07 ANNUAL REPORT

Gaz de France

The Gaz de France group is a major European energy player that produces, purchases, transports, distributes and markets natural gas, electricity and associated services–directly or through its subsidiaries–to its residential and professional customers, key accounts and local authorities.

The values of the Group express its richness and diversity. They are part of the identity of Gaz de France and define its ethics.

- **Customer satisfaction**
  Offering the best services at the best cost.
- **Performance**
  Focusing on quality of results and the safety of property and people.
- **Professional attitude**
  Guaranteeing expertise, accepting accountability and acting with correctness.
- **Innovation**
  Imagining and developing innovative services and intelligent solutions for the future.
- **Respect for people and the planet**
  Treating everyone fairly, protecting personal dignity in all circumstances. Protecting the environment today to preserve it for future generations.

OVERVIEW OF AC

FIVE DIVISIONS

Gaz de France's presence in France and Europe is strong and the company is developing in new business areas. In July 2007, it tailored its organisation to its development goals and the changes in the competitive environment of the energy sector. Five divisions have been created to conduct the Group's operational business.

* The terms marked with an asterisk are defined in the glossary on page 60.

INFRASTRUCTURES

The Infrastructures Division operates, maintains and develops the Gaz de France group infrastructures, implements operational synergies and markets the Group's expertise in these areas. Third party access rights to Group installations are exercised according to strict principles of transparency and non-discrimination.

Operational Entities

- Major Infrastructures Department (storage* and LNG terminals*).
- GRTgaz (Gaz de France group transmission* subsidiary).
- GrDF (Gaz de France group distribution* subsidiary, created on December 31, 2007).
- Department of Infrastructures, Europe (controls transmission and storage of several subsidiaries outside France).

ENERGY FRANCE

The Energy France Division markets natural gas, electricity and eco-efficient* energy solutions for the Group in France. It also develops the Group's electricity production portfolio in Europe.

Operational entities

- Upstream Electricity Department.
- Sales Department.
- Savelys (Gaz de France group subsidiary, specialising in maintenance of individual heating systems in France).

27,427 million euros

SALES REVENUES

41 %

SHARE OF REVENUES EARNED OUTSIDE FRANCE

CTIVITIES

GLOBAL GAS AND LNG

The Global Gas and LNG Division develops, diversifies, and protects Group natural gas and LNG* supplies and assures their competitiveness. It manages the company's hydrocarbon production business, natural gas trading and energy trading* and is also in charge of selling energy to European key accounts.

Operational entities

- Exploration-Production Department.
- Supplies Department.
- LNG Department (liquefied natural gas).
- Key Accounts Sales Department.
- Gaselys (subsidiary specialising in energy trading).

SERVICES

The Services Division offers energy services to professional and industrial customers and local public authorities in several European countries.
These services concern energy efficiency, the use of renewable energies, the construction, operation and maintenance of heating plants, cogeneration* units and district heating systems, the installation of air and fluid systems in buildings and industries and also facility management.

INTERNATIONAL

The International Division designs and implements Gaz de France's international growth, develops the synergies between the different divisions and subsidiaries outside France, and controls the subsidiaries reporting to it.

14.7 million
CUSTOMER BASE

47,560
HEADCOUNT

INTERVIEW WITH THE CHAIRMAN

How would you analyse the results for 2007?

For the third consecutive year, Gaz de France's performance has been excellent. With sales that were practically stable compared to 2006, our EBITDA was up 10% reaching 5.7 billion euros. This results from an improvement in the profitability of our businesses in the main countries in which we operate. Our net income, Group share, increased by more than 7%, reaching 2.5 billion euros.

In the light of these excellent results, the Board of Directors of Gaz de France submitted a 15% increase in the dividend, 1.26 euros per share, for the approval of the shareholders.

How do you explain this performance?

First due to our excellent sales results. In 2007 our rates remained unchanged but our procurement costs were significantly below what they were for 2006. The sale of natural gas at regulated rates thus contributed positively to the Group's results (+84 million euros), while they had a strong negative impact the previous year (-511 million euros).

The natural gas market environment was buoyant in the second half of the year. Added to this was management's increased effort to optimise operating costs. Finally, the climatic conditions of the last quarter, with a fall that was colder than usual, enabled us to limit losses due to the exceptionally warm start of the year.

What is the situation after the deregulation of the residential energy market?

The deregulation that occurred last July 1st has been slow and is expected to amplify in the future. We introduced offers that were fairly successful with our customers. Between July and December 2007, 77,000 customers opted for our natural gas market offers. As for electricity, we gained 46,500 residential customers, or 80% of those who chose to change provider.

What specific sales strategy will you develop for this market in 2008?

We will continue to propose new offers and new services to our residential customers. In the spring of 2008, we launched the Confort Solaire DolceVita® offer that combines natural gas and solar energy. We also want to innovate in the area of marketing modes, in particular over the Internet, and further improve our support of customers in controlling their energy consumption. Then we aim to strengthen the development of natural gas energy, for example by winning over half the two million French people who live near the distribution network but have not yet chosen natural gas as their heating fuel.

How will you rise to the challenges of the energy market in the coming years?

We will reinforce the security and diversity of our natural gas supplies, develop our power generation, in particular using renewable energies, continue to improve customer service and pursue the development of our infrastructures businesses, supported by our operational excellence in this field. These are our four major strategic focuses.

The security of our natural gas supplies remains an absolute priority. Although we are already capable of supplying current Gaz de France customers until 2017, we must find new sources of supplies in new countries, like Qatar, where we opened a representation office.

Securing our supplies also means developing our own exploration-production activities. In three years we have doubled our exploration budget, which should enable us to increase our production of hydrocarbons by 20% to reach roughly 50 million barrels oil equivalent in 2008.

What are your goals for power generation?

By 2012 we aim to have a power generation portfolio of 10,000 MWe, 2,000 MWe being produced by wind power. We pursued our acquisitions in this area in 2007 and are continuing on this path as demonstrated by the acquisition of Nass & Wind Technologie in February 2008.

We also have plans in biomass and are considering a possible entry of the photovoltaic energy market. To rationalise these acquisitions and capital shareholding in renewable energies, and to further strengthen our commitment to sustainable development, we have created a dedicated subsidiary, GDF Futures Énergies.

In 2009 and 2010, we will commission three new thermal power plants. Finally, we will pursue our power generation projects in Spain and Italy, and in the United Kingdom where with SUEZ in February 2008 we acquired the largest combined cycle gas plant in Europe.

Your performance in transport and storage in 2007 was excellent. Will you be investing further in these businesses?

In 2008, our investment program for the transmission sector will reach 600 million euros. In storage, our goal is to develop our presence in Germany and Romania. We are also conducting experiments in CO_2 storage. This is a promising development area that provides a necessary, if only partial, response to global warming.
All these developments will meet two fundamental requirements related to all our infrastructures activities: the safety of our structures and facilities and the excellent service we must provide to our customers.

What is the situation with the plan to merge with SUEZ?

This merger is one of the best industrial operations that can be transacted in Europe today.
2007 saw the approval of the new orientations of the merger project by our respective Boards of Directors and the launch of a major integration programme that will mobilise more than 1,000 Gaz de France and SUEZ employees.
What we ultimately seek is not to juxtapose the existing organisations, but to create a new industrial company, GDF SUEZ, with a new corporate culture enriched with the assets of both companies.

What are the financial and operational goals of GDF SUEZ?

Our goal is to post 1 billion euros per year in operational synergies by 2013. We are also planning a 10 billion euro annual investment programme from 2008 to 2010 and anticipate an EBITDA of 17 billion euros by 2010. Finally the value of the dividend should increase by 10 to 15% per year on the average between the dividend paid in 2007 and the one paid in 2010.

Jean-François Cirelli
Chairman and CEO

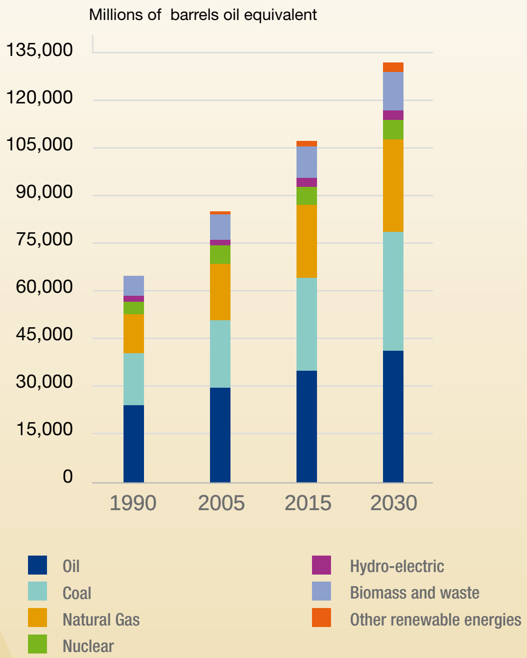
BENCHMARKS

THE MARKET, THE STAKES

For the world energy market, 2007 will be a year of unprecedented increases in oil prices. The outlook for the growth of natural gas as an energy source remains good however, particularly in European countries. The demand for environment-protective energy offers has also risen, especially in Europe. In January 2008, the European Commission presented a series of proposals that aim to reduce greenhouse gas emissions by 20% in member States by 2020 and increase the share of renewable energies in the European energy mix by the same percentage.

DEVELOPMENT AND FORECAST OF PRIMARY ENERGY CONSUMPTION THROUGHOUT THE WORLD

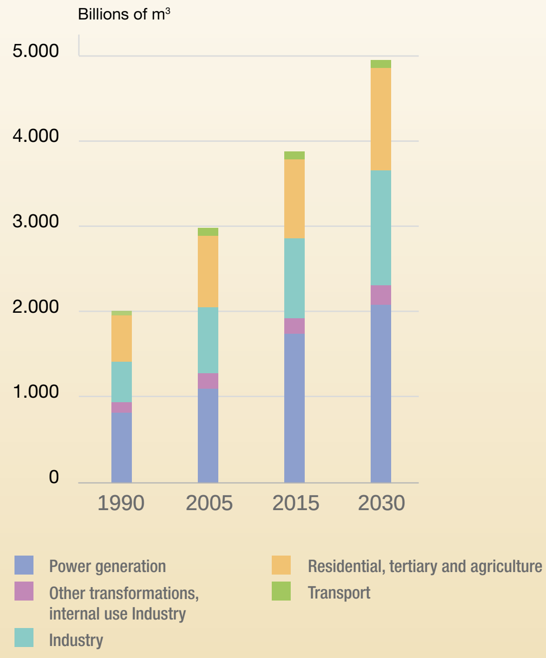
Source: "World Energy Outlook 2007" from the IEA.



The natural gas share in global energy consumption worldwide should represent 22% of total consumption by 2030.

DEVELOPMENT AND FORECAST OF NATURAL GAS DEMAND BY SECTOR THROUGHOUT THE WORLD

Source: "World Energy Outlook 2007" from the IEA.



The power generation and district heating sector should account for more than half of the increase in world demand for natural gas by 2030.

Gaz de France tailors its strategy and its offers to changes in the energy situation.

Sustained Growth of Natural Gas in Europe

According to the International Energy Agency (IEA), natural gas consumption in the European Union was 538 billion cubic metres in 2005. The natural gas share in primary energy* consumption should increase from 24% in 2005 to 30% by 2030, with an annual growth rate of 1.3% over the period.

As it has worldwide, the increase in demand for natural gas to produce electricity in Europe has been strong. In 2005, power generation represented 30% of primary natural gas consumption and by 2030 it should increase to 39%. The annual increase in electricity produced with natural gas over this period should be, as it is globally, around 2.5%.

European Energy Market: New Directions

For the past decade, the traditional operators in the energy sector have been consolidating to build pan-European energy groups. This process continued in 2007. The consolidations occurred through geographical development (same energy, new country), vertical integration (upstream or downstream development on the value chain) or horizontal integration (same country, another energy).

