



GAZ DE FRANCE ANNUAL REPORT 2001



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Board of Directors

Chairman and Chief Executive Officer

Pierre Gadonneix

Representatives of the French Government

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Treasury Division,
Ministry of the Economy, Finance and Industry

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Préfet of the Aquitaine Region
Préfet of the Southwest defense zone
Préfet of Gironde

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Ministry of Equipment, Transportation and Housing

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Ministry of the Economy, Finance and Industry

Frank Mordaccq

Bureau Chief, Budget Division,
Ministry of the Economy, Finance and Industry

Dominique Perreau

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Ministry of Foreign Affairs
Plenipotentiary Minister

Qualified Individual Board Members

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Chairman and Chief Executive Officer, Gaz de France

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Senator of Drôme, General Councilor

Éric d'Hautefeuille

Chief Engineer, Mines,
Member of the Board of Directors, Saint-Gobain Group
Advisor to the Chairman

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Confederal Secretary, Confédération Syndicale des Familles,
in charge of the consumption sector

Claude Gaillard

National Assembly Representative of Meurthe-et-Moselle,
Vice President of the Regional Council of Lorraine

Daniel Lebègue

Managing Director, Caisse des dépôts et consignations

Elected Employee Representatives

Olivier Barrault

National Federation of Unions of Employees
in Electrical, Nuclear and Gas Energy Industries, CGT

Jean-Louis Lefranc

Yves Mestas

National Federation of Unions of Employees
in Electrical, Nuclear and Gas Energy Industries, CGT

Daniel Rouvery

Federation of Electrical and Gas Industries, CFE-CGC

Jacky Chorin

National Federation of Electricity and Gas, CGT-FO

Nadine Tourment

National Federation of Unions of Employees
in Electrical, Nuclear and Gas Energy Industries, CGT

Government Supervisor

Michèle Rousseau

Director, DIDEME,
Ministry of the Economy, Finance and Industry

Deputy Government Supervisor

Didier Houssin

Director, DIREM,
Ministry of the Economy, Finance and Industry

Senior Executive Vice Presidents

Jacques Deyrmondjian - Bernard Leblanc - Jean-Marie Dauger

Comptrollers

Gilbert Venet
Chief Comptroller

Dominique Lemaire
Government Comptroller

Alain Nourissier
Government Comptroller

Secretariat, CSC/CMP

Olivier Franchon

Secretary of the Board of Directors

Michel Vanhaesbroucke

Executive Officers of Gaz de France

[March 2002]

Chairman and Chief Executive Officer
Pierre Gadonneix

Senior Executive Vice Presidents
Jacques Deyirmendjian - Bernard Leblanc - Jean-Marie Dauger

Corporate Organization (March 2002)



Jean-Marie Dauger
Jacques Deyirmendjian
Pierre Gadonneix
Bernard Leblanc

Chairman and Chief Executive Officer
Pierre Gadonneix

Senior Executive Vice President
Jacques Deyirmendjian

Senior Executive Vice President
Jean-Marie Dauger

Senior Executive Vice President
Bernard Leblanc

Vice President

Executive Vice President, Exploration and Production

Executive Vice President, Supply and Trading

Deputy, Supply and Trading, and Vice President, Gas Supplies

Executive Vice President, Transmission

Executive Vice President, Distribution (France)*

Executive Vice President, Gas Sales

Executive Vice President, Services

Vice President, International

Vice President, e-business

Senior Vice President, Environment

Executive Vice President, Human Resources*

Executive Vice President, Legal and Finance

Vice President, Corporate Planning and Control

Vice President, Strategic Marketing

Vice President, Research and Development

Vice President, Corporate Communications

Vice President, Information Technology*

Vice President, Audit and Procurement

Yves Colliou

Michel Bayle

Jean-Louis Mathias

Jean Abiteboul

Jean-François Larvor

Robert Durdilly

Michel Pellegrino

Robert Cosson

Michel Przydrozny

Dominique Vassout

Michel Duhén

Yann Laroche

Philippe Jeunet

Georges Bouchard

Jean-Pierre Piollat

Jean-François Carrière

Patrick Magd

Yves Bamberger

Jean-Paul Jacquot

* Joint Activities of Gaz de France and EDF

Corporate Profile

One of Europe's leading gas utilities, the Gaz de France Group operates in all sectors of the natural gas industry, from exploration and production to energy distribution and services, to respond to customer demand efficiently and achieve sustained and profitable growth.

To this end, the Group is organized in five lines of business – exploration and production, supply and trading, transmission, distribution and services. Active in 33 countries, the Gaz de France Group first targets growth in Europe, its natural environment. The opening of energy markets and its position at the center of Europe's gas grids offers the Group many opportunities in trading, transmission for third parties, distribution and services. Since August 10, 2000, Gaz de France has made it possible for other gas operators to access its transmission system. The Group capitalizes on its expertise at the global level as well, in emerging markets like Mexico and in fields in which it has recognized know-how, such as liquefied natural gas (LNG). To ensure this growth and pursue its penetration of European and world markets, the Gaz de France Group implements a policy of cooperation and partnership with other energy sector operators, demonstrates its well-developed ability to innovate and practices a customer-focused organization that offers competitive, tailored services to residential users, companies and local governments. The Group has chosen to pursue this growth through a strategy of sustainable development. By making natural gas more accessible and promoting its uses, Gaz de France integrates demand-side management of energy, fosters human development and ensures environmental protection in France, Europe and the world.

12.45
million customers worldwide

193
companies in 33 countries

14.36
billion euros in consolidated net sales

1.70
billion euros in capital expenditures

0.89
billion euros in consolidated net income

36,451
employees

51.7
billion m³ of gas sold

Chairman's Statement



Pierre Gadonneix

In 2000, as economic trends pushed the price of crude oil higher, adversely affecting supply costs, and selling prices in public distribution increased modestly, Gaz de France's financial margins were reduced, although this trend was offset by the Group's good commercial performance.

In 2001, in an economic environment marked by slower growth and a downturn in the oil market, together with a slight appreciation of the US dollar vis-à-vis the euro, Gaz de France partly restored its financial margins. The year was characterized by a significant increase in net income and sustained internal growth in Europe.

The main events of the year demonstrate how the Group consolidated its positions in its five lines of business.

Exploration and Production activities reported significant growth in assets. Already established as a producer in Germany and the United Kingdom, and after having created a base upstream in the gas industry in Norway and the Netherlands in 2000, the Group committed new investments to exploration and production in the Mediterranean basin in 2001. At the end of last year, the Group's reserves exceeded 51 billion m³ of natural gas with annual production capacity of 2 billion m³.

In Supply and Trading, the Group continued to diversify its sources of supply by signing an agreement with a new long-term partner, Egypt, which will start delivery in 2006-2007. Gaz de France thus bolstered its major contribution to the energy security of its markets. The creation of Gaselys, a joint subsidiary with Société Générale, now allows the Group to take advantage of trading opportunities created by the development of short-term energy markets and related derivative products in Europe. In addition, the increase reported in sales to large industrial customers in the European market shows that the Group has adapted to the opening of the natural gas market by responding positively to rapidly growing demand.

The decrease in volume of certain former customers in France (approximately 15% of the eligible market) was more than offset by growth in sales spurred by the dynamism of the Group's foreign subsidiaries.

Transmission activities were marked by the ongoing development of infrastructures in France, constant adaptation of network access conditions to customer needs, and international expansion. The opening of the new natural gas compressor station at Pitgam, near Dunkerque in northern France, confirmed France's strategic position in the European gas grid.

The startup of a new natural gas pipeline in Europe (Marches du Nord-Est) also allowed the Group to deliver natural gas to Italy. For the first full year of application of the 1998 European directive on the internal gas market, 8% of the volume transported in France was for third parties. Finally, in Mexico, Gaz de France became the country's leading foreign transmission operator.

In **Distribution**, the record for new customers was beaten and the Group reported excellent commercial results internationally, in particular in Germany, Hungary and Mexico.

In France, 242,000 additional customers chose the comfort of natural gas to heat their homes.

Natural gas air conditioning increased its market share and Natural Gas for Vehicles (NGV) conquered more than a third of the bus replacement market. Finally, 510 additional municipalities were hooked up to the Company's natural gas mains in 2001.

The Group's **Services** division, Cofathec[®], continued to report strong growth. The leader in Italy, Cofathec[®] increased business volume by almost 50% in 2001, while making significant progress in the United Kingdom. In France, several acquisitions reinforced the expertise Cofathec[®] demonstrates in services for manufacturers.

The consolidated financial results are in line with forecasts and all the principal indicators rose significantly.

The Group's **net sales** totaled 14.4 billion euros. The 28% increase over the previous year was attributable to robust organic growth. In an environment characterized by an economic slowdown and the opening of the natural gas market in Europe, sales volume was up 9%. The rise in public distribution rates in France, which reflected increased supply costs, accounted for 1.1 billion euros of the growth in net sales.

Although the price of Brent more than tripled in two years, the average fluctuation in natural gas rates for residential customers was capped at 30% in the same period.

For industrial customers, the selling price excluding tax declined an average of 0.077 euro cent/kWh, partly offsetting the increases posted in the two previous years.

Today, French consumers continue to benefit from natural gas prices which are very competitive compared with the rates paid by users in European countries that do not produce natural gas. The 43% increase in the contribution of international activities, excluding the impact of changes in the consolidated entity, also helped boost net sales.

EBITDA totaled 2,851 million euros, up from 2,001 million euros a year earlier. In 2000, the economic environment had a negative impact on the unit gross margin on gas delivered (per kWh). In 2001, although still below the level attained in 1999, the unit gross margin increased by 17%.

The Group's share of operating income rose from 874 million euros to 1,637 million euros.

Net income totaled 891 million euros, representing a significant increase over the previous year.

The Group's financial structure remains solid.

Cash flow totaled 2,224 million euros.

With investments of 1.7 billion euros, up 0.2 billion euros from 2000, the Company maintained its ambitious goals in this field. Net financial indebtedness was stable at 3.4 billion euros. The debt/equity ratio improved from 64% at the end of 2000 to 54% in 2001. At 13.6%, return on capital employed (ROCE) achieved the goal set in 2000.

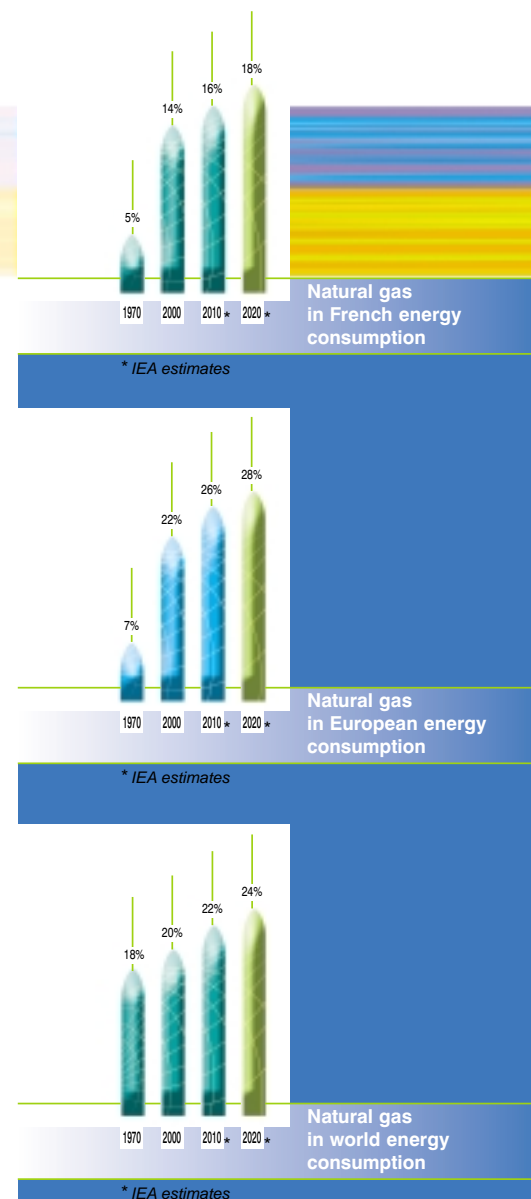
In a market with strong development potential, Gaz de France maintains its prospects for growth in its lines of business.

As of 2002, the contribution of international activities to net sales will increase by at least 20%, compared with 15% in 2001, and the Group intends to pursue its investments while maintaining a solid financial structure.

The Group's strategy to be present at all stages of the gas industry has demonstrated its pertinence. Gaz de France has launched an ambitious industrial project that responds to the second European directive on opening the gas market to competition. These new rules have led the Group to adapt its distribution and trading activities, first, for professional customers and eventually for residential users. As of January 1, 2002, Gaz de France created a dedicated operating structure, a Gas Sales division.

The quality and commitment of the Group's teams inspire the fullest confidence in its ability to provide efficient public service while strengthening the leading position it has in the European gas industry. Gaz de France is mobilized to face the challenge of competition in a period which augurs to be most favorable to the development of the gas industry.

Pierre Gadonneix



The Gaz de France Group: all natural gas businesses, an international vocation

EXPLORATION AND PRODUCTION

Group's equity interest

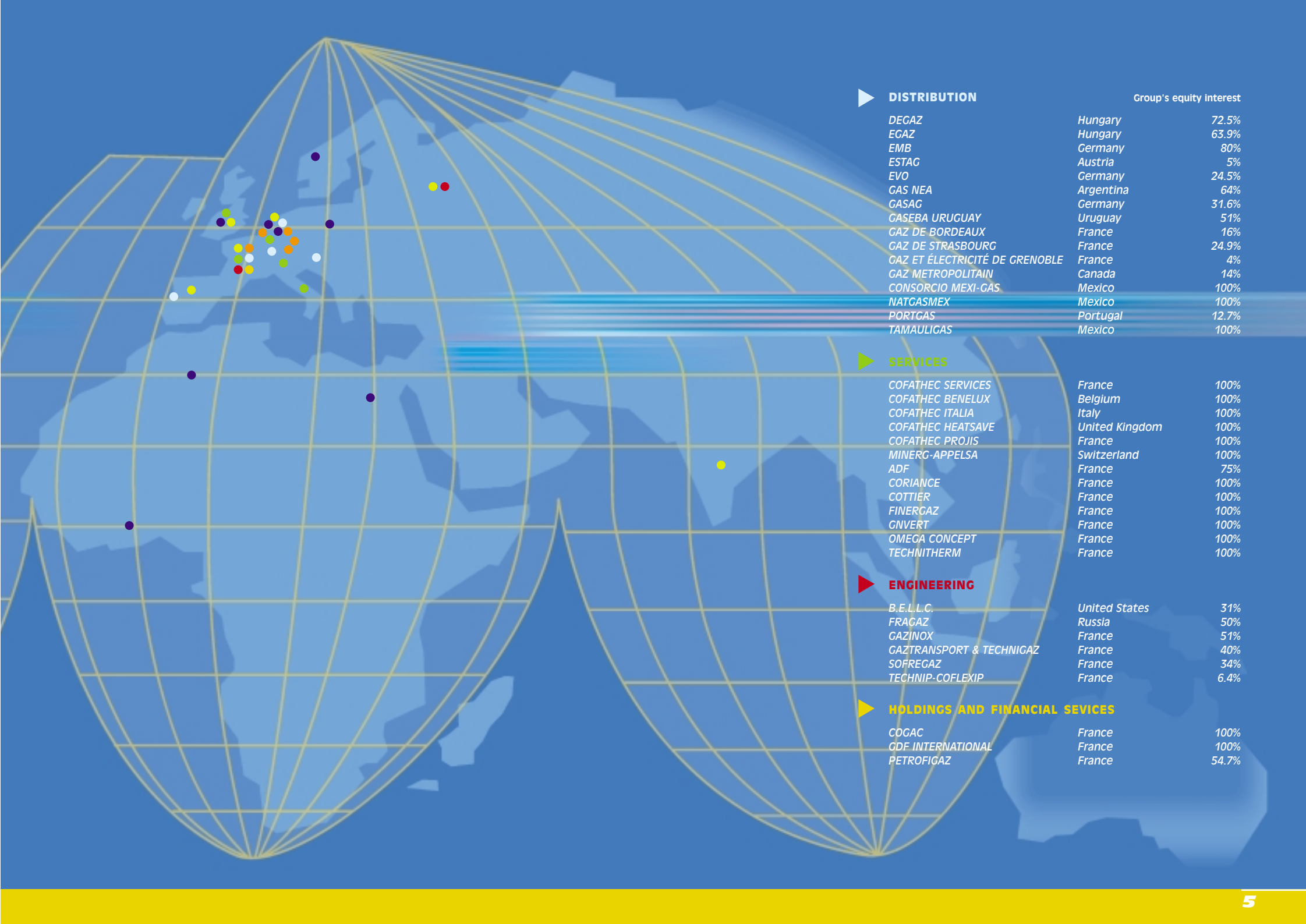
E.E.G.	Germany	75%
EFOG	United Kingdom	22.5%
ENERCI	Ivory Coast	49%
GAZ DE FRANCE NORGE	Norway	100%
GAZ DE FRANCE PRODUCTION		
NEDERLAND	Netherlands	100%
GDF BRITAIN	United Kingdom	100%
GDF Exploration Poland	Poland	100%
GDF Exploration Egypt	Egypt	100%
GDF Exploration Algeria	Algeria	100%
GDF Exploration UK	United Kingdom	100%
GDF Exploration Germany	Germany	100%
NOORDGASTRANSPORT	Netherlands	38.6%

SUPPLY AND TRADING

ECOGAZ	Russia	50%
ETAC	Netherlands	25%
GASELYS	France	51%
GAZ DE FRANCE		
COMERCIALIZADORA	Spain	100%
GAZ DE FRANCE ENERGY		
SUPPLY & SOLUTIONS	United Kingdom	100%
GAZOCEAN ARMEMENT	France	75%
GAZ DE FRANCE		
INTERNATIONAL TRADING	United States	100%
MED LNG & GAZ	International	50%
MESSIGAZ	France	100%
METHANE TRANSPORT	France	50%
MOSPARTEPLOGAZ	Russia	50%
PETRONET LNG	India	10%
SPBVERGAZ	Russia	50%

TRANSMISSION

BOG	Austria	44%
C.F.M.	France	55%
ENERGIA MAYAKAN	Mexico	67.5%
GASODUCTOS DEL BAJIO	Mexico	100%
TRANSNATURAL DE CV	Mexico	50%
DUNKERQUE TERMINAL	France	35%
G.S.O.	France	30%
INTRAGAZ	Canada	40%
MEGAL	Germany	43%
POZAGAS	Slovakia	30%
SEGEO	Belgium	25%



DISTRIBUTION

	Group's equity interest	
DEGAZ	Hungary	72.5%
EGAZ	Hungary	63.9%
EMB	Germany	80%
ESTAG	Austria	5%
EVO	Germany	24.5%
GAS NEA	Argentina	64%
GASAG	Germany	31.6%
GASEBA URUGUAY	Uruguay	51%
GAZ DE BORDEAUX	France	16%
GAZ DE STRASBOURG	France	24.9%
GAZ ET ÉLECTRICITÉ DE GRENOBLE	France	4%
GAZ METROPOLITAIN	Canada	14%
CONSORCIO MEXI-GAS	Mexico	100%
NATGASMEX	Mexico	100%
PORTGAS	Portugal	12.7%
TAMAULIGAS	Mexico	100%

SERVICES

COFATHEC SERVICES	France	100%
COFATHEC BENELUX	Belgium	100%
COFATHEC ITALIA	Italy	100%
COFATHEC HEATSAVE	United Kingdom	100%
COFATHEC PROJIS	France	100%
MINERG-APPELSA	Switzerland	100%
ADF	France	75%
CORIANCE	France	100%
COTTIER	France	100%
FINERGAZ	France	100%
GNVERT	France	100%
OMEGA CONCEPT	France	100%
TECHNITHERM	France	100%

ENGINEERING

B.E.L.L.C.	United States	31%
FRAGAZ	Russia	50%
GAZINOX	France	51%
GAZTRANSPORT & TECHNIGAZ	France	40%
SOFREGAZ	France	34%
TECHNIP-COFLEXIP	France	6.4%

HOLDINGS AND FINANCIAL SERVICES

COGAC	France	100%
GDF INTERNATIONAL	France	100%
PETROFIGAZ	France	54.7%

Financial Highlights

CONSOLIDATED FINANCIAL DATA

<i>billions of euros</i>	1997	1998	1999	2000	2001
Net sales exclusive of VAT	9.20	9.35	9.11	11.21	14.36
Operating income	0.9	1.39	1.09	0.87	1.64
Non-operating income (expenses)	(0.24)	(0.16)	(0.1)	(0.17)	(0.12)
Net income before dividend	0.53	0.73	0.44	0.43	0.89
Current cash flow	1.31	1.66	1.68	1.39	2.22
Capital expenditures	1.17	1.98	1.35	1.54	1.70
Cash flow/capital expenditures ratio	112%	84%	125%	90%	130%
Stockholders' equity	2.33	2.85	4.79	5.25	6.26
Indebtedness, including irredeemable securities	2.08	2.47	2.04	3.33	3.38
Debt/equity ratio	89%	87%	43%	64%	54%
Work force	30,257	31,637	31,144	33,290	36,451
- France	27,215	27,274	27,276	28,105	29,873
- International	3,042	4,363	3,868	5,185	6,578

SALES OF NATURAL GAS IN ACTUAL WEATHER CONDITIONS

<i>billions of kWh</i>	1998	1999	2000	2001
Gaz de France				
- Residential and commercial sector	226	226	225	242
- Industrial sector	153	159	175	178
- Other sales	32	39	46	47
Subsidiaries	50	63	76	103
Total	461	487	522	570

Major Events

GOOD RESULTS IN AN ECONOMIC ENVIRONMENT CHARACTERIZED BY SLOWER GROWTH

- ▶ Gaz de France reported consolidated net sales of 14,357 million euros, up from 11,211 million euros in 2000. The volume of actual sales totaled 51.7 billion m³ in 2001, compared with 47.45 billion m³ in 2000, representing an increase of 9%.
- ▶ Net sales from activities in France amounted to 12,247 million euros, up 23% (excluding changes in the consolidated entity) from 2000, and net sales from international activities amounted to 2,110 million euros, an increase of 61% (43% excluding changes in the consolidated entity) over 2000.
- ▶ Operating income totaled 1,637 million euros, compared with 874 million euros in 2000. It was particularly marked by the recovery of a large number of unit gross margins in France.
- ▶ Consolidated net income - Group share (before dividend) stood at 891 million euros, up from 431 million euros in 2000.
- ▶ In line with the provisions of the 2001-2003 contract between the State and the Group, the dividend for the year 2001 will represent 35% of the Group's net income, i.e. 312 million euros.

