the businesses and subsidiaries to ensure consistent accounting policies, and by external consultants.

PROJECT ORGANIZATION

The Group already applies the preferential methods mentioned in CRC regulation n° 99-02, except for reporting retirement and other postemployment benefits on the balance sheet. For this item, the parent company is waiting for the result of the negotiations currently being conducted on the financing of the retirement plan for the electricity and gas industries. Upon adoption of the legislative and regulatory adaptations of this reform, Gaz de France will record on the consolidated balance sheet the amount of the financing charges it has incurred.

In the first half of 2004, the Group adapted its reporting and consolidation information system in order to collect the data required to prepare the financial statements using IFRS criteria, while drawing up a comparable presentation for 2004. Options were taken as to the format of the financial statements, in particular the decision to continue to present the statement of income by nature. In addition, the Group opted not to restate acquisitions prior to January 1, 2004, the date of the opening balance sheet.

IFRS training programs were organized from July to August 2004 for operating staff in accounting and management control at the parent company and all its facilities.

In 2004, the Group also updated its manual of accounting policies in line with IFRS principles and developed new required procedures.

IDENTIFICATION OF MAIN DIFFERENCES

As in 2003, the Group remains attentive to changes in IFRS principles and continues to analyze the differences, especially those related to derivative financial instruments.

The new standards imply the revaluation of certain assets and liabilities at market value. Thus, securities available for sale and securities held for a long period, currently recorded on the balance sheet at cost, will be valued at their fair value, with the difference maintained in equity until their sale.

Although standards 32 and 39 have not yet been approved by the European Union, specifications for updating information systems affected by these standards cannot be finalized until all the norms really applicable to the Group have been determined.

With regard to rental agreements, major contracts were reexamined, demonstrating that the current breakdown between simple rentals and finance leases is consistent with IFRS criteria.

The other main areas of difference concern the following items.

- Goodwill will no longer be amortized and will continue to be tested for impairment. The presentation of the statement of income will be modified, with goodwill impairment charges recorded in operating income. Goodwill is currently amortized over periods of a maximum of 20 years, according to the straight-line method. However, for impairment tests, the Group uses references that are close to those described in IAS 36; the compliance of practical application procedures in the different businesses is being reviewed.

- Negative goodwill will be included in stockholders' equity when the changeover occurs.

- Business goodwill acquired within the framework of the regrouping of companies can be amortized; at the date of the changeover, the amount will be recorded net of amortization.

- As for deferred taxes, IAS 12 requires that deferred taxes be accounted for as intangible assets recognized when companies are regrouped, and does not allow deferred taxes to be discounted.

The Group continues to keep a close watch on the interpretation that may be handed down by the French standards interpretation committee (IFRIC), concerning the accounting of franchises. This interpretation, which has been announced for the first half of 2005, could result in significant modifications in terms of the classification and evaluation of these assets. At this preliminary phase, it is not possible to measure their total impact.

In light of the uncertainties that still exist, particularly with the accounting of franchises, the Group will communicate the impact of the changeover to IFRS on stockholders' equity once a comprehensive list has been drawn up, as recommended by French stock market authorities (AMF).

Two presentations were made to the Group's audit committee, in September 2003 and June 2004.

SUBSEQUENT EVENTS

CONTINUED MARKET DEREGULATION

Deregulation of the electricity and gas markets, accelerated by the second European directive adopted in June 2003, will be complete on July 1, 2007. Since July 1, 2004, all professional and local government customers are eligible. They represent some 500,000 customers and 70% of the market.

LAW OF AUGUST 9, 2004, ON PUBLIC SERVICE IN THE ELECTRICITY AND GAS INDUSTRIES

The French law on public service in the electricity and gas industries and on electricity and gas utilities, voted by the National Assembly on August 9, 2004, provides for the transformation of the legal status of the Gaz de France parent company into a limited responsibility company (*société anonyme*).

This transformation, which will take effect with the publication of a decree of application defining the company's by-laws (before December 31, 2004), has no impact on the assets and financial situation of the company, since, according to the law, all of the new company's property, rights, obligations, contracts and authorizations in France and other countries will be those of the Gaz de France parent company at the time its legal form is changed.

Since Gaz de France presents its accounting and financial statements according to the rules in effect in industrial and commercial companies, the only impact of the transformation into a *société anonyme* on the financial statements will be the creation of capital stock, the amount of which will be determined by the above mentioned decree, with the total amount of stockholders' equity remaining unchanged.

This law also provides for an equity holding by the French State of more than 70% of the Company's capital.

Title IV of this law organizes a reform of the financing of the special retirement plan for employees of the electricity and gas industries, which will take effect on January 1, 2005.

In addition to maintaining the special electricity and gas industries retirement plan, the reform involves:

- at an organic level, creating a pension fund to manage all the special plan's benefits and commitments;

- signing financial backing agreements between the electricity and gas industries retirement plan and general pension systems (CNAV, AGIRC and ARRCO) in order to join with these systems to provide mutualist coverage for the risks related to the benefits they pay;

- financing through a rate-based contribution the portion of benefits acquired as of December 31, 2004, exceeding the benefits covered by the general pension systems (specific benefits), related to Transmission and Distribution activities;

- making the companies finance the specific benefits acquired as of December 31, 2004, that are not related to Transmission and Distribution activities (this financing is guaranteed by the French State if one of the electricity and gas utilities were to fail);

- making the companies finance, on a shared basis, all the specific benefits of the electricity and gas industries retirement plan acquired after January 1, 2005.