A generalised convergence of natural gas and electricity also occurred in Europe, due to the increasing use of natural gas to produce electricity and the demand for combined natural gas-electricity offers. Most of the major European energy players propose such offers. This convergence has also entailed internal growth or acquisitions in the energy sector.

Finally, the European Union contributes to strengthening the position given to renewable energies and to controlling energy demand in the development strategies of Energy Utilities in Europe.

Guaranteeing Resources in the Long Term

In this context, Gaz de France has pursued its policy of diversifying and protecting supplies by renewing long-term natural gas supply agreements and moving forward with the development of its exploration and production activities. At the same time, it has consolidated its position in liquefied natural gas (LNG)* by modernising its fleet of LNG tankers* and penetrating new markets (US, UK).

Strengthening International Business

The Group has continued with its international development in storage*, and has strengthened its commercial position, especially in Italy with new acquisitions and equity interests.

Developing an Ambitious Sales Strategy

With the deregulation of the energy market on July 1, 2007, Gaz de France diversified and enriched its offers and its marketing channels. The Group also played an increased role in electricity, accelerating the development of diversified power generation assets (thermal, wind power) in Europe and marketing the DolceVita® 2 énergies offer of natural gas and/or electric power.

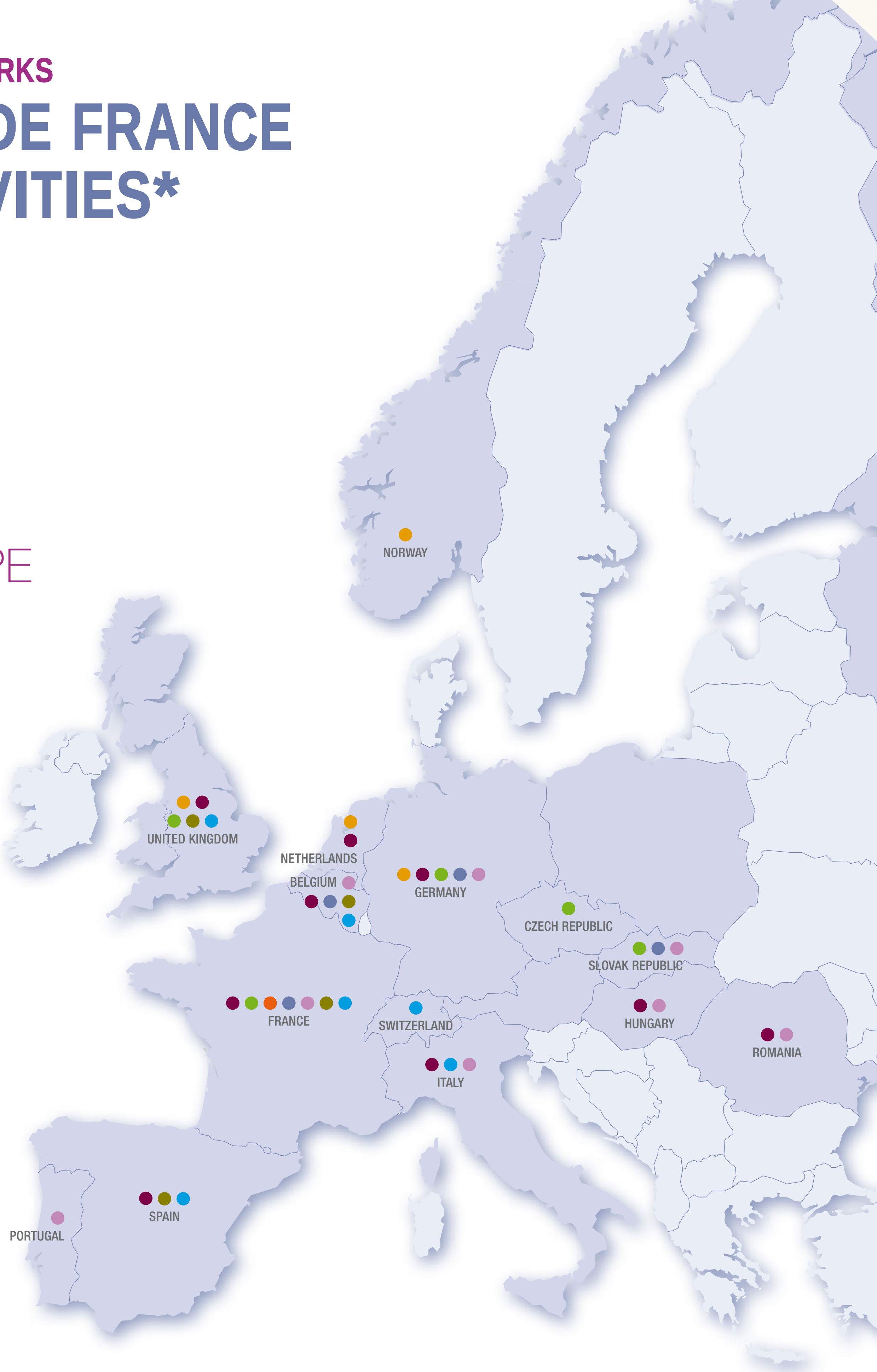
Protecting the Environment

Finally, by developing its energy services, stepping up its investments in wind power and research in sustainable development, the Group has taken a firm position in favour of new energies for the future and controlled energy demand.

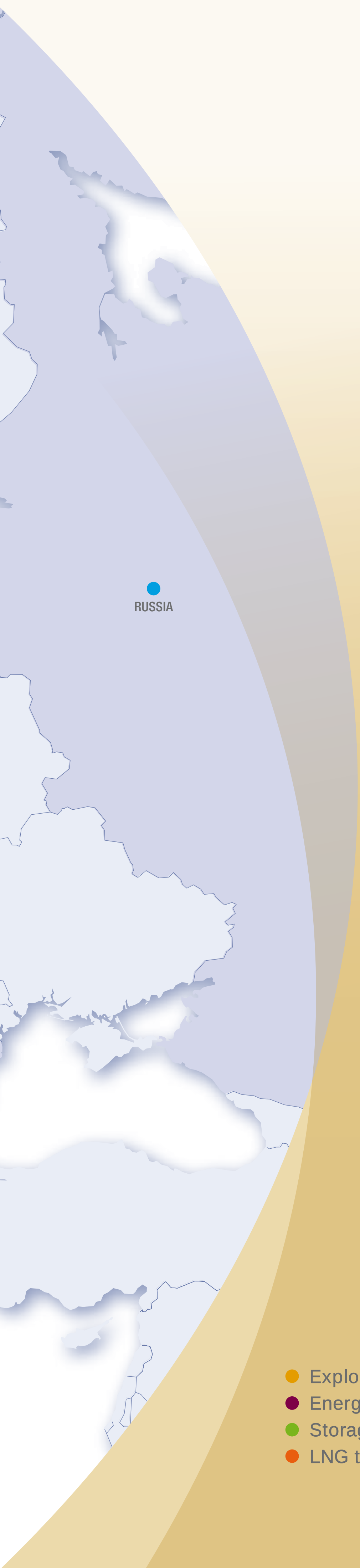
BENCHMARKS

GAZ DE FRANCE ACTIVITIES*

EUROPE



* Including consolidated subsidiaries as of December 31, 2007.



NORTH AMERICA

AFRICA

- Exploration-Production
- Energy Purchase and Sales
- Storage
- LNG terminals
- Transmission
- Distribution
- Electricity production
- Services

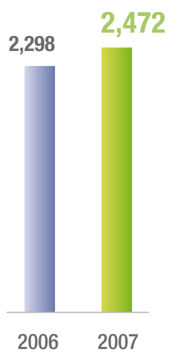
RESULTS

-0.8%

SALES

(millions of euros)

Sales were just under the 2006 figure due to the particularly warm winter season in the first half of the year. Excluding the climate effect, 2007 sales would have been up 1.6%.



+7.6%

NET INCOME, GROUP SHARE

(millions of euros)

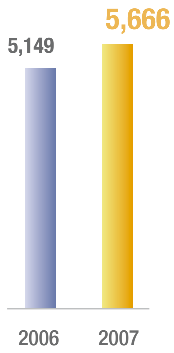
The Group's net income was up 7.6% this year, reaching record highs with almost 2,500 million euros and improved operating income figures and financial performance.

Net Income

Net income is equal to sales minus all expenses.

EBITDA

EBITDA is an indicator of financial resources generated by the Group's businesses that gives a good indication of profitability.



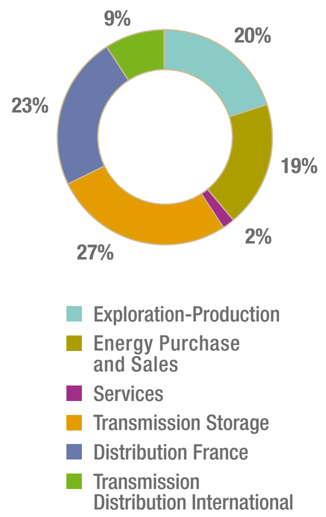
+10%

EBITDA[1]

(millions of euros)

The Group exceeded its EBITDA goals, mainly due to the excellent performance posted in the second half during which EBITDA shot up 36%, due, among other reasons, to a buoyant market environment at year end and to favourable weather conditions in the last quarter (below average temperatures).

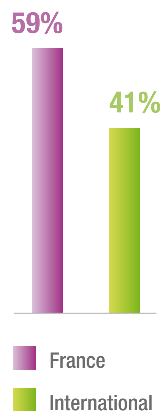
(1) Before replacement expenses and employee shareholding.



CONTRIBUTION OF SEGMENTS[2] TO GROUP EBITDA

(%)

The Group's growth in EBITDA is supported by energy purchase and sales and by the transmission and storage businesses whose contribution to Group EBITDA rose respectively 10 and 2% from the previous year. The EBITDA of Exploration-Production, Energy Purchase and Sales, Transmission and Storage and Distribution France are all over one billion euros.



CONTRIBUTION OF INTERNATIONAL BUSINESS TO GROUP SALES

(per destination) (%)

The Group is pursuing its international expansion strategy. In 2007, international Group sales totaled 11.361 billion euros.

- 4%

NATURAL GAS SALES

(in TWh)[3]

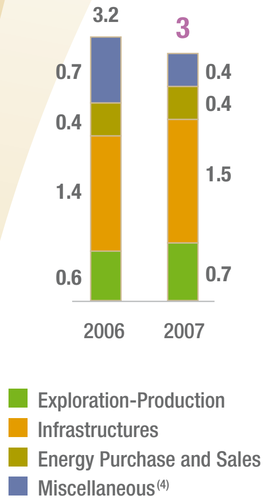
The drop in natural gas sales is mainly due to the unfavourable weather conditions of the first six months. However, sales to residential customers remained stable compared to 2006 for the average climate figure. The deregulation of the energy markets on July 1, 2007 had no significant impact on natural gas volumes sold by Gaz de France to residential customers.

(2) After the segment reclassification following the Group's reorganisation in the first half of 2007.

(3) 1 terawatt-hour (TWh) = 1 billion kWh, or 91 million m³ of natural gas.

KEY FIGURES

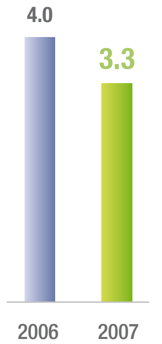
FINANCIAL BASE



INVESTMENTS EXCLUDING EXTERNAL GROWTH

(billions of euros)

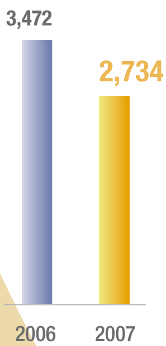
Capital expenditures were up 2,869 million euros. Infrastructures activities are the main contributor with 1,520 million euros invested. Exploration-Production investments grew 11%.