- ▶ The Group's cash flow amounted to 2,224 million euros in the year under review. The Group was thus able to finance its capital expenditures while maintaining a solid financial structure.
- ▶ As of December 31, 2001, the Group's net indebtedness totaled 3,379 million euros, representing 54% of stockholders' equity.

GOOD COMMERCIAL PERFORMANCE IN FRANCE

- ▶ In France, 242,000 additional customers chose Gaz de France to heat their homes in 2001, and 510 municipalities were hooked up to the Company's gas mains.
- ▶ More than 8,000 municipalities, representing more than 75% of the population of France, are now served by Gaz de France.
- ▶ In France, at average temperature, sales of natural gas by Gaz de France increased by 2.5% in volume to 440 billion kWh.
- ▶ The decisions taken in 2001 in favor of new natural gas air conditioning systems concerned an area of 501,000 m², and the offer met with notable success in hotels, healthcare centers, offices and municipal buildings.

- ▶ Natural gas for vehicles (NGV) confirmed its standing as a benchmark fuel alternative. At the end of 2001, it had conquered a third of the mass-transit bus market. More than 700 natural gas buses are now in service in France. NGV is also increasingly used to power waste collection vehicles and the light vehicle fleets of companies and local governments. Today, 69 garbage trucks and more than 4,000 light vehicles are in service.

GROWTH IN THE GROUP'S INTERNATIONAL ACTIVITIES

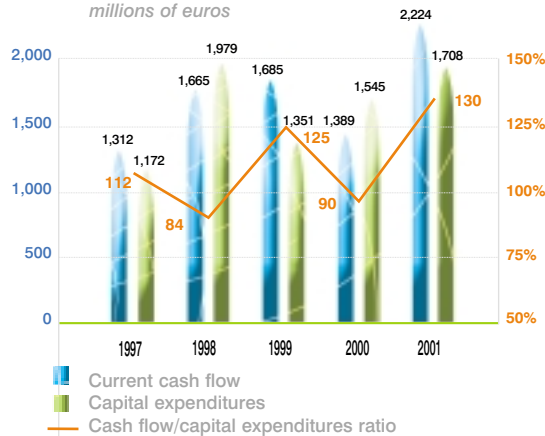
International activities accounted for 15% of consolidated net sales in 2001.

- ▶ In Europe, the Group strengthened its positions in the Netherlands and the United Kingdom in exploration and production; in the United Kingdom in supply and trading; in Germany in transmission; in Germany, Hungary and Austria in distribution; and in Italy and the United Kingdom in services.
- ▶ In Latin America and particularly Mexico, the Group's main region of growth outside of Europe, Gaz de France now has 130,000 customers.
- ▶ In India, Gaz de France and Petronet LNG launched the construction of a liquefied natural gas terminal at Dahej and signed a contract to charter two 138,000 m³ LNG tankers.

Major Events

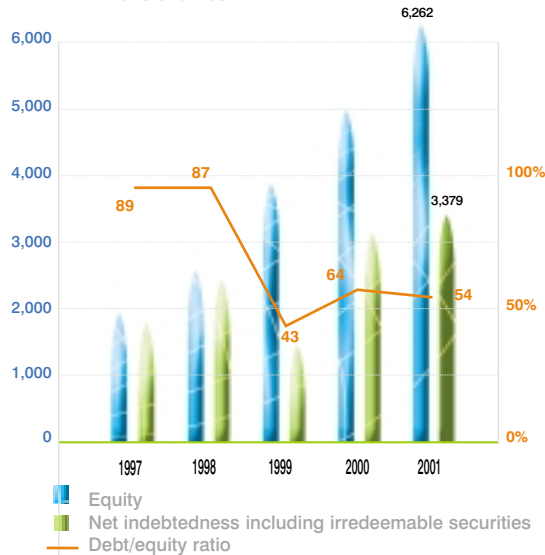
Current cash flow and capital expenditures

millions of euros



Stockholders' equity and indebtedness

millions of euros



SUSTAINED INVESTMENT POLICY

Capital expenditures totaled 1.7 billion euros in 2001, allowing Gaz de France to rank among the top ten French investors.

- ▶ In exploration and production, capital expenditures totaled 215 million euros. In 2001, the Group acquired gas and oil assets in Norway (Njord and Snøhvit) and the United Kingdom. Its reserves increased by more than 85% to 433 million boe, including more than 51 billion m³ of gas. Gaz de France also launched a major natural gas production and liquefaction project in Norway.
- ▶ In supply and trading, Gaz de France acquired 10% of the Indian company Petronet LNG, specialized in the supply, reception and marketing of liquefied natural gas.
- ▶ In the transmission business, investments in plant and equipment in France will amount to 1 billion euros in the period 2001-2003. In 2001, they totaled 360 million euros. A first section of the Artère des Marches du Nord-Est pipeline came on stream in 2001. Connected to the Belgian and Swiss grids, this pipeline will enable Gaz de France to strengthen its role in north-south transmission via the French natural gas transmission system.

Outside of France, the Group contributed, through a 12% equity interest in Medgaz, to a feasibility study of an underground pipeline project between Algeria and Spain and acquired two large capacity pipelines in Mexico.

- ▶ In distribution, Gaz de France invested 426 million euros in France to connect 510 French municipalities to the natural gas distribution network and upgrade existing installations.
- ▶ In services, the Group expanded through the acquisition of three companies in Italy (Policarbo and Castagnetti in 2001, as well as Zanzi at the beginning of 2002) and two in France (Cottier Equipements and ADF).

PROMISING OUTLOOK

Bolstered by its good financial and commercial results, the Gaz de France Group will pursue its industrial project to integrate all the stages of the gas industry by developing its five lines of business. This project will be implemented while the Group maintains a solid and balanced financial structure and respects current and future rules governing competition and the commitments Gaz de France has made as an active member of the community.

Financial Highlights

CONSOLIDATED STATEMENT OF INCOME

<i>millions of euros</i>	2000	2001
Net sales	11,211	14,357
Inventories	12	(8)
Capitalized expenses	376	312
Production	11,599	14,661
Input	(7,686)	(9,719)
Value added	3,913	4,942
Payroll costs (including employee gainsharing)	(1,710)	(1,900)
Taxes and assimilated	(202)	(191)
EBITDA	2,001	2,851
Depreciation, amortization and allowance (net of reversals and transfers of charges)	(1,032)	(1,084)
Other operating income (expenses)	(95)	(130)
Operating income	874	1,637
Non-operating income (expenses)	(166)	(120)
Income before extraordinary items of consolidated companies	708	1,517
Extraordinary items	29	(24)
Income taxes	(246)	(551)
Share of earnings in unconsolidated companies	9	33
Amortization of purchase differentials	(17)	(21)
CONSOLIDATED NET INCOME	483	954
Group share	431	891
Minority interests	52	63



The Gaz de France Group: growth objectives in all its businesses

EXPLORATION AND PRODUCTION

Gaz de France develops its own reserves to fuel its growth in Europe and enhance the competitiveness of the Group's products and services by diversifying its portfolio of resources.

The objective: to have reserves of 600 million boe in 2003 so that the Group may at term produce 15% of its European gas sales.



The Group spearheads an industrial project to integrate activities from the wellhead to the burner tip, capitalizing on the complementarity of its five lines of business to accelerate commercial development and boost growth.

SUPPLY AND TRADING

Benefiting from guaranteed long-term supply contracts, complemented by operations in the short-term energy markets, Gaz de France offers major customers, eligible or not, a range of reliable, flexible and competitive products and services, thereby bolstering the development of sales in Europe.

The objective: to mark a substantial increase in the volume of gas sold in Europe.

TRANSMISSION

Gaz de France develops its transmission, storage, reception and delivery systems to serve consumers under the best conditions, extend service areas, rank as one of the leading gas transmission operators in Europe and promote international transmission.

The objective: by 2003, to increase the volume of gas transported by 16%.

DISTRIBUTION

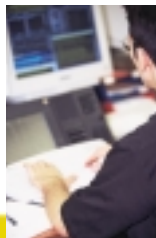
Gaz de France extends its natural gas distribution network in France, strengthens its positions in Europe and Latin America, and implements a dynamic marketing policy in all its markets.

The objective: to serve 15 million customers throughout the world by 2005.

SERVICES

The Gaz de France Group enhances its gas marketing proposals whenever possible by offering a wide range of energy services. It contributes to the creation of value for its customers by promoting ever more efficient uses of natural gas in terms of costs, energy efficiency and environmental protection.

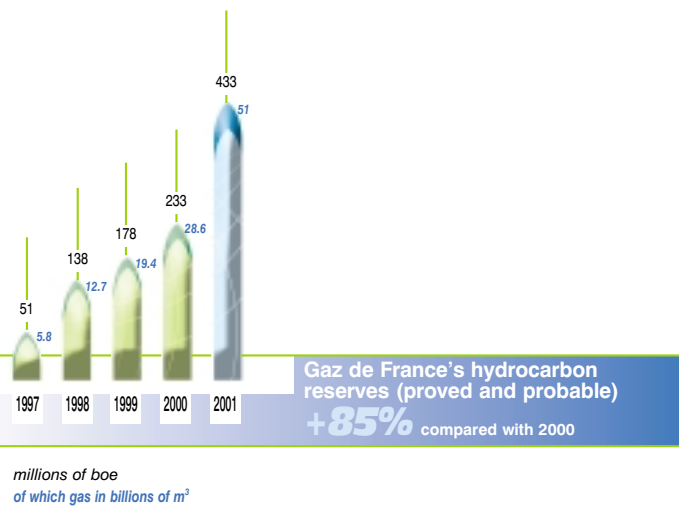
The objective: to double net sales from services in the period 2003-2005.



Exploration and Production



At the end of 2001: reserves of 433 million boe, including 51 billion m³ of gas



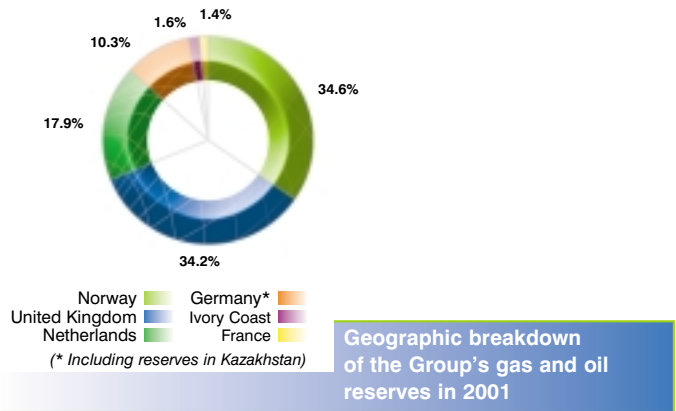
For several years, Gaz de France has invested in exploration and production to diversify its supply portfolio, keep pace with the Company's growth and enhance its competitiveness by locking in long-term resources. Thus, 1.4 billion euros were committed at the end of 2001, and 1.25 billion euros will be earmarked in the next two years.

The Group's objective is to have reserves of 600 million boe under satisfactory economic conditions so that Gaz de France may at term produce 15% of its European gas sales.

Gaz de France primarily invests in regions accessible to European markets under economical conditions. These regions are linked to Gaz de France by transmission systems the Group has helped develop. Gaz de France also invests in LNG projects, which in addition to the regular supply of its markets, offer greater opportunities for matching and arbitrage.

IN 2001

- ▶ The Group introduced an ambitious exploration program, **increasing its reserves in the Netherlands by almost 50%**.
- ▶ **It stepped up its activities in the United Kingdom** through the acquisition of exploration assets and the development of a group of deposits in the British North Sea sector.
- ▶ **In Norway, it launched** a major project to explore gas fields that will be commercialized as LNG or by pipeline.
- ▶ It invested in programs **to develop reserves in Algeria and Egypt**.
- ▶ Gaz de France participates in **exploration and production projects in nine countries**.



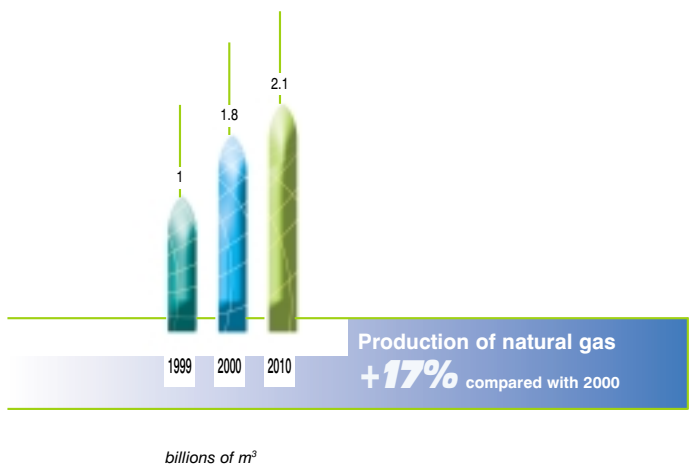
At the end of 2001, the reserves of the Gaz de France Group totaled 433 million boe, including 51 billion m³ of natural gas, up more than 85% from 2000. In the year under review, proved reserves represented 326 million boe. The Group's gas production capacity rose to 2.1 billion m³ in 2001, up more than 16%.

RESOURCES BOLSTERED IN THE BRITISH AND DUTCH NORTH SEA SECTORS

In the Netherlands, Gaz de France Production Nederland, a company that joined the Group in the summer of 2000, operates 25 off-shore platforms and four underwater facilities. It increased production by more than 10% to 900 million m³.

Prospecting surveys in 2001 enabled Gaz de France Production Nederland to increase its reserves by more than 50% to 13 billion m³ at a lower cost than usual for such operations.

In the United Kingdom, the Group's gas production increased by 20% in 2001 to more than 500 million m³. The year was marked by the startup of the Elgin (March 31) and Franklin (August 28) gas deposits, in which Gaz de France has an indirect 10.4% equity interest. The reserves of these fields, operated by TotalFinaElf, total 780 million boe. This is the largest development project in the British North Sea sector in ten years. Five smaller deposits located in the southern basin, near the CMS transmission system, were also developed, in cooperation with other partners, by Conoco (CMS III project). Production is scheduled to begin in the autumn of 2002. Their reserves total 2.8 billion m³, 26% of which belong to the Group.





Production Fields

Gaz de France Exploration and Production

Countries	2001 Production Group share	Annual production, Group share, expected in the medium term (projects identified in 2001)
United Kingdom	500 million m ³ and 2 Mmbbl* of liquids	1 billion m ³ of gas and 4.5 Mmbbl* of crude oil
Netherlands	900 million m ³	1 billion m ³
Algeria	–	1 billion m ³
Norway	3.5 Mmbbl*	2.7 Mmbbl* of crude oil and, as of 2006, 0.7 billion m ³ of gas
Germany	500 million m ³	0.4 billion m ³
Kazakhstan	700,000 bbl of crude oil	1.8 Mmbbl* of crude oil
Ivory Coast	40 million m ³	40 million m ³
France	100 million m ³	100 million m ³

* Mmbbl: millions of barrels

Gaz de France rounded out its exploration portfolio by acquiring from Texaco its equity interest of roughly 21% in 12 exploration licenses located near Elgin, Franklin and Britannia. This acquisition allows the Group to develop its portfolio of assets in a region in which it already has a base and holds an interest in transmission infrastructures. The exploration program is for a dozen drilling operations by 2004.

ACQUISITION OF GAS AND OIL ASSETS IN NORWAY

In 2001, Gaz de France finalized the acquisition from Statoil of 20% of the Njord deposit in the Norwegian Sea and of 12% of the Snøhvit deposit in the Barents Sea.

Njord currently produces oil and will supply natural gas beginning in 2004. Its reserves are estimated at 90 million barrels of oil and 6 billion m³ of natural gas.



500 employees of the Gaz de France Group work in Exploration and Production

**Increased production capacity:
+17% in 2001**

Snohvit's reserves are estimated at 210 billion m³ of natural gas, of which the Group's share is 25 billion m³, and 115 million barrels of condensate. The development of this field will require the construction of a liquefaction facility, the first in Europe. Production, estimated at 5.7 billion m³ per year, is scheduled to start in 2006. In the form of LNG, it will supply European and North American markets.

To manage these projects and develop others in Norway, Gaz de France created a subsidiary, Gaz de France Norge, with headquarters in Stavanger, Norway.

INCREASED PRODUCTION IN KAZAKHSTAN

The German subsidiary E.E.G., which operates the Akshabulak oil field in Kazakhstan upgraded its productivity from 0.7 million to 1.5 million metric tons per year. In 2001, two-thirds of production was exported.

NEW INVESTMENTS UPSTREAM IN MEDITERRANEAN GAS PROJECTS

In Algeria, Gaz de France signed a production-sharing contract with the Algerian operator Sonatrach and the Malaysian company Petronas in January 2001.

This agreement concerns the estimation of reserves in an area of 17,000 square kilometers in the Ahnet gas basin located in the southwest part of Algeria. The total estimated cost of this exploration program, scheduled to last three to five years, is between 25 million and 40 million euros.

Recoverable natural gas reserves may well exceed 100 billion m³, representing annual production of 3.5 billion m³ to 7 billion m³ for 25 years, with 12.5% of the reserves for Gaz de France. The decision to start production will come at the end of 2003, depending on the results of studies underway.

In Egypt, Gaz de France signed an agreement with the two main Egyptian utilities, EGPC and EGAS, to develop the the full gamut of natural gas activities and help supply natural gas to French and European markets.

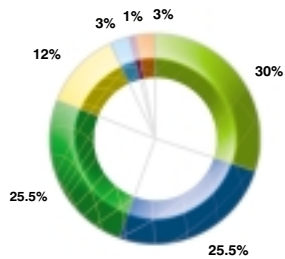
The principal objective of this agreement is the joint development of gas reserves and the construction of a liquefaction plant for the export of Egyptian gas to Europe beginning in 2005-2006.

This partnership also promotes the search for shared opportunities in natural gas distribution in Egypt and training in gas technology.



Supply and Trading

World's fourth largest buyer of natural gas
Europe's leading importer of LNG



Norway 3% United Kingdom 3%
 Algeria 12% Nigeria 1%
 Russia 25.5% Spot and short-term* 3%
 Netherlands 25.5% * including Qatar LNG

Gaz de France imports
 of natural gas in 2001
454 billion kWh

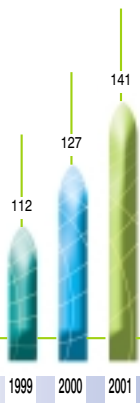
Gaz de France's Supply and Trading business ensures the Group's long-term natural gas resources and supplies large consumers of natural gas, whether or not they are eligible customers, in France and Europe, as well as other energy operators.