After the reform, gross pension commitments will be:

- limited to the portion of benefits acquired that exceed benefits from the general system and not financed by the rate-based contribution;

- increased, if required, by the amount of exceptional contributions due to general pension systems by reason of the financial backing by the general systems of the special electricity and gas industries retirement plan for the portion not financed by the rate-based contribution. The amount of these exceptional contributions and their payment schedule will be determined by ministry decree for CNAV and by the financial agreements as concerns AGIRC and ARRCO.

PROSPECTS

For the year 2004, and aware of the strong seasonal character of its activities, which confer significant weight on the first half, the Group believes that with average weather conditions, its annual net income - Group share should be more than the net income - Group share reported in 2003 (910 million euros).

The financial structure expected at the end of 2004 should be characterized by an increase in net debt compared with June 30, 2004, under the combined impact of:

- the seasonal character of its activities: the greater percentage of EBITDA is usually reported in the first half;
- external growth operations that may be finalized before the end of 2004. Gaz de France has entered negotiations to acquire 35% of the capital of Société Nationale d'Electricité et de Thermique (SNET). In addition, satisfactory progress has been made in talks with the Romanian government, which has chosen Gaz de France for the privatization of the local gas utility Distrigaz Sud.

RAPPORT DES COMMISSAIRES AUX COMPTES
SUR L'EXAMEN LIMITE DES COMPTES INTERMEDIAIRES CONSOLIDES
POUR LA PERIODE S'ACHEVANT AU 30 JUIN 2004

Gaz de France

Période du 1er janvier au 30 juin 2004

Rapport des commissaires aux comptes
sur l'examen limité des comptes intermédiaires consolidés

MAZARS & GUERARD
39, rue de Wattignies
75012 Paris
S.A. au capital de EUR 5.900.000

Commissaire aux Comptes
Membre de la Compagnie
Régionale de Paris

ERNST & YOUNG Audit
11, allée de l'Arche
92400 Courbevoie
S.A. au capital de EUR 3.044.220

Commissaire aux Comptes
Membre de la Compagnie
Régionale de Versailles

Gaz de France

Période du 1er janvier au 30 juin 2004

Rapport des commissaires aux comptes
sur l'examen limité des comptes intermédiaires consolidés

A la suite de la demande qui nous a été faite et en notre qualité de commissaires aux comptes de Gaz de France, nous avons procédé à :

- l'examen limité des comptes intermédiaires consolidés de Gaz de France, relatifs à la période du 1er janvier au 30 juin 2004, tels qu'ils sont joints au présent rapport ;

- la vérification des informations données dans le rapport semestriel.

Ces comptes intermédiaires consolidés ont été établis sous la responsabilité du conseil d'administration. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

Nous avons effectué cet examen selon les normes professionnelles applicables en France ; ces normes requièrent la mise en œuvre de diligences limitées conduisant à une assurance, moins élevée que celle résultant d'un audit, que les comptes intermédiaires consolidés ne comportent pas d'anomalies significatives. Un examen de cette nature ne comprend pas tous les contrôles propres à un audit, mais se limite à mettre en œuvre des procédures analytiques et à obtenir des dirigeants et de toute personne compétente les informations que nous avons estimées nécessaires.

Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause, au regard des règles et principes comptables français, la régularité et la sincérité des comptes intermédiaires consolidés et l'image fidèle qu'ils donnent du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les entreprises comprises dans la consolidation.

Nous avons également procédé, conformément aux normes professionnelles applicables en France, à la vérification des informations données dans le rapport semestriel commentant les comptes intermédiaires consolidés sur lesquels a porté notre examen limité.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes intermédiaires consolidés.

Le 29 septembre 2004

Les Commissaires aux Comptes

MAZARS & GUERARD		ERNST & YOUNG Audit	
Michel Barbet-Massin	Xavier Charton	Patrick Gounelle	Philippe Hontarrède

STATUTORY AUDITORS' REVIEW REPORT
ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF
GAZ DE FRANCE FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2004

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with our assignment, we have performed the following procedures :

- a review of the accompanying consolidated interim financial statements of Gaz de France, as for the six-month period ended 30 June 2004.

- an examination of the information provided in the interim management report.

These consolidated interim financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France; those standards require that we plan and perform the review to obtain moderate assurance, lesser than that which would result from an audit, as to whether the consolidated interim financial statements are free from material misstatement. The review excluded certain audit procedures and was limited to performing analytical procedures and to obtaining information from Company management and other appropriate sources.

Based on our review nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2004, and the results of its operations for the six-month period then ended, in conformity with French accounting principles.

We have also examined, in accordance with professional standards applicable in France, the information contained in the interim management report on the consolidated interim financial statements that were the subject of our review.

We have nothing to report with respect to the fairness of such information and its consistency with the consolidated interim financial statements.

Paris, 29 September 2004

The Auditors

MAZARS & GUERARD		ERNST & YOUNG Audit	
Michel Barbet-Massin	Xavier Charton	Patrick Gounelle	Philippe Hontarrède

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 7 December 2004 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

France

Each of the Dealers and the Issuer has represented and agreed that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, any Notes by way of a public offering in France (an *appel public à l'épargne*, as defined and in accordance with Article L. 411-1 of the French *Code monétaire et financier* as amended from time to time) and offers and sales in France will be made to qualified investors ("*investisseurs qualifiés*") acting for their own account in accordance with Article L. 411-2 and decree no. 98-880 dated 1 October 1998.

Each of the Dealers and the Issuer has represented and agreed that Materialised Notes may only be issued outside France.

If necessary these selling restrictions will be supplemented in the relevant Pricing Supplement.