INVESTMENTS

(billions of euros)

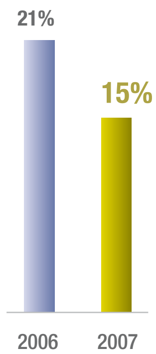
The amounts allocated to investments remained high. The amounts earmarked for external growth totaled 275 million euros, down slightly compared to 2006, in a context not very favourable to transactions.



NET FINANCIAL DEBT

(millions of euros)

The Group's financial structure continues to be very sound with a 738 million euro reduction of the net financial debt in 2007.



NET FINANCIAL DEBT / SHAREHOLDERS' EQUITY

(%)

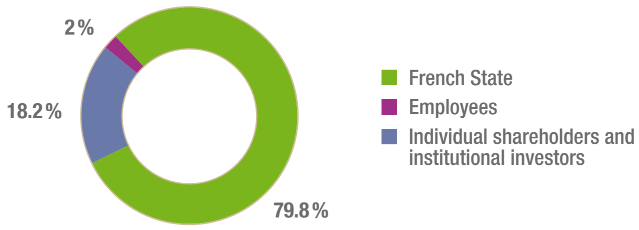
After two stable years, the net financial debit / shareholders' equity ratio decreased in 2007.
At fiscal yearend, Group shareholders owned 18.5 billion euros in equity.

(4) Services, Transmission Distribution International and others.

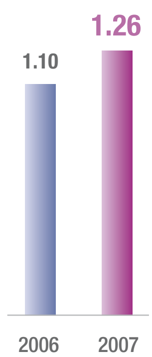
GAZ DE FRANCE SHARE

ISIN Code: FR0010208488
Mnemonic: GAZ
Listing: Euronext Paris
Total number of shares as of 12/31/2007: 983,871,988
Market capitalization as of 12/31/2007: 39,355 million euros
Indexes: CAC 40, SBF 120, Euronext 100, FTSE Eurotop 100, Dow Jones Stoxx 600, ASPI Eurozone®

SHAREHOLDERS AS OF 12/31/2007



GAZ DE FRANCE SHARE PRICE IN 2007



+14.5%

DIVIDEND PER SHARE

(in euros)

Based on the Group's excellent results in 2007, the Board of Directors proposed a 14.5% increase in the dividend to 1.26 euros at the annual shareholders' meeting. The amount of the dividend paid by the Gaz de France group to its shareholders has increased threefold in three years (calculation based on the number of shares existing as of December 31, 2007 and a dividend per share of 1.26 euros).

(5) Value of the CAC 40 and Dow Jones Stoxx 600 indices re-based on the Gaz de France stock price on 01/02/2007.

GOVERNANCE

THE EXECUTIVE COMMITTEE

The Executive Committee is the Group's management authority. Chaired by Jean-François Cirelli, Chairman and Chief Executive Officer, its other members are:

- the two Chief Operating Officers;
- the managers of the Group's operational divisions;
- the Senior Vice President, Human Resources, the Senior Vice President, Corporate Communications, the Chief Financial Officer and the Secretary General.

The Executive Committee examines and approves the issues and decisions related to the Group's strategy and its overall management. It prepares and implements the rulings issued by the Board of Directors. It meets every week. The agenda is proposed by its members.

(first row)

Raphaële RABATEL
Senior Vice President, Corporate Communications

Jean-François CIRELLI
Chairman and Chief Executive Officer

Yves COLLIOU
Chief Operating Officer

(second row)

Jean-Marie DAUGER
Chief Operating Officer

Henri DUCRÉ
Senior Vice President, Energy France Division

Emmanuel HEDDE
Secretary General

(third row)

Stéphane BRIMONT
Chief Financial Officer

Philippe SAIMPERT
Senior Vice President, Human Resources

Pierre CLAVEL
Senior Vice President, International Division

MEMBERS OF THE BOARD

The Board of Directors is made up of eighteen directors appointed or elected for a five-year period:

- Six government representatives appointed by decree of the Ministry of the Economy, Finance and Employment;
- Six people elected by the shareholders;
- Six staff representatives elected in accordance with act no. 83-675 of July 26, 1983 (one seat being vacant on December 31, 2007).

The Board of Directors is supported by four committees:

- The Audit and Accounts Committee;
- The Strategy and Investment Committee;
- The Compensation Committee;
- The Sustainable Development and Ethics Committee.

MEMBERS OF THE BOARD *(from top to bottom and from left to right)*

Jean-François CIRELLI (2)
Chairman and Chief Executive Officer

Olivier BARRAULT (3)
Sponsored by the National Federation of Trade Unions for Employees of the Electrical, Nuclear and Gas Energy Industries C.G.T.

Jean-Louis BEFFA (2)
Chairman and Chief Executive Officer of Compagnie de Saint-Gobain, Chairman of Claude Bernard Participations

Eric BUTTAZZONI (3)
(until December 14, 2007) Sponsored by the National Federation of Trade Unions for Employees of the Electrical, Nuclear and Gas Energy Industries C.G.T.

Bernard CALBRIX (3)
Sponsored by the Fédération Chimie Energie C.F.D.T.

Aldo CARDOSO (2)
Associate Professor ("Corporate governance and confidence strategy") at the Paris Institute of Political Studies

Paul-Marie CHAVANNE (1)
Chairman and Chief Executive Officer of Géopost and Europe Airpost, Chief Operating Officer of La Poste

Guy DOLLÉ (2)
Company director, former Chairman and Chief Executive Officer of Arcelor

Philippe FAVRE (1)
Chairman of the French Agency for International Investment, Ambassador responsible for international investments

Pierre GRAFF (1)
Chairman and Chief Executive Officer of Aéroports de Paris

Yves LEDOUX (3)
Sponsored by the National Federation of Trade Unions for Employees of the Electrical, Nuclear and Gas Energy Industries C.G.T.

Peter LEHMANN (2)
Chairman of Greenworks (United Kingdom), Chairman of the government supervisory council of Fuel Poverty

Jean-François LE JEUNE (3)
Sponsored by the National Electricity and Gas Federation C.G.T.-F.O.

Philippe LEMOINE (2)
Chairman and Chief Executive Officer of LaSer Lafayette Services, Chairman and Chief Executive Officer of Cofinoga, Chairman and Chief Executive Officer of Banque Sygma

Anne-Marie MOURER (3)
Sponsored by the Federation of Electricity and Gas Industries C.F.E.-C.G.C.

Xavier MUSCA (1)
Chief Executive Officer of the Treasury and Economic Policy, Ministry of the Economy, Finance and Employment

Florence TORDJMAN (1)
Vice President, Gas and Fossil Fuel Distribution at the General Directorate of Energy and Raw Materials, at the Ministry of Ecology and Sustainable development

Édouard VIEILLEFOND (1)
Director of Shareholdings of the Government Shareholding Agency at the Ministry of the Economy, Finance and Employment

(1) Government representatives.
(2) People elected by the shareholders.
(3) Elected staff representatives.

ACTIVITIES


Gaz de France
TUG
TUG

Commissioned at the end of 2006, the Gaz de France energY made its first delivery of LNG in January 2007. The LNG tanker unloading arms transfer liquefied natural gas at - 163 °C between tanker and LNG terminal.

INFRASTRUCTURES

The Infrastructures Division unites the storage*, LNG terminal*, transmission* and distribution* businesses of Gaz de France. Third party access to all of these facilities takes place according to strict principles of transparency and non-discrimination. The GRTgaz and GrDF subsidiaries, acting according to specific independent criteria on behalf of all suppliers and shippers, handle the transmission and distribution of natural gas in France on the basis of regulated rates*.
The 2007 results of these businesses are in line with the company's financial, regulatory, safety and environmental commitments.

14 billion m^3

of storage capacity in Europe (roughly 20% the total natural gas storage capacity in Europe)

22

third party suppliers used the Group's storage capacity in France (16 in 2006)

STORAGE

Gaz de France has the second largest natural gas storage capacity in a European market that posts the highest growth in the world [1], a key position the company consolidated in 2007 by maximising its existing portfolio in France and developing its operations in other European countries.

Increased Storage Capacity in Europe

The Group has storage assets in Germany, France, Romania, the Czech Republic and the Slovak Republic. In 2007, the company's new goal was to hold 10% of the volume of the German storage market by 2017, compared to 2.3% at present.
In August 2007, Gaz de France clinched the contract for the development of a natural gas storage project in salt caverns in Stublach, Cheshire. With a capacity of 400 billion m^3, this storage site will be one of the largest in the United Kingdom.

A Platform to Facilitate Trading

To facilitate transparent and non-discriminatory third party access to facilities, the Group's Major Infrastructures Department (DGI) has set up a web-based secondary market* trading platform. Accessible by secure link and hosted by a supervisor, this platform connects all players who wish to trade storage capacities (transfer, acquisition), from transaction publication to conclusion.

Open House for a New Project

The DGI implements active local communication with neighbours to favour the acceptability of its storage facilities. In November 2007, the company presented to more than 800 people, including the local elected officials, its development project for the underground storage facility at the Étrez site in the Ain, in France. The project calls for the improved environmental performance of the site.

(1) This is expressed as more than 5% compared to a world average of 1.7% (source: Cedigaz 2006).

http://www.grandesinfrastructures.gazdefrance.com

Two Gaz de France employees compare notes in the control room at the Étrez natural gas storage site.

INFRASTRUCTURES

23.7 billion m^3

natural gas regasification* capacity targeted by the Group for 2010. Current capacity is 17 billion m^3

7

third party suppliers used the Group's regasification capacities in 2007 (one more than in 2006)

LNG TERMINALS

By enabling all suppliers to regasify liquefied natural gas (LNG)*, the Group's LNG terminals* make a significant contribution to diversifying and protecting natural gas supplies in Europe. In 2007, the Group's Major Infrastructures Department (DGI) pursued its regasification capacity development programme.

Operational Extension of the Montoir-de-Bretagne Terminal

In 2007, suppliers confirmed their interest in subscribing to additional capacities in the Montoir-de-Bretagne terminal by 2010. In accordance with legislation relating to the organisation of the public debate on industrial projects, the DGI has made public information concerning the possible construction of a fourth LNG reservoir on the site. It also decided to extend the operational activity of the terminal until 2035 through a major renovation of existing facilities amounting to 150 million euros.

A Third Terminal to Respond to the Demand for Natural Gas in Europe

The last phase of work on the new terminal in Fos Cavaou continued, with commissioning expected in 2009. This third terminal will allow the Group to double its LNG reception and treatment capacities on the Mediterranean coast. With the current regasification capacity of the Fos Tonkin terminal (7 billion m^3) and the future capacity at Fos Cavaou (8.25 billion m^3), the Fos area will become the largest LNG site in Europe.

Easier Access for Third Parties

To make it easier for third party suppliers to access their LNG terminals, the DGI decided in August 2007 to significantly reduce the amount of the guarantee requested from suppliers under the LNG Terminal Access Contract*. These provisions came into force after the Energy Regulation Commission was informed of them in August 2007.

http://www.grandesinfrastructures.gazdefrance.com

With an annual regasification capacity of 10 billion m³, Montoir-de-Bretagne is one of the largest LNG terminals in Europe. In 2007, this terminal received its 2,000th cargo of LNG.

ACTIVITIES

INFRASTRUCTURES

667 billion kWh

of natural gas transported by GRTgaz in 2007

37

shippers relied on GRTgaz in 2007, 12 more than in 2006

TRANSMISSION

A wholly-owned subsidiary of Gaz de France, GRTgaz operates, maintains and develops a natural gas transmission* system in France of 31,717 km. In 2007, the subsidiary increased the fluidity of its network* thanks to an ambitious investment plan to develop natural gas trading, and is aiming for the standardisation of the rules and practices to facilitate interconnections between adjacent networks.

Investments at the Service of the Market

The investments of GRTgaz in its transmission system are a key factor in market deregulation and the continuity of supply of natural gas. In 2007, these investments reached 372 million euros, representing an increase of 52% compared to 2006.
In the longer term, the indicative development plan for the transmission system, made public in June 2007, foresees investments of around 5 billion euros from 2007 to 2016.