The Group has the most diversified natural gas supply sources and delivery points in Europe. Partnerships with the major suppliers of the European market – Norway, Russia, Algeria and the Netherlands – constitute a determining factor in the security and competitiveness of its supplies, the basis for the development of the gas market in Europe. Tomorrow, Egypt will reinforce this diversity, together with Nigeria and the United Kingdom.

Beyond ensuring reliable and competitive natural gas supplies, Gaz de France constantly adapts to the increasingly complex needs of key European accounts and eligible customers. Gaz de France's Supply and Trading business offers customers comprehensive solutions that allow them to hedge against price fluctuations and benefit from related services.

IN 2001

- ▶ Gaz de France **responded to rapidly growing demand.**
- ▶ It formed **an LNG sales company** with Sonatrach.
- ▶ It created **an energy trading subsidiary, Gaselys®**, in partnership with Société Générale.
- ▶ It expanded **the range of products and services it offers major customers.**



Sales to key accounts (France and Europe): more than 140 billion kWh
+11%

BOLSTERING THE SUPPLY PORTFOLIO

The gas market is undergoing rapid change, mainly characterized by the development of new commercialization vehicles linked to the emergence of short-term markets, by fiercer competition downstream and by changes in market participants. To meet this challenge, Gaz de France consolidates and diversifies its long-standing commercial relations with its major suppliers.

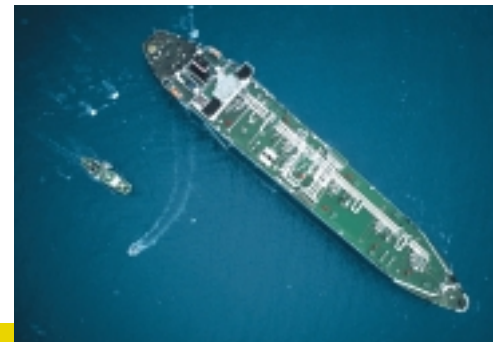
Gaz de France and Sonatrach created a joint venture, Med LNG & Gas, to commercialize LNG in the international market, reflecting the growing role LNG plays in matching and arbitrage. In the spirit of this agreement, three shipments of LNG were delivered to the American utility El Paso.

The positions Gaz de France took in 2001 will make it the only gas operator that has long-term relations with all of the Mediterranean exporting countries. Gaz de France finalized an agreement with the consortium BG/Edison/EGPC (Egyptian General Petroleum Corporation) for the FOB purchase in Egypt of the production of 4.8 billion m³ in LNG form and for an equity interest in the related liquefaction plant. The agreement also grants Gaz de France access to the capacity required to transform its own reserves of Egyptian gas into LNG.

The Group ordered a new 70,000 m³ LNG tanker for delivery in 2005, and acquired two additional shipments of LNG from Qatar.

Gaz de France's supply portfolio was also enhanced by the Group's own production. Since the beginning of 2002, gas from the K12G (Flax/Grape) deposits located in the Dutch North Sea sector and operated by Gaz de France Production Nederland contributes approximately 1.3 billion m³ per year to the supply portfolio of Gaz de France's Supply and Trading business.

Natural gas purchased in 2001
73% in gaseous form
27% in liquid form





CREATION OF A TRADING SUBSIDIARY WITH SOCIÉTÉ GÉNÉRALE

In addition to traditional ways to commercialize natural gas (long-term contracts and LNG spot transactions), marketplaces have been and are being developed in Europe – in the United Kingdom (NBP), Belgium (Zeebrugge), Germany and the Netherlands (Emden).

In 1999, Gaz de France formed a partnership with Société Générale to conduct efficient trading transactions in short-term and other energy markets (electricity, oil). This partnership found concrete expression in May 2001 through the

creation of Gaselys®, a joint trading company (Gaz de France 51%, Société Générale 49%).

In addition to proprietary trading in energy markets, the firm has two other objectives – to optimize the supply portfolio (in terms of volume, price and indexation) and to offer customers products with which to hedge against the financial risks linked to their energy purchases.

In 2001, short-term market transactions (purchases/sales) involved approximately 60 billion kWh in arbitrage and supply operations at Gaz de France's British subsidiary.

BROADER RANGE OF PRODUCTS AND SERVICES FOR KEY ACCOUNTS

Under the trademark Gaz de France energy®, the Group offers key industrial and commercial accounts a range of products and services including the supply of energy, price risk management, and related services. The teams of Gaz de France's Supply and Trading division work closely with Gaselys® and Cofathec® to develop customized solutions, including short- and long-term contracts, flexible consumption, fixed prices, ceiling prices, prices pegged on other sources of energy or commodities, projects to supply energy at the European level.

Markets

Producing power from natural gas

The production of electricity will represent 50% of the growth in sales of natural gas in Europe in the next five years. Gas and electricity will thus be more and more closely associated, a trend that will be encouraged by multi-energy supply to certain customer segments. To develop sales and

capitalize on its gas resources, Gaz de France leverages its strengths by designing and working with partners on the development of new electricity production projects that integrate natural gas resources and by confirming its own capacity to arbitrate between the price of the two energies.

Gaz de France energy®,
the European trademark
for Gaz de France's line of products
and services for major customers

To achieve these goals, Gaz de France's Supply and Trading business develops its commercial network in Europe.

The division now has commercial bases in the United Kingdom, Spain, Germany, Italy and Belgium.

In France, sales to key accounts represented 120 billion kWh. The opening of the market to competition resulted in a loss of eligible customers of roughly 15% on a full year basis. This loss was largely offset by the increase in European sales. Gaz de France's results also reflected the growth of the French market with new placements of almost 6 billion kWh in 2001.

In the United Kingdom, Gaz de France Energy Supply & Solutions continued its sustained growth. Sales increased fourfold to almost 20 billion kWh in 2001.

SALES AND OTHER SERVICES FOR ENERGY OPERATORS

Gaz de France offers European energy operators several types of services in both France and the rest of Europe.

Wholesale trading between different delivery points in the European gas grid represented approximately 10 billion kWh in 2001, sold to Swiss, German and Hungarian utilities.

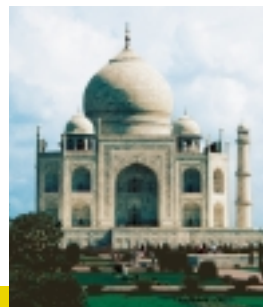
In addition, services such as transmission or exchanges between gaseous and liquefied gas concerned more than 75 billion kWh in 2001, mainly destined for Italian and Spanish utilities.

EQUITY INTEREST IN A NEW LNG CHAIN IN INDIA

In India, major strides forward were made concerning the project to import LNG at Dahej in the state of Gujarat, developed by Petronet LNG with the support of Gaz de France.

A contract was signed to build a LNG receiving terminal with a capacity of 5 million metric tons of LNG per year, and construction was started. The LNG will be supplied by Qatar which plans to increase its current export capacity by building a new liquefaction unit. In March, another contract was signed to charter two 138,000 m³ LNG tankers. Finally, Gaz de France signed an agreement in June locking in its 10% equity interest in Petronet LNG.

In this way, the Group has acquired a position in the LNG market in India and develops its ties with Qatar, which owns the world's third largest gas reserves.



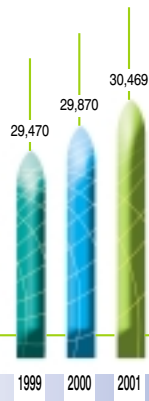
Commercial bases in Germany, Belgium, Italy, etc.

Transmission

Growth

Leading high-pressure transmission system in western Europe

Largest LNG receiving capacity in Europe

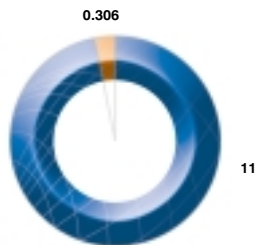


Gaz de France's national transmission system (kilometers)

With its privileged position as the hub of European gas grids, Gaz de France develops its transmission and storage systems. One billion euros have been earmarked for their development in France in 2001-2003.

The Group bolsters its transmission capacity and contributes to the integration of European networks through the creation of new supply routes. It is one of Europe's leading operators in the transmission of natural gas.

It also operates two pipelines in Mexico.



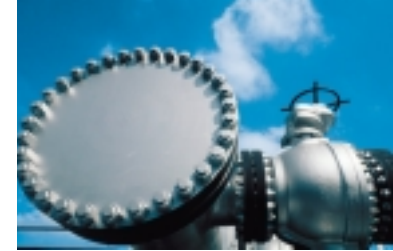
LNG (equivalent volume in gaseous gas)
Underground storage

French storage capacity in 2001 (billions of m³)

IN 2001

- ▶ In compliance with the European directive on the natural gas market, Gaz de France's **transmission system is now open to third parties on a transparent and non-discriminatory basis.**
- ▶ The natural gas supplies provided through **third-party access to the transmission system** represented **17% of the market open to competition** and 4% of total consumption.
- ▶ Gaz de France's Transmission business **expanded the range of products and services it offers and, for 2002, modified its transmission system access rates.**
- ▶ The **startup of the first section of the Marches du Nord-Est pipeline** signaled the first natural gas deliveries to Italy.
- ▶ Gaz de France acquired a **12% equity interest in Medgaz**, which is conducting a feasibility study on an **underwater pipeline between Algeria and Spain.**
- ▶ The division **set up a base in Mexico** by acquiring two transmission systems, Energia Mayakan and Gasoductos del Bajío.





OPENING OF GAZ DE FRANCE'S TRANSMISSION SYSTEM

In compliance with the European directive on the natural gas market, Gaz de France opened its transmission system to third parties in August 2000 on the basis of access rates published a month earlier.

Out of 51 billion m³ of natural gas transported by Gaz de France, approximately 3.8 billion m³ concerned transportation activities for third parties. The startup of the first section of the Artère des Marches du Nord-Est pipeline in October made it possible to begin delivery of Norwegian natural gas to Italy.

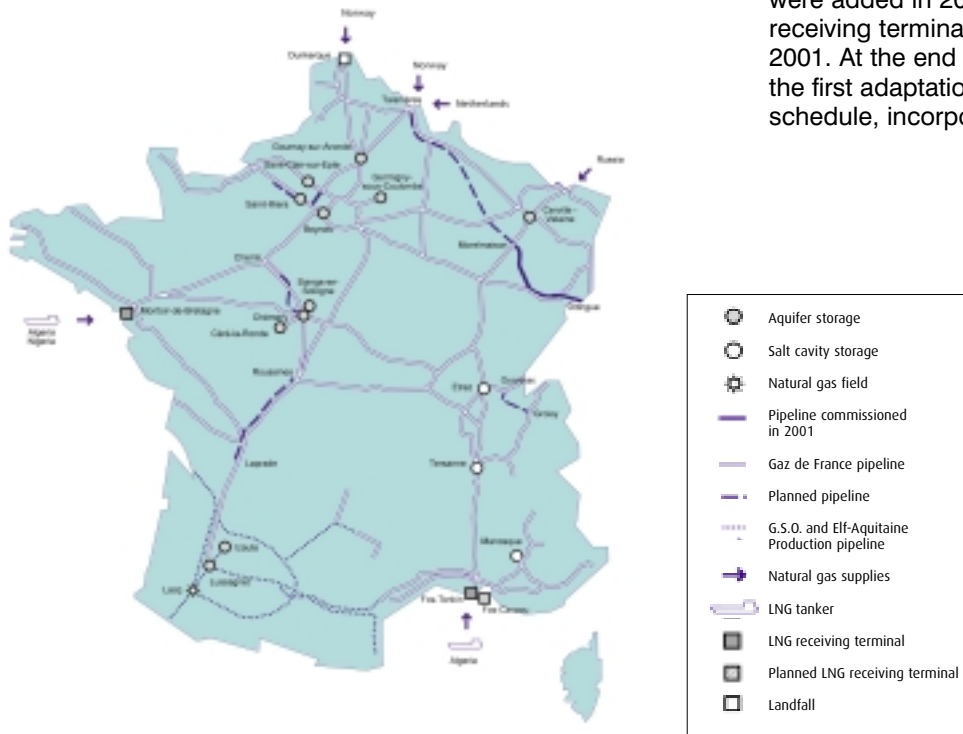
Access conditions and transmission rates have been posted on the Group's Web site since July 2000. Connection and delivery services were added in 2001. Rates for access to LNG receiving terminals were published in March 2001. At the end of 2001, the Group published the first adaptation of the transportation rate schedule, incorporating initial feedback.

Simulation software allows shippers to evaluate the cost of the different services, and a secure Internet link enables them to monitor their transportation contracts in real time. Independent and secure, the Transmission division's IT system guarantees the full confidentiality of commercial data.

SUSTAINED DEVELOPMENT OF THE TRANSMISSION SYSTEM

Almost one billion euros were committed for the period 2001-2003 to improve supplies to French regions, develop underground storage facilities, reinforce hook-ups with European grids and keep pace with increased deliveries from Norway.

In September 2001, Gaz de France opened France's largest compressor station at Pitgam, near the French receiving terminal for Norwegian gas in Dunkerque. It has a capacity of 60 MW and can boost 15 billion m³ of natural gas per year, the equivalent of a third of current French consumption.





Entirely automated, this station reports remarkable environmental performance – soundproofing, low NO_x turbo compressors, integration into the landscape. The total investment represented 54 million euros.

The construction of the 500-kilometer Artère des Marches du Nord-Est pipeline enables Gaz de France to channel Norwegian gas to Italy and strengthen its role as a natural gas hub in western Europe. The project required the construction of a 30 MW compressor station at Morelmaison in eastern France, where the pipeline meets the trunk line from Russia, and a metering station at Oltingue, further north. The launch of the first section of this pipeline (200 kilometers between Morelmaison and Oltingue) on October 1, 2001, led to the start of the service contract signed with the Italian company Snam.

The project is scheduled to be completed in 2002 when the second, 300-kilometer section between Taisnières and Morelmaison is commissioned and the Taisnières compressor station upgraded.

Gaz de France also reinforced its transmission system around the three underground storage facilities in the center of France to meet increased demand and improve service to the southwestern and southeastern parts of the country. Work was completed in 2001 on the section of the Artère du Centre pipeline (200 kilometers). This pipeline came on stream in early 2002.

At the same time, Gaz de France launched a major program to upgrade and develop its natural gas compressor stations and storage facilities which will be completed in 2010. The principal phase of the modernization of the Saint-Illiers storage facility was completed in 2001, and work continues on the Etrez and Chémery facilities.

In addition, Gaz de France develops new ultrasonic meters that are more accurate, economical and resistant. Gaz de France also evaluates different innovative products designed to measure the higher heating value of the gas it transports.



**One of the world's
leading operators
in natural gas storage**

51 billion m³
of natural gas carried

IMPROVEMENTS TO LNG RECEIVING TERMINALS

More than 25% of Gaz de France's supplies are delivered as liquefied natural gas. The Company has the largest LNG receiving and regasification capacity in Europe with two LNG terminals. The expansion of the Montoir-de-Bretagne terminal in Brittany, Europe's largest, was completed in 2001, bringing its docking capacity to 145 ships per year (10 billion m³ of natural gas). A safety management system was introduced at the Montoir-de-Bretagne and Fos-sur-Mer terminals, and compliance of these two LNG terminals with the Seveso II Directive was ensured as of February 2001.



NEW TRANSPORTATION INITIATIVES IN EUROPE

The Group develops its transportation activities in the framework of the European supply and transmission system. It is a shareholder of European pipelines (Megal in Germany, WAG in Austria and SEGEO in Belgium), and has throughput capacity in several transmission systems, including Interconnector (United Kingdom-Belgium). Through its subsidiaries and affiliates, the Group develops new storage facilities in Germany and Slovakia, and helps upgrade gas infrastructures in Poland and Russia.

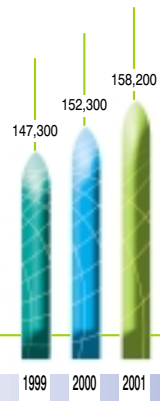
Gaz de France also participates in surveys on new pipeline routes. Together with Gazprom, Ruhrgas, Snam, Wintershall and OMV, it participates in a consortium to study a pipeline through Poland. In 2001, it took a 12% interest in Medgaz, a company created to study the feasibility of an underwater pipeline linking Algeria and Spain.

ACQUISITION IN GAS TRANSMISSION IN MEXICO

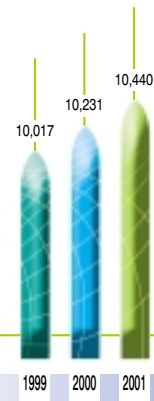
Gaz de France acquired two natural gas transmission companies in Mexico in the first half of 2001. Energia Mayakan owns and operates a 700-kilometer pipeline in the Yucatan peninsula, which primarily supplies power plants. In the next few years, at least two new power plants and large industrial customers will be connected to this grid. Gasoductos del Bajío commissioned a 200-kilometer pipeline during the year which serves an area with strong growth potential in the industrial sector northwest of Mexico City.



10.44 million customers in France and more than 2 million throughout the world



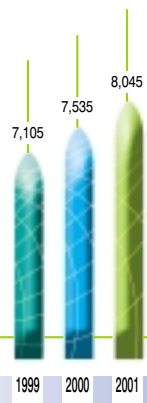
Gaz de France's French distribution network (kilometers)



Number of customers in France (thousands)

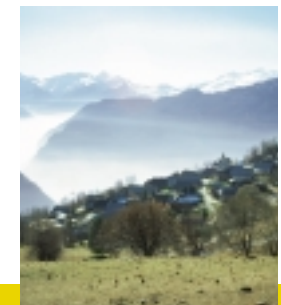
IN 2001

- ▶ In France, Gaz de France invested **426 million euros to improve and develop the distribution network** and connected **510 additional municipalities**, 330 of which in the framework of the national service plan.
- ▶ It strengthened the commercial organization dedicated to corporate customers and launched an **online agency** service via the Internet for residential customers.
- ▶ In Europe, the Group **reorganized its equity interests in Germany**.
- ▶ In Latin America, the Group also pursued the **development** of its distribution franchises in Mexico. In Uruguay, Gaseba Uruguay adapted its facilities to replace the manufactured gas used up to now by natural gas to be imported from Argentina as of 2002.



Number of municipalities connected to the French network

In order to serve 15 million customers in 2005, Gaz de France has launched a major program to expand its distribution network in France, strengthen its positions in Europe, where its presence is significant (in Germany, Austria, Hungary and Portugal), and develop a new growth focus in Mexico.



Distribution in France

Natural gas:
*the heating energy the French
prefer (Credoc 2001)*

242,000 ADDITIONAL CUSTOMERS FOR HEATING

Heating, hot water and cooking in private residences represent more than 40% of the sales of Gaz de France, which focuses on four areas (comfort, services, advice, safety) in its ongoing efforts to enhance living conditions.

For residential customers, the Company pursues the development of the operation "Gaz de France Recommends" throughout France. Because of the investment made (400 Gaz de France advisors and 400 Natural Gas Comfort customer information displays), this program has proved to be a great success. More than 470,000 calls from customers were tallied in 2001 on the Company's local-rate number, up from 300,000 in 2000. In 2001, a new customer relations channel was introduced – the Internet, via a new section reserved for residential customers on the Company's Web site www.gazdefrance.com and the generalization of the online agency in September. This service allows residential customers to consult their consumption profile and gas meter readings, pay bills, cancel their contracts and change addresses. At the same time, all the Distribution Areas have Internet sites with national and regional information.

In the second half of 2001, Gaz de France launched a major advertising campaign in newspapers, on the radio and on television to reaffirm the competitiveness of natural gas and remind consumers of its other qualities, i.e. comfort and respect for the environment.

Gaz de France opened five new customer information centers, one in a shopping mall, two in town centers and two in priority neighborhoods.

In 2001, 557,000 Quality Audits were conducted to enhance the quality and safety of customers' installation pipework, of which 226,000 were in social housing units. Since the program was launched in 1997, more than 2.2 million customers have chosen this service for which there is a charge. In the same spirit, Gaz de France signed a new Natural Gas Professionals agreement with installers and after-sales service representatives. To benefit from the label, companies must have a gas specialist trained and certified by the official Qualigaz® organization. This specialist is in charge of quality control for natural gas installations. In addition to enhancing professionalism, the goal is customer satisfaction.

In the new housing market, the development of a Natural Gas Builders label was pursued. Nine hundred and fifty builders have earned this label and help promote natural gas solutions, in line with the new regulations on heating in effect in France since June 1, 2001.

Moreover, to assure private developers of quality service while limiting their investments, Gaz de France launched Clarily®. This product makes it possible to cover the financing and maintenance of a furnace for two years by paying a monthly installment. Gaz de France also joined forces with Lafarge to create an Internet portal batirenover.com, which offers advice and information on all phases of construction or renovation.