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Materialised Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or, in the case of Materialised Notes, deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable Tranche of which such Notes are a part, as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

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

The Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

United Kingdom

Each Dealer has represented, warranted and agreed that:

(i) in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995

(ii) in relation to any Notes which have a maturity of less than one year from the date of issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer

(iii) 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 FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and

(iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering material or any Pricing Supplement and neither the Issuer nor any other Dealer shall have responsibility therefore.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche is set out below:

Pricing Supplement

[LOGO, if document is printed]

GAZ DE FRANCE

Euro 4,000,000,000
Euro Medium Term Note Programme
for the issue of Notes
Due from seven days from the date of original issue

SERIES NO: [•]
TRANCHE NO: [•]
[Brief Description and Amount of Notes]

Issue Price: **[•]** per cent.

[Name(s) of Dealer(s)]

The date of this Pricing Supplement is **[•]**.

This Pricing Supplement, under which the Notes described herein (the "**Notes**") are issued, contains the final terms of the Notes, is supplemental to, and should be read in conjunction with, the offering circular (the "**Offering Circular**") dated 7 December 2004 issued in relation to the Euro 4,000,000,000 Euro Medium Term Note Programme of Gaz de France (the "**Issuer**"). The Offering Circular was registered by the *Autorité des Marchés Financiers* on 7 December 2004 under number P.04-209. Terms defined in the Offering Circular have the same meaning in this Pricing Supplement. The Notes will be issued on the terms of this Pricing Supplement read together with the Offering Circular. The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular, contains all information that is material in the context of the issue of the Notes.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date*.

Terms defined in the Offering Circular dated [original date] have the same meaning in this Pricing Supplement. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer of, or an invitation by or on behalf of anyone to subscribe or purchase any of the Notes.

[Except as disclosed in this document, there/There] has been no significant change in the financial or trading position of the Issuer since [date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer and its consolidated subsidiaries and affiliates taken as a whole since [date of last published annual accounts]. [1]

The Offering Circular, together with this Pricing Supplement, contains all information relating to the assets and liabilities, financial position, profits and losses of the Issuer which is material in the context of the issue and offering of the Notes and nothing has happened which would require the Offering Circular to be [further] supplemented or to be updated in the context of the issue and offering of the Notes. [2]

Signed:

Authorised Officer

[In connection with this issue, [name of Stabilising Manager] or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager or any Agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be

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1 N.B. If any such change is disclosed in the Pricing Supplement, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

2 An issue of Notes, to the extent that such Notes constitute *obligations*, requires the prior authorisation of (i) the *Conseil d'administration* of the Issuer or (ii) the Ordinary General Meeting of the Issuer's shareholders if (a) the *statuts* of the Issuer so require (at the date hereof the *statuts* of the Issuer do not require a resolution of the Ordinary General Meeting) or (b) such Ordinary General Meeting decides itself to exercise such authority . The *Conseil d'administration* may in turn delegate its power to a member of the *Conseil d'administration*, the *Directeur Général* of the Issuer or to one or more *Directeurs Généraux Délégués* for up to a year.

brought to an end after a limited period.] [1] **[Any such transaction will be carried out in accordance with applicable laws and regulations.]** [2]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1	Issuer:		Gaz de France
2	(i)	Series Number:	**[•]**
	(ii)	**[**Tranche Number:	**[•]**
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)**]**		**[•]**
3	Specified Currency or Currencies:		**[•]**
4	Aggregate Nominal Amount:		
	(i)	Series:	**[•]**
	(ii)	Tranche:	**[•]**
5	**[**(i)**]**	Issue Price:	**[•]** per cent. of the Aggregate Nominal Amount **[**plus accrued interest from **[***insert date***]** (*in the case of fungible issues only, if applicable*)**]**
	[(ii)**]**	**[**Net proceeds:	**[•]** (*Required only for listed issues*)**]**
6	Specified Denomination(s):[3]		**[•]** (*one denomination only for Dematerialised Notes*)
7	**[**(i)**]**	Issue Date:	**[•]**
	[(ii)**]**	**[**Interest Commencement Date:	**[•]]**
8	Maturity Date:		*[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9	Interest Basis:		**[[•]** per cent. Fixed Rate**]** **[[***specify reference rate***]** +/- **[•]** per cent. Floating Rate**]** **[**Zero Coupon**]** **[**Index Linked Interest**]**

[1] Delete if there is no Stabilising Manager.

[2] Delete if there is no Stabilising Manager.

[3] Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and having a maturity of less than one year from the date of issue must (a) have a minimum denomination of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" (or another applicable exemption from section 19 of the FSMA must be available) and (b) provide that no part of any such Note may be transferred unless the redemption value of that part is not less than £100,000 (or such equivalent amount).

		[Other (*specify*)]
		(further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par]
		[Index Linked Redemption]
		[Dual Currency]
		[Partly Paid]
		[Instalment]
		[Other (*specify*)]
11	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12	Put/Call Options:	[Investor Put]
		[Issuer Call]
		[(further particulars specified below)]
		[*Other Option specify details of provisions*]
13	Status:	[Unsubordinated/Subordinated] Notes
		[*Specify details of any provision for Subordinated Notes in particular whether dated or undated whether interest deferral provisions apply and whether any additional events of default should apply*]
14	Listing(s):	[Paris/Luxembourg Stock Exchange(s)/Other (*specify*)/None]
15	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate [(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/ monthly] in arrear]
	(ii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day*"]/not adjusted.]
	(iii) Fixed Coupon Amount [(s)]:	[•] per [•] in nominal amount
	(iv) Broken Amounts:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed*