Improving Natural Gas Trading Flows

In April 2007, GRTgaz opened an electronic platform intended to cover its balancing* requirements through purchases or sales of natural gas. 11 companies signed contracts for access to this platform and up to 9 GWh are traded there each day.
The commissioning of the Cuvilly compression station* in September 2007 and the construction of nine other new stations will also enable GRTgaz to decongest its network and to have only two balancing areas, North and South, by January 1, 2009.

Standardising Rules and Practices between Operators

The interconnection contracts signed in 2007 with network operators in Belgium and Germany will make the change in carriers transparent for the shipper at the border crossings. The long-term aim is to remove the technical and commercial barriers that complicate cross-border trade in natural gas.
The joint action plan signed by GRTgaz with the TIGF operator will facilitate natural gas channelling and trading in the South of France.

Safety, a Major Priority

39 million euros were allocated in 2007 to the application of the new safety regulations and to pursuing network inspection and renovation operations. A further 50 million euros will be allocated in 2008.

Elsewhere in Europe

The Gaz de France group also operates natural gas transmission networks in Germany, Austria, Belgium and the Slovak Republic. In 2007, its Gaz de France Deutschland transmission subsidiary (GdFDT) signed agreements with the German operator, E.ON Gastransport, the Czech operator, RW Transgas Net and GRTgaz, to interconnect the Czech and the French borders, on one of the largest Russian natural gas channelling sections (1,077 km of pipeline in all).

http://www.grtgaz.com
http://www.gazdefrance-transport.de

Doubling of the "Guyenne Artery" linking Lamothe-Montravel and Laprades will be completed in 2008. At the end of 2007, a new phase of work began with the laying of a 600 metre connection under the Dordogne river.

INFRASTRUCTURES

GrDF
GAZ RÉSEAU
DISTRIBUTION FRANCE

Visual identity of the new Gaz de France group distribution* subsidiary, created on December 31, 2007.

186,000 km

Europe's longest natural gas distribution network

6,300

concession contracts with local authorities for natural gas service

DISTRIBUTION

In accordance with the European regulations that require the legal separation of energy provider businesses from distribution network operator businesses, at the end of 2007, the Gaz de France group created a new subsidiary for its natural gas distribution activities, GrDF. The distributor manages access to the network for all suppliers and assures its operation and development.

GrDF, the Natural Gas Distribution Subsidiary in France

GrDF channels natural gas from all the suppliers chosen by French consumers through a network that it builds, maintains, operates and develops in the safest conditions. In response to the complete deregulation of the energy markets, in 2007 the distributor undertook a major transformation of its organisation. New contact functions have been created for distribution network users. They are grouped into two structures:

- 23 Natural Gas Connection and Advisory Agencies that handle requests for connection and access to natural gas from professionals (design departments, fitters, etc.) and suppliers authorised on behalf of end customers and consumers;
- 78 Channelling Agencies, responsible for organising supplier access to the network in a transparent and non-discriminatory manner.

Number one goal: Network Safety

At the end of 2007, all known and listed gray iron pipelines were replaced in accordance with the commitments made to the Authorities. 95% of the safety-related operations were also performed in less than one hour. In relations with service companies, the industrial policy also led to a long-term commitment to quality.

GrDF, Working to Develop the Natural Gas Network

The distributor is in charge of developing the network and of access to natural gas, interacting with local authorities, natural gas suppliers and concerned partners. In January 2008, it attained the objective of the "One million new gas heating customers" programme launched in 2003.

http://www.grdf.fr

The company pursued the modernisation of its distribution business in 2007 by setting up a Geographical Information System (GIS). This tool allows rapid access to pipeline maps covering all of France.

ENERGY FRANCE

With 11 million customers in France, the Gaz de France group is a leader in the marketing of natural gas and has undertaken an ambitious development programme in the production and marketing of electricity.
In a context marked by the complete deregulation of the markets and the increasing importance of environmental issues, the Energy France Division and the Company as a whole have implemented a deliberate policy of opting for energy-efficient solutions and developing renewable energies.

2,730 MWe

of installed capacity, 67% of which outside France

No. 1 in France for wind power production

with 118 MWe at the end of 2007

ELECTRICITY

The Group has electrical power generation facilities in France, Spain, the United Kingdom and Belgium. In 2007, Gaz de France also became the leading wind power producer in France. With electricity production targets doubled with respect to those announced in 2006, by 2012 the Group intends to have 10,000 MWe of owned capacity, with 20% produced using wind power.

Solid and Diversified Resources

Gaz de France's power generation portfolio has expanded to become European in scope. It is made up of combined cycle natural gas power plants* (DK6 in Dunkerque in France, Cartagena in Spain and Shotton in the United Kingdom) and diversified power generation facilities in Belgium, added to which are 118 MWe of wind power in France.

Developing Capacity

Developing the thermal power generation assets is essential in reinforcing the power generation capacities of Gaz de France.

In 2007, the construction of three natural gas thermal power plants advanced according to schedule:

- Main equipment assembly began for the CyCoFos project in Fos-sur-Mer (480 MWe), after completion of the building work. Commissioning is expected to take place end of 2008.
- In Montoir-de-Bretagne (430 MWe), site preparation work began in December 2007, with commissioning planned for early 2010.
- In Saint-Brieuc (200 MWe), the public enquiry opened at the end of November and the licensing order is expected by summer 2008. The site should open early in 2009, with commissioning expected by the end of 2010.

New Developments in Wind Power

In 2007, the Group acquired the Erelia and Éoliennes de la Haute-Lys companies, whose power generation capacities at the end of 2007 were respectively 56 MWe and 38 MWe. These additional 94 MWe enable Gaz de France to raise its installed wind power to a level nearly five times greater than the 2006 figure. The aim is to reach 2000 MWe by 2012.

In October 2007, Gaz de France acquired a 95% capital share in Erelia, a company that specialises in the development and operation of wind farms mainly located in the North-East of France.

ENERGY FRANCE

85,897

market offers sold to residential customers between July and December 2007

24%

market share gained in corporate and local authority market offers

SALES

Despite the lasting increase in energy prices, the rising importance of environmental concerns and the modification of the regulatory framework (separation of the marketing and distribution* functions), the Group met the ambitious challenge presented by the complete deregulation of the energy markets that occurred on July 1, 2007.

A Broader Commercial Offering Tailored to Customer Expectations

Since July 1, 2007, all residential customers can choose their natural gas and electricity suppliers and maintain their energy contracts at regulated rates or change to market offers with a price guarantee for the duration of the contract.

The Group has structured its offers around three commitments: encouraging freedom of choice for customers, guaranteeing price transparency and protecting the environment. The success of the different DolceVita® 2 énergies formulas (natural gas and/or electricity) bears witness to their strong positioning. At the end of 2007, the number of Gaz de France customers remained steady compared to 2006, i.e. 11 million customers in France (10.4 million residential customers). Gaz de France was also chosen as electricity supplier by 46,500 residential customers.

Environment-Friendly Offers

Environmental issues take a central position in the Group's commercial policy that targets residential, corporate and local authority customers.

Thus, as part of its new DolceVita® 2 énergies offer, Gaz de France has committed to producing 21% of its customers' electricity with renewable energies. The Group is also developing offers associating natural gas and renewable energies (solar, wood power) for heating.

Symphonie: A World First

On the occasion of the deregulation of the residential customer market, Gaz de France completely rebuilt its customer information system: a first in the energy sector for a project of this scope. At the end of 2007, almost all Gaz de France residential customers in France had been logged into the new Symphonie information system. The newness of the tool and the complexity of the new interfaces had a brief impact on the quality of services offered to customers. However, the main problems have now been identified and dealt with.

http://www.gazdefrance.fr

The "House of the future", presented for the first time by Gaz de France at the Batimat trade fair in November 2007, is equipped with an electricity-producing boiler and also uses renewable energies (solar, thermal and photovoltaic) to supply heat and electricity.

ENERGY FRANCE

No. 1

in France for maintenance of domestic boilers for residential and professional customers

11,100

energy saving certificates* collected in 2007, in partnership with the Gaz de France Sales Department

SAVELYS

Savelys, a Gaz de France subsidiary specialising in the maintenance of individual heating systems for residential and corporate customers in France, posted a 3% increase in sales in 2007 in a slightly receding market. In 2007, the subsidiary also pursued its policy of developing energy-saving solutions.

Acquisitions in Energy Efficiency

In 2007, the acquisition by Savelys of Maumon & Maumon and Andrieux-Maumon reinforced its offer of energy-saving products. Specialising in the installation and commissioning of condensing boilers* (800 boilers fitted per year), heat pumps*, and the fitting of solar panels, these companies also allow Savelys to double its business in the Bordeaux region.

The leading heat pump commissioning and maintenance company in France, Savelys also aims to expands its geographical coverage of this market from a current 75% to 100% by the end of 2008.

Financially Advantageous Offers

Savelys is offering its customers a range of specific loans to finance the installation or renovation of their heating and insulation equipment. In 2007, 4,000 special rate loans were processed. The success of this offer, developed in partnership with the Solfea Bank, a Gaz de France subsidiary, bears witness to the increasing interest of customers in solutions that allow them to save energy.

Savelys and the Research Department run an experiment with the first electricity-producing boiler in France

In October 2007, Savelys commissioned an electricity-producing boiler for a residential customer, which had been developed with the Gaz de France Research Department. Unique in France, this boiler simultaneously produces heat for heating and hot water and electricity that can be used on location or sold to the electricity network. By the end of February 2008, 40 customers in the Rhône-Alpes Region had participated in this very promising experiment.

http://www.savelys.fr

Energy efficiency requires appropriate maintenance. The 3,000 Savelys technicians make more than 20,000 visits per day in total, as here with customers equipped with a condensing boiler.

GLOBAL GAS AND LNG

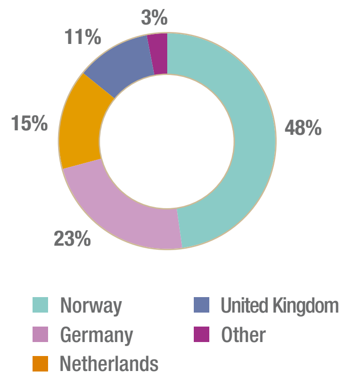
To ensure secure and abundant resources at competitive prices, in 2007 the Gaz de France group pursued the protection of its supply portfolio and its investments in exploration and production. Sales of natural gas to industrial key accounts continued to develop in the European markets, despite an economic situation strongly affected by the mild weather in the first half of the year.
A creator of value as a producer, wholesaler and trader in developing markets, the Global Gas and LNG Division reinforces the Group's leading position among importers of liquefied natural gas (LNG)*.

1,500 Mboe (1)

up 500 Mboe compared to 2006: the Group's target in proven and probable reserves in the medium term

GEOGRAPHICAL DISTRIBUTION OF RESERVES

(Natural gas and liquid hydrocarbons)



EXPLORATION-PRODUCTION

The Group has a balanced portfolio made up of assets at different stages of development. The implementation of its exploration-production policy led in 2007 to business growth in areas with strong potential, the development of existing fields and the Group's entry in new exploration areas.

Sustained Performance

Exploration-Production revenues rose 3.5% to 1,717 million euros, and total hydrocarbon production reached 42.4 Mboe in 2007.

