2017
FIRST-HALF
FINANCIAL REPORT

ENGIE Profile

ENGIE develops its businesses (power, natural gas, energy services) around a model based on responsible growth to take on the major challenges of the energy transition to a low-carbon economy: access to sustainable energy, climate-change mitigation and adaptation and the rational use of resources.

The Group provides individuals, cities and businesses with highly efficient and innovative.

ENGIE employs 153,090 people worldwide and achieved revenues of €66.6 billion in 2016. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main international indices: CAC 40, BEL 20, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe, DJSI World, DJSI Europe and Euronext Vigeo (Eurozone 120, Europe 120 and France 20).

Key figures at December 31, 2016

- 153,090 employees throughout the world
- €66.6 billion in 2016 revenues.
- Operations in 70 countries.
- €16 billion of growth investment over 2016-2018, inc. €1 billion for innovative and digital projects.
- An investment fund of €50 million committed to energy access
- 1,100 researchers and experts at 11 R&D centers
- An investment fund of €115 million dedicated to innovative startups.

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01 MANAGEMENT REPORT

1 SUMMARY OF THE GROUP'S RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

Income statement and cash flow statement data for the six months to June 30, 2016 have been restated following the classification of ENGIE E&P International as "Discontinued operations" on May 11, 2017 (*see Note 2.1.1 "Plan to divest the exploration-production business" to the interim condensed consolidated financial statements*). A reconciliation of the reported data with the restated comparative data is presented in Note 12 "Restatement of 2016 comparative data" to the interim condensed consolidated financial statements.

ENGIE delivered robust results and strong organic growth in the first half of 2017, driven mainly by the positive impacts of the Lean 2018 performance program.

Revenues increased by 1.6% on a reported basis to €33.1 billion and by 2.6% on an organic basis compared with first-half 2016. Reported growth was affected by changes in the scope of consolidation (negative impact of €431 million) due mainly to the disposal of the merchant power generation assets in the United States. This was partially offset by a positive foreign exchange effect of €120 million, chiefly related to the Brazilian real and US dollar, despite the euro's depreciation against the pound sterling. Organic revenue growth was driven by an increase in commodity volumes sold in the midstream business in Europe, an improved performance by the thermal power generation plants in Europe and Australia, the impact of new assets commissioned and price rises in Latin America, and the impact of the 2016 price revisions in the infrastructure business. These positive developments were partially offset by a fall in sales of natural gas to BtoC and BtoB customers in France and by a decrease in wind and hydro renewable energy generation in France.

EBITDA amounted to €5.0 billion, down slightly by 0.1% on a reported basis but up 4.0% on an organic basis. The reported fall was due to changes in the scope of consolidation (negative impact of €295 million), due mainly to the disposal of the merchant power generation assets in the United States in June 2016 and February 2017 and the disposal of Paiton in Indonesia at end-2016, coupled with the recognition in EBITDA of the nuclear contribution in Belgium (€71 million). These negative impacts partially offset a positive foreign exchange effect related mainly to the Brazilian real and US dollar. The organic growth in EBITDA was driven by the same reasons as given above for revenue, plus the impacts of the Lean 2018 performance program.

Current operating income after share in net income of entities accounted for using the equity method decreased by 4.4% on a reported basis and increased by 2.5% on an organic basis to €3.0 billion. The organic growth in EBITDA was mitigated by higher depreciation expense than the previous year following the three-yearly review of Belgian nuclear power plant dismantling costs at end-2016.

Net income Group share relating to continued operations amounted to €1.3 billion for the six months ended June 30, 2017, stable compared with first-half 2016. It includes the negative impacts of fair value adjustments to hedges of commodity purchases and sales, and charges to restructuring provisions, which were partially offset by the positive impacts of (i) a reduction in the cost of debt, (ii) lower asset impairment net of deferred tax than the previous year, and (iii) gains on the disposal of the thermal merchant power plant assets in the United States and Poland, and the disposal of a non-consolidated interest in Petronet LNG in India.

Net income Group share amounted to €1.3 billion for first-half 2017, including a €7 million attributable net loss from discontinued operations.

Net recurring income Group share relating to continued operations amounted to €1.4 billion for the six months ended June 30, 2017, up 1.1% compared with first-half 2016, driven by an improvement in net recurring financial income/(loss).

Net recurring income Group share amounted to €1.5 billion, stable compared with first-half 2016. It includes €103 million of net recurring income Group share from ENGIE E&P International activities classified in "Discontinued operations".

Cash flow from operations amounted to €3.5 billion, down €1.1 billion compared with the six months ended June 30, 2016. This performance includes robust operating cash flow, but was adversely impacted by higher restructuring costs, dispute settlements and a lower change in working capital due mainly to trends in gas inventories in France as temperatures were milder than in first-half 2016.

Net debt stood at €22.7 billion, down €2.1 billion since December 31, 2016, mainly due to cash flow from operations (€3.5 billion) and the impacts of the portfolio rotation program (€3.9 billion), including the disposal of the thermal merchant power plant portfolio in the United States and Poland, and the disposal of interests in Opus Energy in the United Kingdom and Petronet LNG in India. These items were partially offset by (i) gross investments in the period (€3.9 billion), and (ii) dividends paid to ENGIE SA shareholders (€1.2 billion) and to non-controlling interests (€0.3 billion).

2 OUTLOOK

Confirmation of the 2017 annual targets [1]:

- a **net recurring income Group share** between **€2.4 and 2.6 billion**, expected at mid-range;
- a **net debt/EBITDA** ratio less than or equal to **2.5x** and an «A» category rating;
- a **dividend** of **€0.70 per share** with respect to 2017, paid in cash [2].

After taking into account the IFRS 5 treatment related to E&P, the net recurring income Group share target is based on an **indicative EBITDA range** of **€9.3 to 9.9 billion**.

(1) These targets assume average weather conditions in France, full pass through of supply costs in French regulated gas tariffs, and unchanged Group accounting principles for supply and logistic gas contracts no significant regulatory and macro-economic changes, commodity price assumptions based on market conditions as of December 31, 2016 for the non-hedged part of the production, and average foreign exchange rates as follows for 2017: €/$: 1.07; €/BRL: 3.54. These financial objectives include the impact of the Belgian nuclear contribution on EBITDA and do not consider significant impacts on disposals not yet announced as at March 2, 2017 (date of annual results publication).

(2) The Board of Directors has decided the payment of an interim dividend of €0.35 per share for 2017, which will be paid on October 13, 2017.

3 CONSOLIDATED REVENUES AND EARNINGS

In millions of euros	June 30, 2017	June 30, 2016 (1)	% change (reported basis)	% change (organic basis)
Revenues	33,098	32,574	+1.6%	+2.6%
EBITDA	5,028	5,033	-0.1%	+4.0%
Net depreciation and amortization/Other	(1,992)	(1,859)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	3,036	3,174	-4.4%	+2.5%

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

Consolidated **revenues** for the six months ended June 30, 2017 amounted to €33.1 billion, up 1.6% compared with first-half 2016. On an organic basis (excluding changes in the scope of consolidation and foreign exchange impacts), revenues grew by 2.6%. Adjusted for the adverse trend in temperatures in France, which were milder than in first-half 2016, organic growth was 3.0%.

Changes in scope of consolidation had a net negative impact of €431 million, arising mainly from the disposal of hydro and thermal merchant power generation assets in the United States (€350 million negative impact) and Poland (€151 million negative impact), partially offset by the acquisition of additional shares in the Gera local energy supply company in Germany (€50 million positive impact) and acquisitions of service companies in Australia, the United States and France (€46 million positive impact). Exchange rates had a positive €120 million impact on Group revenues, mainly reflecting the appreciation of the Brazilian real and US dollar against the euro. This was partly offset by the euro's depreciation against the pound sterling.

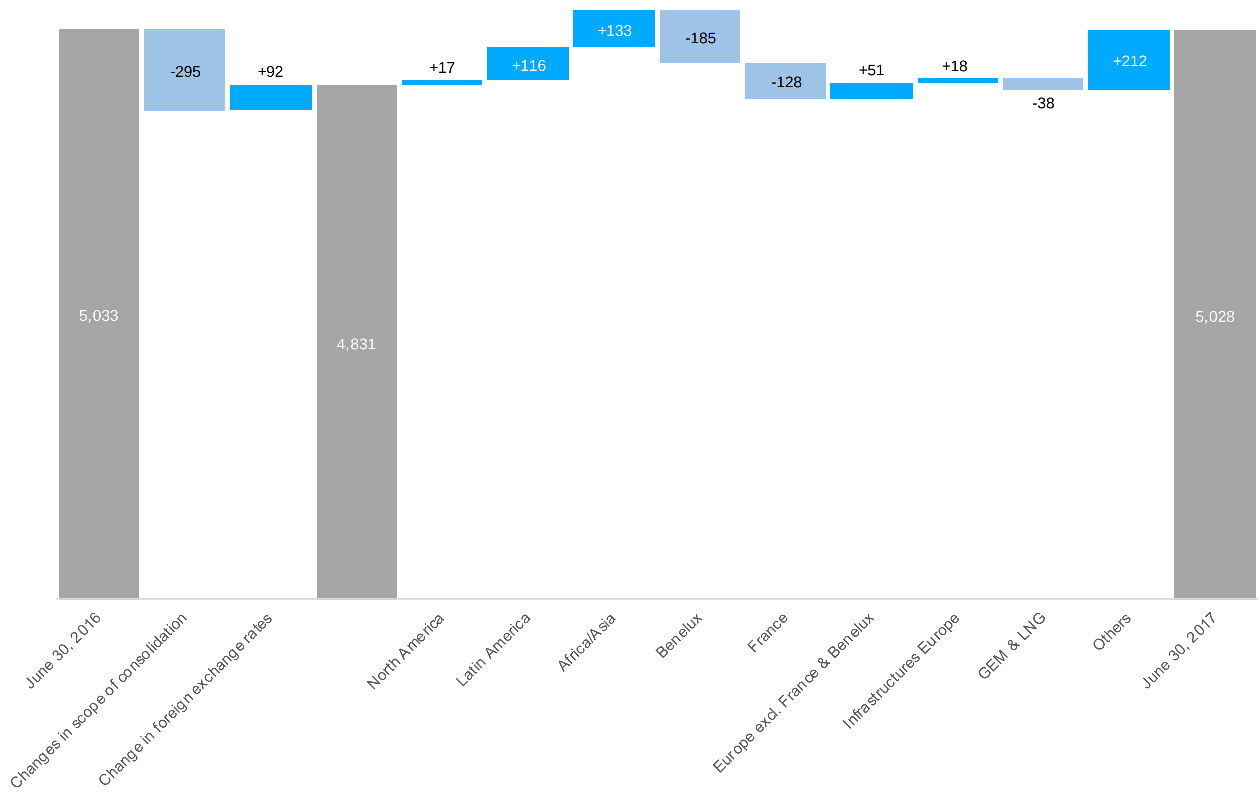
Organic revenue growth was driven mainly by increased commodity sales in the midstream business in Europe, price revisions in the infrastructure business in France in 2016 and in Latin America, the commissioning of new assets in Latin America (Mexico and Peru) and a good performance in thermal power generation in Europe and Australia. These positive impacts were partially offset by a decrease in hydro and wind power generation in France and a decline in gas volumes sold to BtoC and BtoB customers in France.

Organic revenues by segment were (i) up in GEM & LNG, Latin America, Infrastructures Europe, Europe excluding France and Benelux, and Africa/Asia, (ii) stable in North America, (iii) down slightly in France and Benelux and (iv) down significantly in the Other segment.

EBITDA was stable at €5.0 billion. Excluding the impact of changes in the scope of consolidation and exchange rates, EBITDA increased by 4.0%.

EBITDA TRENDS

In millions of euros



Changes in the scope of consolidation had a negative impact of €295 million due mainly to the disposal of hydro and thermal merchant power generation assets in the United States (negative €153 million) and Paiton in Indonesia (negative €44 million), coupled with the recognition in EBITDA of the nuclear contribution in Belgium (negative €71 million). Exchange rates had a positive €92 million impact, mainly due to the appreciation of the Brazilian real and the US dollar against the euro.

On an organic basis, EBITDA was up 4.0% to €197 million, driven by the positive impacts of (i) the Lean 2018 performance program, (ii) a buoyant performance from the Group's growth drivers, (iii) the commissioning of new assets in Latin America, and (iv) a good performance from the thermal power generation business in Europe and Australia. These positive factors were partially offset by the impact of lower renewable energy generation in France, a less favorable temperature effect in France and the shutdown of the Tihange 1 nuclear power plant in Belgium from September 2016 to May 2017.

Organic EBITDA performance varied significantly between segments:

- in North America, organic EBITDA was up 26% thanks to a good performance from the US retail business coupled with cost savings;
- in Latin America, organic EBITDA was up 14% due to the commissioning of new assets in Mexico and Peru, price revisions in Mexico and Argentina, and an increase in the contribution of hydroelectric power activities in Brazil;
- in Africa/Asia, organic EBITDA was up 24%, driven mainly by the Fadhili power plant contract won in Saudi Arabia, improved gas distribution margins in Thailand, and a good performance from Australian assets due to electricity price increases. These factors were partially offset by lower availability of assets in Thailand and Turkey;

- in Benelux, the decline in EBITDA was mainly due to the non-scheduled shutdown of Tihange 1 from early September 2016 to the end of May 2017, as well as a decrease in captured electricity sale prices compared with first-half 2016. These impacts were partially offset by a good performance in gas and electricity sales activities in Belgium, coupled with cost savings driven by the Lean 2018 program;
- in France, organic EBITDA was down due to a decrease in wind and hydro renewable energy generation and lower volumes and margins in the retail gas business. These impacts were partially offset by higher volumes in the retail electricity market and a good performance from the heating networks business;
- in Europe excluding France and Benelux, organic EBITDA was up sharply by 16%, due to an improvement in margins captured by the First Hydro power plants in the United Kingdom, favorable weather conditions in Romania and cost savings driven by the Lean 2018 program;
- in Infrastructures Europe, the slight increase in organic EBITDA stemmed from an increase in revenues driven by the positive impact of price rises in Transport and Distribution introduced in 2016, partially offset by lower storage capacity sales in France;
- in GEM & GNL, the decline in EBITDA was due mainly to negative price impacts and gas supply difficulties in the south of France in January 2017 during the cold snap. This was partially offset by the positive impact of a recent price revision to a LNG supply contract;
- in the Other segment strong organic growth in EBITDA was driven mainly by a good performance from gas-fired thermal power generation in Europe and in BtoB electricity sales in France.

Current operating income after share in net income of entities accounted for using the equity method amounted to €3.0 billion, up 2.5% on an organic basis compared with first-half 2016, for the same reasons as those given above for EBITDA. Depreciation expense for the period was higher than the previous year following the three-yearly review of Belgian nuclear power plant dismantling costs at the end of last year.

4 REPORTABLE SEGMENT BUSINESS TRENDS

4.1 North America

In millions of euros	June 30, 2017	June 30, 2016	% change (reported basis)	% change (organic basis)
Revenues	1,427	1,740	-18.0%	-1.0%
EBITDA	79	216	-63.6%	+26.0%
Net depreciation and amortization/Other	(20)	(32)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	59	184	-68.0%	+92.4%

Revenues for the North America segment totalled €1,427 million, down 18.0% on a reported basis due primarily to the disposal of the merchant generation fleet. Revenues were down 1.0% on an organic basis driven by less favorable PPA renewals on the remaining fleet. This is partly mitigated by higher retail volumes and prices as well as slightly higher services revenues.

Electricity sales decreased by 10.6 TWh to 19.8 TWh (1) primarily as a consequence of the disposal of the merchant assets.

EBITDA totalled €79 million, down 63.6% on a reported basis and up 26.0% organically. The organic improvement resulted from the combination of the strong performance of the US supply business coupled with corporate cost savings, nonetheless mitigated by weaker performances from the remaining thermal generation plants.

Current operating income after share in net income of entities accounted for using the equity method amounted to €59 million, down 68.0% on a reported basis and up 92.4% on an organic basis, due to the improvements in EBITDA noted above and a slight decrease in net depreciation and amortization charges.

4.2 Latin America

In millions of euros	June 30, 2017	June 30, 2016	% change (reported basis)	% change (organic basis)
Revenues	2,304	1,962	+17.4%	+7.6%
EBITDA	919	725	+26.7%	+14.4%
Net depreciation and amortization/Other	(218)	(191)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	701	534	+31.2%	+17.8%

Revenues for the Latin America segment totalled €2,304 million, representing a 17.4% increase on a reported basis benefitting from the appreciation of the Brazilian real as well as from a 7.6% organic increase.

In Mexico, revenues improved following the increase of distribution tariffs and the commissioning of Panuco (gas-fired power plant, October 2016). Chile generation revenues were positively impacted by the price indexation despite lower volumes. Argentina benefitted from distribution tariff increases in October 2016 and April 2017. Peru trended upwards thanks to the commissioning of the Nodo Energetico (October 2016) and ChilcaPlus thermal power plants (May 2016), partially offset by lower demand. In Brazil, revenues increased thanks to higher prices partly driven by the poor hydrology.

Electricity sales increased slightly by 0.1 TWh (2) to 29.5 TWh and gas sales increased by 1.2 TWh to 14.6 TWh.

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(1) Electricity sales excluding merchant power plant portfolio for first-half 2017.
(2) Includes at June 30, 2016 an adjustment in volumes: 29.4GWh compared to 29.2GWh published.

EBITDA totalled €919 million, up 26.7% on a reported basis, positively impacted by the appreciation of the Brazilian real and up 14.4% on an organic basis. The organic growth reflects, in addition to the factors mentioned for revenues, the reversal of a provision in gas supply in Argentina, the recognition of a PPA cancellation penalty in Peru and the commissioning of Los Ramones in Mexico (gas transport pipeline, October 2016).

Current operating income after share in net income of entities accounted for using the equity method amounted to €701 million, up 17.8% on an organic basis primarily due to the EBITDA improvement, partially offset by higher depreciation from the commissioning of assets in Mexico and Peru.