			Coupon Amount **[***(s)***]** *and the Interest Payment Date(s) to which they relate***]**
	(v)	Day Count Fraction (Condition 5(a)):	**[•]** *[Day Count Fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in USD]*
	(vi)	Determination Date(s) (Condition 5(a)):	**[•]** in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]* [1]
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	**[**Not Applicable/*give details***]**
17	Floating Rate Note Provisions		**[**Applicable/Not Applicable**]** (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
	(i)	Interest Period(s):	**[•]**
	(ii)	Specified Interest Payment Dates:	**[•]**
	(iii)	Business Day Convention:	**[**Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)**]**
	(iv)	Business Centre(s) (Condition 5(a)):	**[•]**
	(v)	Manner in which the Rate(s) of Interest is/are to be determined:	**[**Screen Rate Determination/FBF Determination/ISDA Determination/other (*give details*)**]**
	(vi)	Interest Period Date(s):	[Not Applicable/*specify dates*]
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	**[•]**
	(viii)	Screen Rate Determination (Condition 5(c)(iii)(C)):	
		- Relevant Time:	**[•]**
		- Interest Determination Date:	**[[•]** *[TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date*]**]**
		- Primary Source for Floating Rate:	**[***Specify relevant screen page or* "Reference Banks"**]**
		- Reference Banks (if Primary Source is "Reference Banks"):	**[***Specify four***]**
		- Relevant Financial Centre:	**[***The financial centre most closely connected to the*

1 Only to be completed for an issue denominated in euro where Day Count Fraction is Actual/Actual-ISMA.

			Benchmark -- specify if not London]
		- Benchmark:	[*LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark*]
		- Representative Amount:	[*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount*]
		- Effective Date:	[*Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period*]
		- Specified Duration:	[*Specify period for quotation if not duration of Interest Accrual Period*]
	(ix)	FBF Determination (Condition 5(c)(iii)(A)):	[Applicable/Not Applicable]
		- Floating Rate:	[•]
		- Floating Rate Determination Date (*Date de Détermination du Taux Variable*)	[•]
		- FBF Definitions: (if different from those set out in the Conditions)	[•]
	(x)	ISDA Determination (Condition 5(c)(iii)(B)):	
		- Floating Rate Option:	[•]
		- Designated Maturity:	[•]
		- Reset Date:	[•]
		- ISDA Definitions: (if different from those set out in the Conditions)	[•]
	(xi)	Margin(s):	[+/-] [•] per cent. per annum
	(xii)	Minimum Rate of Interest:	[•] per cent. per annum
	(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
	(xiv)	Day Count Fraction (Condition 5(a)):	[•]
	(xv)	Rate Multiplier:	[•]
	(xvi)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
18	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

	(i)	Amortisation Yield (Condition 6(e)(i)):	[•] per cent. per annum
	(ii)	Day Count Fraction (Condition 5(a)):	[•]
	(iii)	Any other formula/basis of determining amount payable:	[•]
19	Index Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Index/Formula:	[*Give or annex details*]
	(ii)	Calculation Agent responsible for calculating the interest due:	[•]
	(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[•]
	(iv)	Interest Period(s):	[•]
	(v)	Specified Interest Payment Dates:	[•]
	(vi)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vii)	Business Centre(s) (Condition 5(a)):	[•]
	(viii)	Minimum Rate of Interest:	[•] per cent. per annum
	(ix)	Maximum Rate of Interest:	[•] per cent. per annum
	(x)	Day Count Fraction (Condition 5(a)):	[•]
20	Dual Currency Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of Exchange/Method of calculating Rate of Exchange:	[*Give details*]
	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[•]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[•]
	(v)	Day Count Fraction (Condition 5(a)):	[•]

PROVISIONS RELATING TO REDEMPTION

21	Call Option	**[**Applicable/Not Applicable**]** (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	**[•]**
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	**[•]** per Note of [•] specified denomination
	(iii) If redeemable in part:	**[•]**
	(a) Minimum nominal amount to be redeemed:	**[•]**
	(b) Maximum nominal amount to be redeemed:	**[•]**
	(iv) Option Exercise Date(s):	**[•]**
	(v) Description of any other Issuer's option:	**[•]**
	(vi) Notice period:[1]	**[•]**
22	Put Option	**[**Applicable/Not Applicable**]** (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	**[•]**
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	**[•]** per Note of [•] specified denomination
	(iii) Option Exercise Date(s):	**[•]**
	(iv) Description of any other Noteholders' option:	**[•]**
	(v) Notice period:[2]	**[•]**
23	Final Redemption Amount of each Note	**[**[•] per Note of [•] specified denomination/Other/See Appendix**]**
24	Early Redemption Amount	

1 If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the issuer and its fiscal agent.

2 If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the issuer and its fiscal agent.

	(i)	Early Redemption Amount(s) of each Note payable on redemption for taxation reasons (Condition 6(f)), for illegality (Condition 6(j)) or an event of default (Condition 9) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	**[**Yes/No**]**
	(ii)	Redemption for taxation reasons permitted on days others than Interest Payment Dates (Condition 6(f)):	**[**Yes/No**]**
	(iii)	Unmatured Coupons to become void upon early redemption (Materialised Bearer Notes only) (Condition 7(f)):	**[**Yes/No/Not applicable**]**

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25	Form of Notes:		**[**Dematerialised Notes/ Materialised Notes**]** (*Materialised Notes are only in bearer form*) **[***Delete as appropriate***]**
	(i)	Form of Dematerialised Notes:	**[**Not Applicable/if Applicable specify whether] [Bearer dematerialised form (*au porteur*)/ Registered dematerialised form (*au nominatif*)**]**
	(ii)	Registration Agent:	**[**Not Applicable/if Applicable give name and details**]** (*Note that a Registration Agent must be appointed in relation to Registered Dematerialised Notes only*)
	(iii)	Temporary Global Certificate:	Temporary Global Certificate exchangeable for Definitive Materialised Bearer Notes on **[•]** (the "Exchange Date"), being 40 days after the Issue Date subject to postponement as provided in the Temporary Global Certificate
	(iv)	Applicable TEFRA exemption:	**[**C Rules/D Rules/Not Applicable**]** (*Only applicable to Materialised Notes*)
26	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:		**[**Not Applicable/*Give details***]**. (*Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vi) relate*)
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):		**[**Yes/No/Not Applicable. *If yes, give details***]** (*Only applicable to Materialised Notes*)
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and		