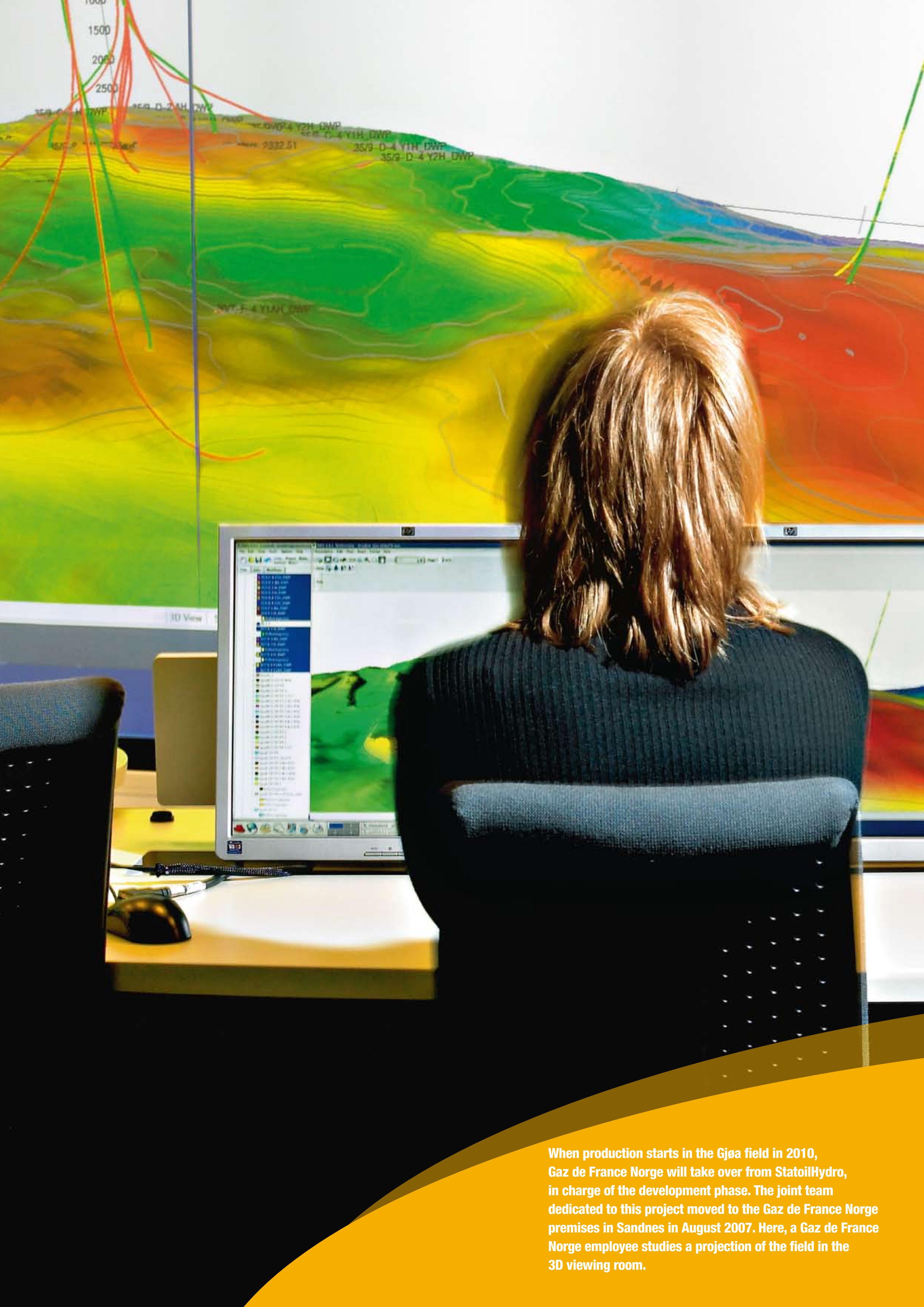
Optimising Development

Northern Europe is clearly becoming the focus of strong development for new or existing fields. In Norway, production has started on the Fram East and Njord Gas sites, while Gaz de France Norge, a wholly-owned subsidiary of Gaz de France, is preparing to take over the management of operations at the Gjøa site in 2010.
In the fall of 2007, further north in the Barents Sea, the Snøhvit LNG production plant was commissioned. Production starts at four new fields in the North Sea (Kelvin and Minke in the United Kingdom, G14-C and K12-K in the Netherlands) also confirm the importance of this area for the Group.

(1) Million barrels oil equivalent.

The Promise of New Resources

Exploration and acquisition projects complete production development. Gaz de France's presence in Egypt was strengthened by the signature of an agreement with Vegas Oil & Gas for the acquisition of a 45% stake in the Alam El Shawish West concession, which contains newly discovered oil and gas resources and new exploration areas in the western desert.
In Algeria, the exploration phase of the Touat basin has been completed and the Group is getting ready to declare the marketability* of the field with its partner, the state-owned company Sonatrach.
The acquisition of 50% of the licence for Römerberg in Germany, where oil has been discovered, demonstrates the Group's capacity for finding new resources in the most mature areas of Europe.
Gaz de France has also been successful in exploration. Of the thirteen wells drilled in 2007, eight will be productive, thus auguring an increase in the Group's medium term reserves. The Group has also acquired a stake in ten additional exploration licences located on the British continental shelf.

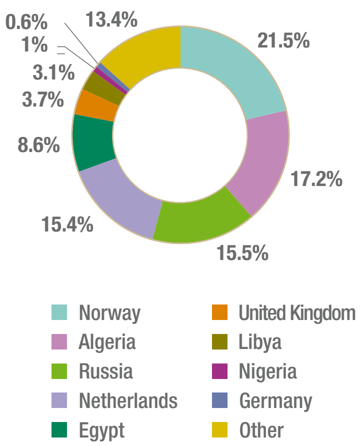


When production starts in the Gjøa field in 2010, Gaz de France Norge will take over from StatoilHydro, in charge of the development phase. The joint team dedicated to this project moved to the Gaz de France Norge premises in Sandnes in August 2007. Here, a Gaz de France Norge employee studies a projection of the field in the 3D viewing room.

GLOBAL GAS AND LNG

GEOGRAPHICAL DISTRIBUTION OF SUPPLIES

(Natural gas and liquid hydrocarbons)



617 billion kWh

of natural gas supplied by Gaz de France in 2007, including

167.3 billion kWh

of LNG*, 87% guaranteed by long-term contracts

SUPPLIES

Thanks to the diversity of its natural gas supply and the quality of its relationships with its suppliers, Gaz de France consolidates and protects its energy supply over time with its customers in Europe and the rest of the world. The climatic situation and market conditions in 2007 support this policy of diversification, especially in the area of LNG.

Results that Match Expectations

The exceptionally mild weather in the first half of 2007 reduced the demand for natural gas. However, Gaz de France reached its targets and marketed LNG to other European, American and Asian markets, thanks to the versatility of its assets and the flexibility offered by its fleet of 12 LNG tankers*.

An Agreement with Algeria to Protect Supplies

A Gaz de France supplier in the framework of cooperation initiated more than 40 years ago, Algeria plays an essential role in securing the supply portfolio. The agreement signed in 2007 with the state-owned company, Sonatrach, extends supply contracts until 2019, strengthening Gaz de France's position as a European leader in the LNG sector.

Strengthened Relations with Russia

In December 2007, the Group signed a cooperation agreement with Gazprom on the technical aspects of natural gas transmission* and storage*, production technologies, environmental issues and research development. This agreement, which follows contracts already signed for the supply of Russian natural gas until 2030, widens the bases of a long-term partnership with this major player in the European energy market.

LNG storage reservoirs on the Sonatrach liquefaction complex at Bethioua, in Algeria. Gaz de France supplies of Algerian natural gas, with a total volume of 105,9 billion kWh in 2007, represent more than 17% of the Group's supplies, making Algeria its second leading supplier after Norway.

GLOBAL GAS AND LNG

No. 1 importer of LNG*

in Europe and 3rd importer of LNG in the world

31%

LNG share of the Group's long-term supplies, up compared to 2006

LNG

LNG contributes to strengthening the diversification of Gaz de France supplies. In 2007, the Group increased its fleet of LNG tankers*, and consolidated its position as a leader in LNG in Europe.

Increased Flexibility and Protection

Gaz de France has continued to renew its fleet of LNG tankers with the commissioning of the Gaselys (154,500 m^3) in March 2007. This twelfth tanker, sister ship of the Provalys, provides increased flexibility in the LNG market for the Group.
Gaz de France has also reinforced the protection of its resources by extending its LNG supply contracts with the Algerian state-owned company Sonatrach until 2019 (see page 32 also).

Long-term Access to the American LNG Market

The signature in April 2007 of an agreement between Gaz de France and Cheniere Energy Inc. will allow the two groups access to new regasification* capacities for 15 years. Beginning in 2008, Gaz de France will be able to deliver LNG to the Sabine Pass LNG terminal* in Louisiana and Cheniere will be able to do the same at the British Isle of Grain terminal, where Gaz de France has a regasification capacity of 3.3 billion m^3 per year.

New Regasification Capacities for Quebec and Italy

In October 2007, the Quebec government authorised the construction of the Rabaska LNG terminal at Lévis near Quebec. The Group is a partner in this 5-billion m^3 terminal project that will allow diversification of the natural gas supply in Quebec and Ontario.
To meet increasing demand for natural gas in Italy while complying with environmental standards, the Group has also started a project for an offshore LNG terminal in the Adriatic.

A Long-term Partnership in Qatar

In January 2008, Gaz de France and Qatar Petroleum International signed a cooperation agreement covering LNG, exploration-production, storage* and downstream activities. This agreement illustrates the Group's will to reinforce its presence in Qatar, the leading LNG exporter in the world.

The first LNG cargo from Snøhvit, Norway, was channelled to France via the Provalys, a Gaz de France LNG tanker specially equipped to resist the weather conditions of the Norwegian arctic. In early 2008, 154,500 m^3 of LNG were unloaded at the Montoir-de-Bretagne terminal.

GLOBAL GAS AND LNG

214 billion kWh

sold by Gaz de France EnergY® to European key accounts, more than 29% of the Group's volume of natural gas sales

56%

Percentage of Gaz de France EnergY® sales posted outside France, compared to 52% in 2006

KEY ACCOUNT SALES

Gaz de France markets energy management solutions and services under the Gaz de France EnergY® brand to its European key accounts. These solutions aim to improve economic performance and energy efficiency for customers: European industrial groups, natural gas distributors and energy operators and producers of electricity from natural gas.

European-wide Response Capabilities

In 2007, despite an unfavourable weather situation and intensified competition, Gaz de France EnergY® successfully continued its development in Europe and maintained its first place in France with 55% of the key account energy supply market. The brand's customer satisfaction rate [1] reached 92%, compared to 89% in 2006.
Sales to European industrial groups–the priority targets of Gaz de France EnergY®–represented almost three quarters of marketed volumes. In April 2007, the Group won a new contract with Saint-Gobain, one of the world leaders in housing materials. Faced with aggressive European competition, Gaz de France EnergY® and Gaselys, the Gaz de France trading* subsidiary, thus clinched a contract under which the industrial processes of roughly forty Saint-Gobain sites in Belgium, France and the Netherlands would be supplied with natural gas. These sites are added to the sites already supplied in the United Kingdom and Italy.

Customer Loyalty Spurred by Local Presence

With a network of seven subsidiaries and European divisions and seven delegations in France, Gaz de France EnergY® offers its customers strong geographical proximity. Customer relationships are strengthened by the weekly circulation of information about energy market developments and the organisation of themed conferences.
In 2007, customer workshops, led by Gaz de France Key Account Sales Department and Research Department representatives, provided detailed information on customer expectations and energy issues in the newly deregulated market.

(1) Source: telephone survey carried out every year on a representative sample of 579 European key accounts.

http://www.gazdefranceenergy.gazdefrance.com

Bottle production at O-I, a Gaz de France EnergY® Pan-European customer. The glass industry, a high consumer of energy for its smelting furnaces, is also very sensitive to any improvement in the energy efficiency of its industrial procedures.

GLOBAL GAS AND LNG

60%

increase in volumes handled on the markets, all types of energy combined

+16%

Gaselys headcount growth in 2007

GASELYS

Gaselys, a subsidiary shared by Gaz de France and Société Générale, is a European leader in energy trading* operating in the entire energy mix (natural gas, electricity, oil and refined products, coal, CO_2 quotas*, etc.).
Gaselys offers Gaz de France and its customers access to the short-term markets* and develops energy price hedging and industrial or contractual asset optimisation services.