95% of customers
satisfied with their Quality Audits





Distribution in France

CONTRIBUTING TO CORPORATE PERFORMANCE

Gaz de France commits itself to provide corporate customers with quality service, customized solutions, help in optimizing consumption, and environmentally friendly processes and performance.

Gaz de France expanded its commercial organization by creating a new agency for industrial groups, which provides non-eligible multi-site companies with a single national representative and a comprehensive response to their needs. This agency compliments the eight regional agencies dedicated

to industrial and agribusiness companies. Customers in residential and business sectors benefit from a similar customer service organization comprising 21 residential and business agencies and a key commercial accounts division. This entity manages large non-eligible social housing and commercial accounts with centralized decision-making structures.

Small businesses and the self-employed benefit from personalized service at the 98 Distribution Areas and can obtain advice and information from the Gaz de France Customer Relations Center.

In addition, when complex problems arise, customers can benefit from the advice and expertise of ExpertGaz® in industry and cogeneration, Actigaz® in commercial operations, and Cegibat® in the construction sector. Downstream, Cofathec® develops energy supply services.

A PARTNER OF LOCAL GOVERNMENTS

By connecting more than 1,600 additional municipalities to its mains between 2000 and 2003, Gaz de France will bring the total supplied to more than 8,500. These municipalities are connected in the framework of the new service program drawn up by the French government (decree of April 12, 1999, and earlier decisions). In 2001, this program represented an investment of 198 million euros. In 2001, 510 additional municipalities were hooked up to the distribution network, which supplies more than 8,000 municipalities representing more than 75% of the population of continental France.

By its responsiveness, transparency and commitment to the general interest and public service, Gaz de France is a full-fledged partner of local governments. The Group offers a full range of products and services to meet their need for expertise in energy applications, and accompanies them in their environmental and sustainable development decisions. It regularly provides advice and assistance to local governments.

Markets

Natural gas, the environment and economic development – natural allies

Changes in regulations and citizens' growing awareness of environmental priorities boost the growth of natural gas, the most competitive and cleanest of fossil energies. Gaz de France has long integrated these factors into its policy of innovation and commercialization. Gaz de France works

with its customers to optimize the energy efficiency of installations in residences and industry, control consumption, improve production processes, reduce their impact on the environment, process emissions and waste, valorize biogas and renewable energies with the help of natural gas,

and convert vehicle fleets to NGV. The Group assists residential customers, companies and local governments in the decision-making process to identify solutions that combine quality, environmental protection and economic performance both today and in the long term.



International distribution

To capitalize on its customer portfolio and win new market share in other countries, common operating policies are being defined for all of the Group's subsidiaries as Gaz de France encourages the sharing of innovative solutions and best practices among subsidiaries and countries.

POSITIONS CONSOLIDATED IN EUROPE

In Germany, Europe's largest gas market, the Group counts approximately 825,000 customers through two distribution subsidiaries in neighboring areas: Gasag in Berlin, controlled together with the Berlin electricity utility Bewag, and EMB in the state of Brandenburg.

In 2001, Gaz de France increased its equity interest in EMB to 80%.

Gasag, Berlin's leading heating operator with a market share of more than 40%, reported sales of 657 million euros, up 33%. EMB consolidated its positions with net sales of 239 million euros, representing an increase of 40%.

In Hungary, the subsidiaries Egaz and Degaz have a market share of 23% and supply more than 712,000 customers.

Egaz reported net sales of 127 million euros, while sales at Degaz totaled 160 million euros. The organization of these two companies was adapted to facilitate implementation of synergies.

In Austria, almost 500,000 customers are supplied with natural gas by ESTAG, the multi-energy utility of the province of Styria, in which Gaz de France and EDF have a 25% equity interest. In 2001, ESTAG reported net sales of 764 million euros, up 8.34%. In Portugal, Portgas supplies almost 100,000 customers. In 2001, net sales totaled 47 million euros, representing an increase of 67%.

DEVELOPMENT IN URUGUAY AND MEXICO

In Uruguay, Gaseba Uruguay manages a distribution network in Montevideo that is being adapted to receive natural gas from Argentina in 2002. The network's conversion to natural gas will be completed by 2004. Gaseba Uruguay reported net sales of 19 million euros in 2001.

As the second largest natural gas distribution company in Mexico with 1.6 billion m³ and a 25% market share, the Group operates franchises in three regions: in the northern part of the state of Tamaulipas near the Texas border, in the suburbs of Mexico City, and in the region of Puebla Tlaxcala, 120 kilometers from Mexico City. These three budding franchises already supply 65,000 residential and industrial customers and in 2001 reported net sales of 64 million euros. The Group has launched a 330 million euro investment program for the period 2001-2010.

130,000
customers in Latin America
(Mexico, Uruguay)



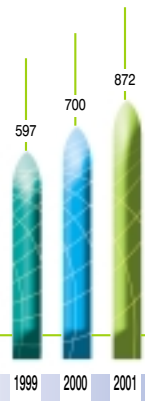


Services

Growth

N° 3 in France
N° 1 in Italy

1,522,000 m²
air conditioned
(cumulative year end 2001)



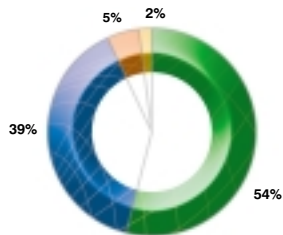
Cofathec® net sales, excluding VAT millions of euros
+25%

Cofathec® regroups the service activities of Gaz de France in France and Europe and mainly operates downstream from the supply of energy. Specialized in energy services, the management of industrial utilities and facility management, Cofathec® develops a full range of customized solutions for professionals in the industrial, commercial, residential and local government sectors.

A major European player active in France, Italy, the United Kingdom, Benelux and Switzerland, Cofathec® is also the leading operator of NGV stations in France and n° 3 in the management of HVAC systems, two segments which have growth potential in the local government market.

IN 2001

- ▶ Cofathec® reported **net sales** of more than 872 million euros, **up 25%**.
- ▶ In **France**, Cofathec® **acquired ADF** (Ateliers de Fos), specialized in heavy industrial maintenance, **Cottier Equipements** and **Technitherm**.
- ▶ In **Italy**, Cofathec® **confirmed its leadership** by acquiring Policarbo and Castagnetti in 2001 and Zanzi in early 2002.
- ▶ In the **United Kingdom**, **net sales** at Cofathec Heatsave, which also benefits from strong growth in Supply and Trading activities, **increased by 19%**.



France
Italy
United Kingdom
Switzerland and Belgium

Cofathec®, net sales



Services in France



MORE SERVICES FOR INDUSTRIAL CUSTOMERS

In 2001, Cofathec® conducted several external growth operations in order to be in a position to offer the industrial sector an expanded range of efficient services. Cofathec® acquired a 75% equity interest in Ateliers de Fos (ADF), which has recognized expertise in industrial maintenance for petrochemical and steel industry facilities and is the leader in the industrial region of Fos-sur-Mer and the Etang de Berre. Cofathec® is now organized by industrial sector and can, therefore, better adapt solutions to customer needs. Four entities operating in synergy (Cofathec Services, Omega Concept, Cofathec Projis and ADF) ensure optimal coverage of all the major industrial regions

and provide industrial customers with tailored services, including surveys, design, construction of equipment, management of utilities, control and optimization of energy consumption, financing for energy projects, industrial maintenance, multi-technique maintenance, multi-service assistance and facility management.

Cottier Equipements (industrial cooling equipment) and Technitherm (an engineering firm specialized in the energy optimization of industrial processes and the processing of volatile organic compounds) joined forces with Cofathec® at the end of 2001, complementing the Group's expertise.

NEW MAJOR CONTRACTS IN THE RESIDENTIAL AND COMMERCIAL SECTORS

Cofathec® provides services that ensure comfort and safety in corporate headquarters, high-rise buildings, shopping malls, hospitals, museums, etc. For example, Cofathec® supplies fuel and totally guarantees maintenance for a heating network that covers 1,840 dwellings spread over 16 sites (total of 18 MW) in the greater Paris area. In addition, Cofathec® converts many heating systems to natural gas throughout France.

Natural gas air conditioning, continued development

In 2001, more than 501,000 m² were air conditioned using natural gas, mainly in hotels, healthcare centers, mass-market chain stores and offices, in which Climo'gaz® has been very successful.

In 2001, an experiment was launched to develop an air conditioning system for the residential sector. Today, with 85 installations and 125 maintenance contracts, Cofathec® is the market leader.

Markets

Facility management, a comprehensive solution

Cofathec® offers facility management services that provide an efficient response to the strategic development of the Group's customers. Organizing peripheral activities at the business's core, it enables customers to focus on processes that create value. For example,

for Atmel, an American semiconductor manufacturer based in southeastern France, Cofathec® provides not only many technical services, such as the operation and maintenance of ultra-clean rooms, but also virtually all the services the building's occupants require (reception, logistics).



Services in France

EFFICIENT SOLUTIONS FOR LOCAL GOVERNMENTS

In addition to multi-technique services and comprehensive service packages for local governments, Cofathec® operates, through Cofathec Services and Coriance®, some 15 district heating networks in France, almost all of which are equipped with natural gas cogeneration. In 2001, the company won a tender for the renovation and expansion of the network of a university center in Lyon.

The Gaz de France Group also has a 34% equity interest in Soccram (Thion Group), France's third largest operator with net sales in 2001 of 231 million euros, which manages 26 district heating networks in France, as well as a network in Poland.

Processing of gases from waste, new opportunities

The injunction not to use landfills to dispose of post-consumer waste as of 2002 creates new prospects for methanation. The Gaz de France Group develops a range of processing services including the construction, operation and maintenance of equipment. Gaz de France thus gives concrete expression to its commitment

to sustainable development by offering two types of waste management solutions: on the one hand, source reduction (disagreeable odors, atmospheric and water discharges) and, on the other, the promotion of a new, renewable source of energy – gases from local waste processing and landfills. This solution is backed by partnerships that incorporate local expertise (for technical planning and on-site operations).

NGV, the benchmark fuel alternative

NGV (Natural Gas for Vehicles) had a share of more than 30% of the mass-transit bus replacement market in 2001. Pioneer cities confirmed their choice by developing their NGV programs. Toulouse, Grenoble and Boulogne joined the list of municipalities that express their commitment to sustainable development through NGV. Today, more than 700 buses run on natural gas, and 1,545 heavy-duty vehicles are on order. NGV has also penetrated the garbage collection market and the corporate and local government vehicle fleet sector; 69 garbage trucks and more than 4,000 light utility vehicles are in service. The City of Paris has announced its decision to fuel its 400 garbage trucks with NGV.

In 2001, Gaz de France's dedicated subsidiary, GNVert®, opened 75 new service stations in 75 cities.

COGENERATION, A GROWING MARKET

Gaz de France offers a full range of cogeneration products and services, including project expertise with ExpertGaz Cogénération®, surveys, construction with Cofathec Projis, financing with Finergaz® and operation and maintenance with Cofathec Services.

CHP systems in which the Group invests through Finergaz® represent an installed capacity of 530 MWe.

An example of 2001 achievements is the trigeneration plant built for the City of Montpellier. Hooked up to the urban network, it meets a third of the heating needs and two-thirds of the air conditioning needs of the city's new neighborhoods.



International

Market share in Italy: 27%

COFATHEC® REPORTS 45% GROWTH IN ITALY

In Italy, Cofathec® confirmed its leadership through the acquisition of Policarbo and Castagnetti in 2001 and Zanzi at the beginning of 2002. Policarbo specializes in HVAC engineering, installation of new equipment and industrial services. The firm has a work force of 1,140 and, in the second half of 2001, posted net sales of 63 million euros. Zanzi employs 550 people and has expertise in traditional heating services, facility management

and construction in the public and private residential and commercial sectors. Castagnetti is the Italian leader in clean rooms and has just joined forces with Omega Concept in this market. Working closely with administrative services, local governments and the commercial sector, Cofathec® thus bolsters its development prospects in industry in Italy. These Italian companies contributed 340 million euros to the Group's net sales in 2001, representing an increase of 45%. They reported a market share of 27%.

DYNAMIC GROWTH IN THE UNITED KINGDOM

Cofathec Heatsave is one of the leading private British facility management companies. It operates a network of agencies throughout the country to serve its multi-site customers and frequently complements the proposals of Gaz de France Energy Supply & Solutions® to key industrial accounts.

Cofathec Heatsave has acquired a position in the new market for long-term contracts in the framework of the outsourcing of British government services. The company reported net sales of 47 million euros, up 19% from 2000 and 47% in two years.

Markets

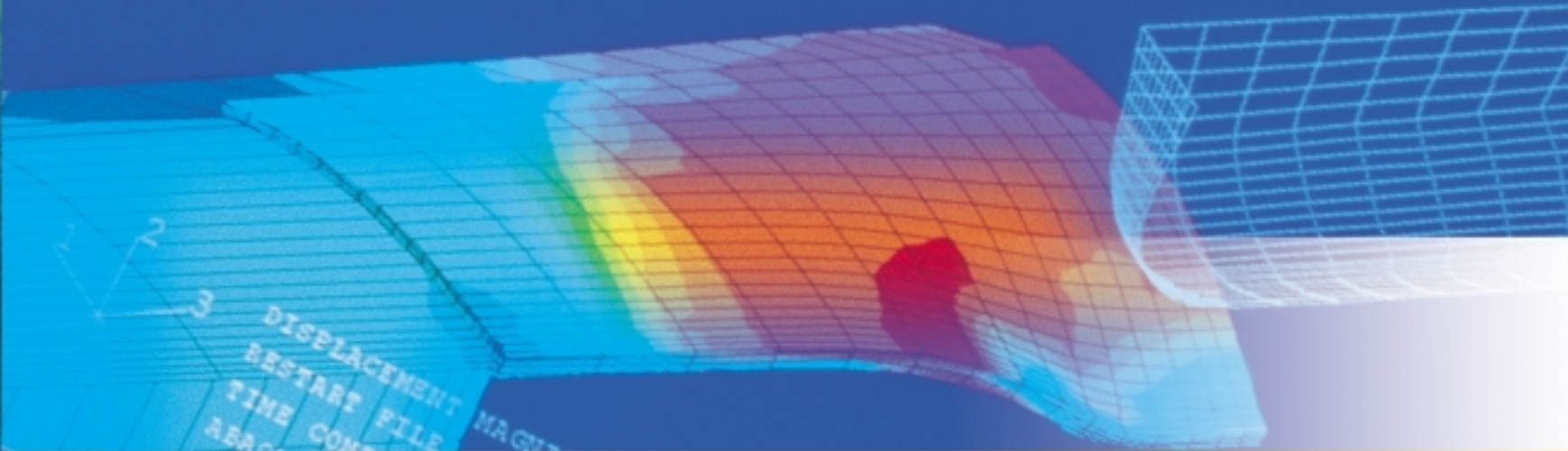
Outsourcing in Italy and the United Kingdom

Italy has accomplished one of the most complete outsourcing programs in Europe, involving the supply, operation and maintenance of energy systems as well as responsibility for safety, cleaning and the management of shops and restaurants. For example, Cofathec® is responsible for the organization, management and maintenance of technical services, the movie theater, stage hall, bookstore and cafeteria of Rome's exhibition pavilion.

Cofathec® also won a tender for the renovation and technical maintenance of Italy's 14 largest train stations, including those in Rome, Milan, Turin, Naples and Palermo. The Italian trend to outsourcing has caught on in Europe, as illustrated by the Private Finance Initiative introduced in the United Kingdom. This program makes it possible to commission private consortiums, remunerated by long-term contracts, to finance, build, renovate and ensure the

operation and maintenance of public facilities such as hospitals, jails and sports facilities. In 2001, Cofathec Heatsave signed a contract to provide a range of services, including the maintenance and renovation of facilities at nine British jails. In partnership with Gaz de France Energy Supply & Solutions®, Cofathec Heatsave also won a 16-year contract to upgrade several public buildings, operate heating systems and supply energy.





Enhancing consumer satisfaction



Gaz de France commits itself to continuous improvement in the quality and competitiveness of its services both as a public service provider and as a player in markets open to competition, and to the integration of sustainable development priorities into all stages of its activities.

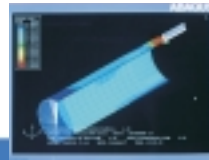
**HUMAN
RESOURCES**

Adapting skills to the development of its businesses, enhancing mobility and training policies, setting up a European Works Council – these are ways Gaz de France emphasizes the quality of labor relations to lead change successfully.



INNOVATION

The Group customizes its services, expands the range of products and services it offers to ensure customer loyalty, win over new users and improve its competitiveness. To this end, it creates new organizations and relies on one of the world's leading gas research centers.



**QUALITY
AND SAFETY**

Gaz de France is committed to quality management focused on customer satisfaction.

In France, for example, Distribution Areas and commercial agencies have obtained ISO 9001 certification in four fields.

Gaz de France helps ensure the safety and improve the performance of its customers' natural gas installations.

At the same time, the Group works to maintain a high level of safety at its own facilities and reduce their impact on the environment.



**SUSTAINABLE
DEVELOPMENT**

Sustainable development is a core Group value. To give concrete expression to its daily commitment, Gaz de France undertook to draw up an Agenda 21 to emphasize and enhance sustainable development at all stages of the Group's activities. It is one of the first large French companies to take this decision.





A shared goal of progress

84% of the work force satisfied
with their jobs
(2001 survey "You and Your Company")

In a context of increased globalization and competition, Gaz de France launched initiatives in 2001 to boost the performance and motivation of its teams. These initiatives concerned the enhancement and improvement of the management of employee skills and the development of labor relations.

Recruitment procedures were decentralized. More rapid and better adapted to the Group's needs, they enable units to consult specialized headhunters approved by the Group. At the same time, e-recruitment of managers has been operational on the gazdefrance.com Web site since 2001.

DEVELOPMENT OF TEAMS AND DIVERSIFICATION OF EXPERTISE

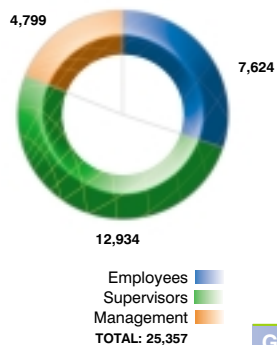
The 1999-2001 labor agreement on the 35-hour workweek and efforts to encourage employees to work 32 hours, together with new workplace organization, led to the hiring of 3,352 new employees in three years.

The Group diversified its recruitment pool to hire the skills it needs to keep pace with the development of its businesses. There were more young people with university degrees, more staff with professional experience, and more people in marketing and sales. To facilitate the integration of new employees, 11 meetings were organized for the new hires with the participation of Group management.

ENHANCING MOBILITY AND TRAINING POLICIES

Gaz de France has implemented a more attractive policy to promote employee mobility and introduced new tools to encourage career development and mobility within the Group. Initiatives in France include Cap Emploi for employees and supervisors and Espace Mobilité Cadres for management. A Cap Emploi organization was set up in Ile-de-France. This program will be introduced throughout France in 2002.

Gaz de France also redefined its training policy. The objective is to promote career development and adaptability to change. This materialized in the creation of Procadre, a program designed to facilitate the access of supervisors to management positions.



Gaz de France's work force
by job category
as of December 31, 2001



CREATION OF A EUROPEAN WORKS COUNCIL

To allow quality labor relations to keep pace with the Group's industrial development, Gaz de France created a European Works Council with labor organizations at the level of France, Europe (EMCEF and APSU), Germany, the United Kingdom, Belgium, Hungary, Italy and the Netherlands. Through this body, which provides an opportunity to exchange information and advice on questions concerning the whole Group, staff representatives and the Group's executive management seek to combine economic performance and employee interests.

DEVELOPMENT OF BRANCH LABOR RELATIONS

A new framework for labor negotiations was introduced in 2001 through the creation of an electricity and gas industries branch by sector employers and five labor organizations.

EMPLOYEE PARTICIPATION

In France, the Group successfully organized the third series of regional meetings which allow employees to have direct contact with management. In three years, 14,000 staff members took part in 63 meetings. This initiative was seconded by the operation "The Group Moves Ahead", which is organized at the regional level around business forums, exhibits and plenary sessions. The biennial employee satisfaction survey "You and Your Company" enabled 3,376 employees to give their opinions about their work, relations in the Company, and Gaz de France's development and strategy.

Internet access at home for every employee

The Internet has become an essential part of our professional lives. To give all its employees the opportunity to discover the Web or continue to surf, Gaz de France launched the net@tous program in October 2001 with EDF. The program offers Internet access under very advantageous conditions. All employees who have been in the Company for at least two months are eligible, whatever their job status.