	consequences (if any) of failure to pay:	[Not Applicable/*give details*]
29	Details relating to Instalment Notes:	[Not Applicable/*give details*]
	(i) Instalment Amount(s):	**[●]**
	(ii) Instalment Date(s):	**[●]**
	(iii) Minimum Instalment Amount:	**[●]**
	(iv) Maximum Instalment Amount:	**[●]**
30	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition 1(d)] [annexed to this Pricing Supplement] apply]
31	Consolidation provisions:	[Not Applicable/The provisions [in Condition 14(b)] [annexed to this Pricing Supplement] apply]
32	*Masse* (Condition 11)	[Applicable/Not Applicable/Condition 11 replaced by the full provisions of French Code of Commerce relating to the *Masse*] *(Note that:(i) in respect of any Tranche of Notes issued <u>outside</u> France, Condition 11 <u>may</u> be waived, amended or supplemented, and (ii) in respect of any Tranche of Notes issued <u>inside</u> France, Condition 11 <u>must</u> be waived in its entirety and replaced by the provisions of the French Code of Commerce relating to the Masse. If Condition 11 (as it may be amended or supplemented) applies or if the full provisions of the French Code of Commerce apply, insert details of Representative and Alternative Representative and remuneration, if any).* The name of the initial Representative is: [name and address] The alternative Representative will be: [name and address] The Issuer shall pay to the initial Representative an amount of Euro **[●]** per year, payable on **[●]** of each year, commencing on **[●]**. The alternative Representative will not be remunerated until, and if, he effectively replaces the initial Representative.
33	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

34	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give name*]

	(iii) Dealer's Commission:	**[•]**
35	If non-syndicated, name of Dealer:	**[**Not Applicable/*give name***]**
36	Additional selling restrictions:	**[**Not Applicable/*give details***]**

OPERATIONAL INFORMATION

37	ISIN Code:	**[•]**
38	Common Code:	**[•]**
39	Depositary(ies)	
	(i) Euroclear France to act as Central Depositary	**[**Yes/No**]**
	(ii) Common Depositary for Euroclear and Clearstream, Luxembourg	**[**Yes/No**]**
40	Any clearing system(s) other than Euroclear France, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	**[**Not Applicable/give *name(s) and number(s)***]**
41	Delivery:	Delivery **[**against/free of**]** payment
42	The Agents appointed in respect of the Notes are:	**[•]**
43	In the case of Notes listed on Euronext Paris S.A.:	
	(a) the number of Notes to be issued in each Denomination:	**[•]**
	(b) Paying Agent in France	
	(i) address in Paris where documents to be made available for inspection may be inspected:	**[•]**
	(ii) list of such documents available for inspection:	**[•]**
	(c) specialist broker:	**[•]**
	(d) responsibility statement in French and brief summary in French of the main characteristics of any Notes which are to be listed on Euronext Paris S.A. and of the Issuer to be inserted.	
	(e) remuneration paid or payable by the Issuer to its Statutory Auditors and the members of their network:	**[**(see next page)**]**

GENERAL

44	The aggregate principal amount of Notes issued has been translated into Euro at the rate of **[•]**,	[Not Applicable/Euro**[•]]** (*Only applicable for Notes*

	producing a sum of:	*not denominated in Euro*)
[45	Rating	**[[●]]** by **[●]** and **[●]** by **[●]]**
	A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**]**	

RESUME EN FRANÇAIS

Responsabilité du prospectus

[*numéro et date du visa s'il y a lieu, indication d'un avertissement***]**

[Nom et qualité du signataire**]**	**[**Nom et qualité du signataire**]**
GAZ DE FRANCE	**[Agent de cotation à Paris]**

Visa n° [●]-**[●]** en date du **[●]**.

Le présent prospectus accompagné du présent résumé en français[1] sera disponible aux heures habituelles d'ouverture des bureaux, un quelconque jour de la semaine (à l'exception des samedis, dimanches et jours fériés) dans les bureaux de l'agent financier **[**et/,**]** de l'agent payeur à Paris **[**et de l'agent payeur à Luxembourg**]** [2].

A - CONTENU ET MODALITES DE L'OPERATION

1. Montant de l'émission

	Nombre et valeur nominale des Titres :	[●]
	Montant nominal de l'émission :	[●]
2.	**Caractéristiques des Titres émis**	
2.1	Prix de souscription/Prix d'émission :	[●]
	Coupon couru (s'il y a lieu) :	[●]
	Modalité de paiement (paiement fractionné…) :	[●]
2.2	Jouissance des titres :	
	Date d'entrée en jouissance des Titres :	[●]
2.3	Date de règlement/Date d'assimilation :	[●]
2.4	Intérêts et/ou taux nominal (facial) ou caractéristiques nominales (faciales) et le cas échéant, leurs modalités de calcul :	[●]
2.5	Amortissement :	[●]
	Remboursement :	[●]
2.6	Durée de l'émission :	[●]
2.7	Clause d'assimilation :	[●]
2.8	Rang de créance :	[●]
2.9	Notation :	[●]
2.10	Mode de représentation des porteurs des Titres , le cas échéant :	[●]

[1] Pour l'admission des Titres sur Euronext Paris S.A. uniquement.