4.3 Africa/Asia

In millions of euros	June 30, 2017	June 30, 2016	% change (reported basis)	% change (organic basis)
Revenues	1,969	1,896	+3.9%	+2.4%
EBITDA	685	584	+17.3%	+24.2%
Net depreciation and amortization/Other	(122)	(100)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	563	484	+16.4%	+25.4%

Revenues for the Africa/Asia segment totalled €1,969 million, up 3.9% on a reported basis and 2.4% organically. The contribution of service activities of an Australian company acquired in 2016, combined with a positive foreign exchange impact driven by the strengthening of the Australian dollar and the Thai baht against the euro, was partly offset by the impact of the sale of the Meenakshi coal-fired power plant in India in September 2016. The organic increase resulted mainly from higher market prices in Australia impacting positively both generation and retail activities and the successful closing of the Fadhili contract in Saudi Arabia, partly offset by a major maintenance planned in Thailand and the impact of a lower power plant availability and a decrease in gas prices in Turkey.

Electricity sales decreased by 3.5 TWh to 22.1 TWh, mainly due to the closure of the coal-fired power plant Hazelwood in Australia at the end of the first quarter and to the sale of Meenakshi.

EBITDA totalled €685 million, up 17.3% on a reported basis and 24.2% organically, mainly reflecting the impact of higher prices on our generation and retail businesses in Australia, higher margins in PTT NGD (gas distribution in Thailand) as well as the successful closing of the Fadhili contract and the positive settlement of claims in the Middle East, partially offset by lower power plant availability in Thailand and Turkey and the impact of tax increases on the results of our associates in Oman.

Current operating income after share in net income of entities accounted for using the equity method amounted to €563 million, up 25.4% on an organic basis for the same reasons as those given above for EBITDA.

4.4 Benelux

In millions of euros	June 30, 2017	June 30, 2016	% change (reported basis)	% change (organic basis)
Revenues	4,560	4,665	-2.3%	-2.2%
EBITDA	242	488	-50.4%	-37.2%
Net depreciation and amortization/Other	(267)	(186)		
CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	(25)	302	-108.4%	-85.3%

Revenues for the Benelux segment amounted to €4,560 million, down 2.3% compared to first-half 2016. This decrease reflects the impact of lower commodity selling prices on the retail and generation businesses, combined with a decline in nuclear power generation. The services businesses, supported by buoyant performances in Belgium and the Netherlands, delivered 3.4% revenue growth.

In Belgium and Luxembourg, electricity sales totalled 18.4 TWh, down 2.4 TWh compared with first-half 2016 due to the decline in nuclear power generation. Electricity sales in the Netherlands edged up 0.7 TWh.

Natural gas sales in Benelux totalled 28.4 TWh, an increase of 0.4 TWh compared with first-half 2016.

EBITDA amounted to €242 million, down 37.2% on an organic basis, due to the fall in electricity sale prices and lower availability of the nuclear power plants following the non-scheduled shutdown of Tihange 1 from September 7, 2016 to May 20, 2017. These impacts were partly offset by a good performance from the gas and electricity retail business and by cost savings driven by the Lean 2018 performance program.

Current operating income after share in net income of entities accounted for using the equity method fell in line with EBITDA and was also adversely affected by an increase in depreciation expense resulting from an increase in dismantling costs recognized at end-2016 following the three-yearly review of nuclear provisions.

4.5 France

In millions of euros	June 30, 2017	June 30, 2016 [1]	% change (reported basis)	% change (organic basis)
Revenues	8,619	10,769	-20.0%	-1.2%
EBITDA	828	938	-11.8%	-13.7%
Net depreciation and amortization/Other	(293)	(297)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	535	641	-16.6%	-21.0%

(1) 2016 revenues and EBITDA including the BtoB activity (E&C), which was transferred to the Other segment at January 1, 2017.

VOLUMES SOLD

In TWh	June 30, 2017	June 30, 2016 [1]	% change (reported basis)
Gas sales	56.2	60.3	-6.8%
Electricity sales	17.4	18.9	-7.9%

(1) Gas and electricity sales for the six months to June 30, 2016 do not include E&C (see section 3.9).

FRANCE CLIMATIC ADJUSTMENT

In TWh	June 30, 2017	June 30, 2016	Total change in TWh
Climate adjustment volumes (negative figure = warm climate, positive figure = cold climate)	0.5	2.5	(2.1)

Revenues for the France segment totalled €8,619 million, down 20.0% on a reported basis and 1.2% on an organic basis. The reported fall was due to the transfer of the BtoB gas and electricity sales activity (E&C) to the Other segment. The organic fall was due to a decrease in wind and hydro power generation, which was partly offset by an increase in revenues from the service businesses.

Natural gas sales excluding the transfer of E&C fell by 4.1 TWh, including 2.0 TWh following the loss of retail customers due to competitive pressure and 2.1 TWh related to the temperature effect. Electricity sales excluding the transfer of E&C fell by 1.5 TWh, chiefly due to the decrease in wind and hydro power generation, which partially offset the increase in electricity volumes sold in the retail segment.

EBITDA totalled €828 million, down 13.7% (or €128 million) on an organic basis for the same reasons as those given above for revenues, despite a good performance from the network business.

Current operating income after share in net income of entities accounted for using the equity method amounted to €535 million, down 21.0% on an organic basis.

4.6 Europe excluding France and Benelux

In millions of euros	June 30, 2017	June 30, 2016	% change (reported basis)	% change (organic basis)
Revenues	**4,237**	**4,210**	**+0.6%**	**+2.8%**
EBITDA	**378**	**347**	**+9.0%**	**+16.2%**
Net depreciation and amortization/Other	(100)	(90)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**278**	**257**	**+8.1%**	**+21.3%**

Revenues for the Europe excluding France and Benelux segment totalled €4,237 million, representing organic growth of 2.8%, driven mainly by positive price effects in the gas and electricity retail businesses and the power generation business in the United Kingdom (First Hydro), coupled with the positive effect of weather conditions on the gas distribution business in Romania.

Electricity sales amounted to 14.5 TWh, representing a decrease of 0.4 TWh (1) compared to first-half 2016. Gas sales increased by 2.5 TWh to 39.6 TWh, driven by favorable weather conditions in Romania.

EBITDA totalled €378 million, representing an increase of 16.2% on an organic basis, mainly for the same reasons as given above for revenues, coupled with cost savings driven by the Lean 2018 performance program.

Current operating income after share in net income of entities accounted for using the equity method rose 21.3% to €278 million on an organic basis, in line with EBITDA growth.

4.7 Infrastructures Europe

In millions of euros	June 30, 2017	June 30, 2016	% change (reported basis)	% change (organic basis)
Revenues	**1,786**	**1,671**	**+6.9%**	**+7.0%**
Total revenues (incl. intra-group transactions)	**3,515**	**3,516**	**0.0%**	
EBITDA	**1,884**	**1,866**	**+1.0%**	**+1.0%**
Net depreciation and amortization/Other	(710)	(679)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**1,174**	**1,187**	**-1.1%**	**-1.1%**

Revenues for the Infrastructures Europe segment, including intra-Group transactions, amounted to €3,515 million, stable compared with first-half 2016 due to the annual review in France of distribution infrastructure access tariffs (2.8% increase on July 1, 2016) and of transport infrastructure tariffs (4.6% increase on April 1, 2016 and 3.1% decrease on April 1, 2017), partly offset by an unfavorable temperature effect (2) and lower storage capacity sales in France.

(1) Includes Cogeneration Italy sales of 14.6 TWh in contrast to reported data at June 30, 2016.

(2) A 1.2 TWh increase due to colder conditions in first-half 2017 compared with a 6.2 TWh increase in first-half 2016, representing a €35 million decrease in revenues calculated at €7/MWh.

The contribution to Group revenues was €1,786 million, up 6.9% on 2016. The improved contribution essentially reflects the growth in distribution and transportation activities for third parties and the positive impact of tariff increases introduced in 2016.

EBITDA amounted to €1,884 million, up 1.0% on the previous year for the same reasons as given above for revenues, coupled with lower provisions.

Current operating income after share in net income of entities accounted for using the equity method came in at €1,174 million for the period, down 1.1% on 2016, with a rise in net depreciation and amortization charges resulting from the commissioning of new assets by GRTgaz (Arc de Dierrey at end-2016) and GRDF.

4.8 GEM & LNG

In millions of euros	June 30, 2017	June 30, 2016	% change (reported basis)	% change (organic basis)
Revenues	**4,834**	**4,046**	**+19.5%**	**+18.6%**
EBITDA	**(82)**	**(39)**	**-109.3%**	**-84.4%**
Net depreciation and amortization/Other	(27)	(46)		
CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**(110)**	**(85)**	**-29.1%**	**-21.5%**

GEM & LNG's contribution to Group **revenues** for the period ended June 30, 2017 amounted to €4,834 million, up 19.5% compared to the same prior-year period. Growth was driven mainly by an increase in volumes of commodities sold in the midstream gas and LNG business in Europe compared with the previous year.

EBITDA was a negative €82 million, down on first-half 2016 due mainly to lower midstream margins as well as gas supply difficulties in the south of France in January 2017. These impacts were partly offset by the positive impact of a recent LNG supply contract price revision, coupled with cost savings driven by the Lean 2018 performance program.

The business incurred a **current operating loss after share in net income of entities accounted for using the equity method** of €110 million in first-half 2017, representing a deterioration on both a reported and organic basis, in line with EBITDA.

4.9 Other

In millions of euros	June 30, 2017	June 30, 2016 (1)	% change (reported basis)	% change (organic basis)
Revenues	**3,363**	**1,615**	**+108.2%**	**-7.7%**
EBITDA	**96**	**(92)**	**+204.3%**	**+224.2%**
Net depreciation and amortization/Other	(234)	(238)		
CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**(138)**	**(330)**	**+58.0%**	**+65.7%**

(1) 2016 revenues and EBITDA excluding the BtoB activity (E&C), which was transferred to the Other segment at January 1, 2017.

VOLUMES SOLD

In TWh	June 30, 2017	June 30, 2016 (1)	% change (reported basis)
Gas sales in France	25.0	29.5	-15.3%
Electricity sales in France	24.5	25.2	-2.7%

(1) Data at June 30, 2016 include E&C, which was transferred to the Other reportable segment at January 1, 2017.

FRANCE CLIMATIC ADJUSTMENT

In TWh	June 30, 2017	June 30, 2016	Total change in TWh
Climate adjustment volumes (negative figure = warm climate, positive figure = cold climate)	0.1	0.8	(0.7)

The Other segment comprises the activities of the Generation Europe, Tractebel and GTT business units, Solairedirect and the Group's holding and corporate activities, which notably include the entities centralizing the Group's financing requirements and the equity-accounted contribution of SUEZ. As of January 1, 2017, the Other segment also includes BtoB gas and electricity sales activities (E&C), previously accounted for in the France segment.

Revenues totalled €3,363 million, up 108% on a reported basis and down 7.7% on an organic basis. The reported increase was mainly due to the internal transfer of the E&C business in France on January 1, 2017, partly offset by the disposal of the thermal power generation business in Poland. The organic decrease stemmed from a fall in natural gas sales to business customers in France due to the loss of customers and from the shutdown of the Rugeley power plant in the United Kingdom in June 2016, partly offset by an improved performance from the gas-fired power plants.

Natural gas sales fell by 4.5 TWh, comprising a negative 0.7 TWh temperature effect and a negative 3.8 TWh impact due to competitive pressure. ENGIE's share of the BtoB market has fallen to 22% from 25% at end-2016. Electricity sales were down 0.7 TWh to 24.5 TWh, reflecting the disposal of the thermal assets in Poland in March 2017 and the shutdown of the Rugeley power plant in June 2016, partly offset by higher generation at the gas-fired power plants in Europe and growth in the BtoB segment in France.

EBITDA totalled €96 million, up on both a reported and organic basis compared to first-half 2016, mainly due to a good performance from the thermal power generation business in Europe following the increase in captured margins.

Current operating loss after share in net income of entities accounted for using the equity method was €138 million for the period, representing an improvement on both a reported and organic basis, in line with EBITDA.

5 OTHER INCOME STATEMENT ITEMS

In millions of euros	June 30, 2017	June 30, 2016 [(1)]	% change (reported basis)
Current operating income after share in net income of entities accounted for using the equity method	**3,036**	**3,174**	**-4.4%**
Mark to market on commodity contracts other than trading instruments	(790)	528	
Impairment losses	3	(394)	
Restructuring costs	(476)	(132)	
Changes in scope of consolidation	620	196	
Other non-recurring items	306	(138)	
Income/(loss) from operating activities	**2,698**	**3,234**	**-16.6%**
Net financial income/(loss)	(626)	(675)	
Income tax expense	(366)	(898)	
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS	**1,706**	**1,660**	
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**(3)**	**(63)**	
NET INCOME/(LOSS)	**1,703**	**1,597**	**+6.6%**
Net income/(loss) Group share	**1,281**	**1,237**	
of which Net income/(loss) relating to continued operations, Group share	*1,288*	*1,281*	
of which Net income/(loss) relating to discontinued operations, Group share	*(7)*	*(44)*	
Non-controlling interests	**422**	**360**	
of which Non-controlling interests relating to continued operations	*418*	*379*	
of which Non-controlling interests relating to discontinued operations	*4*	*(19)*	

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

Income from operating activities amounted to €2,698 million in first-half 2017, compared to €3,234 million for first-half 2016. Apart from trends in current operating income after share in net income of entities accounted for using the equity method, the change stemmed mainly from (i) the negative impact of fair value adjustments to commodity hedges and (ii) higher restructuring costs, partly offset by (iii) gains on asset disposals and available-for-sale securities and (iv) lower impairment losses than in first-half 2016.

Income from operating activities was also affected by:

- changes in the fair value of derivatives relating to operating items, which had a negative impact of €790 million on income from operating activities (reflecting the impact of transactions not eligible for hedge accounting), compared with a positive impact of €528 million in first-half 2016. The impact for the period results chiefly from negative overall price effects on these positions, partly offset by the net positive impact of unwinding positions with a negative market value at December 31, 2016;
- a net impairment reversal of €3 million, compared with impairment losses of €394 million in first-half 2016 (*see Note 5.1.2*);
- restructuring costs of €476 million (compared with €132 million in first-half 2016), mainly including costs related to the effects of the Lean 2018 performance program on the Group's corporate activities;
- changes in the scope of consolidation, which had a positive impact of €620 million, mainly including gains on the disposal of the thermal merchant power plant portfolio in the United States for €540 million and the Polaniec power plant in Poland for €57 million (*see Note 2.2*);
- other non-recurring items representing €306 million (compared with a loss of €138 million in first-half 2016), mainly including the €349 million gain on the disposal of the Group's 10% interest in Petronet LNG in India (*see Note 2.2*).

The improvement **in net financial income/(loss)** (a negative €626 million for first-half 2017 compared with a negative €675 million for the same prior-year period) chiefly resulted from a fall in the cost of debt.

The **income tax expense** for first-half 2017 amounted to €366 million (€898 million in first-half 2016). The effective tax rate amounted to 19.2% for first-half 2017 compared with 39.0% for first-half 2016. The decrease stemmed mainly from significant non-taxable disposal gains in 2017, partly offset by an increase in tax-disallowable losses in the Netherlands. Adjusted for these non-recurring items, the effective recurring tax rate was 30.6%, lower than the 33.4% rate in first-half 2016.

Net income relating to continued operations attributable to non-controlling interests amounted to €418 million, compared with 379 million in first-half 2016. The increase is due to improved operating income, particularly in Latin America, and to reversals of impairment losses in the United Kingdom, offsetting the impact of the capital gain on the disposal of a 50% interest in Transmisora Eléctrica del Norte (TEN) in Chile in 2016.

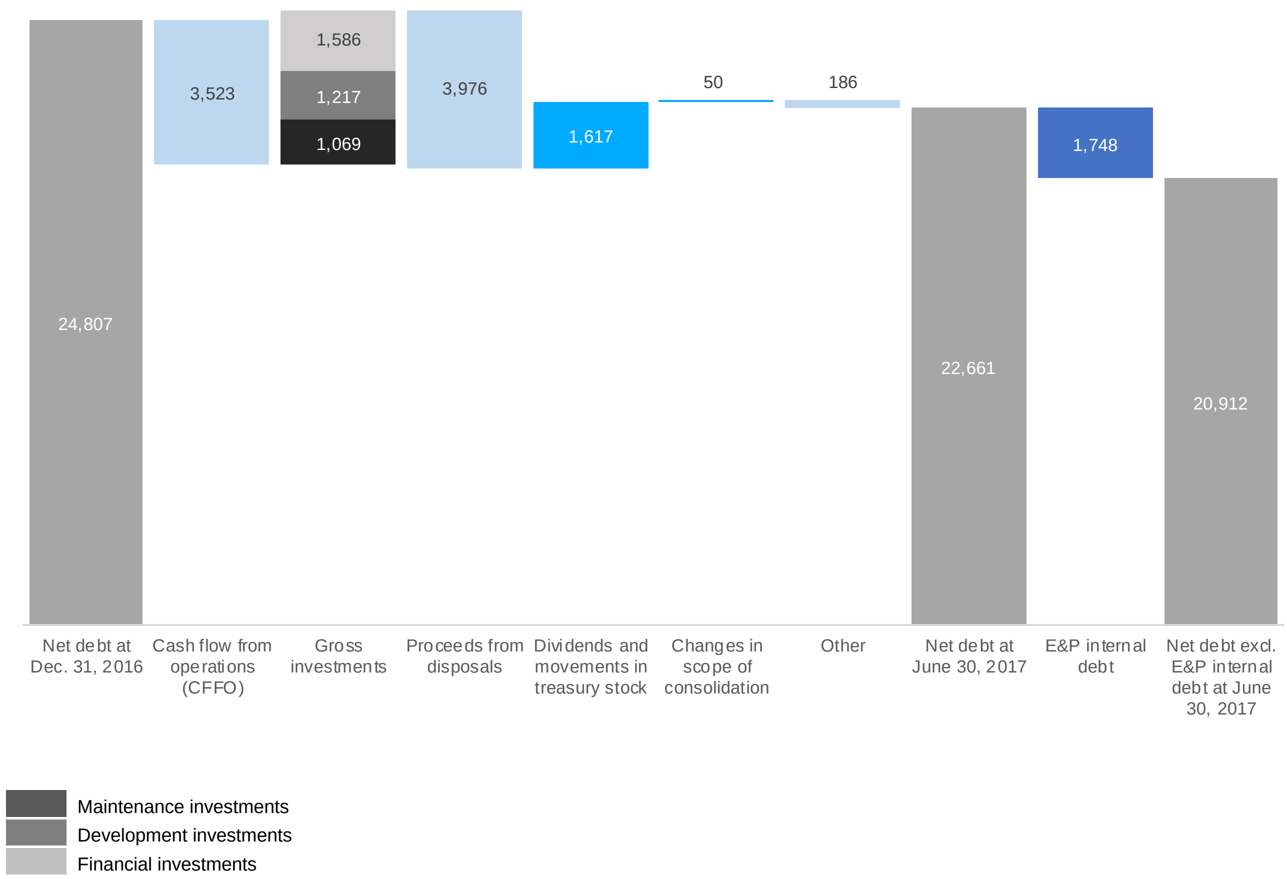
6 CHANGES IN NET DEBT

Net debt stood at €22.7 billion, down €2.1 billion since December 31, 2016, mainly due to cash flow from operations (€3.5 billion) and the impacts of the portfolio rotation program (€3.9 billion), including the disposal of the thermal merchant power plant portfolio in the United States and Poland, and the disposal of interests in Opus Energy in the United Kingdom and Petronet LNG in India. These items were partially offset by (i) gross investments in the period (€3.9 billion), (ii) dividends paid to ENGIE SA shareholders (€1.2 billion) and to non-controlling interests (€0.3 billion), and (iii) payment of interest on hybrid debt (€0.1 billion).