Four options are offered to satisfy the greatest number, from simple access to a laptop computer with Internet access. A European tender was launched to conduct this operation, the most extensive ever organized in France, since it concerns 160,000 employees in the two companies Gaz de France and EDF. As of December 31, 2001, 54% of the work force had put in their order and 45,327

deliveries had been shipped to their homes by NEC. By giving each employee the possibility to access this new technology at home, Gaz de France hopes to reduce the technology gap and provide its employees and their families with the opportunity to adapt to the changes they are confronted with in their professional and personal lives.





Innovative, customized solutions

In an increasingly competitive environment, Gaz de France invests in innovation to improve its productivity and create more value for its customers.

Through new products, new marketing proposals, new channels of commercialization and procurement with the online agency for residential customers, extranet systems for key accounts, new workplace organization, new logistic practices and the development of downstream activities, innovation irrigates all the dimensions of the Company.

INCREASINGLY CUSTOMIZED SERVICE

Since customers are at the heart of its commercial success, Gaz de France works to enhance the quality and customized character of its services. From research to marketing to the sales force in the field, all the Group's teams play a role.

Marketing contributes an in-depth analysis of the needs and potential of each customer segment. Improving existing proposals, trying out new offerings, strengthening partnerships with the gas industry and anticipating changes in heating and environmental regulations are constant priorities for the Group's marketing team.

Specialized by business sector, the sales force was significantly bolstered in the last two years and staff training programs were expanded.

EUROPE'S LEADING GAS RESEARCH ENTITY

Powerful and efficient, Gaz de France's Research and Development division makes a major contribution to the Group's technical and commercial development. It is one of the top three research centers in the world.

The vast majority of the Group's research programs, which are developed with the operating and functional divisions, address customer needs directly. By sharing projects with external partners and participating in international programs, Gaz de France's Research and Development division increases the efficiency of the capital invested.

Customer satisfaction

A turnkey solution for the paper manufacturer Emin Leydier

Emin Leydier's boilers could no longer meet the company's needs, and there was no back-up system. By proposing an innovative, multi-service solution, including the sale of natural gas, financial and technical engineering for installation and operation, the Group won one of the largest industrial cogeneration projects in France and a contract to sell 1,300 million kWh of natural gas per year.

The technical solution? A CHP plant connected to a steam boiler. The electricity produced (336 million kWh) is sold to EDF, and the steam (410 million kWh) to the papermill. In the event of a power failure, the turbine automatically switches over to the plant's system. The service solution? A special-purpose company created by the Group manages the operation –

purchase of natural gas, sale of electricity and steam, repayment of the loan contracted to finance the works, management of costs, operation of the papermill's entire heating system. The reason for customer satisfaction? Emin Leydier reduces its energy bill, increases its competitiveness and focuses on its core business.

A CUSTOMER-FOCUSED RESEARCH AND DEVELOPMENT DIVISION

Targeting comfort, dependability, energy efficiency and environmental protection, Gaz de France's Research and Development division works to improve the uses of natural gas. The Group operates directly or through partnerships with customers, equipment manufacturers, installers, specifiers and government authorities, especially ADEME, the French agency for the environment and energy management. In 2001, Gaz de France signed a five-year partnership agreement with the Institut de Verre. This partnership continues the initiatives previously launched, such as the development of innovative combustion techniques to allow the glass industry to reduce NO_x emissions. The Company also joined forces with the platurgy industry to develop new natural gas solutions.

CURBING COSTS

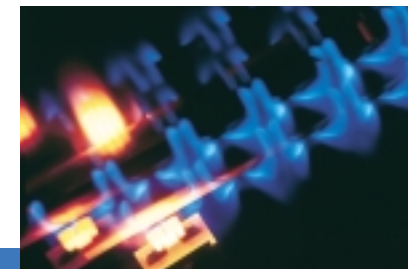
Reducing investment and operating costs in the transmission, storage and distribution of natural gas is another way to enhance the competitiveness of the products and services Gaz de France offers its customers. Research in this field is particularly productive. In land transmission, the development of new materials and new techniques to lay pipework, monitor and protect the grids makes it possible to lower costs significantly. For storage, new drilling techniques using powerful modeling tools augment storage volume without enlarging the storage site and significantly reduce operating costs.

In 2001, the Group also joined forces with four European gas utilities to study the adoption of common specifications to lower cost prices.

Reducing costs and delivery time is at the heart of efforts to improve logistics at Distribution Areas. Three new logistic platforms were opened in 2001, bringing to eight the number of operational platforms in France. In addition, preparatory work for the last three platforms was completed during the year. Now almost 70% of the Distribution Areas benefit from "just-in-time" delivery of the equipment they need at the lowest price and in compliance with the commitments made by suppliers. Such performance benefits customers directly.

1,770 patents

200 research contracts in progress





Priority focus on quality and safety

Gaz de France focuses on quality in all its markets – residential, industrial, commercial and local government. Customer satisfaction is the prime objective. Organized around customer needs, these efforts are priorities in the Group's businesses.

ASSURING CUSTOMERS OF QUALITY SERVICES

All the divisions and subsidiaries have introduced quality control and management systems with ISO 9000 and ISO 9001 certification in certain areas. To achieve this goal, the Group wanted to involve the whole work force, beginning with management, which plays a major role in its success. The system uses formal methods and procedures with measurement indicators and regular audits. In two years, more than 60 managers specialized in quality control were hired to give each entity an expert in this area.

By the end of 2001, to respond to the two priorities of Gaz de France which are safety and development, four segments of the Distribution business were certified ISO 9001 (version 2000) – emergency service, access of all new customers to gas, turn-on and turn-off, and the processing of inquiries and calls to the regional notification centers prior to excavation. This certification was awarded to all 98 Distribution Areas as well as to the Group's commercial agencies, and more than 18,000 employees participated.

The objective is to certify all gas distribution network operations by stages between 2002 and 2003. This effort concerns both quality (ISO 9001) and environmental protection (ISO 14001). Among support activities, the professional training department was also certified in 2001.

The Transmission division aims to obtain ISO 9001 certification by the end of 2002 for the unloading and regasification of LNG as well as pipeline transmission. Cofathec® launched ISO 9001 certification proceedings for almost all of its units to introduce a quality process targeting customer satisfaction. The goal is to finalize the project in 2002.

Customer satisfaction

Using natural gas safely

Gaz de France launched a major campaign to inculcate safe gestures. A brochure and a flyer were mailed to 2.8 million customers, and the rest of the Company's French customers will receive the material in 2002. This program complements other communication initiatives targeting the general public, such as an advertising campaign on television and in magazines, an information kit for local elected officials and online safety advice on the Web site www.gazdefrance.com.

ENSURING SAFETY, ENHANCING PERFORMANCE

Gaz de France helps its customers use natural gas safely. In 2001, the Company bolstered communication with the general public and, for example, in France, multiplied partnerships with social housing organizations to conduct Gaz de France Quality Audits.

Gaz de France also focuses on the design of equipment to improve the safety of domestic installations, such as Vissogaz® in France, which secures cooking appliance connections. In France, sales represented approximately 1.1 million units in 2001.

In order to offer residential customers equipment that is best adapted to their needs, Gaz de France developed furnaces, in partnership with manufacturers, that are cleaner, more compact and very silent, as well as cost-efficient hot water systems and new air conditioning equipment. Innovations include smart furnaces capable of self-diagnosis and automatic contact with customer service representatives if the need arises.

In the industrial sector, again to enhance installation performance, Gaz de France deployed major efforts to improve energy output, process performance and the management of waste and emissions by vitrification, thermal purification or reburn.

Gaz de France offers its industrial customers digital simulation programs to determine the optimal configuration of complex industrial ovens, thereby avoiding the construction of costly prototypes.

INDUSTRIAL SAFETY AND THE ENVIRONMENT, BETTER INTEGRATION

Gaz de France works to ensure a high level of safety in all its installations and to reduce to a minimum any nuisance, emissions and effluents generated by its activities.

In a sector in which investments are considerable and commit the future, the Group's choices fully integrate both dimensions – environmental protection and safety.

Gaz de France has introduced Health Safety Environment management systems, such as the one used in exploration and production. Transmission applies a Quality Safety Environment integrated management system. In this sector, the introduction of the system enabled LNG terminals and underground storage facilities to comply with the European Seveso II Directive in 2001 and the beginning of 2002, respectively.

In addition, two underground storage facilities should be certified ISO 14001 by the end of 2002.

Distribution set up an environmental management system in ten pilot centers.

The first three were certified ISO 14001 in 2001.

**More than 98 units
certified ISO 9001**





Promoting sustainable development

Gaz de France's commitments to sustainable development are integrated into its strategic objectives. Promoting local development, fostering social integration through employment, expressing solidarity with the underprivileged, heightening awareness of environmental priorities and civic responsibility – all these priorities are shared by the Group's employees, who commit themselves every day at the grass-roots level.

AGENDA 21 OF GAZ DE FRANCE

The United Nations adopted an action plan called "Agenda 21", which defines the objectives of sustainable development, i.e. development that respects criteria of social justice, environmental prudence and economic efficiency.

Gaz de France decided to make this approach its own by relying on the intrinsic qualities of natural gas, its knowledge of customer needs and its partnership with local governments.

In addition to its Environment Plans, Gaz de France was one of the first large French companies to draw up its own Agenda 21. The main lines have already been decided, and each entity is now determining its action plan for sustainable development. Together, these action plans, which were developed with local participation, will make up Gaz de France's Agenda 21.

For more information about the commitment of the Gaz de France Group to sustainable development, consult its Sustainable Development Report for 2001 and its Web site at www.gazdefrance.com.

FONDATION D'ENTREPRISE GAZ DE FRANCE

Gaz de France's company foundation (Fondation d'entreprise Gaz de France) supports Group initiatives in three fields - solidarity, protection of the environment and cultural heritage, and civic responsibility. It acts directly at the grass-roots level and in partnership with many non-profit groups.

In 2001, the foundation supported more than 30 projects to foster social integration and fight against exclusion. 497 young people currently benefit from the jobs proposed by Gaz de France and its partners in the areas of sports and the environment. The foundation contributes approximately 550,000 euros to the preservation and restoration of natural and cultural heritage by rehabilitating major sites and hiking trails, supporting biodiversity, restoring and creating stained glass windows. The year 2001 again saw the success of the partnership between Gaz de France and the French Hiking Federation with the organization of the Euro Randos hiking festival. In addition, 500 kilometers of trails damaged by the hurricane-force winds in December 1999 were restored in 32 departments. Finally, Fondation d'entreprise Gaz de France formed a new partnership with the Musée des Sciences et Techniques de la Villette to create a club of companies to make the economic sphere more aware of sustainable development and social issues.

The Act for Employment Foundation: five years of solidarity

In five years, in particular with the support of contributions from Gaz de France employees, the Act for Employment Foundation has helped create almost 5,000 jobs by supporting the formation of companies by the unemployed and the development of local services and integration structures through employment.



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A copy may be ordered

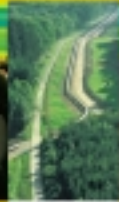
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GAZ DE FRANCE

CONSOLIDATED FINANCIAL STATEMENTS 2001



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Consolidated Balance Sheet

Assets

		2001	2000
(millions of euros)	Note	Net	Net
Fixed assets			
Intangible assets	1	871	732
Non-franchised tangible assets	1	3,965	3,728
Franchised tangible assets	1	8,282	7,736
Construction in process	1	1,249	1,144
Investments in equity affiliates	2	400	353
Other long-term investments	2	682	807
Financial sector investments	2	272	297
	I	15,721	14,797
Current assets			
Inventories and work in process	3	1,130	1,159
Accounts receivable	4		
– Trade accounts receivable and related receivables		4,081	3,179
– Other		1,403	1,140
Marketable securities	5	433	362
Net cash		277	139
Current assets in the financial sector	4	79	35
	II	7,403	6,014
TOTAL	I to II	23,124	20,811

Stockholders' equity and liabilities

			2001	2000
(millions of euros)				
		Note		
Stockholders' equity				
Equity - Group share				
Capital stock			903	903
Consolidated reserves and net income			5,017	4,121
Other			42	26
	I	6	5,962	5,050
Minority interests	II	6	300	204
Other equity				
Value of franchises - Franchisors' inherent rights			3,122	2,897
Irredeemable securities			485	485
	III		3,607	3,382
Allowances for liabilities and charges	IV	7	4,663	4,547
Liabilities				
		8-9		
Financial debt			3,604	3,406
Trade accounts payable and related payables			1,787	1,698
Taxes and social contributions			1,467	949
Other debt			1,394	1,218
Financial sector debt			340	357
	V		8,592	7,628
TOTAL	I to V		23,124	20,811

Consolidated Statement of Income

		2001	2000
<i>(millions of euros)</i>			
	Note		
Net sales	10	14,357	11,211
Change in inventories		(8)	12
Capitalized expenses		312	376
Production		14,661	11,599
External expenses		(9,719)	(7,686)
Value added	11	4,942	3,913
Payroll costs		(1,900)	(1,710)
Taxes and assimilated		(191)	(202)
EBITDA		2,851	2,001
Depreciation, amortization and allowances (net of reversals and transfers of charges)	12	(1,084)	(1,032)
Other operating income (expenses)		(130)	(95)
Operating income		1,637	874
Net financial income (expenses)	13	(120)	(166)
Income before extraordinary items of consolidated companies		1,517	708
Extraordinary items	14	(24)	29
Corporate income tax	15	(551)	(246)
Share of earnings in companies accounted for by the equity method		33	9
Amortization of purchase differentials		(21)	(17)
Consolidated net income		954	483
Consolidated net income - Group share		891	431
Consolidated net income - Minority interests		63	52
Remuneration of the State		-	(113)
Consolidated net income (after remuneration of the State)		891	318

Consolidated Statement of Cash Flows

		2001	2000
<i>(millions of euros)</i>			
I - Operating activities			
Net income - Group share	1a	891	318
Minority interests	1b	63	52
Net income (loss) of companies accounted for by the equity method	1c	(33)	(10)
Depreciation, amortization and allowances	1d	805	760
Other elements	1e	485	253
Dividends received from companies accounted for by the equity method	1f	13	16
1. Current cash flow (1a + 1b + 1c + 1d + 1e + 1f)	1	2,224	1,389
2. Changes in working capital requirements	2	+ 190	+ 671
Net cash from operating activities	(1 - 2) I	2,034	718
II - Investing activities			
1. Investments			
Intangible and tangible assets		1,331	1,215
Interest in subsidiaries and affiliates and impact of changes in the consolidation scope		377	330
	1	1,708	1,545
2. Other cash outflow from investing activities	2	202	271
3. Proceeds			
Grants		1	2
Net proceeds from sale of assets		30	327
Reduction of long-term investments		242	48
	3	273	377
Net cash used in investing activities	(1 + 2 - 3) II	1,637	1,439
III - Net increase in cash and cash equivalents	(I - II) III	397	(721)
IV - Financing activities			
1. Capitalized surplus and additional paid-in capital	1	2	-
2. Dividends	2	(31)	(29)
3. Market operations	3	229	1,181
4. Reimbursements and repayments			
Irredeemable securities		-	206
Loans		450	501
	4	450	707
Net cash used in financing activities	(1 + 2 + 3 - 4) IV	(250)	445
V - Changes in foreign exchange	V	+ 42	- 7
VI - Changes in cash and cash equivalents	(III + IV + V) VI	+ 189	- 283

Notes to the Consolidated Financial Statements

I - 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 193 consolidated entities – 84 companies directly consolidated and 7 sub-groups. Of the 84 companies, 56 are fully consolidated (F); 16 are consolidated pro rata (P); and 12 are accounted for by the equity method (E).

MAIN COMPANIES			2001	2000
	Country	Consolidation method 2001	Percentage interest	
GAZ DE FRANCE	France	Parent company		
Exploration and Production				
GDF BRITAIN	United Kingdom	F	100.00	100.00
GAZ DE FRANCE NORGE	Norway	F	100.00	-
GDF PRODUCTION NEDERLAND	Netherlands	F	100.00	100.00
E.E.G. Group	Germany	F	75.00	75.00
ENERCI	Ivory Coast	P	49.00	49.00
NGT	Netherlands	P	38.57	38.57
EFOG	United Kingdom	E	22.50	22.50
Supply and Trading				
GDF ENERGY SUPPLY & SOLUTIONS (formerly Volunteer)	United Kingdom	F	100.00	100.00
MESSIGAZ	France	F	100.00	100.00
GASELYS	France	P	51.00	-
METHANE TRANSPORT	France	P	50.00	50.00
Transmission				
CFM and CFMH	France	F	55.00	55.00
ENERGIA MAYAKAN	Mexico	F	67.50	-
GASODUCTOS DEL BAJIO	Mexico	F	100.00	-
MEGAL GmbH	Germany	P	43.00	43.00
SERVICIOS INDUSTRIALES DE ENERGIA	Mexico	P	50.00	-
TRANSNATURAL DE CV	Mexico	P	50.00	-
G.S.O.	France	E	30.00	30.00
SOFREGAZ	France	E	34.00	34.00

MAIN COMPANIES			2001	2000
	Country	Consolidation method 2001	Percentage interest	
Distribution				
CONSORCIO MEXIGAS	Mexico	F	100.00	100.00
DEGAZ	Hungary	F	72.59	72.39
EGAZ	Hungary	F	63.96	63.93
GASEBA	Argentina	F	96.91	94.14
GASNEA	Argentina	F	81.80	78.80
NATGASMEX	Mexico	F	100.00	100.00
TAMAULIGAS	Mexico	F	100.00	100.00
E.M.B.	Germany	P	44.93	44.93
GASAG Group	Germany	P	31.57	31.57
GASEBA URUGUAY	Uruguay	P	49.42	48.01
GAZ DE STRASBOURG	France	E	24.90	24.90
NOVERCO Group	Quebec	E	17.56	17.56
Services				
FINERGAZ	France	F	100.00	100.00
GNVert	France	F	100.00	100.00
COFATHEC Group	France	F	100.00	100.00
CGST SAVE Group	France	E	20.00	20.00
THION Group	France	E	34.00	34.00
Other				
COGAC	France	F	100.00	100.00
G.D.F. INTERNATIONAL	France	F	100.00	100.00
GDF QUEBEC Group	Quebec	F	100.00	100.00
MEGAL FINCO	Germany	P	43.00	43.00
PETROFIGAZ	France	P	54.72	54.72

II - Summary of Significant Accounting Policies

GENERAL POLICIES

The Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in France. In some cases, the subsidiaries' financial statements have been restated in order to harmonize the Group's valuation methods.

CONSOLIDATION POLICY AND PROCEDURES

1 - Scope of consolidation

The group consolidates significant subsidiaries in which it exercises at least significant influence. 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.

2 - Consolidation methods

Subsidiaries over which Gaz de France has legal or effective control, directly or indirectly, are fully consolidated. The directly and indirectly controlled subsidiaries over which Gaz de France shares control are consolidated pro rata.

Other directly and indirectly controlled subsidiaries are accounted for by the equity method.

Significant transfers between consolidated entities have been eliminated. For pro rata consolidated companies, the elimination is proportional to the percentage of consolidation.

3 - Closing date

The yearly period lasts twelve months, from January 1 to December 31. For non calendar-year companies, no interim accounts were drawn up, since their yearly period was within three months or less of the parent's yearly period.

4 - Goodwill

A first time consolidation difference 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 stockholders' equity at the same date. This difference is maintained in the Group's balance sheet until the sale of the equity interest.

For all newly consolidated companies, the purchase differential on consolidation is measured by the difference between the purchase price and the share of restated net assets at the date of acquisition.

Where necessary, this differential is allocated to the appropriate balance-sheet items, while the portion that remains unallocated is recorded as goodwill in Intangible Assets.

Goodwills are 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.

Differentials allocated to the goodwill of identified businesses are stated at their market value and are covered by an allowance if necessary.

Any negative purchase differential is recorded as an allowance for liabilities. This amount is reversed over a period determined according to the nature of the business of each subsidiary concerned.

5 - Foreign currency translation

- **Foreign corporations**

Balance sheet items are translated into euros using the current 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 "Other".

- **French companies**

Foreign currency-denominated receivables and payables are translated at the year-end exchange rate. Translation adjustments are charged to income.

6 - Deferred tax

Deferred income taxes are attributable to temporary differences between the recognition of certain income and expenses for tax and for financial reporting purposes, to consolidation restatements and eliminations.

Deferred income taxes are calculated for each tax entity, according to the liability method, with all the temporary differences maintained.

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

Deferred tax assets and liabilities are discounted if their turn-around schedule can be determined reliably at the tax entity level.