2.11 Liste des établissements chargés du service financier en France :

[●]

2.12 Droit applicable et tribunaux compétents en cas de litige :

[●]

B - ORGANISATION ET ACTIVITE DE L'EMETTEUR

1. Renseignements de caractère général concernant l'émetteur, ses organes d'administration

1.1 Dénomination : [●]

Siège social : [●]

1.2 Forme juridique de l'émetteur et nature des organes d'administration: [●]

1.3 Nom et statut des contrôleurs légaux : [●]

1.4 Date de constitution et d'expiration de l'émetteur : [●]

1.5 Indication des lieux où peuvent être consultés les documents juridiques relatifs à l'émetteur (statuts, procès verbaux d'assemblées générales, rapports des contrôleurs légaux) :

[●]

2. Renseignements de caractère général concernant le capital

2.1 Montant du capital : [●]

2.2 Principaux actionnaires mentionnés dans le prospectus :

[●]

3. Renseignements concernant l'activité de l'émetteur

Lorsque l'émetteur est à la tête d'un groupe, les renseignements prévus dans ce paragraphe sont fournis pour le groupe.

3.1 Bref descriptif de l'activité de l'émetteur et de son évolution :

[●]

3.2 Indication de tout événement exceptionnel ou d'opération prévue de toute nature ainsi que de tout litige susceptible d'avoir ou ayant eu dans un passé récent une incidence significative sur la situation financière de l'émetteur, son activité, et le cas échéant sur son groupe, et qui ont été présentés comme tels dans le prospectus :

[●]

C - SITUATION FINANCIERE DE L'ÉMETTEUR

1. **Chiffres-clés du bilan :** tableau synthétique de l'endettement et des fonds propres établi, le cas échéant sur une base consolidée, et disponible à la date de la situation la plus récente établie ou à défaut à la date du dernier bilan présenté.

2. **Le cas échéant, observations, réserves ou refus de certifications des contrôleurs légaux :** si les certifications sur les derniers comptes présentés dans le prospectus ont été refusées par les contrôleurs légaux ou si elles comportent des réserves ou des observations, ce refus, ces réserves ou ces observations doivent être reproduites intégralement.

INFORMATIONS RELATIVES A L'ADMISSION A LA COTE D'EURONEXT PARIS S.A.

Personnes qui assument la responsabilité du Prospectus
composé du Document de Base ("*Offering Circular*")
enregistré par l'Autorité des Marchés Financiers
sous le n° P. 04-209 en date du 7 décembre 2004
et de la présente Note d'Opération ("*Pricing Supplement*")

Au nom de l'émetteur

A la connaissance de l'émetteur, les données du présent Prospectus sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Aucun élément nouveau **[**(autres que ceux mentionnés dans la présente Note d'Opération)**]** intervenu depuis :

– le 7 décembre 2004 date du numéro d'enregistrement n°P. 04-209 apposé par l'Autorité des Marchés Financiers sur le Document de Base
– [le **[•]**, date du visa n°**[•]**-**[•]** apposé par l'Autorité des Marchés Financiers sur **[**le Document de Référence/la Note d'Opération**]** en date du **[•]**]

n'est susceptible d'affecter de manière significative la situation financière de l'émetteur dans le contexte de la présente émission.

[*nom et qualité du signataire***]**
GAZ DE FRANCE

Au nom de [la banque présentatrice / l'établissement présentateur]

A la connaissance de **[**la banque présentatrice / l'établissement présentateur**]** les données du présent Prospectus sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

[*nom et qualité du signataire***]**
[AGENT DE COTATION A LA BOURSE DE PARIS]

Visa de l'Autorité des Marchés Financiers

En application des articles L. 412-1 et L. 621-8 du Code monétaire et financier, l'Autorité des Marchés Financiers a apposé le visa n°**[•]**-**[•]** en date du **[•]** sur le présent document, qui constitue le prospectus prévu par les articles précités, conformément aux dispositions des articles 211-1 à 211-42 du Règlement Général de l'Autorité des Marchés Financiers. Ce prospectus a été établi par l'émetteur et engage la responsabilité de ses signataires. Le visa n'implique ni approbation de l'opportunité de l'opération ni authentification des éléments comptables et financiers présentés. Il a été attribué après examen de la pertinence et de la cohérence de l'information donnée dans la perspective de l'opération proposée aux investisseurs.

La notice légale sera publiée au Bulletin des annonces légales obligatoires (BALO) du [•].

Paris Listing Information

Translation of the preceding page for information purposes only

Individuals assuming responsibility for the *prospectus* composed by the Offering Circular registered by the *Autorité des Marchés Financiers* under no. P.04-209 of 7 December 2004 and the Pricing Supplement

In the name of the Issuer

To the best knowledge of the Issuer, the information contained in this prospectus is true and accurate and there has been no omission of material facts which would make any statements herein misleading.

No new event **[**other than those mentioned in this Pricing Supplement**]** has occurred since:

– 7 December 2004, date of the registration number no. P.04-209 granted by the *Autorité des Marchés Financiers* on the Offering Circular

– [[●], date of the [*visa*] n° [●]-[●] granted by the *Autorité des Marchés Financiers* on the **[***Document de Référénce***]**/Pricing Supplement dated [●]]

is likely to materially affect the financial position of the Issuer in the context of this issue.

[*name and title of signatory*]
GAZ DE FRANCE

In the name of the Listing Agent

To the best knowledge of the Listing Agent, the information contained in this Pricing Supplement is true and accurate and there has been no omission of material facts which would make any statements herein misleading.

[*Name and title of signatory*]
[PARIS LISTING AGENT]

Visa of the *Autorité des Marchés Financiers*

In accordance with articles L.412-1 and L.621-8 of the *Code monétaire et financier*, the *Autorité des Marchés Financiers* has granted the *visa* no. **[•]** - **[•]** dated **[•]** on this document, which constitutes the prospectus provided by the above-mentioned articles, in accordance with the provisions of article 211-1 to article 211-42 of the *Règlement Général* of the *Autorité des Marchés Financiers*. This prospectus has been prepared by the issuer and its signatories may be held liable for it. The granting of the *visa* shall not imply any approval of the suitability of the transaction nor any authentication of the accounting and financial data that is presented herein. It was granted following an examination of the relevance and consistency of the information presented herein in light of the transaction being proposed to investors.