Activity at the Heart of Major Energy Stakes

Unusual climate conditions, the search for equilibrium between supply and demand for natural gas or electricity in Europe, price fluctuations in the different markets, and regulations on CO_2 emissions: The activity of Gaselys is closely linked to developments in the world of energy.
In line with Gaz de France's sustainable development commitments, Gaselys has become its trading platform for renewable energies and CO_2 emission reductions. In this respect, in 2007 Gaselys started a Certified Emission Reduction certificates* trading business and was particularly active in the green certificates market*.

A Major Group Contributor in 2007

In 2007, Gaselys strengthened its positions, and therefore those of the Group, in all short-term European markets. In Germany, the subsidiary was actively involved in the development of the EGT hub* and the natural gas stock exchange launched by the European Energy Exchange (EEX).
Concerning the Group's natural gas trading activities, Gaselys provided its expertise for the financial optimisation of the Gaz de France LNG arbitrage* operations and the economic modelling of gas storage* facility value.
Furthermore, Gaselys continues to work closely with the Gaz de France sales teams to increase their portfolio of European customers and build up their loyalty by preparing innovative price engineering solutions.

http://www.gaselys.com

Gaselys’ experience in physical and financial trading is an asset for Gaz de France. It contributes to optimising the Group’s portfolio of natural gas and electricity resources and enriching its commercial offer to industrial key accounts.

SERVICES

In addition to supplying energy, the Gaz de France group provides a global offer of energy services for its customers–professional, industrial and local authorities–in a growing European market.
The Services Division comprises three subsidiaries:
- the Cofathec group: supply of energy services;
- Finergaz: production and management of cogeneration* units;
- GNVert: distribution and marketing of Natural Gas for Vehicles (NGV)* and provision of associated services.

No. 1
in revenues in energy services in Italy

In 2007, the Services Division posted revenues of 1,807 million euros and strengthened its presence in the main markets (France, Italy, the United Kingdom and Belgium). This growth dynamic, supported by commercial success and new acquisitions, reinforces the European positioning of the Group in the supply of energy and services.

Controlling Energy Demand

Following a European call for tenders, Cofathec UK was awarded the contract for the maintenance of the energy facilities on nine administrative sites of the British Ministry of Commerce and Industry (BERR). Energy cost control is an essential element of the contract with this ministry which is implementing exemplary actions in sustainable development.

Encouraging the Use of New Energies

In Italy, the province of Rome assigned the installation of 2,830 m² of photovoltaic panels in twelve school compounds located in seven districts to Cofathec Servizi. GNVert also signed a contract with Monoprix for the construction of a filling station and the sale of NGV for the fleet of heavy trucks owned by the brand and its partners circulating in the Paris region.

Responding to Complex Calls for Tenders

Roanne Hospital entered into a public-private partnership with Cofathec Services for the construction and operation for eighteen years of a complete energy facility (cold, heat, electricity, and cogeneration): a first in the health sector in France.
The city of Crema, in Lombardy, Italy, signed a contract with Cofathec Servizi for the construction and operation of a cogeneration facility associated with a district heating and electricity distribution network. This facility will provide the heating for the hospital, part of the school and public buildings, and for 4,000 homes in the city centre.

Electricity and Heat Stimulate Growth

At the end of 2007, Cofathec Servizi signed a contract with Edison S.p.A. for the acquisition of seven cogeneration plants in Italy. This acquisition gives Gaz de France a significant power generation position in this country with an installed power base of 370 MWe[1]. The electricity produced is sold to the Italian authority in charge of the electricity networks, while the heat supplies leading industries such as Solvay, Fiat or Pirelli.

(1) For two of the plants, the acquisition was contingent upon the possible exercise of a pre-emptive right by minority shareholders. In early 2008, a minority shareholder of the Celano cogeneration plant (170 MWe) exercised that pre-emptive right.

http://www.cofathec.fr
http://www.gnvert.fr

In December 2007, Cofathec UK won a contract with OGCbuying.solutions concerning the supply of energy services for Whitehall Estate, the real estate company that manages both chambers of the British Parliament in Westminster and a large number of buildings housing various government departments and ministries.

INTERNATIONAL

In 2007, all the Group's businesses contributed to international activities, enabling Gaz de France to earn 41% of its revenues outside France. The Group continues to strengthen positions in Europe by developing the business that creates the most value in the countries where it already has a strong presence. It also detects new opportunities for growth.

€11,361 million

in revenues outside France

3.7 million

customers outside France

Despite an extremely mild first half of 2007 all over Europe, the International Division reached its targets and posted a 9% contribution to Group EBITDA.

Europe, a Core Target for International Development

In Italy, the Group has organised its different operating companies into two separate divisions, specialising respectively in the distribution* and marketing of natural gas. It also took control of Energie Investimenti, a marketing division holding company, by raising the share of GDF International to 60%. The Division has also expanded its activities to the sale of natural gas to Italian key accounts.

In Romania, Gaz de France acquired 59% of the second largest local natural gas storage* operator, Depomures, responsible for managing a site with a capacity of 300 million m^3 in the north of country. Already holding a 65% interest in Amgaz, the third largest Romanian storage operator, the Group thus became the private investor with the most storage assets in Romania.

New Developments Being Studied

The identification of requirements in services and infrastructure improvement, as well as forecast increases in energy consumption, have led the Gaz de France group to study development possibilities in markets adjoining the European Union, such as Russia or Turkey.

A Hungarian Subsidiary Ready for Market Deregulation

In March 2007, the Hungarian subsidiary Egaz Degaz won the gas transfer tender organised by E.ON Ruhrgas which now gives it a natural gas supply of 325 million m^3. It has thus reinforced the Group's natural gas supply in this country.

On June 1, 2007, Egaz Degaz also created its new distribution subsidiary, Egaz Degaz Foldgazeloszto, to comply with the distribution and supply business separation requirement. This subsidiary operates 23,095 km of network, serving 790,000 customers in 650 districts in Hungary.

Visit all the Group country websites at http://www.gazdefrance.com

The offices of Italcogim, the Milanese headquarters of the Group's operational business in Italy. Italcogim Energie markets natural gas and electricity and Italcogim S.p.A. handles the distribution of natural gas.

SHARED COMMITMENTS

As part of its partnership with the French Hiking Federation, several times a year, Gaz de France organises hikes for members of the Group's Shareholders Club, as here in October 2007, in the "calanques" of Marseille.

HUMAN RESOURCES

With the deregulation of the European energy markets, Gaz de France group employees work in an increasingly competitive and international context. An initiative set up to encourage the exchange of good practices in Human Resources (HR) helps support the development of Gaz de France and reinforces the sense of belonging of Group employees.

47,560
employees,
33% of whom outside France

30
free shares allocated by the "Shares + 2007" plan to each employee of the Gaz de France group in 11 European countries and in Mexico

The actions carried out in 2007 demonstrate the high level of involvement of HR in leading change within the Group in France and in the other countries where it operates.

Stimulating International Mobility

A reference system supporting international Group mobility was published in July 2007. In particular, it guarantees a fair salary and effective social welfare for persons in the Group who accept a position abroad. A pool has also been set up to identify candidates for international mobility based on specific criteria such as languages, experience, availability and motivation.

Improved Sharing of Best Practices in HR within the Group

The first edition of the "HR Trophies" took place in December 2007, at the HR network convention. Of the five dossiers to receive awards, three came from subsidiaries outside France(1):

- **Italcogim S.p.A., Italy: leading change with a merger-integration**
  The reorganisation of the distribution* and marketing activities of Italcogim and Arcalgas, Italian Group subsidiaries, yielded major synergies. The project team is based on work groups made up of employees from both companies. It was able to make use of the differences between the two companies to build the new one, according to principles of transparency and collegiality.

(1) The two other dossiers to receive awards were presented by the Major Infrastructures Department and by the Group's Sales Department.

- **Gaz de France ESS, United Kingdom: Training programme for accountants**
  ESS undertook to train young employees in accountancy in the three to five years following their hire. Of the 35 employees in the Finance and Management Department, 21 young people are now pursuing studies to obtain their accountancy diploma.

- **Distrigaz Sud, Romania: Evaluation of the technical knowledge of the HR team**
  For the first time in its history, Distrigaz Sud has launched a major programme for the professional evaluation of the 60 employees on its HR team. This initiative took the form of a professional development plan for each member of the team.

Continued Modernisation of the Status of Electricity and Gas Industries (IEG) in France

Negotiations between employers' associations and trade union federations within the professional sector of IEGs have led to changes within employee representative institutions, and regarding the complementary health insurance scheme, retirement pay and salaries. Negotiations concerning health insurance and the retirement scheme will be completed in 2008 by agreements at the division or company level.

Representatives of the winning teams at the Trophy awards at the annual HR Network Convention in December 2007.
The 29 dossiers presented demonstrated a shared ambition for performance and innovation.

SHARED COMMITMENTS

RESEARCH AND DEVELOPMENT

The Gaz de France Research Department (R&D) proposes and implements the Group's research and development policy. It unites personnel with skills in research and development in the gas sector, but also in the electricity and renewable energies sectors. The increasing importance of energy in the economic landscape also leads it to include people with skills in economics, finance, prospective and mathematics.

€88 million

of R&D budget in 2007

76 %

of the budget dedicated to sustainable development projects

In 2007, R&D pursued four priorities that focused on innovation in order to provide the Group with a competitive edge, growth in economic performance and the creation of value, safety in the gas chain and help the Group prepare for the future.

Effective Solutions Throughout the Energy Chain

Gaz de France researchers are working on a project for a bioclimatic building* and on heating systems combining natural gas and renewable energies. These solutions will contribute to the company's response to the new European greenhouse gas reduction and renewable energy share requirements.

After obtaining the classification of the system for offloading liquefied natural gas (LNG)* via cryogenic* hose, the R&D Department is involved in the fine tuning of liquefaction units on barges at sea. These new installations should facilitate the operation of offshore gas fields, which are often far from the coast.

Energy Optimisation and Economic gain: The Winning Equation

In September 2007, R&D created a new service that offers industrial customers in the glass, metallurgy and automobile sectors energy diagnoses and feasibility studies on solutions for controlling energy demand.

Industrial Safety at the Heart of Research

Safety is an essential condition of Gaz de France's business and a permanent research focus for the company. Research programmes therefore include all requirements concerning industrial safety and the safety of indoor installations. In 2007, R&D patented a new technology for protecting existing connections which can automatically stop the flow of natural gas in the event of a leak in the connection.

Promising Solutions for Reducing Greenhouse Gas Emissions

The Group has been actively participating for several years in national and international research programmes on the capture and storage of CO_2. In 2007, Gaz de France signed an important agreement with the Vattenfall group to test the conditions in which CO_2 can be injected into a depleted natural gas field in Altmark, in Germany. The Group is also strongly involved in the European CASTOR project (CO_2 from CApture to STORage), a groundbreaking project in research on the capture of CO_2.

Gaz de France participates in a CO_2 capture operation in Denmark, at the Esbjerg thermal plant. This facility can capture one ton of CO_2 per hour from the plant combustion fumes.

SHARED COMMITMENTS

SUSTAINABLE DEVELOPMENT

Gaz de France has made sustainable development a core part of its strategy through its threefold commitment to combating global warming, supporting territorial development and spurring its accountability as a company.

No. 1 French company

in the Climate Disclosure Leadership Index (CDLI) since September 2007. This index distinguishes world companies from the FT 500[1] considered the most efficient in integrating climate change in their business strategies and reporting.

In 2007, Gaz de France deployed its ethics mechanism group-wide and reinforced its stakeholder consultation process. The Group also consolidated its strategy in favour of developing renewable energies, controlling energy demand and reducing CO_2 emissions.

Consolidating the Ethics Base

The Group's ethics mechanism, which was made public in June 2007, defines the Gaz de France charter of values, its principles for action and its management system. Translated into seven languages, it is intended for all employees. Codes of professional conduct complete the mechanism and are implemented by the Group departments.