Net debt excluding internal E&P debt amounted to €20,912 million at June 30, 2017 compared with €23,080 million at December 31, 2016.

Changes in net debt break down as follows:

In millions of euros



The net debt (excluding internal E&P debt) to EBITDA ratio came out at 2.20 at June 30, 2017.

In millions of euros	June 30, 2017	Dec. 31, 2016
Net debt excluding E&P internel debt	20,912	23,080
EBITDA (12-month rolling)	9,486	9,491
NET DEBT/EBITDA RATIO	**2.20**	**2.43**

6.1 Cash flow from operations

Cash flow from operations amounted to €3.5 billion, down €1.1 billion compared with the six months ended June 30, 2016. This performance includes robust operating cash flow, but was adversely impacted by higher restructuring costs, dispute settlements and a lower change in working capital due mainly to trends in gas inventories in France as temperatures were milder than in first-half 2016.

6.2 Net investments

Gross investments during the period amounted to €3,872 million and included:

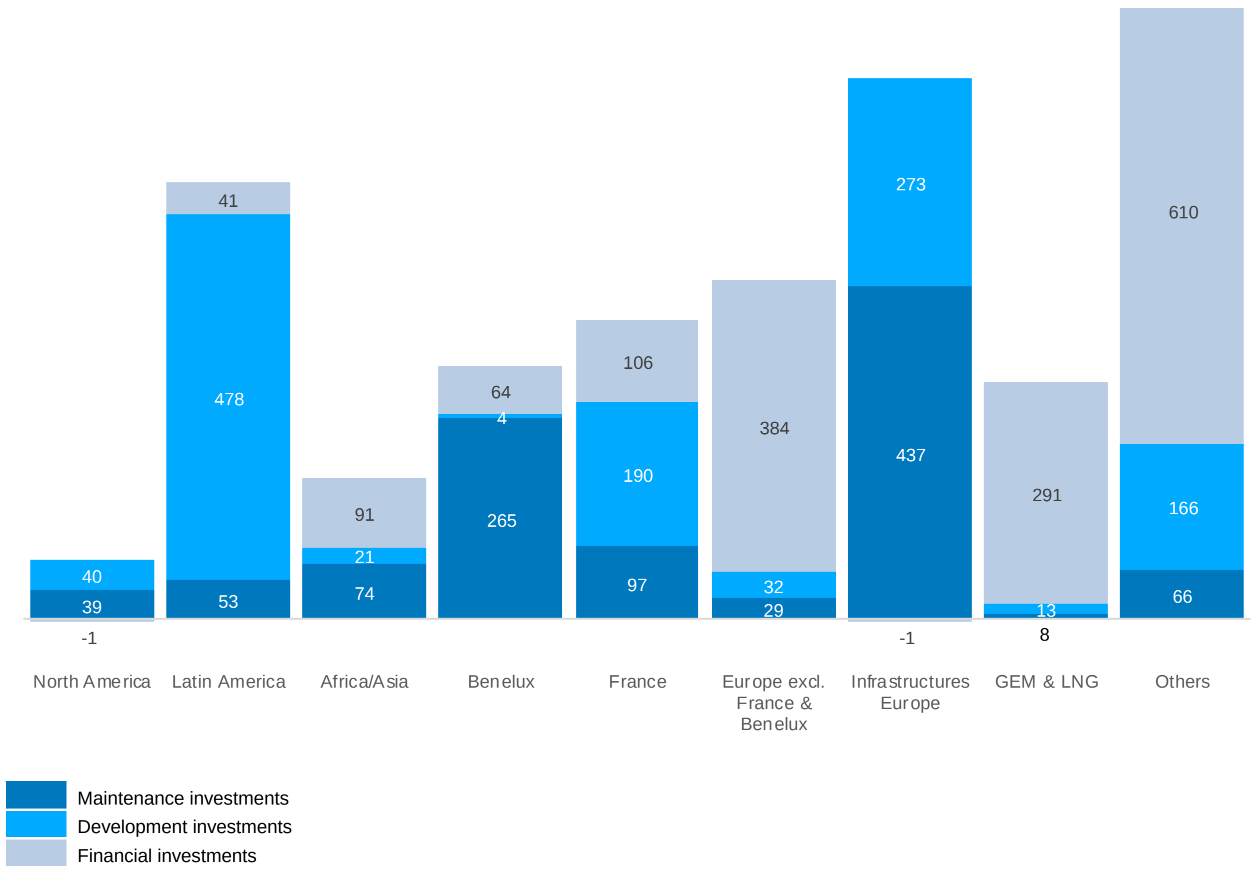
- financial investments for €1,586 million, relating primarily to (i) the acquisition of Keepmoat Regeneration in the United Kingdom (€392 million), Icomera in Sweden (€119 million) and non-controlling interests in La Compagnie du Vent (€220 million), (ii) payments for the capital increases subscribed in SUEZ (€244 million) and Jirau (€155 million), and (iii) a €105 million increase in Synatom investments;
- development investments totaling €1,217 million, including (i) €478 million invested in the Latin America segment to build thermal power plants and develop wind and photovoltaic farms in Brazil and Chile, (ii) €273 million invested in the Infrastructures Europe segment (blending projects and development of the natural gas transportation network in France), (iii) €190 million invested in the France segment (mainly in renewable projects), and (iv) €146 million to develop Solairedirect's photovoltaic projects mainly in India and France;
- maintenance investments for an amount of €1,069 million.

Disposals represented a cash amount of €3,976 million, mainly including the Group’s disposal of its thermal merchant power plant assets in the United States for €3,085 million, the Polaniec power plant in Poland for €292 million, the Group's 10% interest in Petronet LNG in India for €432 million and its 30% interest in Opus Energy in the United Kingdom for €122 million.

Taking into account changes in the scope of consolidation for the period relating to acquisitions and disposals of subsidiaries (€50 million negative impact), the impact on net debt of investments net of proceeds from disposals amounted to €55 million.

Capital expenditure breaks down as follows by segment:

In millions of euros



6.3 Dividends and movements in treasury stock

Dividends and movements in treasury stock during the period amounted to €1,617 million and included:

- €1,213 million in dividends paid by ENGIE SA to its shareholders, consisting of the outstanding balance on the 2016 dividend paid in May 2017;
- dividends paid by various subsidiaries to their non-controlling shareholders in an amount of €287 million, the payment of interest on hybrid debt for €85 million, withholding tax and movements in treasury stock.

6.4 Net debt at June 30, 2017

Excluding amortized cost but including the impact of foreign currency derivatives, at June 30, 2017 a total of 72% of net debt was denominated in euros, 17% in US dollars and 5% in pounds sterling.

Including the impact of financial instruments, 83% of net debt is at fixed rates.

The average maturity of the Group's net debt is 9.8 years.

At June 30, 2017, the Group had total undrawn confirmed credit lines of €13.4 billion.

7 OTHER ITEMS IN THE STATEMENT OF FINANCIAL POSITION

In millions of euros	June 30, 2017	Dec. 31, 2016	Net change
Non-current assets	**91,853**	**98,905**	**(7,051)**
of which goodwill	*17,883*	*17,372*	*511*
of which property, plant and equipment and intangible assets, net	*59,062*	*64,378*	*(5,316)*
of which investments in entities accounted for using the equity method	*6,627*	*6,624*	*4*
Current assets	**54,333**	**59,595**	**(5,261)**
of which assets classified as held for sale	*5,930*	*3,506*	*2,425*
Total equity	**43,833**	**45,447**	**(1,615)**
Provisions	20,822	22,208	(1,386)
Borrowings	35,870	36,950	(1,079)
Other liabilities	45,662	53,895	(8,233)
of which liabilities directly associated with assets classified as held for sale	*3,267*	*300*	*2,967*

The carrying amount of **property, plant and equipment and intangible assets** was €59.1 billion, down €5.3 billion on December 31, 2016. The decrease was primarily the result of the classification of exploration-production activities as "Discontinued operations" (€4.4 billion negative impact) (see Note 2.1.1), depreciation and amortization charges (€2.1 billion negative impact), and translation adjustments (€1.2 billion negative impact), partially offset by capital expenditure during the period (€2.6 billion positive impact).

Goodwill increased by €0.5 billion to €17.9 billion, mainly due to the acquisition of Keepmoat Regeneration (€0.4 billion positive impact), non-controlling interests in La Compagnie du Vent (€0.1 billion positive impact) and Icomera (€0.1 billion positive impact), partially offset by translation adjustments (€0.2 billion negative impact).

Total **equity** amounted to €43.8 billion, a decrease of €1.6 billion compared to December 31, 2016. The decrease stemmed mainly from the payment of the cash dividend (€1.5 billion negative impact, including €1.2 billion of dividends paid by ENGIE SA to its shareholders and €0.3 billion paid to non-controlling interests) and other items of comprehensive income.

Provisions amounted to €20.8 billion, a decrease of €1.4 billion compared to December 31, 2016. This decrease stems mainly (€1.3 billion) from the impact of the classification of exploration-production activities as "Discontinued operations" on May 11, 2017 (*see Note 2.1.1*).

At June 30, 2017, assets and liabilities reclassified to "**Assets classified as held for sale**" and "**Liabilities directly associated with assets classified as held for sale**" correspond to exploration-production activities following their classification as discontinued operations in the Group's consolidated financial statements and, at December 31, 2016, to the thermal merchant power plant portfolio in the United States and the Polaniec power plant in Poland, which were sold in the first half of 2017 (*see Note 2.1*).

8 RELATED PARTY TRANSACTIONS

Related party transactions are described in Note 24 to the 2016 consolidated financial statements and have not significantly changed in first-half 2017.

9 DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES FOR THE SECOND HALF OF 2017

The "Risk factors" section (Section 2) of the 2016 Registration Document provides a detailed description of the risk factors to which the Group is exposed.

Developments over the period in risks related to financial instruments and legal proceedings to which the Group is exposed are respectively set out in Note 8 and Note 9 to the interim condensed consolidated financial statements for the six months ended June 30, 2017.

The risks and uncertainties relating to the carrying amounts of goodwill, property, plant and equipment and intangible assets are presented in Note 5.1.2 to the interim condensed consolidated financial statements for the six months ended June 30, 2017 and in Note 8.2 to the 2016 consolidated financial statements.

Note 2.1.1 presents the planned disposal of exploration-production activities. The Group considers the sale to be highly probable and the transaction is expected to be completed by the end of the first half of 2018, subject to the conditions precedent being fulfilled.

The Group has not identified any material risks or uncertainties other than those described above and in Section 2 "Outlook".

02 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

In millions of euros	Notes	June 30, 2017	June 30, 2016 (1)
Revenues	4.2	33,098	32,574
Purchases		(18,898)	(18,224)
Personnel costs		(5,068)	(5,149)
Depreciation, amortization and provisions		(1,771)	(1,897)
Other operating expenses		(5,141)	(5,031)
Other operating income		645	648
CURRENT OPERATING INCOME		**2,866**	**2,921**
Share in net income of entities accounted for using the equity method	4.2	169	253
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**4.2**	**3,036**	**3,174**
Mark-to-market on commodity contracts other than trading instruments		(790)	528
Impairment losses		3	(394)
Restructuring costs		(476)	(132)
Changes in scope of consolidation		620	196
Other non-recurring items		306	(138)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**5.1**	**2,698**	**3,234**
Financial expenses		(1,109)	(1,106)
Financial income		483	430
NET FINANCIAL INCOME/(LOSS)	**5.2**	**(626)**	**(675)**
Income tax expense	5.3	(366)	(898)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS		**1,706**	**1,660**
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS		**(3)**	**(63)**
NET INCOME/(LOSS)		**1,703**	**1,597**
Net income/(loss) Group share		**1,281**	**1,237**
of which Net income/(loss) relating to continued operations, Group share		*1,288*	*1,281*
of which Net income/(loss) relating to discontinued operations, Group share		*(7)*	*(44)*
Non-controlling interests		**422**	**360**
of which Non-controlling interests relating to continued operations		*418*	*379*
of which Non-controlling interests relating to discontinued operations		*4*	*(19)*
BASIC EARNINGS/(LOSS) PER SHARE (EUROS)		**0.50**	**0.48**
of which Basic earnings/(loss) relating to continued operations per share		*0.50*	*0.50*
of which Basic earnings/(loss) relating to discontinued operations per share		***0.00***	***(0.02)***
DILUTED EARNINGS/(LOSS) PER SHARE (EUROS)		**0.50**	**0.48**
of which Diluted earnings/(loss) relating to continued operations per share		*0.50*	*0.50*
of which Diluted earnings/(loss) relating to discontinued operations per share		***0.00***	***(0.02)***

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

NB: The amounts shown in the tables are expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the totals.

STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	Notes	June 30, 2017	June 30, 2017 Owners of the parent	June 30, 2017 Non-controlling interests	June 30, 2016	June 30, 2016 Owners of the parent	June 30, 2016 Non-controlling interests
NET INCOME/(LOSS)		**1,703**	**1,281**	**422**	**1,597**	**1,237**	**360**
Available-for-sale securities	7.1	(398)	(397)	-	170	170	-
Net investment hedges		262	262	-	95	95	-
Cash flow hedges (excl. commodity instruments)		282	271	11	(520)	(510)	(10)
Commodity cash flow hedges		37	31	6	(94)	(62)	(32)
Deferred tax on items above		(133)	(128)	(5)	226	210	17
Share of entities accounted for using the equity method in recyclable items, net of tax		(62)	(62)	-	(131)	(131)	-
Translation adjustments		(1,843)	(1,608)	(235)	(13)	(53)	40
Recyclable items relating to discontinued operations, net of tax		(10)	(7)	(3)	(172)	(120)	(52)
TOTAL RECYCLABLE ITEMS		**(1,863)**	**(1,637)**	**(226)**	**(439)**	**(403)**	**(36)**
Actuarial gains and losses		98	82	16	(1,608)	(1,518)	(89)
Deferred tax on actuarial gains and losses		(33)	(30)	(3)	492	463	28
Share of entities accounted for using the equity method in non-recyclable items from actuarial gains and losses, net of tax		22	22	-	-	-	-
Non-recyclable items relating to discontinued operations, net of tax		(1)	(1)	-	(35)	(25)	(11)
TOTAL NON-RECYCLABLE ITEMS		**86**	**73**	**13**	**(1,150)**	**(1,079)**	**(71)**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(75)**	**(283)**	**208**	**8**	**(245)**	**253**

NB: The amounts shown in the tables are expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the totals.

STATEMENT OF FINANCIAL POSITION

ASSETS

In millions of euros	Notes	June 30, 2017	Dec. 31, 2016
Non-current assets			
Goodwill	6	17,883	17,372
Intangible assets, net	6	6,126	6,639
Property, plant and equipment, net	6	52,936	57,739
Available-for-sale securities	7.1	2,668	2,997
Loans and receivables at amortized cost	7.1	2,302	2,250
Derivative instruments	7.1	1,938	3,603
Investments in entities accounted for using the equity method		6,627	6,624
Other assets		376	431
Deferred tax assets		998	1,250
TOTAL NON-CURRENT ASSETS		**91,853**	**98,905**
Current assets			
Loans and receivables at amortized cost	7.1	590	595
Derivative instruments	7.1	5,611	9,047
Trade and other receivables, net	7.1	18,176	20,835
Inventories		3,414	3,656
Other assets		7,956	10,692
Financial assets at fair value through income	7.1	1,727	1,439
Cash and cash equivalents	7.1	10,928	9,825
Assets classified as held for sale	2.1	5,930	3,506
TOTAL CURRENT ASSETS		**54,333**	**59,595**
TOTAL ASSETS		**146,187**	**158,499**

NB: The amounts shown in the tables are expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the totals.

LIABILITIES

In millions of euros	Notes	June 30, 2017	Dec. 31, 2016
Shareholders' equity		38,018	39,578
Non-controlling interests		5,814	5,870
TOTAL EQUITY		**43,833**	**45,447**
Non-current liabilities			
Provisions		18,184	19,461
Long-term borrowings	7.2	23,544	24,411
Derivative instruments	7.2	2,299	3,410
Other financial liabilities	7.2	73	200
Other liabilities		1,071	1,203
Deferred tax liabilities		6,128	6,775
TOTAL NON-CURRENT LIABILITIES		**51,299**	**55,461**
Current liabilities			
Provisions		2,638	2,747
Short-term borrowings	7.2	12,327	12,539
Derivative instruments	7.2	5,305	9,228
Trade and other payables	7.2	13,696	17,075
Other liabilities		13,823	15,702
Liabilities directly associated with assets classified as held for sale	2.1	3,267	300
TOTAL CURRENT LIABILITIES		**51,055**	**57,591**
TOTAL EQUITY AND LIABILITIES		**146,187**	**158,499**

NB: The amounts shown in the tables are expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the totals.