The legal notice will be published in the *Bulletin des Annonces légales obligatoires (BALO)* of [•].

GENERAL INFORMATION

(1) In connection with the application to list a Series of Notes on Euronext Paris:

(a) the *Autorité des Marchés Financiers* allocated the registration number P 04-209 on 7 December 2004 to this Offering Circular;

(b) a legal notice relating to the issue of such Notes will be published in the *Bulletin des Annonces Légales Obligatoires* prior to such listing;

(c) the Pricing Supplement applicable to such issue will be submitted to the approval of the *Autorité des Marchés Financiers* and the relevant approval will be evidenced by the issue of a *visa* by the *Autorité des Marchés Financiers* which will be disclosed in the relevant Pricing Supplement applicable to the relevant Notes and by publication in the *Bulletin Officiel de Euronext Paris S.A.*;

(d) the Pricing Supplement applicable to such issue will specify the additional places in Paris at which documents required to be made available for inspection may be inspected during normal business hours;

(e) the Arranger, the Dealers and the Issuer will, in relation to issues of Notes listed on Euronext Paris, comply with the Euro Guidelines (as defined under "Summary of the Programme"). Each Series of Notes listed on Euronext Paris must be issued in compliance with the *Principes Généraux published from time to time* by the *Commission des Opérations de Bourse* and the *Conseil des Marchés Financiers*.

(2) All documents relating to the Issuer are available at Gaz de France, 23, rue Philibert Delorme, 75017 Paris, France.

(3) The documents mentioned in this Offering Circular, including those mentioned in (10) below, may be inspected during usual business hours on any working day from the date hereof at the offices of Deutsche Bank AG-Paris branch at 3, avenue de Friedland, 75008 Paris, France and Deutsche Bank Luxembourg S.A. at 2, boulevard Konrad Adenauer, L-1115 Luxembourg, Grand-Duchy of Luxembourg. Copies of the most recent annual reports of the Issuer may be obtained without charge at the above-mentioned address.

(4) In connection with the application to list the Notes issued under the Programme on the Luxembourg Stock Exchange a legal notice relating to the issue of the Notes and copies of the constitutive document of the Issuer will be deposited with the Commercial Register in Luxembourg ("*Registre du commerce et des sociétés de Luxembourg*") where such documents may be examined and copies obtained. The Luxembourg Stock Exchange has allocated to the Programme the number 12776 for listing purposes.

(5) The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The establishment of the Programme was authorised by a decision of the Board of Directors of the Issuer passed on 24 April 2002. The increase of the Programme Limit (as defined in "Summary of the Programme") from Euro 3,000,000,000 to Euro 4,000,000,000 was authorised by a decision of the Board of Directors of the Issuer dated 14 September 2004. Pursuant to a decision passed on 23 November 2004, the Board of Directors of the Issuer has confirmed the decision dated 14 September 2004 relating to the increase of the Programme Limit from Euro 3,000,000,000 to Euro 4,000,000,000 and has authorised issues of notes (denominated in Euros, US Dollars, Sterling, Swiss Franc or Yen) for an aggregate principal amount of

EUR 1,900,000,000 (or the equivalent in such currencies) until 30 June 2005. In the same decision the Board of Directors has delegated to its *Président* all powers to determine the terms and conditions of the Notes to be issued under the Programme on the basis of such decision and to sign all documents in relation to the such issues of Notes.

Any drawdown of Notes under the Programme, to the extent that such Notes constitute *obligations*, requires the prior authorisation of (i) the *Conseil d'administration* of the Issuer or (ii) the Ordinary General Meeting of the Issuer's shareholders if (a) the *statuts* of the Issuer so require (at the date hereof the *statuts* of the Issuer do not require a resolution of the Ordinary General Meeting) or (b) such Ordinary General Meeting decides itself to exercise such authority. The *Conseil d'administration* may in turn delegate its power to a member of the *Conseil d'administration*, the *Directeur Général* of the Issuer or to one or more *Directeurs Généraux Délégués* for up to a year. Any drawdown of Notes, to the extent that such Notes do not constitute *obligations*, falls within the general powers of the *Président Directeur Général* of the Issuer pursuant to the s*tatuts* of the Issuer.

(6) Except as disclosed in this Offering Circular, there has been no material adverse change in the financial condition or results of operations of the Issuer or the Group since 31 December 2003.

(7) Except as disclosed in the Offering Circular, there are no legal, arbitration or administrative proceedings against or affecting the Issuer or any member of the Group which either individually or in the aggregate are material in the context of the Programme or the issue of Notes thereunder and no such legal, arbitration or administrative proceedings are threatened.

(8) Each Definitive Materialised Bearer Note, Receipt, Coupon and Talon will bear the following legend: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code*".

(9) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code and the International Securities Identification Number (ISIN) or the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Pricing Supplement.

(10) For so long as Notes issued under the Programme are outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection and, in the case of documents referred to in (ii), (v) and (vii) below, collection free of charge at the office of the Fiscal Agent or of each of the Paying Agents:

(i) the constitutive document of the Issuer;

(ii) a copy of this Offering Circular together with any supplement to this Offering Circular or further Offering Circular;

(iii) the Agency Agreement (which includes the form of the *Lettre Comptable*);

(iv) the Dealer Agreement;

(v) each Pricing Supplement for Notes that are listed on the Paris and/or Luxembourg Stock Exchange(s) or any other stock exchange;

(vi) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the Luxembourg Stock Exchange or any other stock exchange if the rules of that stock exchange so require; and

(vii) the most recent publicly available audited consolidated and non consolidated annual and semi-annual interim financial statements of the Issuer.