Spurring Dialogue with Stakeholders

Gaz de France maintains a permanent dialogue with its stakeholders about the sustainable development policy. Through a wide consultation process (surveys, work groups, partnerships, stakeholder panels, extra-financial assessment agencies, etc.), the Group identifies the paths for progress and responsively adapts its policies and associated action plans.

(1) Classification of the first 500 companies in the world by the Financial Times.

Fighting Climate Change

Gaz de France's target for 2012 is to have power generation assets of 2,000 MWe based on wind power, which will represent approximately 20% of its electricity production capacity in Europe.
In 2007, the Group accelerated its acquisitions in renewable energies and became the leading wind power producer in France (see page 24 also). Its business plans also include ambitious sections on controlling energy demand.

Joining in Partnership

As part of its commitments in favour of sustainable development, the Gaz de France group signs agreements with partner associations in the areas of charity and the environment.
In June 2007, the Group signed an agreement with "SOS Familles", a not-for-profit organisation that is a member of Emmaüs France, to facilitate access to energy for the poor. In November, it also renewed its agreement with the "Samu Social" (emergency social welfare services), supplying logistical and financial resources and volunteer employees.
In October 2007, Gaz de France renewed its partnership with WWF France in favour of reasoned energy use and developed new actions for raising the awareness of customers, partners and employees.

Gaz de France shares the concerns of local authorities and supports their initiatives, like in Toulouse, where the Group is a partner of the Natural History Museum and its "Vegetable gardens of the world". The vegetable gardens are located in a low environmental-impact, sustainable development building constructed with recyclable materials.

GAZ DE FRANCE CORPORATE FOUNDATION

With the creation in 1992 of one of the first corporate foundations, the Gaz de France group chose to manifest its commitment to the service of the common good through the close association of its employees.
In line with the Group's values, the Gaz de France Corporate Foundation operates in three areas: charity, environmental protection and the conservation and enhancement of the cultural heritage. It is based on a vision of the individual being fully integrated in the society in which he or she lives.

15 years old

Age of the Gaz de France Corporate Foundation. 1,000 projects supported since 1992.

€10 million

Gaz de France endowment for the fourth mandate of the Foundation (2007-2012), at a rate of two million euros per year

In 2007, recognised as a "Grand Mécène"(1) by the Ministry of Culture and Communication, the Foundation continues with its large projects in France, and also in other countries in which the Group operates. It is supported in this effort by partners and networks of associations that are strongly involved in field work.

Sport and Charity in Europe

Extending the Gaz de France sports sponsorship policy, the Foundation carries out actions to prevent the exclusion and isolation of young people who live in underprivileged and rural areas. It supports associations such as Fête le Mur or the Agency for Education through Sport, celebrating 10 years of partnership in 2007.
In the United Kingdom, the Foundation also supports the Street Athletics association, which allows young people from conflictive districts to practise athletics. With the Group's Romanian subsidiary, Distrigaz Sud, it also contributes its expertise to the Sport for Life association, which teaches young Romanians about the importance of sport and its values.

(1) This award is given by the French State to acknowledge the contribution made by a company or a person to the French cultural heritage or the image of French culture.

The Environment, a Natural Focus for the Foundation

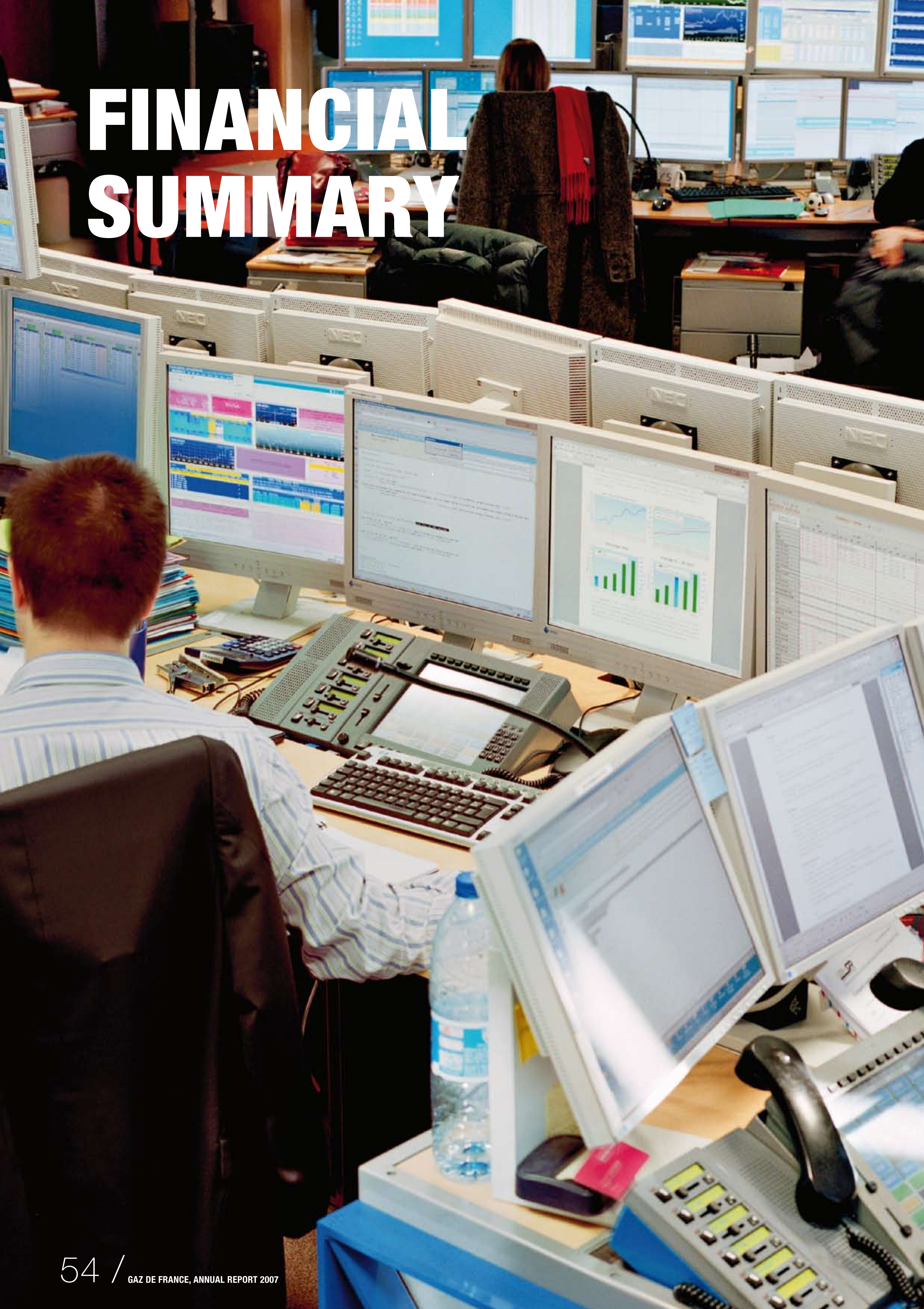
In parallel with the Gaz de France group's commitment in favour of the environment, the Foundation aims to raise the awareness of as many people as possible on the fragility of nature and the protection of biodiversity. It works in the creation and redevelopment of gardens and the rehabilitation of large natural sites.
In 2007, the Foundation undertook the restoration of the greenhouses at the National Museum of Natural History in Paris. As part of the Group's partnership with the French Hiking Federation, it also continues with an ambitious programme for the rehabilitation of paths and trails.

Enhancement of the Cultural Heritage

The Foundation has decided to become involved on a long-term basis in the conservation of a timeless architectural heritage, stained glass windows. In this respect, with the Ministry of Culture and Communication, it has undertaken to support the restoration and creation of contemporary stained glass windows throughout France.
In 2007, Gaz de France took action alongside 18 other patrons of the Louvre and the Musée des Beaux-Arts in Lyons to purchase *La fuite en Egypte*, a painting by Nicolas Poussin, one of the finest French painters of the 17th century. In all, 17 million euros, including 3 million contributed by the Gaz de France Corporate Foundation, were raised to allow the Musée des Beaux-Arts in Lyons to buy back the painting, which will now remain in France.

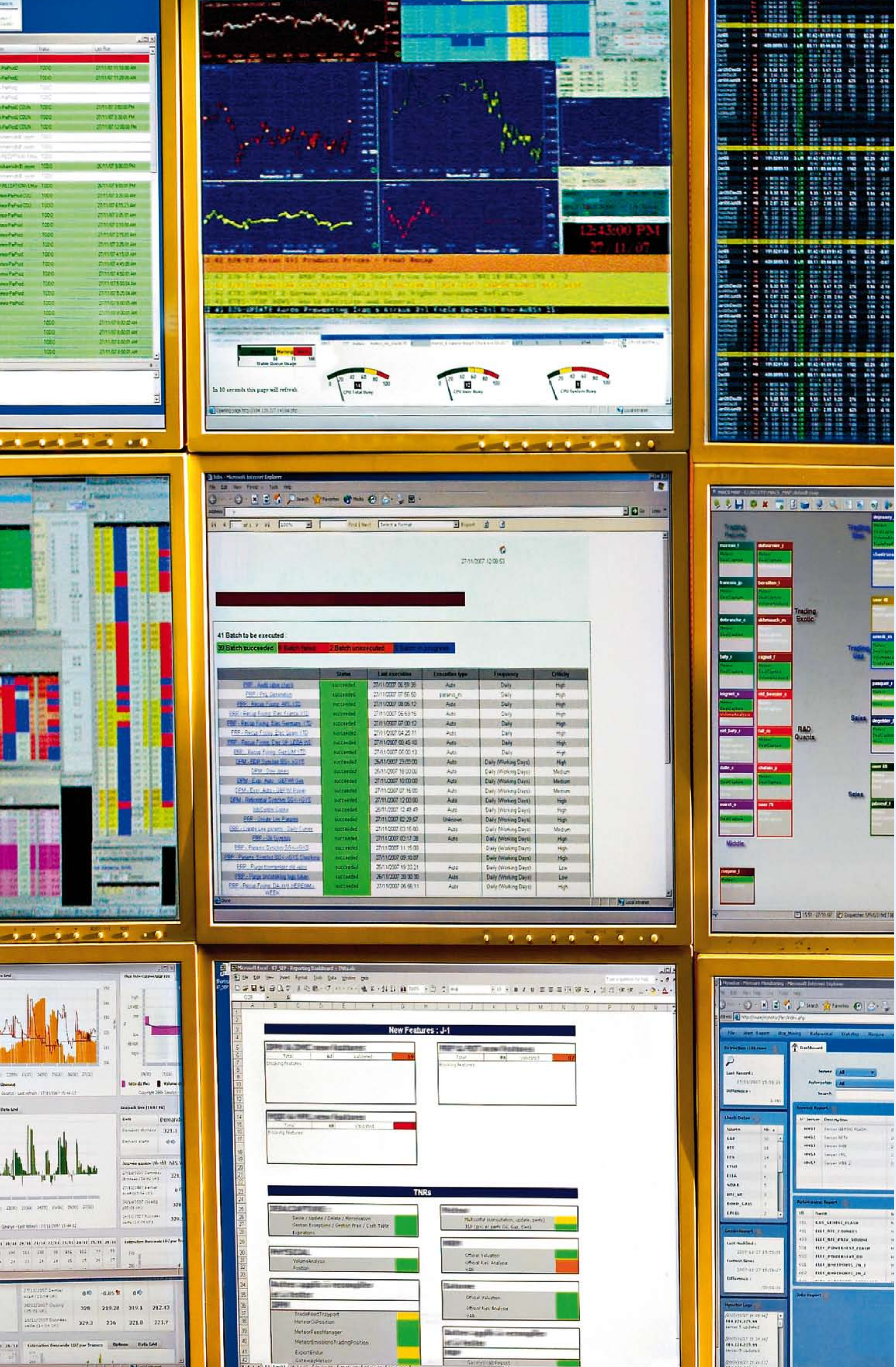
With the help of the Gaz de France Corporate Foundation, more than 20 sites of the Fête le Mur association welcome each year around 100 young lawn tennis players from underprivileged areas, such as here in Le Mée-sur-Seine.