STATEMENT OF CHANGES IN EQUITY

In millions of euros	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves	Deeply-subordinated perpetual notes	Changes in fair value and other	Translation adjustments	Treasury stock	Shareholders' equity	Non-controlling interests	Total
EQUITY AT DECEMBER 31, 2015	2,435,285,011	2,435	32,506	5,479	3,419	(928)	990	(822)	43,078	5,672	48,750
Net income/(loss)				1,237					1,237	360	1,597
Other comprehensive income/(loss)				(1,079)		(359)	(44)		(1,482)	(107)	(1,589)
TOTAL COMPREHENSIVE INCOME/(LOSS)				**158**	**-**	**(359)**	**(44)**	**-**	**(245)**	**253**	**8**
Employee share issues and share-based payment				19					19	-	19
Dividends paid in cash				(1,198)					(1,198)	(321)	(1,520)
Purchase/disposal of treasury stock				(18)				19	1	-	1
Coupons of deeply-subordinated perpetual notes					(87)				(87)	-	(87)
Transactions between owners				(12)					(12)	12	(1)
Other changes				(5)					(5)	(2)	(7)
EQUITY AT JUNE 30, 2016	2,435,285,011	2,435	32,506	4,423	3,331	(1,287)	946	(803)	41,551	5,613	47,164

NB: The amounts shown in the tables are expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the totals.

In millions of euros	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves	Deeply-subordinated perpetual notes	Changes in fair value and other	Translation adjustments	Treasury stock	Shareholders' equity	Non-controlling interests	Total
EQUITY AT DECEMBER 31, 2016	**2,435,285,011**	**2,435**	**32,506**	**1,967**	**3,273**	**(1,137)**	**1,296**	**(761)**	**39,578**	**5,870**	**45,447**
Net income/(loss)				1,281					1,281	422	1,703
Other comprehensive income/(loss)				73		73	(1,710)		(1,564)	(214)	(1,777)
TOTAL COMPREHENSIVE INCOME/(LOSS)				**1,354**	**-**	**73**	**(1,710)**	**-**	**(283)**	**208**	**(75)**
Employee share issues and share-based payment				18					18	-	18
Dividends paid in cash (1)				(1,213)					(1,213)	(315)	(1,528)
Purchase/disposal of treasury stock				(19)				24	5	-	5
Coupons of deeply-subordinated perpetual notes					(85)				(85)	-	(85)
Transactions between owners				(3)					(3)	2	(1)
Transactions between owners within entities accounted for using the equity method				3					3	-	3
Share capital increases and decreases subscribed by non-controlling interests									-	48	48
Other changes				(2)					(2)	2	-
EQUITY AT JUNE 30, 2017	**2,435,285,011**	**2,435**	**32,506**	**2,105**	**3,188**	**(1,064)**	**(414)**	**(737)**	**38,019**	**5,814**	**43,833**

(1) On May 12, 2017, the Shareholders' Meeting resolved that a €1.00 dividend per share would be paid for 2016.
In accordance with Article 26.2 of the bylaws, a 10% bonus loyalty dividend of €0.10 per share, has been awarded to shares registered (whether in a direct or an administered account) continuously for at least two years at December 31, 2016 until the payment date of the dividend. The loyalty dividend will be capped at 0.5% of the share capital for each eligible shareholder.
An interim dividend of €0.50 per share was paid in cash on October 14, 2016 (total of €1,198 million) and on May 18, 2017, the Group settled in cash (total of €1,213 million) the balance of €0.50 per share for shares with rights to ordinary dividends, as well as the balance of €0.60 per share for shares eligible for the loyalty bonus.

NB: The amounts shown in the tables are expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the totals.

STATEMENT OF CASH FLOWS

In millions of euros	Notes	June 30, 2017	June 30, 2016 (1)
NET INCOME/(LOSS)		1,703	1,597
- Net income/(loss) relating to discontinued operations		(3)	(63)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS		**1,706**	**1,660**
- Share in net income of entities accounted for using the equity method		(169)	(253)
+ Dividends received from entities accounted for using the equity method		276	276
- Net depreciation, amortization, impairment and provisions		1,778	2,382
- Impact of changes in scope of consolidation and other non-recurring items		(967)	(185)
- Mark-to-market on commodity contracts other than trading instruments		790	(528)
- Other items with no cash impact		18	3
- Income tax expense		366	898
- Net financial income/(loss)		626	675
Cash generated from operations before income tax and working capital requirements		**4,425**	**4,928**
+ Tax paid		(555)	(385)
Change in working capital requirements		**(135)**	**366**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO CONTINUED OPERATIONS		**3,736**	**4,909**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS		**259**	**(116)**
CASH FLOW FROM OPERATING ACTIVITIES		3,995	4,793
Acquisitions of property, plant and equipment and intangible assets	3.5	(2,286)	(2,190)
Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired	3.5	(572)	(353)
Acquisitions of investments in entities accounted for using the equity method and joint operations	3.5	(555)	(66)
Acquisitions of available-for-sale securities	3.5	(178)	(49)
Disposals of property, plant and equipment, and intangible assets		30	42
Loss of controlling interests in entities, net of cash and cash equivalents sold		3,308	1,111
Disposals of investments in entities accounted for using the equity method and joint operations		118	62
Disposals of available-for-sale securities		444	48
Interest received on non-current financial assets		(13)	26
Dividends received on non-current financial assets		144	94
Change in loans and receivables originated by the Group and other	3.5	(50)	6
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO CONTINUED OPERATIONS		**390**	**(1,267)**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS		**(271)**	**(424)**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		119	(1,692)
Dividends paid (2)		(1,622)	(1,567)
Repayment of borrowings and debt		(2,447)	(3,725)
Change in financial assets at fair value through income		(298)	(456)
Interest paid		(422)	(458)
Interest received on cash and cash equivalents		53	63
Cash flow on derivatives qualifying as net investment hedges and compensation payments on derivatives and on early buyback of borrowings		(226)	(17)
Increase in borrowings		2,231	2,237
Increase/decrease in capital		48	1
Hybrid issue of perpetual subordinated notes		-	-
Purchase and/or sale of treasury stock		5	1
Changes in ownership interests in controlled entities	3.5	(220)	(2)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO CONTINUED OPERATIONS		**(2,898)**	**(3,923)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS		**5**	**68**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		(2,892)	(3,855)
Effects of changes in exchange rates and other relating to continued operations		(134)	95
Effects of changes in exchange rates and other relating to discontinued operations		37	1
TOTAL CASH FLOW FOR THE PERIOD		1,124	(657)
Reclassification of cash and cash equivalents relating to discontinued operations		(21)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		9,825	9,183
CASH AND CASH EQUIVALENTS AT END OF PERIOD		10,928	8,526

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

(2) The line "Dividends paid" includes the coupons paid to the owners of the deeply-subordinated perpetual notes for an amount of €85 million for the six months ended June 30, 2017 (€87 million for the six months ended June 30, 2016).

NB: The amounts shown in the tables are expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the totals.

03 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION ON THE ENGIE GROUP

ENGIE SA, the parent company of the Group, is a French *société anonyme* with a Board of Directors and is subject to the provisions of Book II of the French Commercial Code (*Code de Commerce*), as well as to all other provisions of French law applicable to French commercial companies. It was incorporated on November 20, 2004 for a period of 99 years. It is governed by current and future laws and by regulations applicable to *sociétés anonymes* and by its bylaws.

The Group is headquartered at 1, place Samuel de Champlain, 92400 Courbevoie (France).

ENGIE shares are listed on the Paris, Brussels and Luxembourg Stock Exchanges.

On July 27, 2017, the Group's Board of Directors approved and authorized for issue the interim condensed consolidated financial statements of the Group and its subsidiaries for the six months ended June 30, 2017.

NOTE 1 ACCOUNTING STANDARDS AND METHODS

1.1 Accounting standards

In accordance with the European Regulation on international accounting standards dated July 19, 2002, the Group's annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and endorsed by the European Union [1]. The Group's interim condensed consolidated financial statements for the six months ended June 30, 2017 were prepared in accordance with the provisions of IAS 34 – *Interim Financial Reporting*, which allows entities to present selected explanatory notes. These do not therefore incorporate all of the notes and disclosures required by IFRS for the annual consolidated financial statements, and accordingly must be read in conjunction with the consolidated financial statements for the year ended December 31, 2016, subject to specific provisions relating to the preparation of interim condensed consolidated financial statements as described hereafter (see 1.3).

The accounting principles used to prepare the Group's interim condensed consolidated financial statements are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2016, apart from the following developments of IFRS presented in 1.1.1.

1.1.1 IFRS standards, amendments or IFRIC interpretations applicable in 2017 [2]

- Amendments to IAS 7 – *Statement of cash flows: Disclosure Initiative*.
- Amendments to IAS 12 – *Income taxes: Recognition of deferred tax assets for unrealized losses*.
- Annual improvements to IFRSs 2014-2016 cycle [3].

These amendments have no significant impact on the Group's consolidated financial statements.

(1) Available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias/index.en.htm.
(2) These standards, amendments or interpretations have not yet been adopted by the European Union.
(3) The improvements of this cycle are applicable as from 2018, apart from IFRS 12 which is applicable as from 2017.

1.1.2 IFRS standards, amendments or IFRIC interpretations applicable after 2017 that the Group has elected not to early adopt

1.1.2.1 IFRS 9, IFRS 15 and IFRS 16

The Group has actively continued work to implement the three new IFRS standards, IFRS 9 – *Financial Instruments*, IFRS 15 – *Revenue from Contracts with Customers* and IFRS 16 – *Leases*. For each of these three standards, Group projects have been previously been initiated and continued to be implemented during the first half of the year. Guidance has been established and the training programs have been further deployed within the Group. The 2017 comparative consolidated financial statements are currently being established in order to enable the understanding of new principles as well as the adaptation of IT systems, so that these standards can be implemented consistently for the first time at the level of the Group. This should make it possible to disclose, early 2018, the quantitative impacts of the transition to these standards.

- IFRS 9 – *Financial Instruments.*

  The dedicated project has been built around the three phases of the new standard.

  For Phase I "classification and measurement", the main expected key impact is the reclassification of available-for-sale securities, currently measured at fair value through other comprehensive income. Under IFRS 9, most of these securities will be recognized either as equity instruments measured at fair value through other comprehensive income or through the income statement, or as debt instruments measured at fair value through other comprehensive income or through the income statement. There is no expected key impact other than the presentation of these financial assets.

  For Phase II "impairment", the main expected key impact is an increase in impairment at the date of the transition. This increase would come from the new 'expected credit loss' model set out by IFRS 9. Impairment should be recognized on receivables (notably) even before they fall due. After the transition, the Group does not expect any significant recurring impacts on the income statement, apart from new significant exposure triggered, for example, by investments or a financial crisis.

  The Group is also concerned by Phase III "hedge accounting", and more particularly by the hedging of risks relating to indebtedness. No significant impact is expected to date.

  The Group will apply this new standard as from the reporting period beginning January 1, 2018.

- IFRS 15 – *Revenue from contracts with customers.*

  The work carried out so far by the Group project team in order to identify the issues likely to have an impact on how revenue is recognized by the various entities of the Group, has highlighted two issues likely to have a significant impact on consolidated revenue.

  In certain countries where the Group acts as energy provider without distributing it (such as in Belgium), the analysis under IFRS 15 may lead to the recognition of only energy sales in revenue. This will lead to a limited decrease in revenue (estimated at less than 5% in 2016), without any impact on the energy margin.

  Commodities sales/purchases transactions which are within the scope of IFRS 9 – *Financial Instruments*, are not within the scope of IFRS 15. The related sales should thus be presented on a line separate from the one showing the IFRS 15 revenue.

  The Group will apply this new standard as from the reporting period beginning January 1, 2018.

- IFRS 16 – *Leases* [(1)].

  The dedicated Group project team continued to work on the first-time application of this standard during the first half of the year.

  Under the new standard, all lease commitments will be recognized on the face of the statement of financial position, without distinguishing between operating leases, which are currently shown in off-balance sheet commitments (see Note 22 of the 2016 consolidated financial statements), and finance leases.

  Following an inventory phase at Group level, lease contracts have been analyzed in light of the requirements of the new standard. Impacts on the consolidated financial statements are currently being assessed.

  Specific work is being carried out to implement IT developments, notably to have an IFRS 16-compliant tool able to deal with processing a large number of lease contracts.

1.1.2.2 Other IFRS standards, amendments or IFRIC interpretations

- Amendments to IFRS 2 – *Share-based payments: Classification and measurement of share-based payments transactions* [(1)].
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration [(1)].
- IFRIC 23 – Uncertainty over Income Tax Treatments [(1)].
- IFRS 17 – Insurance Contracts [(1)].

The impact of these standards, amendments and interpretations is currently being assessed.

1.2 Use of estimates and judgment

The developments of the economic and financial environment prompted the Group to step up its risk oversight procedures and to include an assessment of these risks in measuring financial instruments and performing impairment tests. The Group's estimates used in business plans and determination of discount rates used in impairment tests and for calculating provisions take into account the environment and the important market volatility.

Accounting estimates are made in a context which remains sensitive to energy market developments, therefore making it difficult to grasp medium-term economic prospects.

1.2.1 Estimates

The preparation of consolidated financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities and contingent assets and liabilities at the reporting date, as well as revenues and expenses reported during the period.

Due to uncertainties inherent to the estimation process, the Group regularly revises its estimates in light of currently available information. Final outcomes can differ from those estimates.

The key estimates used in preparing the Group's consolidated financial statements relate mainly to:

- measurement at fair value of assets acquired and liabilities assumed in a business combination;
- measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets;
- measurement of provisions, particularly for back-end nuclear fuel cycle, dismantling obligations, disputes, pensions and other employee benefits;
- financial instruments;

(1) These standards, amendments or interpretations have not yet been adopted by the European Union.

- measurement of un-metered revenues;
- measurement of recognized tax loss carry-forwards.

Detailed information related to the use of estimates is provided in Note 1 to the consolidated financial statements for the year ended December 31, 2016.

1.2.2 Judgment

As well as relying on estimates, Group management also makes judgments to define the appropriate accounting treatment for certain activities and transactions, especially when the effective IFRS standards and interpretations do not specifically deal with the related accounting issues.

In particular, the Group exercised its judgment in assessing the type of control, as well as in determining the classification of arrangements which contain a lease, the recognition of acquisitions of non-controlling interests prior to January 1, 2010 and the identification of "own use contracts" as defined by IAS 39 within non-financial purchase and sales contracts (electricity, gas, etc.).

In accordance with IAS 1, the Group's current and non-current assets and liabilities are presented separately in the consolidated statement of financial position. In view of most of the Group's activities, it has been considered that the criterion to be retained for the breakdown into current and non-current items is the term in which assets are expected to be realized, or liabilities extinguished: current if the term is shorter than 12 months and non-current if the term exceeds 12 months.

1.3 Specificities of interim financial reporting

1.3.1 Seasonality of operations

The Group's operations are intrinsically subject to seasonal fluctuations, but key performance indicators and operating income are even more influenced by changes in climatic conditions than by seasonality. Consequently, the interim results for the six months ended June 30, 2017 are not necessarily indicative of those that may be expected for full-year 2017.

1.3.2 Income tax expense

Current and deferred income tax expense for interim periods is calculated at the level of each tax entity by applying the average estimated annual effective tax rate for the current year to the taxable income for the interim period, with the exception of significant exceptional items. Significant exceptional items, if any, are recognized using their specific applicable taxation.

1.3.3 Pension benefit obligations

Pension costs for interim periods are calculated on the basis of the actuarial valuations performed at the end of the prior year. If necessary, these valuations are adjusted to take account of curtailments, settlements or other major non-recurring events that have occurred during the period. Furthermore, amounts recognized in the statement of financial position in respect of defined benefit plans are adjusted, if necessary, in order to reflect material changes impacting the yield on investment-grade corporate bonds in the geographic area concerned (benchmark used to determine the discount rate) and the actual return on plan assets.

NOTE 2 MAIN CHANGES IN GROUP STRUCTURE

2.1 Assets held for sale and discontinued operations

Total "Assets classified as held for sale" and total "Liabilities directly associated with assets classified as held for sale" amounted to €5,930 million and €3,267 million, respectively, at June 30, 2017.

In millions of euros	June 30, 2017	Dec. 31, 2016
Property, plant and equipment, net	4,367	3,153
Other assets	1,563	353
TOTAL ASSETS CLASSIFIED AS HELD FOR SALE	**5,930**	**3,506**
of which Assets relating to discontinued operations	*5,930*	*-*
Borrowings and debt	12	-
Other liabilities	3,255	300
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**3,267**	**300**
of which Liabilities directly associated with assets relating to discontinued operations	*3,267*	*-*

All assets held for sale at December 31, 2016 (thermal merchant power plant portfolio in the United States and the Polaniec power plant in Poland) were sold in the first half of 2017 (*see Note 2.2 "Disposals carried out in first-half 2017"*).

All assets held for sale and the associated liabilities presented in the statement of financial position at June 30, 2017 relate to the Group's exploration-production activities.

These activities have been classified in the Group's consolidated financial statements as discontinued operations as they represent a separate major line of business pursuant to IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*. Consequently, the net income or loss generated by the exploration-production business is presented on a separate line after income relating to continued operations. The comparative income statement data for the previous year have been restated on the same basis.

2.1.1 Plan to divest the exploration-production business

On May 11, 2017, the Group entered into exclusive negotiations with Neptune Energy for the sale of its entire 70% interest in its subsidiary ENGIE E&P International (EPI), having received a firm and binding offer from Neptune Energy.

EPI encompasses all the Group's activities relating to the exploration, development and operation of oil and gas fields. It constitutes the Exploration & Production reportable segment (*see Note 6 to the 2016 consolidated financial statements*). Neptune Energy is a UK-based company backed by funds advised by The Carlyle Group and CVC Partners, and a sovereign investor, dedicated to investing in upstream oil and gas activities.

The transaction should reduce the Group's net debt by approximately €2.4 billion.