(11) On 3 June 2003, the Council of the European Union adopted a new directive regarding the taxation of savings income received in the form of interest payments (the "**Directive**"). Subject to certain conditions being met, member States will be required from a date not earlier than 1 January 2005 to provide the tax authorities of another member State with, *inter alia*, details of payments of interest within the meaning of the Directive (interest, products, premiums or other debt income) made by a paying agent located within its jurisdiction to or for the benefit of an individual resident in that other member State (the "**Disclosure of Information Method**").

For these purposes, the term "paying agent" is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Directive, for the immediate benefit of individuals.

However, throughout the transitional period, certain member States (the Grand-Duchy of Luxembourg, Belgium and Austria), instead of using the Disclosure of Information Method used by other member States, would withhold an amount on interest payments.

The rate of such withholding tax will equal 15 per cent.during the first three years, 20 per cent. during the subsequent three years and 35 per cent. until the end of the transitional period. Such transitional period will end if and when the European Community enters into agreements on exchange of information upon request with several jurisdictions (the United States, Switzerland, Liechtenstein, San Marino, Monaco and Andorra).

The Directive was implemented into French law by the Amended Finance Law for 2003, which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest payments made on or after 1 January 2005, but paying agents are required to identify the beneficial owners of such payments as from 1 January 2004, pursuant to modalities to be provided in regulations not yet published.

In principle, it was expected that the Directive would be implemented as from 1 January 2005. However, the implementation of the Directive has been postponed until 1 July 2005.

INFORMATIONS RELATIVES A L'ADMISSION A LA COTE D'EURONEXT PARIS S.A.

Personnes qui assument la responsabilité du Document de Base en ce qui concerne les titres qui seront admis au Premier Marché d'Euronext Paris S.A.

1 ***Au nom de Gaz de France***

A la connaissance de l'émetteur, les données du présent document dénommé Document de Base sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Philippe Jeunet
Directeur Financier
GAZ DE FRANCE

2 ***Au nom de la banque présentatrice***

A la connaissance de la banque présentatrice, les données du présent document dénommé Document de Base sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Philippe Blavier
Directeur de la Banque de Financement
et d'Investissement
BNP PARIBAS

Autorité des Marchés Financiers

En application des articles 211-1 à 211-42 du Règlement Général de l'Autorité des Marchés Financiers, l'Autorité des Marchés Financiers a enregistré le présent Document de Base en date du 7 décembre 2004 sous le N° P.04-209. Il ne peut être utilisé à l'appui d'une émission de titres admis au Premier Marché d'Euronext Paris S.A. que s'il est complété par une Note d'Opération visée par l'Autorité des Marchés Financiers. Ce Document de Base a été établi par l'émetteur et engage la responsabilité de ses signataires. Cet enregistrement, effectué après examen de la pertinence et de la cohérence de l'information donnée sur la situation de la société, n'implique pas l'authentification des éléments comptables et financiers présentés.

La notice préalable à la cotation éventuelle à Paris de tout titre émis dans le cadre de ce programme sera publiée au Bulletin des Annonces légales obligatoires.

PARIS LISTING INFORMATION

Translation of the preceding page for information purposes only

Individuals assuming responsibility for the Offering Circular in connection with the Notes listed on the First Market of Euronext Paris S.A.

1 In the name of Gaz de France

To the best knowledge of the Issuer, the information contained in this Offering Circular is true and accurate and there has been no omission of material facts which would make any statements herein misleading.

Philippe Jeunet
Chief Financial Officer of Gaz de France
GAZ DE FRANCE

2 In the name of the Paris Listing Agent

To the best knowledge of the Paris Listing Agent, the information contained in this Offering Circular is true and accurate and there has been no omission of material facts which would make any statements herein misleading.

Philippe Blavier
Head of Investment Banking
BNP PARIBAS

Autorité des Marchés Financiers

In accordance with the provisions of article 211-1 to article 211-42 of the *Règlement Général* of the *Autorité des Marchés Financiers*, the *Autorité des Marchés Financiers* has registered this Offering Circular on 7 December 2004 under the number P 04-209. It can only be relied upon in relation to any financial transaction if it is accompanied by a Pricing Supplement which has been submitted to the clearing procedures of the *Autorité des Marchés Financiers*. This Offering Circular has been prepared by the Issuer and its signatories may be held liable for it. This registration, made after an examination of the relevance and consistency of the information relating to the situation of the company, shall not imply the authentication of the accounting information contained herein.

The legal notice that have to be published before the listing of the Notes on Euronext Paris will be published in the *Bulletin des Annonces Légales Obligatoires*.

REGISTERED OFFICE OF THE ISSUER

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FISCAL AGENT, PRINCIPAL PAYING AGENT, REDENOMINATION AGENT, CONSOLIDATION AGENT AND CALCULATION AGENT

Deutsche Bank AG
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London EC2N 2DB
United Kingdom

PAYING AGENTS

Paris Paying Agent

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75008 Paris
France

Luxembourg Paying Agent

Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L - 1115 Luxembourg
Grand-Duchy of Luxembourg

LISTING AGENTS

Paris Listing Agent	Luxembourg Listing Agent
BNP Paribas 3, rue d'Antin 75002 Paris France	**Deutsche Bank Luxembourg S.A.** 2, boulevard Konrad Adenauer L - 1115 Luxembourg Grand-Duchy of Luxembourg

AUDITORS TO THE ISSUER

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LEGAL ADVISERS

To the Issuer	***To the Dealers***
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Gaz de France