FINANCIAL SUMMARY




NEC


SOCIETES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39 Batch succeeded
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ABBREVIATED ANNUAL RESULTS

Consolidated Statement of Income

Millions of euros	2007	2006	Change %
SALES REVENUES	27,427	27,642	-0.8%
Purchases and other external charges	-19,131	-19,976	-4.2%
Personnel expenses	-2,628	-2,581	+1.8%
Other operating income and expenses	-262	-230	+14%
Amortisation and provisions	-1,532	-1,247	+23%
OPERATING INCOME	3,874	3,608	+7.4%
Net finance costs	-170	-123	+38%
Other financial income and expenses	-140	-234	-40%
Share of income in companies accounted for by the equity method	99	176	-44%
INCOME BEFORE TAX	3,663	3,427	+6.9%
Income tax	-1,153	-1,104	+4.4%
GROUP CONSOLIDATED NET INCOME	2,510	2,323	+8.0%
Minority interests	38	25	+52%
NET CONSOLIDATED INCOME - GROUP SHARE	2,472	2,298	+7.6%
NET EARNINGS PER SHARE (1)	2.51	2.34	+7.6%

(1) Average number of shares outstanding (in thousands): 983,115 in 2007 and 983,719 in 2006.

Consolidated statement of cash flow

Millions of euros	2007	2006
OPERATING CASH FLOW BEFORE TAX, REPLACEMENT COSTS AND CHANGE IN WORKING CAPITAL	5,904	5,118
Concession replacement costs	-247	-294
Changes in working capital requirements	232	-410
Corporate income tax paid	-1,111	-1,348
CASH FLOW FROM OPERATING ACTIVITIES	4,778	3,066
CASH FLOW FROM INVESTING ACTIVITIES	-2,623	-2 174
Investments	-3,051	-3,216
Proceeds	428	1,042
CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES	2,155	892
CASH FLOW FROM FINANCING ACTIVITIES	-1,403	-566
EFFECT OF CHANGES IN EXCHANGE RATES, CONSOLIDATION METHOD AND OTHER	—	25
CHANGE IN CASH AND CASH EQUIVALENTS	752	351

Sales revenues by segment[2]

Millions of euros	2007	2006	Change %
ENERGY SUPPLY AND SERVICES			
Exploration - Production	**1,717**	1,659	+3.5%
Energy Purchase and Sales	**20,041**	20,455	-2.0%
Services	**1,807**	1,801	+0.3%
INFRASTRUCTURES			
Transmission and Storage	**2,494**	2,355	+5.9%
Distribution France	**3,076**	3,289	-6.5%
Transmission Distribution International	**5,202**	5,178	+0.5%
Eliminations, other and unallocated	**-6,910**	-7,095	
TOTAL GROUP	**27,427**	27,642	-0.8%
On average climate basis			*+1.6%*

Adjusted operating income[3] by segment[2]

Millions of euros	2007	2006	Change %
ENERGY SUPPLY AND SERVICES			
Exploration-Production	**1,127**	1,270	-11%
Energy Purchase and Sales	**1,075**	529	+103%
Services	**129**	117	+10%
INFRASTRUCTURES			
Transmission and Storage	**1,534**	1,357	+13%
Distribution France	**1,291**	1,412	-8.6%
Transmission Distribution International	**491**	498	-1.4%
Other and unallocated	**19**	-34	NS
TOTAL GROUP	**5,666**	**5,149**	+10%

(2) Including the effect of reclassification between segments.
(3) Before replacement costs and employee shareholding.

ABBREVIATED ANNUAL RESULTS

Consolidated balance sheet (Assets)

Millions of euros	12/31/2007	12/31/2006 Adjusted[4]
Goodwill	**1,755**	1,626
Concession intangible assets	**5,612**	5,704
Other intangible assets	**883**	564
Tangible assets	**17,705**	16,660
Investments in companies accounted for by the equity method	**814**	718
Non-current financial assets	**1,447**	1,341
Non-current financial derivative instruments	**73**	17
Deferred tax assets	**79**	61
Other non-current assets	**658**	530
Non-current investments of financial affiliates	**165**	167
TOTAL NON-CURRENT ASSETS	**29,191**	27,388
Inventories and work-in-progress	**1,790**	1,935
Trade receivables and related	**7,730**	7,117
Income tax receivables	**233**	84
Other receivables	**853**	1,085
Current financial derivative instruments	**2,639**	2,325
Investments in short term securities	**238**	360
Cash and cash equivalents	**2,973**	2,196
Current assets of financial affiliates	**531**	431
TOTAL CURRENT ASSETS	**16,987**	15,533
TOTAL ASSETS	**46,178**	42,921

(4) Effects of finalisation of acquisition cost allocation on Maia Eolis, in line with IFRS 3 standard.

Consolidated balance sheet (Liabilities)

Millions of euros	12/31/2007	12/31/2006
SHAREHOLDER EQUITY - GROUP SHARE	17,953	16,197
MINORITY INTERESTS	548	466
Provisions for employee benefits	1,118	1,142
Provisions	6,088	5,750
Irredeemable securities	624	624
Financial debt	3,966	3,943
Deferred tax liability	2,634	2,620
Non-current financial derivative instruments	11	8
Non-current liabilities of financial affiliates	126	93
Other non-current liabilities	161	143
TOTAL NON-CURRENT LIABILITIES	14,728	14,323
Provisions	159	167
Social liabilities	546	556
Financial debt	1,355	1,461
Trade payables and related	3,696	3,623
Current tax	529	208
Other tax liabilities	852	724
Other liabilities	2,705	2,615
Current financial derivative instruments	2,529	2,189
Current liabilities of financial affiliates	578	392
TOTAL CURRENT LIABILITIES	12,949	11,935
TOTAL LIABILITIES	46,178	42,921

Net financial debt	2,734	3,472
Shareholders' equity (including minority interests)	18,501	16,663
DEBT/EQUITY RATIO	15%	21%

Glossary

Arbitrage
Operation that consists in taking advantage of the price differences between markets by simultaneously purchasing and selling two contracts.

Balancing
Characterises the areas inside which shippers are obliged to balance the in-out flows of natural gas over a day, due to the existence of congestion points on the network.

Bioclimatic building
Building whose design takes the external environment into account (orientation, ventilation, solar protection, etc.) to reduce heating requirements in winter and cooling requirements in summer.

Certified Emission Reduction certificates (CERs)
Certificates issued to industries that have invested in developing countries to reduce greenhouse gas emissions there. CERs are not directly exchangeable, but they can be used instead of CO_2 quotas with one CER being equivalent to a quota.

Cogeneration
Technique based on a single fuel, which may be natural gas, which can simultaneously produce heat and electricity

Combined cycle power plant
Electrical power plant comprising a gas turbine generator whose exhaust gases power a steam boiler. The steam produced in the boiler drives a turbo-generator.

Compression Station
Industrial installation that compresses natural gas to optimise circulation of flow in the pipes.

Condensing boiler
This boiler's system condenses the water vapour contained in the natural gas combustion products in a heat exchanger, which transmits its heat to the hot water circuit. Output is 20% higher than that of a standard boiler.

CO_2 quotas
A CO_2 quota represents the right to emit one ton of CO_2. Issued to industries in the European Union to encourage them to reduce their emissions, these quotas can be traded on the market (by private contract or on specific stock exchanges).

Cryogenic
That which relates to very low temperatures (-100 °C and below).

Distribution
The distribution networks are groups of structures mainly consisting of medium or low-pressure pipes. They route natural gas to consumers who are not directly connected to the main network or to a regional transmission network.

Eco-efficiency
Sum of the energy savings generated by the adaptation of facilities (buildings, heating, ventilation and lighting systems, etc.) and modification of the behaviour of consumers.

Energy saving certificates
Certificates issued to any natural or legal person according to the number of kWh that have been saved and that can be resold to energy suppliers. The energy saving certificate scheme is run by the Agency for the environment and energy management (ADEME).

Energy trading
Activity for exchange of physical or financial contracts on the short-term energy markets (private contract and stock markets).

Gas hub
Junction point of a transmission network where the natural gas arrives from several sources, allowing exchange of natural gas volumes between these sources and the end markets.

Green certificates
Certificates issued to electricity producers by the Renewable Energy Observatory (Observ'ER) for each MWh generated from a renewable source.

Heat pump
Device for drawing calories from the outside (calories contained in the air, water or ground) to send them to the inside of a room (heating mode), or to extract them from the room in order to send them to the outside (air conditioning mode).

Liquefied natural gas (LNG)
Natural gas turned into liquid by lowering its temperature to -163 °C, which allows its volume to be reduced 600 times.

LNG tanker
Ship carrying LNG cooled to -163 °C in its hold.

LNG terminal
Industrial installation for LNG receipt, unloading, placing in a reservoir and regasification, and the issue of natural gas in a gaseous state to the transmission network.

LNG Terminal Access Contract
Contract between the LNG terminal operator and a shipper, defining the conditions of acceptance, regasification of LNG cargos delivered and emission of natural gas on the transmission network.

Marketability
Stage at which production of a gas field can enter the commercial operation phase.

Natural Gas for Vehicles (NGV)
Composed of 100% natural gas, NGV emits less CO_2, nitrogen oxides and harmful particles than for a petrol-driven car. NGV is also cheap to use.

Network fluidity
Exchanges of natural gas may be improved by the creation of new entry points on the transmission network or by decongestion due to new pipes or compression stations.

Primary Energy
Energy resources before transformation: natural gas, crude oil, sunlight, hydraulic power, wind power, power obtained from uranium fission…

Regasification
Operation that consists in returning a liquid such as LNG to its gaseous state.

Regulated rates
Rates defined by the authorities as proposed by the Energy Regulation Commission (CRE).

Secondary market
Market for exchange of capacities between shippers.

Short-term market (spot market)
Market on which energy is bought and sold with very short deadlines, usually the same day or the following day. By extension, we use the expression for all transactions taking place outside long-term contracts.

Storage
Facility that allows natural gas to be stored in the summer when consumption is at its lowest and to take natural gas out of storage in winter when consumption is higher.

Transmission
The transmission networks are groups of structures consisting of high-pressure pipes. They route natural gas to directly connected industrial consumers and to the distribution networks.

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2007 Sustainable Development Brochure

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English version: 2LCB0408

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January 2008

MAPS

NATURAL GAS TRANSMISSION SYSTEMS AND STORAGE FACILITIES

Major European natural gas pipelines

NATURAL GAS:
transmission system, underground storage facilities and LNG terminals in France

- Gaz de France aquifer storage
- TIGF * aquifer storage
- Gaz de France salt cavern storage
- Gaz de France planned storage
- Gaz de France LNG receiving terminal
- Gaz de France LNG receiving terminal under construction
- Gaz de France landfall
- GRTgaz** pipeline
- GRTgaz** planned pipeline
- TIGF* pipeline
- TIGF* planned pipeline
- Arrival/departure of natural gas by pipeline
- Arrival of natural gas by LNG tanker

* Total Infrastructures Gaz France (TIGF) is a subsidiary of the Total Group
** GRTgaz is a subsidiary of the Gaz de France Group

0 25 50 100 km

Gaz de France

- Pipelines : Ø > 1,000 mm
- Pipelines : 500 mm < Ø < 1,000 mm
- Planned pipelines
- Pipelines owned by GRTgaz
- Pipelines in which the Group is a shareholder
- Shipping by LNG tankers (long-term contracts)
- Planned shipping by LNG tankers
- Natural gas deposit
- Liquefaction plant
- LNG receiving terminal
- Gaz de France LNG receiving terminal
- Gaz de France LNG receiving terminal under construction
- Underground storage
- Gaz de France underground storage
- Gaz de France planned underground storage

200 100 0 200 400 km