The Group considers the transaction to be highly probable, as the offer received is firm and binding and the conditions precedent are expected to be met upon completion of the consultation process currently being held with the staff representatives. The transaction should be finalized by the end of the first quarter of 2018. Accordingly, EPI was classified under "Discontinued operations" on May 11, 2017. The impact of this classification on the Group's consolidated financial statements was as follows:

- assets held for sale and associated liabilities are identified separately from other assets and liabilities in the statement of financial position at June 30, 2017, but the statement of financial position at December 31, 2016 has not been restated;
- net income or loss relating to discontinued operations generated in the first half of 2017 is presented on a single line of the income statement entitled "Net income/(loss) relating to discontinued operations". The comparative income statement data for first-half 2016 have been restated in accordance with IFRS 5 (*see Note 12 "Restatement of 2016 comparative data"*);

- recyclable and non-recyclable items relating to discontinued operations are identified separately in the statement of comprehensive income for first-half 2017. The comparative comprehensive income data for first-half 2016 have also been restated in accordance with IFRS 5 (*see Note 12 "Restatement of 2016 comparative data"*);
- cash flows generated by operating, investing and financial activities during the first half attributable to discontinued operations are presented on separate lines of the Group's statement of cash flows for first-half 2017. The comparative cash flow data for first-half 2016 have been restated in accordance with IFRS 5 (*see Note 12 "Restatement of 2016 comparative data"*).

2.1.2 Financial information on discontinued operations

Income from discontinued operations

In millions of euros	June 30, 2017	June 30, 2016
Revenues	910	976
Purchases	(83)	(89)
Personnel costs	(104)	(120)
Depreciation, amortization and provisions	(145)	(298)
Other operating expenses	(173)	(226)
Other operating income	44	65
CURRENT OPERATING INCOME	**450**	**307**
Share in net income of entities accounted for using the equity method	5	6
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**455**	**313**
Mark-to-market on commodity contracts other than trading instruments	2	(12)
Impairment losses	(143)	(147)
Restructuring costs	-	(1)
Changes in scope of consolidation	-	-
Other non-recurring items	-	(5)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**315**	**148**
Financial expenses	(45)	(30)
Financial income	24	8
NET FINANCIAL INCOME/(LOSS)	**(20)**	**(22)**
Income tax expense	(298)	(190)
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**(3)**	**(63)**
Net income/(loss) relating to discontinued operations, Group share	*(7)*	*(44)*
Non-controlling interests relating to discontinued operations	*4*	*(19)*

Revenue generated by EPI with ENGIE Group companies totaled €80 million in first-half 2017 (€46 million in first-half 2016).

As required by IFRS 5, ENGIE has no longer recognized depreciation and amortization expense on EPI's property, plant and equipment and intangible assets since May 11, 2017. The savings generated by this change amounted to €67 million before tax in first-half 2017.

The net impairment losses of €143 million in first-half 2017 arose mainly as a result of the Group's decision to discontinue its operation of an exploration license for a gas field in the Caspian Sea. The exploration license, as well as the capitalized costs relating to this project, were therefore written down in full. The net impairment losses of €147 million recognized in first-half 2016 related mainly to production assets and exploration licenses in the North Sea, Indonesia and Egypt.

Net financial income/(loss) for first-half 2017 includes €18 million of interest expense on EPI's borrowings from the ENGIE Group (€14 million in first-half 2016).

Net income/(loss) relating to discontinued operations also includes €17 million of costs incurred specifically in connection with the Neptune Energy transaction.

Comprehensive income from discontinued operations

In millions of euros	June 30, 2017	June 30, 2017 Owners of the parent	June 30, 2017 Non-controlling interests	June 30, 2016	June 30, 2016 Owners of the parent	June 30, 2016 Non-controlling interests
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	(3)	(7)	4	(63)	(44)	(19)
Commodity cash flow hedges	221	155	66	(328)	(230)	(98)
Deferred tax on items above	(85)	(59)	(25)	144	100	43
Translation adjustments	(146)	(102)	(44)	13	9	4
TOTAL RECYCLABLE ITEMS	**(10)**	**(7)**	**(3)**	**(172)**	**(120)**	**(52)**
Actuarial gains and losses	(1)	(1)	-	(51)	(36)	(15)
Deferred tax on actuarial gains and losses	1	-	-	16	11	5
TOTAL NON-RECYCLABLE ITEMS	**(1)**	**(1)**	**-**	**(35)**	**(25)**	**(11)**
TOTAL COMPREHENSIVE INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	(14)	(15)	1	(270)	(189)	(81)

The net gain recognized in comprehensive income in first-half 2017 totaled €77 million (€54 million attributable to the Group), including:

- items that may not be recycled to profit or loss, mainly actuarial gains and losses on post-employment benefit obligations for a negative €99 million (a negative €69 million attributable to the Group);
- items that may subsequently be recycled to profit or loss, mainly translation adjustments totaling €168 million (€118 million attributable to the Group).

Assets and liabilities of discontinued operations

In millions of euros	June 30, 2017
Non-current assets	
Goodwill	32
Intangible assets, net	380
Property, plant and equipment, net	3,987
Available-for-sale securities	20
Loans and receivables at amortized cost	3
Investments in entities accounted for using the equity method	16
Other assets	11
Deferred tax assets	204
TOTAL NON-CURRENT ASSETS	**4,655**
Current assets	
Derivative instruments	2
Trade and other receivables, net	193
Inventories	69
Other assets	989
Cash and cash equivalents	21
TOTAL CURRENT ASSETS	**1,276**
TOTAL ASSETS RELATING TO DISCONTINUED OPERATIONS	**5,930**

In millions of euros	June 30, 2017
Non-current liabilities	
Provisions	1,290
Long-term borrowings	5
Other liabilities	32
Deferred tax liabilities	756
TOTAL NON-CURRENT LIABILITIES	**2,081**
Current liabilities	
Provisions	19
Short-term borrowings	7
Derivative instruments	1
Trade and other payables	377
Other liabilities	781
TOTAL CURRENT LIABILITIES	**1,185**
TOTAL LIABILITIES DIRECTLY ASSOCIATED TO DISCONTINUED OPERATIONS	**3,267**

In addition, EPI's borrowings from the Group (excluded from the above items) totaled €1,748 million at June 30, 2017.

Cash flows from discontinued operations

In millions of euros	June 30, 2017	June 30, 2016
NET INCOME/(LOSS)	**(3)**	**(63)**
Cash generated from operations before income tax and working capital requirements	**600**	**592**
Change in working capital requirements	**(60)**	**(330)**
CASH FLOW FROM OPERATING ACTIVITIES	**259**	**(116)**
Acquisitions of property, plant and equipment and intangible assets	(362)	(424)
Other	91	-
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**(271)**	**(424)**
Cash flow from (used in) financing activities excluding intercompany transactions	5	68
Intercompany transactions with ENGIE on borrowings	(89)	433
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**(84)**	**501**
Effects of changes in exchange rates and other	37	1
TOTAL CASH FLOW FOR THE PERIOD	**(59)**	**(38)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**81**	**87**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**21**	**49**

2.2 Disposals carried out in first-half 2017

As part of its transformation plan, on February 25, 2016, the Group presented a €15 billion asset disposal program in order to reduce its exposure to high CO_2 emitting activities and merchant activities over the 2016-2018 period.

The table below shows the impact of the main disposals and sale agreements on the Group's net debt at June 30, 2017:

In millions of euros	Disposal price	Reduction in net debt
Transactions finalized during the first half of 2017 relating to "Assets held for sale" at December 31, 2016	**3,377**	**(3,338)**
Disposal of the portfolio of thermal merchant power plants (United States)	3,085	(3,098)
Disposal of the Polaniec power plant (Poland)	292	(240)
Transactions carried out in the first half of 2017	**558**	**(538)**
Disposal of a 30% interest in Opus Energy (United Kingdom)	122	(122)
Disposal of a 10% interest in Petronet LNG (India)	436	(428)
Classification of exploration-production activities under "Discontinued operations"		12
Other disposals that are not material taken individually		**(58)**
TOTAL		**(3,934)**

The €3,934 million reduction in net debt at June 30, 2017 is in addition to the €3,992 million decrease recognized at December 31, 2016 and the €193 million decrease recognized at December 31, 2015 as part of the asset disposal program, for a total of €8,119 million.

2.2.1 Disposal of the portfolio of thermal merchant power plants in the United States

On February 7, 2017, the Group finalized the sale of its thermal merchant power plant portfolio in the United States, representing a total installed capacity of 8.7 GW (at 100%) and operating in Ercot, PJM and New England. The total consideration received was USD 3,294 million (€3,085 million) at that date in accordance with the terms of the sale agreement entered into on February 24, 2016 by the Group and a consortium made up of Dynegy and ECP.

At June 30, 2017, this transaction resulted in the recognition of a €540 million disposal gain, including €513 million of items recycled to profit or loss from other comprehensive income (translation adjustments and net investment hedges). It also reduced the Group's net debt by €3,098 million.

The transaction completes the disposal of the merchant power plant portfolio in the United States.

At December 31, 2015, the Group considered the sale of this portfolio of assets to be highly probable in view of the progress made in the divestiture process and, as a result, classified the portfolio in "Assets held for sale" (*see Note 4.1 "Assets held for sale" to the 2015 consolidated financial statements).* An impairment loss of €1,111 million was recognized against this disposal group for the year ended December 31, 2015 and its classification in "Assets held for sale" reduced the Group's net debt by €193 million at that date.

At December 31, 2016, the Group had completed the sale of the hydropower generation assets, reducing its net debt by €861 million. An additional €238 million impairment loss was recognized by the Group in respect of the unsold assets remaining in the portfolio at December 31, 2016 (i.e. thermal merchant power plants), which continued to be classified as "Assets held for sale" (*see Note 4.1.1 "Disposal of a portion of the portfolio of merchant power generation assets in the United States" to the 2016 consolidated financial statements*).

2.2.2 Disposal of the Polaniec power plant (Poland)

On March 14, 2017, the Group finalized the sale of 100% of its shares in ENGIE Energia Polska, the owner of the Polaniec power plant in Poland, to Enea, a state-owned Polish utility company. The plant consists of seven coal units and one biomass unit with a total installed capacity of 1.9 GW. The total consideration for the sale of ENGIE Energia Polska was €292 million.

At June 30, 2017, this transaction resulted in the recognition of a €57 million disposal gain, including €59 million of items recycled to profit or loss from other comprehensive income (translation adjustments and net investment hedges). It also reduced the Group's net debt by €240 million.

At December 31, 2016, the Group considered the sale of these assets to be highly probable in view of progress made in the divestiture process and, as a result, classified the power plant in "Assets held for sale". An impairment loss of €375 million was recognized against this disposal group (*see Note 4.2 "Assets held for sale" to the 2016 consolidated financial statements*).

2.2.3 Disposal of the 30% interest in Opus Energy (United Kingdom)

On February 10, 2017, the Group (via its subsidiary International Power Ltd) sold its entire 30% interest in Opus Energy to the Drax group. Opus Energy's main business is selling electricity and gas to business clients in the United Kingdom. It was accounted for by the equity method in the Group's consolidated financial statements.

The total consideration received by the Group for the sale of 30% of Opus Energy was GBP 105 million (€122 million). The disposal gain totaled €21 million.

2.2.4 Disposal of the 10% interest in Petronet LNG (India)

On June 8, 2017, the Group sold its entire 10% interest in the Indian company Petronet LNG Ltd, an importer of liquefied natural gas and an operator of regasification infrastructure, on the Bombay stock exchange. The total consideration received by the Group for its shares was €436 million.

The disposal gain amounted to €349 million, including €357 million in respect of fair-value adjustments recognized in "Other comprehensive income" and recycled to the income statement.

2.3 Acquisitions carried out in first-half 2017

2.3.1 Acquisition of Keepmoat Regeneration (United Kingdom)

On April 28, 2017, the Group finalized the acquisition of 100% of Keepmoat Regeneration, UK leader in regeneration services for local authorities. Keepmoat Regeneration designs, builds, refurbishes and regenerates residential buildings. The acquisition was carried out based on a transaction price of GBP 331 million (€392 million).

The accounting for this business combination was provisional at June 30, 2017. The provisional goodwill amounts to €434 million.

2.3.2 Acquisition of Icomera (Sweden)

On June 15, 2017, the Group (via its subsidiary ENGIE Ineo) finalized the acquisition of 100% of Swedish company Icomera AB, a developer of multi-service on board connectivity solutions for passengers and transport operators, representing a total investment of €119 million.

The accounting for this business combination was provisional at June 30, 2017. The provisional goodwill amounts to €111 million.

2.3.3 Acquisition of the non-controlling interests in La Compagnie de Vent (France)

On April 4, 2017, the Group agreed to acquire SOPER's 41% non-controlling interest in La Compagnie du Vent for a total consideration of €220 million. This transaction between owners took effect on June 19, 2017 when the conditions precedent were met.

The agreement entailed a €131 million increase, prior to the transaction, in the fair value of the financial liability representing the put option granted by the Group on the non-controlling interests in La Compagnie du Vent, with a corresponding amount recognized in goodwill in accordance with the Group's accounting policies (*see Note 1.4.11.2 "Financial liabilities" to the 2016 consolidated financial statements*). At June 30, 2017, the financial liability representing the put option had been fully extinguished.

Furthermore, the Group, SOPER and Jean-Michel Germa have pledged to resolve all ongoing disputes by no later than the second half of 2017 (*see Note 9 "Disputes and investigations"*).

2.4 Other transactions in first-half 2017

Various other acquisitions, equity transactions and disposals took place in first-half 2017, including the acquisition of Dutch company EV-Box, a supplier of electric vehicle charging solutions. Their individual and cumulative impacts on the Group's interim condensed consolidated financial statements are not significant.

NOTE 3 FINANCIAL INDICATORS USED IN FINANCIAL COMMUNICATION

3.1 EBITDA

The reconciliation between EBITDA and current operating income after share in net income of entities accounted for using the equity method is as follows:

In millions of euros	June 30, 2017 (1)	June 30, 2016 (2)
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**3,036**	**3,174**
Net depreciation and amortization/Other	1,953	1,870
Share-based payments (IFRS 2)	18	19
Non-recurring share in net income of entities accounted for using the equity method	21	(31)
EBITDA	**5,028**	**5,033**

(1) The net expense relating to the nuclear contribution in Belgium is classified in EBITDA as from January 1, 2017 and amounts to €71 million.

(2) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

3.2 Net recurring income Group share

Net recurring income Group share is a financial indicator used by the Group in its financial reporting to present net income Group share adjusted for unusual or non-recurring items.

The presentation of this financial indicator has evolved following the application by the Group, for the first time at June 30, 2017, of IFRS 5 requirements relating to discontinued operations. The two following components are now separately identified within this financial indicator:

- "Net recurring income relating to continued operations" Group share;
- "Net recurring income relating to discontinued operations" Group share.

Net recurring income Group share corresponds to the addition of these two components.

Net recurring income relating to continued operations excludes:

- all items presented between the lines "Current operating income after share in net income of entities accounted for using the equity method" and "Income/(loss) from operating activities", i.e., "Mark-to-market on commodity contracts other than trading instruments", "Impairment losses", "Restructuring costs", "Changes in scope of consolidation" and "Other non-recurring items". These items are defined in Note 1.4.17 "Current operating income" to the 2016 consolidated financial statements;
- the following components of net financial income/(loss): the impact of debt restructuring, compensation payments on the early unwinding of derivative instruments net of the reversal of the fair value of these derivatives that were settled early, changes in the fair value of derivative instruments which do not qualify as hedges under IAS 39 – *Financial Instruments: Recognition and Measurement,* as well as the ineffective portion of derivative instruments that qualify as hedges;
- the income tax impact of the items described above, determined using the statutory income tax rate applicable to the relevant tax entity;
- net non-recurring income items included in "Share in net income of entities accounted for using the equity method". The excluded items correspond to the non-recurring items as defined above.

Net recurring income relating to discontinued operations is established according to the same aforementioned principles.

The reconciliation of net income/(loss) with net recurring income Group share is as follows:

In millions of euros	Notes	June 30, 2017	June 30, 2016 [(1)]
NET INCOME/(LOSS) GROUP SHARE		**1,281**	**1,237**
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS, GROUP SHARE		**(7)**	**(44)**
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS, GROUP SHARE		**1,288**	**1,281**
Non-controlling interests relating to continued operations		418	379
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS		**1,706**	**1,660**
Reconciliation items between CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD and INCOME/(LOSS) FROM OPERATING ACTIVITIES		**337**	**(60)**
Mark-to-market on commodity contracts other than trading instruments	*5.1*	*790*	*(528)*
Impairment losses	*5.1*	*(3)*	*394*
Restructuring costs	*5.1*	*476*	*132*
Changes in scope of consolidation	*5.1*	*(620)*	*(196)*
Other non-recurring items	*5.1*	*(306)*	*138*
Other adjusted items		**(190)**	**177**
Ineffective portion of derivatives qualified as fair value hedges	*5.2*	*(1)*	*2*
Gains/(losses) on debt restructuring and early unwinding of derivative financial instruments	*5.2*	*90*	*-*
Change in fair value of derivatives not qualified as hedges and ineffective portion of derivatives qualified as cash flow hedges	*5.2*	*68*	*86*
Taxes on non-recurring items		*(368)*	*119*
Non-recurring income included in share in net income of entities accounted for using the equity method		*21*	*(31)*
NET RECURRING INCOME RELATING TO CONTINUED OPERATIONS		**1,853**	**1,777**
Net recurring income relating to continued operations attributable to non-controlling interests		415	357
NET RECURRING INCOME RELATING TO CONTINUED OPERATIONS, GROUP SHARE		**1,437**	**1,421**
Net recurring income relating to discontinued operations, Group share		103	56
NET RECURRING INCOME GROUP SHARE		**1,540**	**1,478**

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

The reconciliation of net income/(loss) relating to discontinued operations, Group share with net recurring income relating to discontinued operations, Group share is as follows:

In millions of euros	Notes	June 30, 2017	June 30, 2016
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS, GROUP SHARE		**(7)**	**(44)**
Non-controlling interests relating to discontinued operations		4	(19)
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS		**(3)**	**(63)**
Reconciliation items between CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD and INCOME/(LOSS) FROM OPERATING ACTIVITIES	*2.1*	140	165
Other adjusted items		11	(21)
NET RECURRING INCOME RELATING TO DISCONTINUED OPERATIONS		**147**	**81**
Net recurring income relating to discontinued operations attributable to non-controlling interests		44	24
NET RECURRING INCOME RELATING TO DISCONTINUED OPERATIONS, GROUP SHARE		**103**	**56**

3.3 Industrial capital employed

The reconciliation of industrial capital employed with items in the statement of financial position is as follows:

In millions of euros		June 30, 2017	Dec. 31, 2016
(+)	Property, plant and equipment and intangible assets, net	59,062	64,378
(+)	Goodwill	17,883	17,372
(-)	*Goodwill Gaz de France - SUEZ and International Power [1]*	*(8,315)*	*(8,448)*
(+)	IFRIC 4 and IFRIC 12 receivables	923	1,008
(+)	Investments in entities accounted for using the equity method	6,627	6,624
(-)	*Goodwill arising on the International Power combination [1]*	*(161)*	*(173)*
(+)	Trade and other receivables, net	18,176	20,835
(-)	*Margin calls [1, 2]*	*(1,091)*	*(1,691)*
(+)	Inventories	3,414	3,656
(+)	Other current and non-current assets	8,332	11,123
(+)	Deferred tax	(5,130)	(5,525)
(+)	*Cancellation of deferred tax on other recyclable items [1]*	*(285)*	*(477)*
(-)	Provisions	(20,822)	(22,208)
(+)	*Actuarial gains and losses in shareholders' equity (net of deferred tax) [1]*	*2,382*	*2,566*
(-)	Trade and other payables	(13,696)	(17,075)
(+)	*Margin calls [1, 2]*	*999*	*771*
(-)	Other liabilities	(14,965)	(17,106)
INDUSTRIAL CAPITAL EMPLOYED		**53,335**	**55,629**

(1) For the purpose of calculating industrial capital employed, the amounts recorded in respect of these items have been adjusted from those appearing in the statement of financial position.