STOCKHOLDERS' 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.

Beginning in 2001, the capital stock is remunerated by a dividend deducted from the income available for distribution. Since this dividend is an appropriation of net income, it is accounted for as such in the following year (cf. III).

Revaluation surplus - Special revaluation reserve

These items are the result of the legal revaluation of 1959 and, for non-franchised assets, that of 1976.

The revaluations conducted by applying inflation rates in highly inflationary economies are also maintained in the accounts. A highly inflationary economy is one in which cumulative inflation over a consecutive three-year period approximates 100%.

OTHER EQUITY

Value of franchises - Franchisors' inherent rights

In accordance with French accounting standards concerning operations carried out under a public service franchise, the value of franchisors' inherent rights to franchised property recorded in the assets is also recorded in the liabilities of the franchisee. This item specifically includes:

- the corresponding value of the assets replaced by using the allowance 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 the law, no. 83.1, of January 1, 1983, and by the law, no. 85.695, of July 11, 1985. These securities are recorded in the liabilities at their cost of issue. Their remuneration is included in interest expense.

INTANGIBLE ASSETS

In addition to the purchase differential described above, intangible assets include:

- leases,
- business goodwill,
- cost of user rights to patents and licenses.

Capitalized surplus, debt issue and research and development costs are charged to expense.

TANGIBLE ASSETS

The legal revaluation of 1976 has been maintained in the consolidated financial statements. Fixed assets are therefore carried at their written-up amounts as of that date.

The Group's tangible assets are recorded in the financial statements at actual cost.

Non-franchised assets

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

Franchised assets

These items are fixed assets franchised by franchisors and those donated by third parties.

All of Gaz de France's franchised assets are recorded as a special item in the assets.

Franchised assets financed by the Company are depreciated over the duration of the contracts. Upon early renewal of a franchise, the balance of the relevant accounts is written off for an amount which would have been applicable until the normal termination of the contract. This allocation is transferred to deferred charges, which are then amortized over the remaining life of the original contract.

The value of donated franchised equipment is stated in the assets with a corresponding sum 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.

Replaceable franchised assets are depreciated on a straight-line basis. In addition, these assets are covered by an allowance for replacement calculated, for each asset, on the basis of the difference between the replacement cost of the asset, determined according to the appropriate indexes, and its original cost, i.e. the depreciable base. This allowance is constituted progressively when the franchised assets are put into service and remains in effect until their actual replacement. This allowance is recorded as "Allowances for liabilities and charges".

Non-replaceable franchised assets are subject to depreciation calculated by the straight-line method on the basis of the service life of each item, making it possible to record the decrease in value of the asset and the corresponding reduction in the franchisor's inherent rights.

Leasing agreements

Assets financed through leasing agreements are recorded as tangible assets with corresponding loan debt in liabilities. These assets are amortized on the basis of service lives used to calculate the depreciation of similar categories of fixed assets, and the loan debt over the duration of the leasing agreement. The portion of leasing fees that exceeds the repayment of the initial capital is recognized as an interest expense.

Exploration and production companies

The accounts of consolidated subsidiaries and subsidiaries accounted for by the equity method involved in exploration and production were prepared in keeping with the accounting policies applied in this sector, as defined by the Financial Accounting Standards Board in SFAS no. 19.

The Group applies the successful efforts accounting method.

Geological and geophysical expenses are recorded in the year incurred. Unproved properties are capitalized; they are amortized if no proved reserves are found. Drilling in process is capitalized; the cost of drilling exploratory wells which have not resulted in the discovery of proved reserves is charged to expense.

Site restoration costs are recorded as an expense using the unit-of-production method, on the basis of proved 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 reserves.

LONG-TERM INVESTMENTS

Investments in equity affiliates

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 are made up of the following categories:

Interest in companies outside the scope of consolidation

The gross book value of interest in companies outside the consolidated

entity is recorded at cost (written up if acquired before December 31, 1976). When the value to the business, determined on the basis of the net book value of the interest corrected to account for subsequent events, is lower than the year end value, the difference is written off.

Loans to subsidiaries and affiliates

These assets represent loans made to companies in which the Group has an equity interest and which are not consolidated. These assets may be depreciated if the stockholders' equity of the affiliate becomes negative.

Other long-term investments and miscellaneous

This item principally includes long-term investments other than interest in subsidiaries and affiliates.

GAS IN UNDERGROUND STORAGE FACILITIES

The gas injected into underground storage facilities includes working gas, which can be withdrawn without prejudicial consequences for future operations, and cushion gas, which cannot be dissociated from the underground storage facilities and is essential for operations.

Cushion gas

Valuated at the average cost price, whatever the source, including 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 recorded in inventories. It is valuated each month at the average cost price on entering the French transmission system, including the cost of regasification, whatever the source. Depreciation 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 depletions are valuated on a weighted average cost basis.

The financial statements of subsidiaries which apply another inventory valuation method are not restated when the cost of making these restatements is disproportionate in relation to its effect on the consolidated financial statements.

ACCOUNTS RECEIVABLE

Trade accounts receivable include all the items corresponding to receivables related to the sale of goods and to operations.

This item is also comprised of receivables representing deliveries which have not yet been billed, especially in the category "delivered, unread and unbilled gas". An allowance for uncollectible accounts is made to cover bad debt risk.

OTHER ALLOWANCES FOR LIABILITIES AND CHARGES

- The allowance for site restoration is designed to cover the estimated cost of the restoration of 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 expense.
- Service companies make allowances for full warranty and product maintenance contracts.

RETIREMENT BENEFITS

Lump sum payment at retirement

The amount of lump sum benefits paid at retirement is covered proportionally to the vested benefits of all regular employees at the end of the fiscal year. This coverage is ensured through an allowance or insurance policy.

Pensions

For Group companies other than Gaz de France, the required pension allowances are accrued. The specific retirement plan of Gaz de France is described in Note 20.

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 interest to be swapped 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 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

The results of these transactions are recorded differently depending on whether they were negotiated on a listed investment market (a result which is equal to the change in value is registered prior to the delivery of the contract) or by a over the counter contract (the result is recognized at the delivery of the contract, with the possibility to make an allowance for potential capital loss).

UNCOMPLETED CONTRACTS

Contracts which are not completed by the end of the year are accounted for by the percentage-of-completion method.

EXTRAORDINARY ITEMS

Consolidated extraordinary 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.

III - Comparability between periods

CHANGES IN THE CONSOLIDATION SCOPE

The main changes in the consolidated entity in 2001 were as follows:

- acquisition of the Mexican transmission companies Energia Mayakan, Gasoductos del Bajio, Servicios Industriales de Energia and Transnatural de CV;
- consolidation by the Cofathec Group of Policarbo, Castagnetti, Cottier Equipement, SEPFI, ARPE TECNICA and the sub-group ADF;
- acquisition of Domoservices by CGST Save;
- creation in Exploration and Production of Gaz de France Norge, GDF Exploration Poland, GDF Exploration Egypt, GDF Exploration Algeria, GDF Exploration UK and GDF Exploration Germany;
- creation in the Cofathec Group of APS Sinergia;
- creation of Gaselys (France).

The principal impact of these changes on the consolidated financial statements as of December 31, 2001, was as follows:

- net sales: +227 million euros,
- net income - Group share: -26 million euros,
- total assets: +556 million euros,
- net indebtedness: +218 million euros.

CHANGE IN OPENING BALANCE SHEET

In the opening balance sheet, 52 million euros were reclassified from "Net cash" to "Other long-term investments". This reclassification was taken into account in the presentation of the balance sheet as of December 31, 2000.

REMUNERATION OF THE STATE

Until December 31, 2000, Gaz de France's capital stock was remunerated by a designated sum and sometimes a variable sum appropriated from net income. This remuneration was recognized in income.

As of 2001, the remuneration of the capital stock was suppressed and replaced by a dividend which is accounted for as an appropriation of net income in the following year (article 79 of the rectified law of finances of December 28, 2001).

IV - Supplemental Disclosures

A) BALANCE SHEET - ASSETS

NOTE 1 - INTANGIBLE AND TANGIBLE ASSETS

<i>(millions of euros)</i>	Gross book value as of 12/31/2001	Accumulated amortization and depreciation	Net book value as of 12/31/2001	Net book value as of 12/31/2000
Intangible assets				
Goodwill	525	122	403	361
Other intangible assets	544	76	468	371
Tangible assets				
Non-franchised	8,165	4,200	3,965	3,728
Franchised	15,587	7,305	8,282	7,736
Construction in process, payments on account	1,283	34	1,249	1,144
	26,104	11,737	14,367	13,340

The non-franchised tangible assets presented above included leased facilities in the following amounts

<i>(millions of euros)</i>	Gross book value as of 12/31/2001	Accumulated amortization and depreciation	Net book value as of 12/31/2001	Net book value as of 12/31/2000
Leased facilities	644	148	496	469

The service lives used to calculate depreciation at the Gaz de France Group are:

- 30 years for distribution mains,
- 25 years for transmission pipelines and underground storage facilities.

NOTE 2 - LONG-TERM INVESTMENTS

Investments in equity affiliates

<i>(millions of euros)</i>	Share of net equity as of 12/31/2001	Share of net equity as of 12/31/2000
French companies	79	59
Foreign corporations		
– EFOG	241	224
– Other	80	70
	400	353

The other long-term investments are comprised of the following elements

<i>(millions of euros)</i>	Gross book value as of 12/31/2001	Of which more than 1 year	Amortization	Net book value as of 12/31/2001	Net book value as of 12/31/2000
Interest in unconsolidated companies	237	–	35	202	187
Loans to subsidiaries and affiliates	185	120	6	179	163
Loans	85	70	6	79	236
Other long-term investments	223	219	1	222	221
Financial sector investments	282	282	10	272	297
	1,012	691	58	954	1,104

In 2001, Gaz de France sold employee loans to an asset fund for 174 million euros. Gaz de France was given a mandate to continue to manage these commitments. The investments of the subsidiaries Pétrofigaz and Gaselys are accounted for in a specific item in the financial sector owing to the fact that their activity differs from that of the Group's other subsidiaries.

Information on the principal unconsolidated companies and affiliates

<i>(millions of euros)</i>	Percentage interest	Net book value	Net income	Equity (excluding net income)	Net sales	End of latest reported year
Société d'investissement en Autriche	20.00	81	4	403	–	12/31/00
Société civile Philibert	10.00	23	6	192	–	12/31/01
TECHNIP Group	6.36	5	214	552	2,972	12/31/00
NOVO LRC	50.00	11	(2)	19	–	12/31/00
Other		82				
		202				

Notes to the Consolidated Financial Statements

NOTE 3 - INVENTORIES

(millions of euros)	Gross book value as of 12/31/2001	Depreciation	Net book value as of 12/31/2001	Net book value as of 12/31/2000
Gas inventories	1,041	–	1,041	1,055
Other inventories and work in process	105	16	89	104
	1,146	16	1,130	1,159

NOTE 4 - RECEIVABLES

(millions of euros)	Gross book value as of 12/31/2001	Of which more than 1 year	Depreciation	Net book value as of 12/31/2001	Net book value as of 12/31/2000
Trade accounts receivable	4,164	55	83	4,081	3,179
State - Deferred income taxes	95	47	–	95	65
Other receivables	1,073	13	32	1,041	899
Prepaid expenses	32	–	–	32	22
Deferred charges	235	–	–	235	153
Miscellaneous	–	–	–	–	1
Receivables	5,599	115	115	5,484	4,319
Current assets in the financial sector	79	–	–	79	35
	5,678	115	115	5,563	4,354

NOTE 5 - MARKETABLE SECURITIES

(millions of euros)	Gross book value as of 12/31/2001	Depreciation	Net book value as of 12/31/2001	Net book value as of 12/31/2000
Marketable securities	435	2	433	362

B) BALANCE SHEET - STOCKHOLDERS' EQUITY AND LIABILITIES

NOTE 6 - STOCKHOLDERS' EQUITY

<i>(millions of euros)</i>	Group contribution	Minority interests
Equity as of 12/31/2000	5,050	204
Dividends paid	–	(27)
Translation adjustments	21	3
Changes in the percentage of interest and in the scope of consolidation	–	56
Miscellaneous	–	1
Net income	891	63
Equity as of 12/31/2001 (1)	5,962	300

(1) Including 3.4 million euros in negative first time consolidation difference.

Translation adjustments result from:

- the difference between the value of equity of foreign corporations translated at the December 31, 2001, exchange rate and the value of the equity of foreign corporations translated at the historical exchange rates after restatement, if any, to reflect accounting policies;
- the difference, for foreign corporations, between net income translated at the year-end exchange rate and net income translated at the year's average exchange rate;
- net foreign exchange gains (losses) related to foreign currency loans negotiated by French companies to finance foreign corporations.

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 December 31, 2001, included in stockholders' equity totaled –7 million euros.

Minority interests represent the claim of non-controlling shareholders on the income and net assets of Group companies.

NOTE 7 - ALLOWANCES FOR LIABILITIES AND CHARGES

<i>(millions of euros)</i>	Balance as of 12/31/2000	Allowances	Reversals and other	Changes in consolidation scope	Translation adjustments	Balance as of 12/31/2001
Allowance for replacement of franchised assets	3,036	379	(220)	(5)	–	3,190
Allowance for site restoration	398	56	(31)	–	–	423
Allowance for retirement benefits (Note 20)	27	2	(1)	(1)	–	27
Allowance for taxes	72	21	(71)	–	–	22
Allowance for major repairs and full warranty	53	86	(51)	–	–	88
Allowance for deferred taxes (Note 15)	401	91	1	–	1	494
Negative purchase differential, net of reversals of allowances	26	–	(7)	(1)	–	18
Other allowances for liabilities and charges	534	119	(266)	13	1	401
Allowances for liabilities and charges	4,547	754	(646)	6	2	4,663

Allowance for replacement of franchised assets

The allowance principally concerns the replacement of Gaz de France's transmission and distribution systems. It is calculated as described in the Summary of Significant Accounting Policies (cf. II). The amount of the reversals available in the year (154 million euros) contributed to an increase in the item " Value of franchises - Franchisors' inherent rights".

The provision for replacement of transmission facilities (427 million euros) was not allowed in 2000 and 2001 owing to the planned change in the legal status of transmission as described in Note 24. Twenty percent of the allowance for replacement of distribution networks is expected to be used between 2002 and 2006, and 80% after 2006.

Allowance for site restoration

The principle of this allowance is presented in the Summary of Significant Accounting Policies (cf. II). It primarily concerns Gaz de France and its exploration and production subsidiaries.

The Gaz de France sites concerned are mainly the land on which gas plants were located. The allowance is determined statistically on the basis of selected representative sites. In addition, the cost of restoration of sites on which technical facilities are operated is progressively covered by an allowance.

In exploration and production subsidiaries, an allowance is made to cover the estimated costs of dismantling equipment and facilities using the unit-of-production method.

NOTE 8 - BREAKDOWN OF LOAN DEBT BY CURRENCY

(millions of euros)	As of 12/31/2001	%
Euros	1,459	65.02
GBP	91	4.06
USD	676	30.12
Other	18	0.80
Total	2,244	100.00

NOTE 9 - DEBT SCHEDULE

(millions of euros)	Balance as of 12/31/2001	Maturity			Balance as of 12/31/2000
		One year or less	More than one to five years	More than five years	
Financial debt					
Leasing	563	28	166	369	557
Other loans	2,244	1,110	1,042	92	2,124
Bank overdrafts	678	678	–	–	599
Miscellaneous	119	54	61	4	126
Trade accounts payable and other debt	4,648	4,485	133	30	3,865
Financial sector debt	340	340	–	–	357
	8,592	6,695	1,402	495	7,628

In 1999, Gaz de France sold receivables to guarantee a 198 million euro bank loan. The program is scheduled to last four years. Since the sale of receivables was without recourse, the transaction resulted in a decrease in trade accounts receivable and a reduction of 198 million euros in financial debt. To guarantee this transaction, a deposit of 24 million euros was made in 1999.

C) STATEMENT OF INCOME

NOTE 10 - NET SALES

(millions of euros)	2001	2000	Change
Gas sales			
– domestic	11,015	8,839	2,176
– foreign	1,493	901	592
Services rendered and miscellaneous	1,849	1,471	378
Net sales	14,357	11,211	3,146

NOTE 11 - VALUE ADDED

(millions of euros)	2001	2000	Change
Group share	4,686	3,820	866
Minority interests	256	93	163
Net sales	4,942	3,913	1,029

Irredeemable securities are remunerated on the basis of the official average bond interest rate and of growth in the value added of Gaz de France or of the consolidated entity (Group share only), whichever is more favorable.

NOTE 12 - DEPRECIATION, AMORTIZATION AND ALLOWANCES (NET OF REVERSALS AND TRANSFERS OF CHARGES)

NOTE 12 A - DEPRECIATION (NET OF REVERSALS)

(millions of euros)	2001	2000	Change
Write-downs of franchised assets	374	491	(117)
Other depreciation (net of reversals)	629	640	(11)
Depreciation (net of reversals)	1,003	1,131	(128)

The decrease in write-downs of franchised assets was mainly due to terminated contracts for which there are no more appropriations to write-downs of new constructions.

NOTE 12 B - ALLOWANCES (NET OF REVERSALS)

(millions of euros)	2001
Allowance for replacement of franchised assets	157
Allowance for site restoration	44
Allowance for major repairs and full warranty	35
Other allowances for operating liabilities and charges	(14)
Allowance for amortization and depreciation	(27)
Allowances (net of reversals)	195

With reference to the allowance for site restoration, in 2001 the calculation based on actual restoration costs for the year led to an increase in the total amount of the allowance with no change in policy.

Favorable settlement of litigation resulted in a significant decrease in “Other allowances for operating liabilities and charges” in 2001.

NOTE 12 c - TRANSFERS OF CHARGES

(millions of euros)	2001	2000	Change
Transfers of charges	(114)	(192)	78

This item is mainly composed of the transfer to deferred charges of the write-downs of franchised assets in the event of early replacement of franchises (cf. II).

NOTE 13 - NET FINANCIAL INCOME (EXPENSES)

(millions of euros)	2001	2000
Interest and related expenses (net of income)	(176)	(187)
Income from companies outside the consolidated entity	39	15
Foreign exchange gains (losses)	21	(3)
Net allowances related to debt and equity securities	(4)	9
Non-operating income (expenses)	(120)	(166)

NOTE 14 - EXTRAORDINARY ITEMS

(millions of euros)	Losses	Gains
Tangible and intangible assets		
- Accounting for term of franchise contracts	331	331
- Derecognition of assets	104	24
Sale of long-term investments	26	5
Allowances on assets	13	62
Extraordinary income on assets	474	422
Allowance for taxes	21	70
Other	33	12
Extraordinary items	528	504

NOTE 15 - INCOME TAX - DEFERRED TAX

Gaz de France opted for tax consolidation for a period of five years that will end on December 31, 2002.

The income tax charge can be broken down as follows:

(millions of euros)	2001	2000
Current taxes	483	222
Deferred taxes	68	24
Income tax	551	246

The impact of the tax audit of Gaz de France for the years 1995-1997 was recognized, and the allowances previously made were reversed.

NOTE 15 A - TOTAL TAX LIABILITY IN CONSOLIDATED NET INCOME VERSUS THEORETICAL TAX LIABILITY

(millions of euros)	2001	2000
Consolidated net income before taxes	1,493	629
Theoretical tax liability (applicable tax rate in France)	544	237
Impact of discounted deferred taxes	14	(27)
Impact of differences in tax rates	(7)	(16)
Impact of the use of loss carryforwards	(13)	(8)
Impact of loss-reporting companies not in the tax consolidation	55	16
Other permanent differences	(42)	44
Actual tax liability	551	246

Notes to the Consolidated Financial Statements

NOTE 15 B - DEFERRED INCOME TAX

(millions of euros)	Changes during the year			as of 12/31/2001
	as of 12/31/2000	Income	Other	
Deferred tax liability	(401)	(83)	(10)	(494)
Deferred tax asset	65	15	15	95
Net deferred income tax	(336)	(68)	5	(399)

NOTE 15 C - BREAKDOWN OF DEFERRED TAX ASSETS AND LIABILITIES ON THE BASIS OF TEMPORARY DIFFERENCES

(millions of euros)	2001	2000
Fixed assets	(172)	(123)
Allowances and accrued expense	48	72
Unrealized profits in inventory	9	16
Loss carryforwards	64	21
Other	27	16
Deferred taxation of contributions from customers for franchised assets	(137)	(106)
Accelerated depreciation	(135)	(168)
Other regulated allowances	(103)	(64)
Net deferred taxes	(399)	(336)

D) CONSOLIDATED STATEMENT OF CASH FLOWS

NOTE 16 - INVESTING AND FINANCING ACTIVITIES WITH NO IMPACT ON CHANGES IN CASH AND CASH EQUIVALENTS

<i>(millions of euros)</i>	2001	2000
Leasing acquisitions	24	252

NOTE 17 - ANALYSIS OF CHANGE IN WORKING CAPITAL REQUIREMENTS

<i>(millions of euros)</i>	2001
Change in inventory	(91)
Change in accounts receivable*	+ 748
Change in trade accounts payable*	(14)
Change in other items	(453)
Changes in working capital requirements	+ 190

* Net of payments on account.