(2) Margin calls included in "Trade and other receivables, net" and "Trade and other payables" correspond to advances received or paid as part of collateralization agreements set up by the Group to reduce its exposure to counterparty risk on commodity transactions.

3.4 Cash flow from operations (CFFO)

The reconciliation of cash flow from operations (CFFO) with items in the statement of cash flows is as follows:

In millions of euros	June 30, 2017	June 30, 2016 [1]
Cash generated from operations before income tax and working capital requirements	4,425	4,928
Tax paid	(555)	(385)
Change in working capital requirements	(135)	366
Interest received on non-current financial assets	(13)	26
Dividends received on non-current financial assets	144	94
Interest paid	(422)	(458)
Interest received on cash and cash equivalents	53	63
Change in financial assets at fair value through income	(298)	(456)
(+) Change in financial assets at fair value through income recorded in the statement of financial position and other	*323*	*484*
CASH FLOW FROM OPERATIONS (CFFO)	**3,523**	**4,662**

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

3.5 Capital expenditure (CAPEX)

The reconciliation of capital expenditure (CAPEX) with items in the statement of cash flows is as follows:

In millions of euros	June 30, 2017	June 30, 2016 (1)
Acquisitions of property, plant and equipment and intangible assets	2,286	2,190
Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired	572	353
(+) Cash and cash equivalents acquired	*11*	*61*
Acquisitions of investments in entities accounted for using the equity method and joint operations	555	66
Acquisitions of available-for-sale securities	178	49
Change in loans and receivables originated by the Group and other	50	(6)
(+) Other	-	-
Change in ownership interests in controlled entities	220	2
(+) Payments received in respect of the disposal of non-controlling interests	-	-
TOTAL CAPITAL EXPENDITURE (CAPEX)	**3,872**	**2,714**

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

3.6 Net debt

The net debt financial indicator is presented in Note 7 "Financial instruments".

NOTE 4 SEGMENT INFORMATION

4.1 Operating segments and reportable segments

ENGIE is organized around 24 Business Units (BUs) or operating segments mostly according to a region-centered approach within a single country or a group of countries.

In accordance with IFRS 8, these operating segments are now grouped into nine reportable segments to present the Group's segment information: North America, Latin America, Africa/Asia, Benelux, France, Europe excluding France & Benelux, Infrastructures Europe, GEM & LNG and Other. Exploration & Production (E&P) is now presented under discontinued operations.

The Group's operating segments are described in Note 6 "Segment information", to the consolidated financial statement for the year ended December 31, 2016.

As from January 1, 2017 and subsequent to changes brought by the Group to its organization, energy sales to BtoB in France (*Entreprises & Collectivités*) – previously classified within the France reportable segment – is presented within the Other reportable segment (with no restatement of 2016 comparative data).

4.2 Key indicators by reportable segments

Key indicators by reportable segments (except for 2016 industrial capital employed), presented hereafter, no longer take into account the contribution of exploration-production activities (E&P) following, the classification of the latter under "discontinued operations" on May 11, 2017 in accordance with IFRS 5 (*see Note 2.1.1 "Plan to divest the exploration-production business")*

REVENUES

	June 30, 2017			June 30, 2016		
In millions of euros	External revenues	Intra-Group Revenues	Total	External revenues	Intra-Group Revenues	Total
North America	1,427	21	1,448	1,740	26	1,766
Latin America	2,304	-	2,304	1,962	-	1,962
Africa/Asia	1,969	-	1,969	1,896	2	1,898
Benelux	4,560	18	4,578	4,665	16	4,681
France	8,619	60	8,678	10,769	198	10,967
Europe excluding France & Benelux	4,237	80	4,316	4,210	102	4,311
Infrastructures Europe	1,786	1,729	3,515	1,671	1,844	3,516
GEM & LNG	4,834	3,911	8,745	4,046	4,040	8,086
E&P	-	-	-	-	-	-
Others	3,363	867	4,230	1,615	368	1,983
Elimination of internal transactions	-	(6,686)	(6,686)	-	(6,596)	(6,596)
TOTAL REVENUES	**33,098**	**-**	**33,098**	**32,574**	**-**	**32,574**

EBITDA

In millions of euros	June 30, 2017 (1)	June 30, 2016
North America	79	216
Latin America	919	725
Africa/Asia	685	584
Benelux	242	488
France	828	938
Europe excluding France & Benelux	378	347
Infrastructures Europe	1,884	1,866
GEM & LNG	(82)	(39)
E&P	-	-
Others	96	(92)
TOTAL EBITDA	**5,028**	**5,033**

(1) The net expense relating to the nuclear contribution in Belgium is classified in EBITDA as from January 1st, 2017 and amounts to €71 million.

DEPRECIATION AND AMORTIZATION

In millions of euros	June 30, 2017	June 30, 2016
North America	(22)	(33)
Latin America	(217)	(191)
Africa/Asia	(123)	(114)
Benelux	(266)	(185)
France	(290)	(293)
Europe excluding France & Benelux	(97)	(101)
Infrastructures Europe	(710)	(679)
GEM & LNG	(26)	(44)
E&P	-	-
Others	(202)	(231)
TOTAL DEPRECIATION AND AMORTIZATION	**(1,953)**	**(1,870)**

SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

In millions of euros	June 30, 2017	June 30, 2016
North America	42	29
Latin America	(24)	4
Africa/Asia	101	124
Benelux	2	1
France	(3)	(5)
Europe excluding France & Benelux	36	65
Infrastructures Europe	7	4
GEM & LNG	2	-
E&P	-	-
Others	7	31
Of which share in net income of SUEZ	*6*	*46*
TOTAL SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**169**	**253**

Associates and joint ventures totalled €93 million and €76 million respectively in share of net income of entities accounted for using the equity method in first-half 2017, compared to €204 million and €49 million in first-half 2016.

CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

In millions of euros	June 30, 2017	June 30, 2016
North America	59	184
Latin America	701	534
Africa/Asia	563	484
Benelux	(25)	302
France	535	641
Europe excluding France & Benelux	278	257
Infrastructures Europe	1,174	1,187
GEM & LNG	(110)	(85)
E&P	-	-
Others	(138)	(330)
TOTAL CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**3,036**	**3,174**

INDUSTRIAL CAPITAL EMPLOYED

In millions of euros	June 30, 2017	Dec. 31, 2016
North America	1,628	1,520
Latin America	8,618	8,793
Africa/Asia	5,405	5,520
Benelux	(2,742)	(2,552)
France	6,294	5,304
Europe excluding France & Benelux	5,073	4,720
Infrastructures Europe	18,918	19,693
GEM & LNG	779	1,330
E&P	-	2,855
Others	9,361	8,445
Of which SUEZ equity value	*2,011*	*1,977*
TOTAL INDUSTRIAL CAPITAL EMPLOYED	**53,335**	**55,629**

CAPITAL EXPENDITURE (CAPEX)

In millions of euros	June 30, 2017	June 30, 2016
North America	78	384
Latin America	573	484
Africa/Asia	186	139
Benelux	333	175
France	393	455
Europe excluding France & Benelux	445	51
Infrastructures Europe	710	667
GEM & LNG	312	18
E&P	-	-
Others	842	340
TOTAL CAPITAL EXPENDITURE (CAPEX)	**3,872**	**2,714**

4.3 Key indicators by geographic area

The amounts set out below are analyzed by:

- destination of products and services sold for revenues;
- geographic location of consolidated companies for industrial capital employed.

	Revenues		Industrial capital employed	
In millions of euros	June 30, 2017	June 30, 2016	June 30, 2017	Dec. 31, 2016
France	13,053	12,708	30,266	29,721
Belgium	5,108	5,008	(1,663)	(1,326)
Other EU countries	7,234	7,501	8,426	8,827
Other European countries	603	536	313	686
North America	1,907	2,191	2,074	1,906
Asia, Middle East & Oceania	2,872	2,653	5,453	6,347
South America	2,154	1,852	8,389	8,598
Africa	167	125	76	870
TOTAL	**33,098**	**32,574**	**53,335**	**55,629**

NOTE 5 INCOME STATEMENT

5.1 Income/(loss) from operating activities

In millions of euros	June 30, 2017	June 30, 2016 (1)
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**3,036**	**3,174**
Mark-to-market on commodity contracts other than trading instruments	(790)	528
Impairment losses	3	(394)
Restructuring costs	(476)	(132)
Changes in scope of consolidation	620	196
Other non-recurring items	306	(138)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**2,698**	**3,234**

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

5.1.1 Mark-to-market on commodity contracts other than trading instruments

In the first half of 2017, this item represents net expense of €790 million, compared with net income of €528 million in the first half of 2016. It mainly reflects the changes in the fair value of (i) electricity and natural gas sale and purchase contracts falling within the scope of IAS 39 and (ii) financial instruments used as economic hedges but not eligible for hedge accounting.

This expense is mainly due to (i) a negative price effect related to changes in the forward prices of the underlying commodities during the period, partially offset by (ii) the positive impact of the settlement of positions over the period with a negative fair value at December 31, 2016.

5.1.2 Impairment losses (net)

In millions of euros	June 30, 2017	June 30, 2016 (1)
Impairment losses:		
Goodwill	-	(161)
Property, plant and equipment and other intangible assets	(114)	(260)
Investments in entities accounted for using the equity method and related provisions	(21)	-
Financial assets	(4)	(20)
TOTAL IMPAIRMENT LOSSES	**(140)**	**(441)**
Reversal of impairment losses:		
Property, plant and equipment and other intangible assets	139	46
Financial assets	4	1
TOTAL REVERSALS OF IMPAIRMENT LOSSES	**143**	**47**
TOTAL	**3**	**(394)**

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

In addition to the annual impairment tests on goodwill and non-amortizable intangible assets carried out in the second half of the year, the Group also tests goodwill, property, plant and equipment, intangible assets, investments in entities accounted for using the equity method and financial assets for impairment whenever there is an indication that the asset may be impaired.

At June 30, 2017, impairment tests were performed on a limited number of assets for which indications of impairment were identified during the first half of 2017.

At June 30, 2017, the Group considered that, in view of the changes in market inputs and key assumptions since December 31, 2016, it was not necessary to carry out a full update of the impairment tests performed on the goodwill CGUs in 2016 and considers that the carrying amounts of these CGUs are not greater than their recoverable amount.

The annual impairment tests on the goodwill CGUs for 2017 will be carried out in the second half of the year.

5.1.2.1 Impairment losses recognized during the first half of 2017

Net impairment losses recognized for first-half 2017 amounted to €3 million and mainly included:

- the reversal of an impairment loss of €93 million on a portfolio of three thermal assets currently being sold in the United Kingdom;
- an impairment loss of €74 million, resulting from the decision to permanently shut down a gas-fired power plant unit in the Netherlands in 2019.

Net impairment losses recognized for first-half 2016 amounted to €394 million, primarily relating to:

- an amount of €161 million recognized against the goodwill allocated to the GTT CGU following the fall in GTT's share price in the first half of 2016;
- the portfolio of merchant power generation assets in the United States, classified in "Assets held for sale" at June 30, 2016 (€125 million);
- a drilling rig in the Benelux region (€46 million).

5.1.2.2 Other information on the carrying amount of assets

Sensitivity analysis of the impairment test on Benelux CGU goodwill

The Benelux CGU includes the Group's activities in Belgium, the Netherlands and Luxembourg: (i) power generation activities using its nuclear power plants and wind farms, (ii) natural gas and electricity sales activities, and (iii) energy services activities, as well as drawing rights on the Chooz B and Tricastin power plants in France. The goodwill allocated to the Benelux CGU amounted to €4,239 million at June 30, 2017.

The key assumptions used for impairment testing at December 31, 2016 as well as the analyses of sensitivity to changes in key assumptions are described in Notes 8.2.2 "Information on cash flow projections used in impairment tests" and 8.2.3 "Impairment on Benelux CGU goodwill" to the 2016 consolidated financial statements. The CGU's recoverable amount is particularly sensitive to the assumptions concerning the operating life of existing nuclear reactors in Belgium. As a result, the disappearance of the entire nuclear component from the portfolio in 2025 after 50 years of operation in the case of Tihange 1, Doel 1 and Doel 2, and 40 years of operation for the second-generation reactors would reduce the recoverable amount by about €2,800 million.

A decrease of €10/MWh in electricity prices for nuclear power generation would lead to an additional impairment loss of around €1,900 million. Conversely, if prices increased by €10/MWh, the recoverable amount would be higher than the carrying amount.

Storengy CGU

The goodwill allocated to the Storengy CGU amounted to €543 million at June 30, 2017. This CGU groups together the entities that own, operate, market and sell underground natural gas storage capacities in France, Germany, and the United Kingdom.

The key assumptions underlying this impairment test are described in Note 12.3.5.2 "Storengy CGU" to the 2016 consolidated financial statements.

In France, ENGIE's storage activities were impacted in the first half of 2017 by a significant decrease in reservations of storage capacity on the part of natural gas suppliers, amid unfavorable market conditions and an uncertain regulatory environment.

In the first half of 2016, the French public authorities initiated consultations and requested the opinion of the *Conseil Supérieur de l'Énergie* and the *Conseil d'État* on the project to regulate storage activities in France. The project sought to regulate revenues and provide for the sale of storage capacity at auctions as well as, where applicable, additional revenues collected by gas transmission operators that would be transferred to storage operators. However, the project was abandoned in the second half of 2016 following the *Conseil d'État*'s rejection of the concept of additional revenues.

The project is expected to be relaunched in the second half of 2017 by the main industry players (storage operators and natural gas suppliers in France), which could facilitate its implementation at the beginning of 2018 at the earliest as well as the completion of the French Energy Regulation Commission (CRE) work on additional revenues.

Against the backdrop of a weakened market, the valuation of the Storengy CGU is particularly sensitive to the assumptions used concerning (i) the level of seasonal spread beyond the liquidity period, (ii) the level of reservation of storage capacity, mainly in France, and from this point forward (iii) whether the regulation project is implemented or not.

A 10 TWh decrease in storage capacity sales over the 2017-2022 period and in the normative cash flow used to calculate the terminal value would lead to an impairment loss of approximately €850 million, assuming that the other impairment test assumptions remain unchanged.

Should the seasonal spread remain at its expected 2021 level throughout the remainder of the cash flow projection period, the impairment risk would be approximately €250 million.

Australia CGU

The goodwill allocated to the Australia CGU amounted to €310 million at June 30, 2017. The Australia CGU groups together thermal power generation activities, marketing of natural gas and electricity, and Energy Services in the Oceania region (Australia and New Zealand).

Value in use was calculated using the cash flow projections drawn up by the Group on the basis of the 2017 budget and the 2018-2022 medium-term business plan, as approved by the Group Executive Committee and the Board of Directors, in line with the method used for most of the Group's other businesses (*see Note 8.2.2 to the 2016 consolidated financial statements*).

The main assumptions and key estimates used in this impairment test primarily include changes in electricity prices, changes in demand for gas and electricity, and changes in the regulatory environment.

The discount rates applied are between 7.0% and 9.0%.

As part of the transformation plan initiated by the Group, ENGIE has received non-binding offers on its portfolio of thermal power generation assets. The Group is reviewing several different possibilities regarding the planned disposal of these assets, which belong to the Australia CGU. In these circumstances, the most important assumptions used to determine the market value of assets relate to electricity prices forecast beyond the liquidity period, the regulatory environment and the operating life of the assets concerned.

A decrease of AUD 10/MWh in electricity prices beyond the liquidity period would lead to a decrease of approximately €500 million in the recoverable amount.

EcoElectrica

ENGIE owns an investment in EcoElectrica, a key energy industry player in Puerto Rico's economy (*see Note 3.2 "Investments in joint ventures" to the 2016 consolidated financial statements*). Despite the difficult financial environment in Puerto Rico, ENGIE does not have any information at June 30, 2017 that could result in the Group modifying its valuation assumptions regarding its share in these assets.

5.1.3 Restructuring costs

Restructuring costs totaled €476 million in first-half 2017 and mainly included costs related to various staff reduction plans implemented as part of the Group's transformation plan, as well as measures to adapt to economic conditions.

In first-half 2016, restructuring costs totaled €132 million, including costs incurred to adapt to economic conditions, of which €28 million for France, €24 million for Benelux, €20 million for North America and €37 million for the United Kingdom.

5.1.4 Changes in scope of consolidation

In first-half 2017, the impact of changes in the scope of consolidation amounted to a positive €620 million, and mainly comprised:

- a €540 million gain on the disposal of the thermal merchant power plant portfolio in the United States, including €513 million in respect of items of other comprehensive income recycled to the income statement (*see Note 2.2.1*);
- a €57 million gain on the disposal of the Polaniec power plant in Poland, including €59 million in respect of items of other comprehensive income recycled to the income statement (*see Note 2.2.2*); and
- a €21 million gain on the disposal of a 30% interest in Opus Energy in the United Kingdom (*see Note 2.2.3*).