NOTE 18 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include available cash, temporary bank overdrafts, and highly liquid, readily convertible investments that present insignificant risk of changes in value, as well as current accounts used as cash resources.

<i>(millions of euros)</i>	2001	2000
Cash	277	*139
Marketable securities	433	362
Bank overdrafts	(663)	(599)
Current accounts considered as cash	8	(16)
Net cash in the financial sector	47	27
Cash and cash equivalents	102	(87)

* Change in the opening balance sheet (cf. III).

E) SUPPLEMENTARY FINANCIAL INFORMATION

NOTE 19 - CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS

NOTE 19 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, 2001, the corresponding commitments were as follows:

<i>(millions of euros)</i>	Commitments set portion by due date			
	2002	2003	2004	2005 and beyond
Forward contracts				
Forward sales				
GBP	120	25	2	-
USD	105	16	4	1
Forward purchases				
GBP	4	6	3	-
USD	230	30	11	-

The exchange differential on these commitments was - 2 million euros as of December 31, 2001.

Hedging interest rate risk

The Group subscribed an interest rate swap to hedge a variable rate loan on a fixed rate basis. The hedged item totaled 235 million euros as of December 31, 2001.

Other financial commitments granted and received

<i>(millions of euros)</i>	Commitments granted	Commitments received
Lines of credit in foreign currencies	363	363
Performance bonds	71	-
Other	35	13
	469	376

NOTE 19 B - COMMODITY COMMITMENTS

Hedging policy

The Group uses derivative instruments to manage its exposure to fluctuations in the price of raw materials in its trading activities – purchase and sale of gas in short-term markets and financially-engineered sales to industrial customers.

Forward purchases and sales of natural gas are conducted through cash and carry campaigns or spread trading.

Swaps and options, generally backed by physical transactions concerning natural gas, are used as hedging instruments.

Swaps allow to fix a sale or purchase price 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). For a premium, options confer the right to exercise the buy or sell option at the due date corresponding to the commitment to buy or sell at a future date.

The underlying commodities of the swaps and options are oil products.

Commitments as of December 31, 2001

Notional quantities by due date		
<i>(millions of kWh)</i>	2002	2003 and beyond
Forward purchases		
Natural gas	8,711	471
Forward sales		
Natural gas	12,594	605
Options (long position)	20,675	1,148
Options (short position)	20,136	1,967
Commitment differential by due date (vis-à-vis market value as of 12/31/2001)		
<i>(millions of euros)</i>	2002	2003 and beyond
Swaps	- 1	2

The regular counterparty in most swap transactions is Gaselys, a joint subsidiary of Gaz de France and Société Générale, which is consolidated on a pro rata basis at 51%. Consolidated commitments thus include 51% of Gaselys' commitments with third parties as well as 49% of Gaz de France's commitments with Gaselys. The commitment differential on the options totaled – 6 million euros as of December 31, 2001.

NOTE 19 c - COUNTERPARTY RISK

Gaz de France is exposed to credit risk in that it must assume any losses in the event one of its counterparties fails to perform. The Group thus implements a counterparty risk management policy based on an evaluation of their financial situation and on a systematic policy of diversification of its counterparties.

Consequently, all the financial instruments used by the Gaz de France Group 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-/A1 and A3/P-1, respectively.

Energy counterparties 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 or the Group. 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).

NOTE 19 d - OTHER COMMITMENTS

<i>(millions of euros)</i>	Commitments granted	Commitments received
Contracts, orders and non-capitalized leasing	489	10
Commitments related to interest in unconsolidated companies	205	165
Guarantees and endorsements	81	43
Other	18	12
Total	793	230

Commitments related to interest in companies outside the consolidated entity are mainly bank endorsements and swaps.

The Group subscribed two financial instruments, the underlying entity of which is a service-sector company. These swaps 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 8 million euros per year.

The commitments granted to banks by Gaz de France and its fully or prorata consolidated subsidiaries as a guarantee for loans contracted by fully or prorata consolidated subsidiaries are eliminated from consolidated commitments.

NOTE 20 - RETIREMENT 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 prerogative 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 L711-1 of the French Social Security code. Furthermore, it applies not only to nationalized utilities but to non-nationalized distributors as well.

Moreover, 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. All that figures in the financial statements of Gaz de France is the Company's contribution to the pension plan.

As of January 1, 2001, this contribution, which includes the expense of compensations with other legal retirement plans, is determined by the application of a general average rate.

In 2001, the contribution of Gaz de France amounted to 409 million euros and the general average rate was 58.8%.

In the absence of any change in legislation, the amount of postretirement benefits is expected to increase significantly in the next 25 years. In constant euros, the annual pension cost can be estimated at 500 million euros in 2010 and at 625 million euros in 2020. In light of this forecast, Gaz de France paid 963 million euros to various insurance companies, of which 230 million euros for 2001, 198 million euros for 2000, 336 million euros for 1999, 153 million euros for 1998 and 46 million euros for 1996, and made a total allowance in the amount of 137 million euros between 1996 and 1998.

In addition, retired employees benefit from the same energy prices as active employees.

NOTE 21 - WORK FORCE

The Group employed 36,451 people as of December 31, 2001, as compared with 33,290 as of December 31, 2000.

The breakdown was 35,671 in fully consolidated companies and 780 in pro rata consolidated companies.

Corresponding payroll costs totaled 1,900 million euros in 2001, as compared with 1,710 million euros in 2000.

Notes to the Consolidated Financial Statements

NOTE 22 - SEGMENT REPORTING

(millions of euros)	Exploration Production	Trading Transmission Distribution	Services	Other	Eliminations	Consolidated
YEAR 2001						
Net sales	351	13,081	1,016	135	(226)	14,357
Net fixed assets	926	14,871	504	2,845	(3,425)	15,721
EBITDA	177	2,606	19	49	-	2,851
YEAR 2000						
Net sales	224	10,236	785	122	(156)	11,211
Net fixed assets	722	13,812	396	2,418	(2,551)	14,797

NOTE 23 - INFORMATION BY GEOGRAPHIC AREA

(millions of euros)	France	Europe excluding France	NAFTA	Rest of the world	Eliminations	Consolidated
YEAR 2001						
Net sales	12,595	1,705	86	32	(61)	14,357
Net fixed assets	14,467	1,914	605	22	(1,287)	15,721
EBITDA	2,554	326	(17)	(12)	-	2,851
YEAR 2000						
Net sales	10,392	809	32	19	(41)	11,211
Net fixed assets	13,784	1,724	148	33	(892)	14,797

NOTE 24 - SUBSEQUENT EVENTS

Change of legal status of gas transmission

Article 81 of the rectified law of finances for 2001 (n° 2001-1276 of December 28, 2001) provides for the early termination of existing franchise contracts and correlatively the transfer of ownership of gas transmission systems from the State to gas utilities.

This article sets forth the principle of an indemnity for early termination and of a selling price for the pipelines, both of which sums will be determined by a special commission chaired by a judge of the Cour des Comptes.

The Company believes that this transaction will have no negative effects on the net book value as of December 31, 2001, of its transmission assets.

Acquisitions

At the beginning of 2002, the Group acquired an additional 35% equity interest in E.M.B., an additional 25% equity interest in the E.E.G. Group, and 100% of Zanzi.

In our capacity, we have audited the accompanying consolidated financial statements of Gaz de France, drawn up in accordance with the accounting principles generally accepted in France, for the year ended December 31, 2001.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these accounts based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards within the framework of a multi-year program. These standards require that we perform procedures in order to obtain reasonable assurance that there are no material errors in the year's consolidated financial statements. An audit involves an examination on a test basis of the evidence supporting the information in the financial statements. It also involves evaluating the accounting principles used and the significant estimates made when finalizing the accounts, as well as giving an opinion on the general presentation. We believe that our audit, subject to the remark made at the beginning of the paragraph, provides a reasonable basis for the opinion hereafter stated.

As discussed in Note 20 of the Notes to the Consolidated Financial Statements, Gaz de France, like all the other electricity and gas utilities, has an obligation, under current legislation, to cover all annual retirement expenses for regular employees.

Note 20 indicates the annual amount currently contributed by Gaz de France and mentions the future rise in the cost of pensions for all its retirees. It does not, however, indicate the total amount as of December 31, 2001, of the commitment of Gaz de France to finance the pensions of its employees and retirees.

Except for this matter and on the basis of our procedures, the consolidated financial statements present fairly, in conformity with accounting principles generally accepted in France, in all material respects, the financial position of the consolidated entity as of December 31, 2001, and the results of its operations for the year then ended.

We have also reviewed the information relating to the Group contained in the annual report.

Except for the potential impact of the matters presented above, we have nothing to report with respect to the fairness of the information contained in the annual report and its consistency with the consolidated financial statements.

Paris, March 20, 2002

The Auditors

MAZARS & GUERARD

ERNST & YOUNG Audit

Michel Barbet-Massin

Xavier Charton

Patrick Gounelle

Philippe Hontarrède

GAZ DE FRANCE

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GAZ DE FRANCE *FINANCIAL STATEMENTS 2001*



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Balance Sheet

Assets

(millions of euros)				2001	2000
	Note	Gross	Depreciation amortization allowances	Net	Net
Fixed assets					
Intangible assets	III 1-2	64	35	29	25
Non-franchised tangible assets	III 1-2	4,453	2,686	1,767	1,845
Franchised tangible assets	III 1-2	15,500	7,300	8,200	7,707
Construction in process	III 1-2	970	-	970	942
Payments on account for tangible assets		5	-	5	6
Long-term investments	III 4-5-20	2,359	8	2,351	2,054
	I	23,351	10,029	13,322	12,579
Current assets					
<i>Inventories and work in process</i>					
Gas		725	-	725	744
Other inventories and work in process		68	14	54	57
<i>Payments on account</i>		2	-	2	2
<i>Accounts receivable</i>					
	III 5				
Trade accounts receivable and related receivables		3,184	45	3,139	2,377
Other		880	13	867	924
<i>Marketable securities</i>		340	2	338	241
<i>Net cash</i>		45	-	45	41
	II	5,244	74	5,170	4,386
<i>Deferred charges</i>	III III 6	234	-	234	151
<i>Foreign currency translation adjustments</i>	IV	2	-	2	0
TOTAL	(I to IV)	28,831	10,103	18,728	17,116

Stockholders' equity and liabilities

		2001	2000
	Note		
Stockholders' equity			
Equity			
Initial capital		21	21
Special funds		882	882
Revaluation surplus		52	52
Regulated reserves		34	34
Retained earnings		3,430	3,255
Net income		740	174
Capital grants		5	5
Regulated allowances	III 8	745	657
	I	5,909	5,080
Other equity			
Value of franchises - Franchisors' inherent rights		3,122	2,897
Irredeemable securities	III 7	485	485
	II	3,607	3,382
Allowances for liabilities and charges	III III 8	3,904	3,885
Liabilities			
	III 9-10		
Financial debt			
Loans		915	997
Other		181	133
		1,096	1,130
Payments on account			
		55	49
Trade accounts payable and related payables			
		1,833	1,750
Taxes and social contributions			
		1,063	655
Other debt			
		1,245	1,159
	IV	5,292	4,743
Accruals and deferred income	V	-	-
Foreign currency translation adjustments	VI	16	26
TOTAL	(I to VI)	18,728	17,116

Statement of Income

		2001	2000
<i>(millions of euros)</i>			
	Note		
Gas sales		12,363	9,984
Other sales		758	673
Net sales	III 12	13,121	10,657
Changes in inventory		- 1	1
Capitalized expenses		300	353
Production		13,420	11,011
Gas purchased and changes in gas inventory		- 7,910	- 6,292
Other purchases		- 217	- 219
Other services		- 1,366	- 1,279
Value added		3,927	3,221
Tax expense		- 156	- 183
Payroll costs		- 1,525	- 1,423
EBITDA		2,246	1,615
Net depreciation and amortization	III 13	- 718	- 843
Net allowances	III 13	- 192	- 193
Transfers of charges		112	163
Other operating income (expenses)		- 172	- 120
Operating income		1,276	622
Net financial income (expenses)	III 14	- 102	- 65
Income before extraordinary items		1,174	557
Extraordinary items	III 15	- 72	- 122
Corporate income tax	III 16	- 362	- 167
Net income		740	268
Complementary remuneration of the State	II	-	- 94
Net income (after complementary remuneration of the State)		740	174

Statement of Cash Flows

		2001	2000
<i>(millions of euros)</i>			
I - Operating activities			
Net income	1a	740	174
Depreciation, amortization and allowances	1b	593	671
Other operations	1c	400	234
1. Current cash flow (1a+1b+1c)	1	1,733	1,079
Changes in inventory	2a	- 81	+ 257
Changes in trade accounts receivable	2b	+ 762	+ 239
Changes in trade accounts payable	2c	+ 83	+ 532
Changes in other items	2d	- 638	+ 229
2. Changes in working capital requirements (2a + 2b - 2c + 2d)	2	- 40	193
Net cash from operating activities	(1 - 2) I	1,773	886
II - Investing activities			
1. Investments			
Tangible assets		1,102	1,024
Interest in subsidiaries and affiliates		570	465
	1	1,672	1,489
2. Other activities			
Miscellaneous long-term investments		138	101
Deferred charges		-	-
Other fixed assets		62	100
	2	200	201
3. Proceeds			
Contributions from customers		1	1
Net proceeds from sale of assets		16	19
Retirement of long-term investments		253	46
	3	270	66
Net cash used in investing activities	(1 + 2 - 3) II	1,602	1,624
III - Net increase in cash and cash equivalents	(I - II) III	+ 171	- 738
IV - Financing activities			
1. Market operations			
Long-term loans		-	-
Medium- and short-term debt		184	999
	1	184	999
2. Reimbursement and repayment			
Irredeemable securities		-	206
Long-term loans		3	140
Medium- and short-term debt		275	-
	2	278	346
Net cash used in financing activities	(1 - 2) IV	- 94	653
V - Changes in cash and cash equivalents	(III + IV) V	+ 77	- 85

I - Summary of Significant Accounting Policies

In accordance with section 4 of the nationalization act, no. 46.628, of April 8, 1946, Gaz de France's financial statements and reporting comply with accounting principles generally accepted in France for business and industry.

In accordance with the decree of October 22, 1947, and with section 9 of the decree of August 29, 1949, Gaz de France's chart of accounts was approved by the Minister of the Economy, Finances and the Budget on August 7, 1985, as recommended by the National Accounting Council on December 19, 1984.

STOCKHOLDERS' 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 it was nationalized in 1946, and the capitalized surplus in the form of special funds granted by the government until 1982.

Beginning in 2001, the capital stock is remunerated by a dividend deducted from the income available for distribution. Since this dividend is an appropriation of net income, it is accounted for as such in the following year (cf. II).

Revaluation surplus

This item is the result of the legal revaluation 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 proportionally to the depreciation of the assets in question.

OTHER EQUITY

Value of franchises - Franchisors' inherent rights

In accordance with French GAAP concerning operations carried out under a public service franchise, the value of franchisors' inherent rights to franchised property recorded in the assets is also recorded in the liabilities of the franchisee. This item specifically includes:

- the corresponding value of the assets replaced by using the allowance 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 the law, no. 83.1, of January 1, 1983, and by the law, no. 85.695, of July 11, 1985. These securities are recorded in the liabilities at their cost of issue. Their remuneration is included in interest expenses (cf. Note 7).

INTANGIBLE ASSETS

This item principally involves the actual cost of software, which is amortized over the estimated service life.

TANGIBLE ASSETS

Gaz de France operates under public service franchises granted by either the national government or local governments. As a result, the Company's assets may be its own or they may be franchised.

Tangible assets are recorded in the financial statements at actual cost, including incidental expenses, with the exception of those that were acquired before December 31, 1976, which are stated at the value written up at that date.

Tangible assets are depreciated on the basis of their service lives. The principal service lives used to calculate depreciation are indicated in Note 2.

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 fiscal depreciation and the straight-line depreciation is accounted for as derogatory depreciation and included in “Regulated allowances” in the balance sheet.

Franchised assets

All franchised assets are recorded as a special item in the assets. Franchised assets financed by the Company are depreciated over the duration of the contracts. Upon early renewal of a franchise, the balance of the relevant accounts is written off for an amount which would have been applicable until the normal termination of the contract. This appropriation is transferred to deferred charges, which are then amortized over the remaining life of the original contract.

The value of donated franchised equipment is stated in the assets with a corresponding sum 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.

Replaceable franchised assets are depreciated on a straight-line basis. In addition, these assets are covered by an allowance for replacement calculated, for each asset, on the basis of the difference between the replacement cost of the asset, determined according to the appropriate indexes, and its original cost, i.e. the depreciable base. This allowance is constituted progressively when the franchised assets are put into service and remains in effect until their actual replacement. This allowance is recorded as “Allowances for liabilities and charges”.

Non-replaceable franchised assets are subject to depreciation calculated by the straight-line method on the basis of the service life of each item, making it possible to record the decrease in value of the asset and the corresponding reduction in the franchisor’s inherent rights.

LONG-TERM INVESTMENTS

Interest in subsidiaries and affiliates is recorded at cost, and written up if acquired before December 31, 1976. When the value to the business, determined on the basis of the net book value of the interest, corrected to account for subsequent events, is lower than the year-end value, the difference is written off.

GAS IN UNDERGROUND STORAGE FACILITIES

The gas injected into underground storage facilities includes working gas, which can be withdrawn without prejudicial consequences for future operations, and cushion gas, which cannot be dissociated from the underground storage facilities and is essential for operations.

Cushion gas

Valuated at the average cost price, whatever the source, including the cost of regasification, transmission and injection into the system, cushion gas is recorded in the fixed assets 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 recorded in inventories. It is valuated each month at the average cost price on entering the French transmission system, including the cost of regasification, whatever the source. Inventory deletions are valuated each month at the weighted average cost.

Depreciation 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 price.

ACCOUNTS RECEIVABLE

Gas which has been read but not yet billed is recognized as “Billing in process” and is recorded at the current selling price. Unread gas which has not been billed is also recorded as “Billing in process”. Estimated consumption is valuated at the last selling price (excluding customer charge) known after deduction of advance payments. In both cases, an allowance is made to cover future billing costs as well as bad debt risk.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Ordinary customers are 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 involving major “special” customers is appreciated individually.

FOREIGN CURRENCY TRANSLATION

Foreign currency-denominated assets and liabilities are translated at the current rate. The consequent foreign currency translation adjustments are recorded in the balance sheet in the assets or liabilities, depending on whether there is a potential foreign exchange gain or loss.

OTHER ALLOWANCES FOR LIABILITIES AND CHARGES

The allowance for foreign exchange loss contingencies is equal to the total net potential capital loss on the overall foreign exchange position (loan debt, hedging swaps and foreign exchange risk management) as well as the potential capital loss on other foreign currency transactions. The allowance for site restoration is designed to cover the estimated cost of the restoration of sites where gas production, transmission, storage and distribution facilities are or were located, in accordance with both legal regulations governing specific facilities and general directives concerning environmental protection. The corresponding amounts are charged to expense.

RETIREMENT BENEFITS (cf. Note 18)

Lump sum payment at retirement

The amount of lump sum benefits paid at retirement is covered proportionally to the vested benefits of all regular employees at the end of the fiscal year. This coverage is ensured through an allowance or insurance policies.

Retirement benefits

The provisions of the specific pension plan that applies to Gaz de France and its accounting consequences are disclosed in Note 18.

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 to be swapped which are 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.

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. The result of swaps is accounted for at the due date.

The results of these transactions are recorded differently depending on whether they were negotiated on a listed investment market (a result which is equal to the change in value is recorded prior to the delivery of the contract) or by a over the counter contract (the result is recognized at the delivery of the contract, with the possibility to make an allowance for potential capital loss).

EXTRAORDINARY ITEMS

Extraordinary 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.

II - Changes in Accounting Policies

CHANGES IN ACCOUNTING POLICIES

Until December 31, 2000, the capital stock was remunerated by a designated sum and sometimes a variable sum appropriated from net income. This remuneration was recognized in income for the year and totaled 113 million euros in 2000.