In first-half 2016, this item amounted to a positive €196 million and mainly comprised the capital gain of €210 million on the sale of a 50% stake in Transmisora Eléctrica del Norte (TEN) in Chile.

5.1.5 Other non-recurring items

In first-half 2017, this item chiefly included a €349 million gain on the disposal of Petronet LNG available-for-sale securities, including €357 million in respect of changes in fair value recognized in "Other comprehensive income" and recycled to the income statement.

5.2 Net financial income/(loss)

	June 30, 2017			June 30, 2016 (1)		
In millions of euros	Expense	Income	Total	Expense	Income	Total
Cost of net debt	**(402)**	**63**	**(338)**	**(465)**	**78**	**(386)**
Interest expense on gross debt and hedges	(450)	-	(450)	(521)	-	(521)
Foreign exchange gains/(losses) on borrowings and hedges	-	6	6	-	10	10
Ineffective portion of derivatives qualified as fair value hedges	-	1	1	(2)	-	(2)
Gains and losses on cash and cash equivalents and financial assets at fair value through income	-	56	56	-	69	69
Capitalized borrowing costs	48	-	48	59	-	59
Gains/(losses) on debt restructuring and early unwinding of derivative financial instruments	**(172)**	**83**	**(90)**	**(66)**	**66**	**-**
Cash payments made on the unwinding of swaps	(83)	-	(83)	(66)	-	(66)
Reversal of the negative fair value of these early unwound derivative financial instruments	-	83	83	-	66	66
Expenses on debt restructuring transactions	(90)	-	(90)	-	-	-
Other financial income and expenses	**(535)**	**336**	**(198)**	**(574)**	**286**	**(289)**
Net interest expense on post-employment benefits and other long-term benefits	(58)	-	(58)	(70)	-	(70)
Unwinding of discounting adjustments to other long-term provisions	(242)	-	(242)	(275)	-	(275)
Change in fair value of derivatives not qualified as hedges and ineffective portion of derivatives qualified as cash flow hedges	(68)	-	(68)	(86)	-	(86)
Income from available-for-sale securities	-	148	148	-	87	87
Other	(167)	189	22	(144)	198	55
NET FINANCIAL INCOME/(LOSS)	**(1,109)**	**483**	**(626)**	**(1,106)**	**430**	**(675)**

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 12 "Restatement of 2016 comparative data").

The decrease in the cost of net debt is mainly due to a slight reduction in the volume of average debt since the end of June 2016, to the positive impacts of debt financing transactions realized by the Group and to active of interest rate management.

5.3 Income tax expense

In millions of euros	June 30, 2017	June 30, 2016 (1)
Net income/(loss) (A)	1,703	1,597
Total income tax expense recognized in income of the period (B)	(366)	(898)
Share in net income of entities accounted for using the equity method (C)	169	253
Net income on discontinued operations (D)	(3)	(63)
INCOME BEFORE INCOME TAX EXPENSE, NET INCOME ON DISCONTINUED OPERATIONS AND SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD (A)-(B)-(C)-(D)=(E)	**1,903**	**2,305**
EFFECTIVE TAX RATE (B)/(E)	**19.2%**	**39.0%**

(1) Comparative data at June 30, 2016 have been restated due to the classification of ENGIE E&P International under “Discontinued operations” on May 11, 2017 (see Note 12 “Restatement of 2016 comparative data”).

The decrease in the effective tax rate is mainly due to the significant capital gains exempt from tax in 2017, partially offset with the increase in the non-tax saving losses made in the Netherlands.

NOTE 6 GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In millions of euros	Goodwill	Intangible assets	Property, plant and equipment
GROSS AMOUNT			
At December 31, 2016	**26,254**	**17,383**	**113,073**
Acquisitions and construction of property, plant and equipment and intangible assets (1)	-	332	2,238
Disposals of property, plant and equipment and intangible assets	-	(60)	(466)
Changes in scope of consolidation	615	11	(142)
Transfer to "Assets classified as held for sale"	(32)	(1,288)	(12,440)
Other changes	131	133	(154)
Translation adjustments	(211)	(175)	(1,895)
AT JUNE 30, 2017	**26,757**	**16,335**	**100,214**
ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT			
At December 31, 2016	**(8,882)**	**(10,744)**	**(55,334)**
Depreciation and amortization (2)	-	(373)	(1,760)
Impairment (3)	-	(144)	25
Disposals of property, plant and equipment and intangible assets	-	49	346
Changes in scope of consolidation	10	(2)	15
Transfer to "Assets classified as held for sale"	-	907	8,453
Other changes	-	6	150
Translation adjustments	(2)	92	828
AT JUNE 30, 2017	**(8,874)**	**(10,209)**	**(47,278)**
CARRYING AMOUNT			
At December 31, 2016	17,372	6,639	57,739
AT JUNE 30, 2017	**17,883**	**6,126**	**52,936**

(1) Including €320 million and €2 million related, respectively, to the property, plant and equipment and intangible assets of exploration-production activities, which are classified as "Discontinued operations" (see Note 2 "Main changes in Group structure").

(2) Depreciation and amortization of the property, plant and equipment and intangible assets of exploration-production activities are recognized in "Net income/(loss) from discontinued operations" in the income statement for a negative €166 million and a negative €5 million, respectively, at June 30, 2017.

(3) Including €143 million in impairment losses recognized in "Net income/(loss) from discontinued operations" in the income statement in respect of an exploration-production license for a gas field in the Caspian Sea (see Note 2 "Main changes in Group structure").

Changes in scope of consolidation in first-half 2017 mainly relate to the acquisition of Keepmoat Regeneration in the United Kingdom, Icomera in Sweden and EV-Box in the Netherlands (*see Note 2 "Main changes in Group structure"*).

The €131 million increase in the carrying amount of goodwill, recorded in "Other changes", is due to the increase in the fair value of financial liabilities related to the put option granted by ENGIE on its non-controlling interests in La Compagnie du Vent, for which the matching entry is recorded under goodwill, in accordance with Group accounting policies (*see Note 1.4.11.2 "Financial liabilities" to the 2016 consolidated financial statements*). This increase in the fair value of financial liabilities follows the agreement entered into on April 4, 2017 concerning ENGIE's acquisition of a 41% interest in La Compagnie du Vent, previously held by SOPER (*see Note 2 "Main changes in Group structure"*).

Following the classification of exploration-production activities as discontinued operations (*see Note 2.1 "Assets held for sale and discontinued operations"*), the carrying amount of the corresponding property, plant and equipment and intangible assets, and any associated goodwill, were transferred to "Assets classified as held for sale" in the statement of financial position at June 30, 2017.

Translation adjustments recognized on the carrying amount of property, plant and equipment were mainly attributable to exchange rate fluctuations of the following currencies against the euro: US dollar (negative €613 million impact), Brazilian real (negative €288 million impact), Norwegian krone (negative €66 million impact), and pound sterling (negative €60 million impact).

NOTE 7 FINANCIAL INSTRUMENTS

7.1 Financial assets

The following table presents the Group's different categories of financial assets, broken down into current and non-current items:

	June 30, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	2,668	-	2,668	2,997	-	2,997
Loans and receivables at amortized cost	2,302	18,767	21,069	2,250	21,430	23,680
Loans and receivables at amortized cost (excluding trade and other receivables) [(1)]	*2,302*	*590*	*2,893*	*2,250*	*595*	*2,845*
Trade and other receivables	-	*18,176*	*18,176*	-	*20,835*	*20,835*
Other financial assets at fair value	1,938	7,338	9,275	3,603	10,486	14,089
Derivative instruments	*1,938*	*5,611*	*7,549*	*3,603*	*9,047*	*12,650*
Financial assets at fair value through income	-	*1,727*	*1,727*	-	*1,439*	*1,439*
Cash and cash equivalents [(2)]	-	10,928	10,928	-	9,825	9,825
TOTAL	**6,908**	**37,033**	**43,940**	**8,850**	**41,741**	**50,591**

(1) The increase in "Loans and receivables at amortized cost (excluding trade and other receivables)" during the first half of 2017 includes the €215 million financial investment made by the Group in partnership with other companies relating to the long-term financing of the Nord Stream 2 pipeline project held and developed by Gazprom.

(2) This item includes funds raised over the period relating to the green bond issue and yet to be allocated to eligible projects.

7.1.1 Available-for-sale securities

In millions of euros	
At December 31, 2016	**2,997**
Acquisitions	183
Disposals - carrying amount excluding changes in fair value recorded in "Other comprehensive income"	(83)
Disposals - "Other comprehensive income" derecognized	(357)
Other changes in fair value recorded in equity	(41)
Changes in fair value recorded in income	(2)
Changes in scope of consolidation, foreign currency translation and other changes	(30)
AT JUNE 30, 2017	**2,668**

The Group's available-for-sale securities amounted to €2,668 million at June 30, 2017, breaking down as €1,608 million of listed securities and €1,060 million of unlisted securities (respectively, €1,977 million and €1,020 million at December 31, 2016).

The main changes over the period correspond to the disposal of the 10% interest held by the Group in Petronet LNG (*see Note 2.2.4*).

7.2 Financial liabilities

Financial liabilities are recognized either:

- as "Liabilities at amortized cost" for borrowings and debt, trade and other payables, and other financial liabilities;
- as "Financial liabilities at fair value through income" for derivative instruments or financial liabilities designated as such.

The following table presents the Group's different financial liabilities at June 30, 2017, broken down into current and non-current items:

	June 30, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings and debt	23,544	12,327	35,870	24,411	12,539	36,950
Derivative instruments	2,299	5,305	7,604	3,410	9,228	12,638
Trade and other payables	-	13,696	13,696	-	17,075	17,075
Other financial liabilities	73	-	73	200	-	200
TOTAL	**25,916**	**31,328**	**57,244**	**28,021**	**38,842**	**66,864**

7.3 Net debt

7.3.1 Net debt by type

	June 30, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings and debt outstanding	23,068	11,627	34,694	23,740	11,705	35,444
Impact of measurement at amortized cost	108	29	138	235	72	306
Impact of fair value hedge (1)	368	28	396	436	31	468
Margin calls on derivatives hedging borrowings - liabilities	-	643	643	-	731	731
BORROWINGS AND DEBT	**23,544**	**12,327**	**35,870**	**24,411**	**12,539**	**36,950**
Derivatives hedging borrowings - carried in liabilities (2)	291	59	350	251	67	318
GROSS DEBT	**23,835**	**12,385**	**36,220**	**24,662**	**12,606**	**37,268**
Assets related to financing	(65)	(1)	(66)	(58)	(1)	(58)
ASSETS RELATED TO FINANCING	**(65)**	**(1)**	**(66)**	**(58)**	**(1)**	**(58)**
Financial assets at fair value through income (excluding margin calls)	-	(1,278)	(1,278)	-	(816)	(816)
Margin calls on derivatives hedging borrowings - carried in assets	-	(449)	(449)	-	(622)	(622)
Cash and cash equivalents	-	(10,928)	(10,928)	-	(9,825)	(9,825)
Derivatives hedging borrowings - carried in assets (2)	(639)	(200)	(839)	(888)	(250)	(1,138)
NET CASH	**(639)**	**(12,855)**	**(13,493)**	**(888)**	**(11,514)**	**(12,402)**
NET DEBT	**23,131**	**(470)**	**22,661**	**23,716**	**1,091**	**24,807**
Borrowings and debt outstanding	23,068	11,627	34,694	23,740	11,705	35,444
Assets related to financing	(65)	(1)	(66)	(58)	(1)	(58)
Financial assets at fair value through income (excluding margin calls)	-	(1,278)	(1,278)	-	(816)	(816)
Cash and cash equivalents	-	(10,928)	(10,928)	-	(9,825)	(9,825)
NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, CASH COLLATERAL AND AMORTIZED COST	**23,002**	**(580)**	**22,423**	**23,682**	**1,062**	**24,744**

(1) This item corresponds to the revaluation of the interest rate component of debt in a qualified fair value hedging relationship.

(2) This item represents the interest rate component of the fair value of derivatives hedging borrowings in a designated fair value hedging relationship. It also represents the exchange rate and outstanding accrued interest rate components of the fair value of all debt-related derivatives irrespective of whether or not they are qualified as hedges.

The net debt excluding E&P internal debt (*see Note 2.1.1*) amounts to €20,912 million at June 30, 2017 (€23,080 million at December 31, 2016).

The fair value of gross borrowings and debt amounts to €37,934 million at June 30, 2017, compared with a carrying amount of €35,870 million.

7.3.2 Main events of the period

7.3.2.1 Impact of changes in the scope of consolidation and in exchange rates on net debt

In first-half 2017, changes in exchange rates resulted in a €367 million decrease in net debt (including a €336 million decrease in relation to the US dollar, a €29 million decrease in relation to the Brazilian real, a €9 million decrease in relation to the Thai baht and a €12 million decrease in relation to the pound sterling).

Changes in the scope of consolidation (including the cash impact of acquisitions and disposals) led to a €2,341 million decrease in net debt, mainly reflecting:

- disposals of assets over the period, which reduced net debt by €3,934 million, including the disposal of the thermal merchant power plant portfolio in the United States, the Polaniec power plant in Poland, the Group's 30% interest in Opus Energy in the United Kingdom and its 10% interest in Petronet LNG in India (*see Note 2.2 "Disposals carried out in first-half 2017"*);
- acquisitions carried out during the first half of 2017 (chiefly Keepmoat Regeneration, Icomera and non-controlling interests in La Compagnie du Vent), which increased net debt by €1,593 million (*see Notes 2.3.1, 2.3.2 and 2.3.3*).

7.3.2.2 Financing and refinancing transactions

The Group carried out the following transactions during the first half of 2017:

- on March 23, 2017, ENGIE SA issued green bonds for a total amount of €1.5 billion, including:
  - a €700 million tranche maturing in 2024 with a 0.875% coupon,
  - a €800 million tranche maturing in 2028 with a 1.5% coupon;
- ENGIE SA redeemed the €500 million bond that matured on March 13, 2017 with a 0% coupon;
- on March 27, 2017, the Group launched an offer to buy back bonds for a nominal amount of €537 million;
- on March 15, 2017, ENGIE Brasil Energia took out four bank loans totaling BRL 217 million (€63 million) that are repayable in May 2033.

7.4 Derivative instruments

7.4.1 Derivative financial assets

	June 30, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	639	200	839	888	250	1,138
Derivatives hedging commodities	513	5,335	5,847	1,875	8,712	10,587
Derivatives hedging other items (1)	786	76	863	840	85	925
TOTAL	1,938	5,611	7,549	3,603	9,047	12,650

(1) *Derivatives hedging other items mainly include the interest rate component of derivatives (not qualifying as hedges or qualifying as cash flow hedges), that are excluded from net debt, as well as net investment hedge derivatives.*

7.4.2 Derivative financial liabilities

	June 30, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	291	59	350	251	67	318
Derivatives hedging commodities	822	5,148	5,970	1,461	9,038	10,499
Derivatives hedging other items (1)	1,186	98	1,284	1,698	123	1,821
TOTAL	2,299	5,305	7,604	3,410	9,228	12,638

(1) *Derivatives hedging other items mainly include the interest rate component of derivatives (not qualifying as hedges or qualifying as cash flow hedges), that are excluded from net debt, as well as net investment hedge derivatives.*

7.4.3 Financial instruments by level in the fair value hierarchy

During the first half of 2017, the Group has made no significant change in the classification of financial instruments and no significant transfer between levels in the fair value hierarchy.

NOTE 8 RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group mainly uses derivative instruments to manage its exposure to market risks. Financial risk management procedures are set out in section 2, "Risk factors" of the 2016 Registration Document.

8.1 Market risks

8.1.1 Commodity risk

8.1.1.1 Portfolio management activities

Sensitivities of the commodity-related financial derivatives portfolio used as part of the portfolio management activities at June 30, 2017 are detailed in the table below. They are not representative of future changes in consolidated earnings and equity, insofar as they do not include the sensitivities relating to the purchase and sale contracts for the underlying commodities.

Sensitivity analysis [(1)]

		June 30, 2017	
In millions of euros	**Changes in price**	Pre-tax impact on income	Pre-tax impact on equity
Oil-based products	+USD 10/bbl	409	110
Natural gas	+€3/MWh	(264)	(72)
Electricity	+€5/MWh	158	(23)
Coal	+USD 10/ton	53	3
Greenhouse gas emission rights	+€2/ton	84	1
EUR/USD	+10%	(298)	(7)
EUR/GBP	+10%	(43)	2

(1) The sensitivities shown above apply solely to financial commodity derivatives used for hedging purposes as part of the portfolio management activities.

8.1.1.2 Trading activities

The use of Value at Risk (VaR) to quantify market risk arising from trading activities provides a transversal measure of risk taking all markets and products into account. VaR represents the maximum potential loss on a portfolio of assets over a specified holding period based on a given confidence interval. It is not an indication of expected results but is back-tested on a regular basis.

The Group uses a one-day holding period and a 99% confidence interval to calculate VaR, as well as stress tests, in accordance with banking regulatory requirements.

The VaR shown below corresponds to the aggregated VaR of the Group's trading entities.

Value at Risk

In millions of euros	June 30, 2017	2017 average [(1)]	2017 maximum [(2)]	2017 minimum (2)
Trading activities	15	9	19	1

(1) Average daily VaR.
(2) Maximum and minimum daily VaR observed in 2017.

8.1.2 Currency risk

Sensitivity was analyzed based on the Group's net debt position (including the impact of interest rate and foreign currency derivatives) and financial instruments qualified as net investment hedges at the reporting date.

For currency risk, sensitivity corresponds to a 10% rise or fall in exchange rates of foreign currencies against the euro compared to closing rates.

	June 30, 2017		
	Impact on income after hedging		Impact on equity
In millions of euros	+10% [1]	-10% [1]	+10% [1]
Liabilities denominated in a currency other than the functional currency of companies carrying the liabilities on their statements of financial position [2]	(4)	4	NA
Financial instruments (debt and derivatives) qualified as net investment hedges [3]	NA	NA	162

(1) +(-)10%: depreciation (appreciation) of 10% on all foreign currencies against the euro.
(2) Excluding derivatives qualified as net investment hedges.
(3) This impact is countered by the offsetting change in the net investment hedged.

8.1.3 Interest rate risk

Sensitivity was analyzed based on the Group's net debt position (including the impact of interest rate and foreign currency derivatives relating to net debt) at the reporting date.