As of December 31, 2001, the remuneration of the capital stock was suppressed and replaced by a dividend which is accounted for as an appropriation of net income in the following year (article 79 of the rectified law of finances of December 28, 2001).

III - Supplemental Disclosures

NOTE 1 - INTANGIBLE AND TANGIBLE ASSETS

Variations in gross book value

<i>(millions of euros)</i>	As of 12/31/2000	Increase	Decrease	As of 12/31/2001
Intangible assets	51	13		64
Non-franchised tangible assets				
Land	74	1	2	73
Buildings	594	8	21	581
Equipment, tools and machinery	3,451	78	29	3,500
Other	311	15	27	299
	4,430	102	79	4,453
Franchised tangible assets				
Land	15	8	-	23
Buildings	60	14	1	73
Equipment, tools and machinery	14,483	972	51	15,404
	14,558	994	52	15,500
Construction in process	999	1,086	1,115	970
Payments on account	6		1	5
Total	20,044	2,195	1,247	20,992

Notes to the Financial Statements

NOTE 2 - DEPRECIATION, AMORTIZATION AND ALLOWANCES, INTANGIBLE AND TANGIBLE ASSETS

Increases and decreases in depreciation, amortization and allowances

<i>(millions of euros)</i>	As of 12/31/2000	Increase	Decrease	As of 12/31/2001
Intangible assets	26	10	1	35
Non-franchised tangible assets				
Land	6	1	1	6
Buildings	323	22	19	326
Equipment, tools and machinery	2,016	124	25	2,115
Other	240	25	26	239
	2,585	172	71	2,686
Franchised tangible assets				
Land	2	1	–	3
Buildings	40	1	1	40
Equipment, tools and machinery	6,809	487	39	7,257
	6,851	489	40	7,300
Construction in process	57		57	0
Total	9,519	690	188	10,021

The service lives used to calculate depreciation are:

- 30 years for distribution mains,
- 25 years for transmission pipelines and underground storage facilities.

Depreciation, amortization and allowances can be broken down as follows

<i>(millions of euros)</i>	As of 12/31/2000	As of 12/31/2001
Straight-line method	363	354
Declining-balance method	18	19
Depreciation charge	301	317
Allowances for amortization and depreciation	57	–
Total	739	690

NOTE 3 - LEASING

Buildings and other tangible assets leased by Gaz de France would be recorded as follows if they were fully owned:

<i>(millions of euros)</i>	Gross book value	Accumulated depreciation as of 12/31/2000	Year's appropriation	Net book value
Buildings	232	79	8	145
Other tangible assets	3	-	-	3
	235	79	8	148

Contractual commitments

Fees				
<i>(millions of euros)</i>	Paid during the year	Due	One year or less	More than one year
Buildings	24	177	20	157
Other tangible assets	5	16	3	13
	29	193	23	170

NOTE 4 - LONG-TERM INVESTMENTS

Variations in gross book value

<i>(millions of euros)</i>	As of 12/31/2000	Increase	Decrease	As of 12/31/2001
Interest in subsidiaries and affiliates	1,358	403	-	1,761
Loans to subsidiaries and affiliates	416	559	533	442
Homeowner loans to employees	159	55	202	12
Other long-term investments	131	29	16	144
	2,064	1,046	751	2,359

In 2001, Gaz de France sold employee loans to an asset fund for 174 million euros. Gaz de France was given a mandate to continue to manage these commitments.

Notes to the Financial Statements

NOTE 5 - FINANCIAL AND CURRENT ASSETS SCHEDULE

(millions of euros)	Gross book value as of 12/31/2001	Maturity	
		One year or less	More than one year
Fixed assets			
Loans to subsidiaries and affiliates	442	42	400
Loans	36	9	27
Other	103	–	103
Current assets			
Trade accounts receivable and related receivables	3,184	3,170	14
Other receivables	880	880	
	4,645	4,101	544

NOTE 6 - DEFERRED CHARGES

(millions of euros)	As of 12/31/2000	Change in gross value	Year's appropriation	As of 12/31/2001
Deferred expense				
Write-offs on early renewal of franchises	151	95	12	234

NOTE 7 - IRREDEEMABLE SECURITIES

(millions of euros)	As of 12/31/2000	As of 12/31/2001
Tranche A	485	485

In 1985 and 1986, Gaz de France issued irredeemable securities in two tranches, A and B. The securities can be redeemed totally or in part at the borrower's option. Tranche B was entirely redeemed on December 31, 2000. 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 2001 was 32 million euros.

NOTE 8 - ALLOWANCES

8.1. Regulated allowances

<i>(millions of euros)</i>	As of 12/31/2000	Depreciation, allowances	Reversals	As of 12/31/2001
Derogatory depreciation	482	60	52	490
Allowance for price rises	174	80	–	254
Special revaluation reserve	1		–	1
Regulated allowances	657	140	52	745

8.2. Allowances for liabilities and charges

<i>(millions of euros)</i>	As of 12/31/2000	Allowances	Reversals	As of 12/31/2001
Allowance for replacement of franchised assets	2,968	313	158	3,123
Allowance for site restoration	304	55	9	350
Allowance for retirement benefits (Note 18)	137	–	–	137
Allowance for taxes (Note 15)	70	21	70	21
Allowance for major repairs	49	81	49	81
Other allowances for liabilities and charges	357	88	253	192
Allowances for liabilities and charges	3,885	558	539	3,904

Allowance for liabilities and charges

The allowance is calculated as described in the Summary of Significant Accounting Policies (cf. I). The amount of the reversals available in the year (154 million euros) contributed to an increase in the item “Value of franchises - Franchisors’ inherent rights”.

The provision for replacement of transmission facilities (427 million euros) was not allowed in 2000 and 2001 owing to the planned change in the legal status of transmission as described in Part IV below.

Twenty percent of the allowance for replacement of distribution networks is expected to be used between 2002 and 2006, and 80% after 2006.

Allowance for site restoration

The principle of this allowance is presented in the Summary of Significant Accounting Policies (cf. I).

The sites concerned are mainly the land on which gas plants were located. The allowance is determined statistically on the basis of selected representative sites. In addition, the cost of restoration of sites on which technical facilities are operated is progressively covered by an allowance.

Notes to the Financial Statements

8.3. Allowances for amortization and depreciation

(millions of euros)	As of 12/31/2000	Allowances	Reversals	As of 12/31/2001
Allowances for amortization and depreciation	91	27	36	82

Changes during the year are discussed in Note 13.

NOTE 9 - CATEGORIES OF FINANCIAL DEBT

Analysis by category

(millions of euros)	As of 12/31/2000	As of 12/31/2001
Loan debt		
Euros	764	729
Other currencies	233	186
	997	915
Other financial debt		
Customer deposits	47	46
Accrued interest	3	5
Bank overdrafts	48	95
Miscellaneous	35	35
	133	181
Total	1,130	1,096

Sale of receivables

In 1999, Gaz de France sold receivables to guarantee a 198 million euro bank loan. The program is scheduled to last four years. Since the sale of receivables was without recourse, the transaction resulted in a decrease in trade accounts receivable and a reduction of 198 million euros in financial debt. To guarantee this transaction, a deposit of 24 million euros was made in 1999.

NOTE 10 - DEBT SCHEDULE

(millions of euros)	Balance as of 12/31/2001	Maturity		
		One year or less	More than one to five years	More than five years
Financial debt				
Loans in euros	729	725	3	1
Loans in other currencies	186	186		
	915	* 911	3	1
Other	181	137	44	–
	1,096	1,048	47	1
<i>Trade accounts payable and related payables</i>	1,833	1,833	–	–
<i>Taxes and social contributions</i>	1,063	1,063	–	–
<i>Other debt</i>	1,245	1,245	–	–
Subtotal	5,237	5,189	47	1
<i>Payments on account</i>	55	–	–	–
Total	5,292			

* Including the less-than-one-year fraction of long-term and medium-term loans.

Notes to the Financial Statements

NOTE 11 - OFF-BALANCE SHEET COMMITMENTS

11.1 Financial commitments

Hedging foreign exchange risk

To manage its exposure to fluctuations in exchange rates, 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, 2001, the corresponding commitments were as follows:

Forward contracts <i>(millions of euros)</i>	Commitments set portion by due date				Exchange differential
	2002	2003	2004	2005 and beyond	As of 12/31/2001
Forward sales					
GBP	120	25	2		- 4
USD	57	1	1	1	- 2
Forward purchases					
GBP	3	6	3		
USD	65	4			1

Other financial commitments granted and received

Gaz de France benefited from lines of credit available in foreign currencies in the amount of 325 million euros as of December 31, 2001 (263 million euros as of December 31, 2000).

11.2 Commodity commitments

Hedging policy

Gaz de France uses derivative instruments to manage its exposure to fluctuations in the price of raw materials in its trading activities – purchase and sale of gas in short-term 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 to fix a sale or purchase price 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). For a premium, options confer the right to exercise the buy or sell option at the due date corresponding to the commitment to buy or sell at a future date.

Commitments as of December 31, 2001

	Notional quantities by due date		Commitment differential
	2002	2003 and beyond	(vis-à-vis market value as of 12/31/2001)
<i>(millions of euros)</i>			
SWAPS (short position)			
Oil products - Gaselys	41,470	6,662	31
Oil products - other counterparty	8,969	96	- 17
SWAPS (long position)			
Oil products - Gaselys	9,981	1,629	- 3
Oil products - other counterparty	17,275	166	14
OPTIONS (short position)			
Oil products - Gaselys	-	-	
Oil products - other counterparty	20,675	1,148	- 14
OPTIONS (long position)			
Oil products - Gaselys	-	-	
Oil products - other counterparty	20,136	1,967	8

The regular counterparty in most swap transactions is Gaselys, a joint subsidiary of Gaz de France and Société Générale.

Counterparty risk

Gaz de France is exposed to credit risk in that it must assume any losses in the event one of its counterparties fails to perform. The Group thus implements a counterparty risk management policy based on an evaluation of their financial situation and on a systematic policy of diversification of its counterparties.

Consequently, all the financial instruments used by the Gaz de France Group 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-/A1 and A3/P-1, respectively.

Energy counterparties are evaluated and rated on the basis of a financial analysis with reference, when available, to the S&P or Moody's rating awarded the counterparty or the Group. 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).

Notes to the Financial Statements

11.3 Other commitments

	Commitments granted		Commitments received	
	2001	2000	2001	2000
<i>(millions of euros)</i>				
Other commitments				
Contracts, orders and leasing	511	467	511	467
Guarantees and endorsements related to subsidiaries	127	77	112	23
Other	21	15	32	28
Total	659	559	655	518

Commitments related to subsidiaries are mainly bank endorsements.

NOTE 12 - NET SALES

	2001	2000	Change
<i>(millions of euros)</i>			
Gas sales			
– domestic	12,051	9,793	+ 2,258
– foreign	312	191	+ 121
Works, studies and services rendered	462	373	+ 89
Earnings from related activities and other sales	296	300	- 4
Net sales	13,121	10,657	+ 2,464

NOTE 13 - DEPRECIATION, AMORTIZATION AND ALLOWANCES

<i>(millions of euros)</i>	2001	2000	Change
Straight-line depreciation	354	363	- 9
Declining-balance depreciation	19	18	+ 1
Write-downs of franchised assets	374	491	- 117
Reversals	29	29	0
Net depreciation	718	843	- 125
Allowance for replacement of franchised assets	309	231	78
Allowance for site restoration	46	- 117	163
Allowance for major repairs	32	26	6
Other allowances for operating liabilities and charges	- 186	- 17	- 169
Allowance for amortization and depreciation	- 9	70	- 79
Net allowances	192	193	- 1

The decrease in write-downs of franchised assets was mainly due to terminated contracts for which there are no more appropriations to write-downs of new construction. With reference to the allowance for site restoration, in 2001 the calculation on the basis of actual restoration costs recorded during the year led to an increase in the total amount of the allowance with no change in policy.

Favorable settlement of litigation resulted in a notable decrease in "Other allowances for operating liabilities and charges" in 2001.

NOTE 14 - NET FINANCIAL INCOME (EXPENSES)

<i>(millions of euros)</i>	2001	2000	Change
Interest and related expenses (net of income)	- 91	- 99	+ 8
Foreign exchange gains (losses)	10	-	+ 10
Net allowances	- 21	34	- 55
Net financial income (expenses)	- 102	- 65	- 37

NOTE 15 - EXTRAORDINARY ITEMS

<i>(millions of euros)</i>	Expenses	Income
Sale of assets	433	17
Tangible and intangible assets		
– Accounting for term of franchise contracts	331	
– Derecognition of assets	78	17
Sale of long-term investments	24	
Net allowances	163	510
Allowances on assets		57
Reversals on franchisors' rights		
– Accounting for term of franchise contracts		331
– Other	2	
Derogatory depreciation	60	52
Allowance for price rises	80	
Allowance for taxes	21	70
Other	3	
Total	599	527
Extraordinary items	72	

NOTE 16 - TAX MATTERS

1. Corporate income tax

In 2001, corporate income tax totaled 405 million euros. This sum included the temporary, extraordinary 6% contribution based on corporate income tax before tax credits, and the 3.3% contribution introduced in 2000.

By virtue of Gaz de France's tax consolidation plan, corporate income tax was reduced by 40 million euros.

2. Deferred taxes

The increase and decrease in future income tax liability are attributable to temporary differences between the recognition of certain income and expenses for tax and for financial reporting purposes.

The future tax rate used as a base for calculation included the additional 10% contribution introduced in the 1995 budget, reduced to 6% for 2001, to 3% for the year 2002 and then eliminated. It also included the 3.3% contribution of the tax due, minus the sum of 762,245 euros, introduced in 2000 to replace the additional 10% contribution introduced in the 1997 budget.

<i>(millions of euros)</i>	2001	2000
Increase in future income tax liability (tax base)		
– Unrecorded deducted expenses		
– Untaxed recorded income	517	545
Decrease in future income tax liability (tax base)		
– Temporarily non-deductible expenses	257	211
– Unrecorded taxed income	6	18
Increase in future income tax liability		
– Base	254	314
– Amount	87	108

3. Tax consolidation system

The option to file a consolidated income tax return, subscribed by Gaz de France for a period of five years, will expire on December 31, 2002.

4. Tax audit

The conclusions of the tax audit of Gaz de France for the years 1995-1997 were incorporated into the accounts. The allowances previously made were reversed.

NOTE 17 - WORK FORCE

The number of Company employees by job category as of December 31 was as follows

	2001	2000	Change
Regular work force			
Employees	7,624	7,596	+ 28
Supervisors	12,934	12,722	+ 212
Management	4,799	4,575	+ 224
	25,357	24,893	+ 464
Temporary work force	99	101	- 2
Total	25,456	24,994	+ 462

The annual average number of employees in 2001 was 25,338, of which 25,160 were permanent hire and 178 temporary hire, as compared with 24,838 and 193, respectively, for a total of 25,031 in 2000.

NOTE 18 - RETIREMENT 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 prerogative 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 L711-1 of the French Social Security code.

Furthermore, it applies not only to nationalized utilities but to non-nationalized distributors as well.

Moreover, 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. All that figures in the financial statements of Gaz de France is the Company's contribution to the pension plan.

As of January 1, 2001, this contribution, which includes the expense of compensations with other legal retirement plans, is determined by the application of a general average rate.

In 2001, the contribution of Gaz de France amounted to 409 million euros and the general average rate was 58.8%.

In the absence of any change in legislation, the amount of postretirement benefits is expected to increase significantly in the next 25 years. In constant euros, the annual pension cost can be estimated at 500 million euros in 2010 and at 625 million euros in 2020. In light of this forecast, Gaz de France paid 963 million euros to various insurance companies, of which 230 million euros for 2001, 198 million euros for 2000, 336 million euros for 1999, 153 million euros for 1998 and 46 million euros for 1996, and made a total allowance in the amount of 137 million euros between 1996 and 1998.

In addition, retired employees benefit from the same energy prices as active employees.

NOTE 19 - GAINSHARING

A gainsharing plan for Gaz de France and EDF employees was set up in accordance with the ordinance, no. 86-1134, of October 21, 1986.

Employees may invest all or a part of their gainsharing 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. Gainsharing is considered as a payroll cost and the matching sum as a miscellaneous current management expense.

Notes to the Financial Statements

NOTE 20 - SUBSIDIARIES AND AFFILIATES

(millions of euros)

Company name	Equity as of 12/31/2001	Other equity in last published balance sheet	Percentage of equity owned as of 12/31/2001	Book value of shares		Outstanding loans and advances granted by Gaz de France	Guarantees and endorsements given by Gaz de France	Net sales in the last fiscal year	Net income (loss) in the last fiscal year	Dividends paid to Gaz de France during the year	End of latest reported year
				Gross	Allowance						
Commercial, industrial, financial and real estate activities											
Subsidiaries (Gaz de France has an equity interest of more than 50%)											
G.D.F. INTERNATIONAL	1,225	96	100.00	1,225	–	277	–	5	12	–	12/31/00
COGAC	418	27	100.00	419	–	99	–	–	4	–	12/31/00
Société Foncière et Immobilière du Gaz (SFIG)	56	14	96.52	57	–	–	–	8	3	2	12/31/00
C.F.M.H.	30	217	55.00	17	–	–	–	1,471	54	28	12/31/00
				1,718	–	376	–			30	
Affiliates (Gaz de France has an equity interest of 10% to 50%)											
French companies											
GSO	5	77	30.00	14	–	–	–	600	20	6	12/31/00
TECHNIP	81	717	6.36	5	–	–	–	2,972	214	6	12/31/00
Other affiliates				4	2	45	–	–	–	3	–
				23	2	45	–			15	
Foreign companies											
MEGAL GmbH	20		43.00	6	–	–	–	47	9	4	12/31/00
MEGAL FINCO	1	(25)	43.00	–	–	–	–	129	20	–	12/31/00
SEGEO	6	36	25.00	1	–	–	–	5	1	–	12/31/00
Other affiliates				13	–	21	–	–	–	13	–
				20	–	21	–			17	
Other interests (Gaz de France has an equity interest of less than 10%)											
PETROFIGAZ	36	6	1.88	4	–	–	–	37	7	–	12/31/00
Other interests				3	1	–	–	–	–	–	–
				7	1	–	–			–	
TOTAL				1,768	3	442				62	

IV - Subsequent Events

CHANGE OF LEGAL STATUS OF GAS TRANSMISSION

Article 81 of the rectified law of finances for 2001 (n° 2001-1276 of December 28, 2001) provides for the early termination of existing franchise contracts and correlatively the transfer of ownership of gas transmission systems from the State to gas utilities.

This article sets forth the principle of an indemnity for early termination and of a selling price for the pipelines, both of which sums will be determined by a special commission chaired by a judge of the Cour des comptes.

The Company believes that this transaction will have no negative effects on the net book value as of December 31, 2001, of its transmission assets.

In our capacity as auditors, we present below our report on:

- the accompanying annual financial statements drawn up in accordance with the accounting principles generally accepted in France,
- the specific procedures and disclosures prescribed by law, for the year ended December 31, 2001.

These annual financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

I. Opinion on the annual financial statements

We have conducted our audit in accordance with generally accepted auditing standards within the framework of a multi-year program. These standards require that we perform procedures in order to obtain reasonable assurance that there are no material errors in the year's financial statements. An audit involves an examination on a test basis of the evidence supporting the information in the financial statements. It also involves evaluating the accounting principles used and the significant estimates made when finalizing the accounts, as well as giving an opinion on the general presentation. We believe that our audit provides a reasonable basis for the opinion hereafter stated.

As discussed in Note 18 of the Notes to the Financial Statements, Gaz de France, like all the other electricity and gas utilities, has an obligation, under current legislation, to cover all annual retirement expenses for regular employees.

Note 18 indicates the annual amount currently contributed by Gaz de France and mentions the future rise in the cost of pensions for all its retirees. It does not, however, indicate the total amount as of December 31, 2001, of the commitment of Gaz de France to finance the pensions of its employees and retirees.

Except for this matter and on the basis of our procedures, the financial statements present fairly, in conformity with the accounting principles generally accepted in France, in all material respects, the financial position of the Company as of December 31, 2001, and the results of its operations for the year then ended.

II. Specific procedures and disclosures prescribed by law

We have also carried out, in accordance with auditing standards applicable in France, the specific procedures prescribed by law.

Except for the potential impact of the matters presented above, we have nothing to report with respect to the fairness of the information contained in the annual report and its consistency with the financial statements.

Paris, March 20, 2002

The Auditors

MAZARS & GUERARD

Michel Barbet-Massin

Xavier Charton

ERNST & YOUNG Audit

Patrick Gounelle

Philippe Hontarrède

GAZ DE FRANCE

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