For interest rate risk, sensitivity corresponds to a rise or fall of 100 basis points in the yield curve compared to closing interest rates.

	June 30, 2017			
	Impact on income after hedging		Impact on equity	
In millions of euros	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Net interests charge on floating-rate net debt and floating-rate leg of derivatives	(39)	38	NA	NA
Change in fair value of derivatives not qualified as hedges	12	(16)	NA	NA
Change in fair value of derivatives qualified as cash flow hedges	NA	NA	445	(546)

8.2 Liquidity risk

In the context of its operating activities, the Group is exposed to a risk of having insufficient liquidity to meet its contractual obligations.

At June 30, 2017, bank loans accounted for 19% of gross debt (excluding bank overdrafts and the impact of derivatives and amortized cost), while the major part of the remaining debt was raised on capital markets (including €22,246 million in bonds, or 66% of gross debt).

Outstanding short-term commercial paper represented 16% of gross debt (excluding bank overdrafts and the impact of derivatives and amortized cost), or €5,342 million at June 30, 2017.

Available cash, comprising cash and cash equivalents and financial assets qualifying and designated as at fair value through income (excluding margin calls), net of bank overdrafts totaled €12,206 million at June 30, 2017.

Confirmed credit facilities had been granted for a total of €13,549 million at June 30, 2017, of which €13,439 million was available and undrawn. 93% of total credit lines are centralized.

Undiscounted contractual payments on net debt excluding the impact of derivative instruments, cash collateral and amortized cost

At June 30, 2017, undiscounted contractual payments on net debt (excluding the impact of derivative instruments, cash collateral and amortized cost) break down as follows by maturity:

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Bond issues	22,246	2,728	1,654	869	2,494	1,927	12,574
Bank borrowings	5,322	683	720	456	774	287	2,404
Negotiable commercial paper	5,342	5,090	251	-	-	-	-
Drawdowns on credit facilities	111	10	87	1	11	-	2
Liabilities under finance leases	565	63	158	141	90	78	35
Other borrowings	322	191	35	36	18	6	37
Bank overdrafts and current accounts	787	787	-	-	-	-	-
OUTSTANDING BORROWINGS AND DEBT	**34,694**	**9,551**	**2,906**	**1,502**	**3,386**	**2,298**	**15,052**
Assets related to financing	(66)	(1)	(1)	(1)	(3)	(3)	(56)
Financial assets qualifying or designated as at fair value through income	(1,278)	(1,278)	-	-	-	-	-
Cash and cash equivalents	(10,928)	(10,928)	-	-	-	-	-
NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, CASH COLLATERAL AND AMORTIZED COST	**22,423**	**(2,656)**	**2,905**	**1,501**	**3,383**	**2,294**	**14,996**

Confirmed undrawn credit facility programs

The maturities of the Group's confirmed undrawn credit facility programs at June 30, 2017, are analyzed in the table below:

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Confirmed undrawn credit facility programs	13,439	874	619	744	635	10,522	45

At June 30, 2017, no single counterparty represented more than 6% of the Group's confirmed undrawn credit lines.

NOTE 9 DISPUTES AND INVESTIGATIONS

The Group is party to a number of legal and anti-trust proceedings with third parties or with legal and/or administrative authorities (including tax authorities) in the normal course of its business.

Provisions recorded in respect of these proceedings totaled €739 million at June 30, 2017 (€1,133 million at December 31, 2016).

Disputes and investigations are described in Note 27 to the 2016 consolidated financial statements. Those that have seen developments during the first half of 2017 are presented below.

9.1 Latin America

9.1.1 Concessions in Buenos Aires and Santa Fe

In 2003, ENGIE and its joint shareholders, water distribution concession operators in Buenos Aires and Santa Fe, initiated two arbitration proceedings against the Argentinean State before the International Center for Settlement of Investment Disputes (ICSID). The purpose of these proceedings was to obtain compensation for the loss in value of investments made since the start of the concession, in accordance with bilateral investment protection treaties.

On April 9, 2015, the ICSID ordered the Argentinean State to pay USD 405 million (of which USD 367 million to ENGIE/SUEZ and its subsidiaries) in respect of the termination of the Buenos Aires water distribution and treatment concession contracts, and on December 4, 2015, to pay USD 211 million (ICSID subsequently reassessed the initial amount, which increased to USD 225 million) in respect of the termination of the Santa Fe concession contracts. The Argentinean State is seeking the annulment of these awards. By decision dated May 5, 2017, the claim for the annulment of the Buenos Aires award was rejected. The claim for the annulment of the Sante Fe award is still pending. As a reminder, prior to the stock market listing of SUEZ Environnement Company (now SUEZ), ENGIE and SUEZ (formerly SUEZ Environnement) entered into an agreement providing for the economic transfer to SUEZ of the rights and obligations relating to the ownership interest held by ENGIE in Aguas Argentinas and Aguas Provinciales de Santa Fe.

9.2 Benelux

9.2.1 Resumption and extension of operations of nuclear reactors

Various associations have brought actions before the Constitutional Court, the Council of State and the ordinary courts against the laws and administrative decisions authorizing the extension of operations at the Doel 1 and 2 and Tihange 1 reactors. On June 22, 2017, the Constitutional Court referred the case to the Court of Justice of the European Union for a preliminary ruling. Some of these proceedings are still pending. In addition, some German local authorities and various organizations have challenged the authorization to restart operations at the Tihange 2 reactor. These actions are also pending.

9.2.2 Nuclear capacity swap with E.ON

On November 26, 2014, E.On, via its subsidiary PreussenElektra GmbH, submitted a request for arbitration to the ICC International Court of Arbitration against Electrabel. E.On is seeking (i) the payment by Electrabel of a portion of the German nuclear contribution in the amount of approximately €100 million plus interest and (ii) the repayment of the Belgian nuclear contribution paid by E.On in the amount of approximately €199 million plus interest.

Electrabel disputes these claims and has filed counterclaims seeking: (i) the payment of the full amount invoiced by Electrabel for the Belgian nuclear contribution in the amount of approximately €120 million plus interest and (ii) the repayment of the German nuclear tax paid by Electrabel in the amount of approximately €189 million plus interest. On June 7, 2017, the German Federal Constitutional Court (*Bundesverfassungsgericht*) ruled that the German nuclear tax was illegal. Following the ruling, the Court of Arbitration has reopened the case and an award is expected to be handed down in the second half of 2017.

9.3 France

9.3.1 La Compagnie du Vent

Since 2011, ENGIE has been involved in a number of disputes with Jean-Michel Germa, founder of La Compagnie du Vent (LCV) and SOPER, minority shareholder of LCV, the main one being the action brought by SOPER on January 18, 2013 seeking payment by ENGIE of about €250 million in compensation for alleged breach of the agreement and the shareholders' agreement signed in 2007. Under an agreement dated April 4, 2017, SOPER and Jean-Michel Germa pledged to resolve all ongoing disputes by no later than the second half of 2017.

9.3.2 Practices in the gas and electricity supply markets

On April 15, 2014, Direct Energie lodged a complaint with the competition authorities against ENGIE for alleged abuse of a dominant position on the gas and electricity supply markets, as well as a request for protective interim measures. The competition authority delivered its decision as regards the interim protective measures on September 9, 2014. ENGIE appealed the decision. However, the Appeal Court substantially upheld the competition authority's decision, which has now become final and binding.

On March 27, 2015, the competition authorities informed ENGIE that a claim of alleged abuse of a dominant position by ENGIE on the gas and electricity supply markets had been referred to them by UFC-Que Choisir, a French consumer group. The case brought by Direct Energie was combined with that of UFC-Que Choisir.

On March 21, 2017, the competition authorities, ruling on the merits, endorsed the settlement reached by ENGIE, which involves no admission of guilt. ENGIE paid the settlement payment of €100 million. Direct Energie has appealed the ruling dated March 21, 2017 before the Paris Appeal Court.

On October 26, 2015, the competition authorities informed ENGIE that another claim of alleged abuse of a dominant position by ENGIE on the gas and electricity supply markets had been referred to them by Direct Energie, as well as a new request for protective interim measures. By decision of May 2, 2016, the competition authority ordered ENGIE, as a protective interim measure and pending a decision on the merits, to comply with certain protective interim measures. Direct Energie challenged this decision before the Paris Appeal Court, which, on July 28, 2016 dismissed Direct Energie's claim. Direct Energie has appealed the decision before the Court of Cassation. Substantively, ENGIE has proposed commitments that remain subject to the competition authority's assessment and for which it has ordered a market test. The investigation is still underway.

9.3.3 Withholding tax

In their tax deficiency notice dated December 22, 2008, the French tax authorities questioned the tax treatment of the non-recourse sale by SUEZ (now ENGIE) of a withholding tax (*précompte*) receivable in 2005 for an amount of €995 million. In May 2016, the French tax authorities issued an assessment notice for part of the resulting corporate income tax, in an amount of €89.6 million. ENGIE paid this sum and filed a claim in August 2016.

Regarding the dispute over the *précompte* itself, on February 1, 2016, the *Conseil d'État* dismissed the appeal before the Court of Cassation seeking the repayment of the *précompte* in respect of the 1999, 2000, and 2001 fiscal years. The Cergy-Pontoise Administrative Court adopted an identical position to that of the Paris Court of Appeal for the amounts claimed by SUEZ (now ENGIE) in respect of the 2002, 2003 and 2004 fiscal years. ENGIE SA has appealed this decision.

Furthermore, after ENGIE and several French groups lodged a complaint, on April 28, 2016, the European Commission issued a reasoned opinion to the French State as part of infringement proceedings, setting out its view that the *Conseil d'État* did not comply with European Union law when handing down decisions in disputes regarding the *précompte*, such as those involving ENGIE. On July 10, 2017, the European Commission referred the matter to the Court of Justice of the European Union on the grounds of France's failure to comply.

9.3.4 Regulated natural gas tariffs

On June 24, 2013, ANODE, the French national energy retailers association (*Association nationale des opérateurs détaillants en énergie*) filed an appeal before the *Conseil d'État* seeking annulment of Decree No. 2013-400 of May 16, 2013 amending Decree No. 2009-1603 of December 18, 2009 relating to regulated natural gas tariffs.

ANODE contends in substance that the regulated natural gas tariff framework is inconsistent with the objectives of Directive 2009/73/EC concerning common rules for the internal market in natural gas, and Article 106.1 of the Treaty on the Functioning of the European Union. On December 15, 2014, the *Conseil d'État* ordered a stay of proceedings pending the Court of Justice of the European Union's preliminary ruling on these matters. The Court of Justice of the European Union delivered its ruling on September 7, 2016. On July 19, 2017, the *Conseil d'État* annulled the Decree of May 16, 2013, considering it to be contrary to European law (*see Note 11 "Subsequent events"*).

9.4 Europe excluding France & Benelux

9.4.1 Spain – Punica

In the Punica case (investigation into the awarding of contracts), six Cofely España employees as well as the company itself were placed under investigation by the examining judge in charge of the case. The criminal investigation is in progress.

9.5 Infrastructures Europe

9.5.1 Commissioning

In the dispute between GRDF and various gas suppliers, in a decision dated June 2, 2016, the Paris Appeal Court (i) recalled that the risk of unpaid compensation for the "transmission" part of the agreement with the end customer should be borne by the grid manager and not the gas supplier; (ii) held that the compensation for customer management services provided by the supplier on behalf of the grid manager should be fair and commensurate with the grid manager's cost savings; and (iii) ordered GRDF to bring its transmission agreements into compliance with these principles. GRDF appealed the decision handed down by the Court of Appeal before the Court of Cassation.

Regarding the customer management services carried out on behalf of the grid manager in the electricity sector (in this case ERDF, now ENEDIS), following proceedings brought by ENGIE, in a decision of July 13, 2016, the *Conseil d'État* also ruled that the same principle whereby the grid manager pays compensation to the supplier should apply. In the same decision, the *Conseil d'État* denied the Energy Regulatory Commission (*Commission de Régulation de l'Énergie* – CRE) the right to set a customer threshold beyond which the compensation would not be payable, which has hitherto prevented ENGIE from receiving any compensation.

On May 4, 2017, the CRE held a public consultation on the arrangements for paying compensation to natural gas and electricity suppliers for customer management services provided to the grid manager in respect of single contract customers.

9.5.2 Fos Cavaou

On January 17, 2012, Fosmax LNG, a subsidiary of Elengy, submitted a request for arbitration to the ICC International Court of Arbitration against the STS consortium.

The dispute involved the construction of an LNG terminal owned by Fosmax LNG, built by STS under a fixed lump-sum turnkey contract entered into on May 17, 2004, which included construction work and supplies.

On February 13, 2015, the arbitration court delivered its award and Fosmax LNG accordingly paid STS a net compensation (including interest) of €70 million before tax on April 30, 2015. On February 18, 2015, Fosmax LNG brought an action before the *Conseil d'État* seeking annulment of this decision and then on August 18, 2015 brought an appeal before the Paris Appeal Court for annulment of the award and nullity of the enforcement order. The *Conseil d'État* referred the case to the *Tribunal des Conflits* on December 3, 2015, which settled the conflict of jurisdiction in its decision of April 11, 2016 in which it confirmed the jurisdiction of the *Conseil d'État*.

In a decision dated November 9, 2016, the *Conseil d'État* partially annulled the arbitral award of February 13, 2015, considering that Fosmax LNG was entitled to put the work out to public contract and referred the parties back to arbitration on this point. Fosmax LNG sent a formal notice to STS requesting a refund of the sum of €36 million corresponding to the unduly paid portion of the award. After STS failed to respond to the notice, Fosmax LNG initiated new arbitration proceedings.

9.6 Other

9.6.1 Luxembourg – State aid investigation

On September 19, 2016, the European Commission announced its decision to open an investigation into whether or not two private rulings granted by the Luxembourg State in 2008 and 2010 covering two similar transactions between several of the Group's Luxembourg subsidiaries constitute State aid. Both Luxembourg and ENGIE have challenged the decision to open an investigation and are currently engaged in a dialogue with the Commission to advance their case, as part of the Commission's further investigation into the matter prior to reaching a final decision.

NOTE 10 RELATED PARTY TRANSACTIONS

Transactions with related parties during the period did not have a material impact on the Group's financial position or results for the six months ended June 30, 2017.

NOTE 11 SUBSEQUENT EVENTS

Agreement for the acquisition by GRTgaz of the entire share capital of Elengy

On July 18, 2017, ENGIE SA, Société d'Infrastructures Gazières ("SIG", held by CNP Assurances and Caisse des Dépôts et Consignations) and GRTgaz signed an agreement concerning the acquisition of the entire share capital of Elengy (a subsidiary of ENGIE operating LNG terminals in France) by GRTgaz (the French natural gas transmission operator owned at 74.7% by ENGIE and 24.9% by SIG, with FPCE Alto owning the remaining interest).

Under the terms of the agreement, the transaction will be carried out in three simultaneously implemented stages, as follows:

- SIG will subscribe, by way of a €202 million cash contribution, to a GRTgaz reserved capital increase;
- ENGIE SA will transfer 25% of its interest in Elengy to GRTgaz for €202 million in cash, financed through the above-mentioned capital increase;
- ENGIE SA will transfer its remaining 75% interest in Elengy to GRTgaz in exchange for a reserved capital increase.

This transaction between owners will have no impact on the current ownership structure of GRTgaz and is expected to be completed by late September 2017, following an Extraordinary Shareholders' Meeting held by GRTgaz to approve all of the related legal provisions.

The transaction is expected to reduce the Group's net debt by approximately €190 million, after transaction costs.

Decision of the *Conseil d'État* on French regulated tariffs for the sale of natural gas

On July 19, 2017, the *Conseil d'État* annulled the decree of May 16, 2013, considering it to be contrary to European law. However, in light of the risk of legal uncertainty related to the annulment during the decree's application period (2013-2015), the *Conseil d'État* ruled that the effects generated by the decree until December 31, 2015 were final and that the contracts concerned could not therefore be called into question (*see Note 9 "Disputes and litigations"*).

Completion of the sale of ENGIE's UK nuclear business

On July 25, 2017, ENGIE completed the transfer of its entire 37.25% remaining stake in NuGen to Toshiba. NuGen, a UK-based company accounted for using the equity method in the Group's consolidated financial statements, plans to build three reactors at Moorside, located in Cumbria, North West England.

On April 4, 2017, ENGIE had announced its decision to exercise its contractual rights in view of transferring its stake in the project, as the company was facing some significant challenges.

The completed transaction resulted in the recognition of GBP 108.8 million (€124 million) in proceeds from the sale, representing a disposal gain of around €90 million to be recognized in the second half of 2017.

NOTE 12 RESTATEMENT OF 2016 COMPARATIVE DATA

On May 11, 2017, the Group entered into exclusive negotiations with Neptune Energy for the sale of its entire 70% interest in its subsidiary ENGIE E&P International (EPI), which encompasses all the Group's activities relating to the exploration, development and operation of oil and gas fields (*see Note 2 "Main changes in Group structure"*).

In accordance to IFRS 5, EPI is presented as "discontinued operations" in the income statement, statement of comprehensive income and statement of cash flows. Its contribution is identified separately from other assets and liabilities in the statement of financial position at June 30, 2017 under "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale".

Restated financial statements at June 30, 2016 are presented hereafter.

12.1 Income statement at June 30, 2016

In millions of euros	June 30, 2016 published	IFRS 5 adjustments	June 30, 2016 restated
Revenues	33,504	(930)	32,574
Purchases	(18,267)	43	(18,224)
Personnel costs	(5,270)	120	(5,149)
Depreciation, amortization and provisions	(2,195)	298	(1,897)
Other operating expenses	(5,257)	226	(5,031)
Other operating income	713	(65)	648
CURRENT OPERATING INCOME	**3,228**	**(307)**	**2,921**
Share in net income of entities accounted for using the equity method	260	(6)	253
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**3,487**	**(313)**	**3,174**
Mark-to-market on commodity contracts other than trading instruments	516	12	528
Impairment losses	(541)	147	(394)
Restructuring costs	(133)	1	(132)
Changes in scope of consolidation	196	-	196
Other non-recurring items	(143)	5	(138)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**3,382**	**(148)**	**3,234**
Financial expenses	(1,111)	5	(1,106)
Financial income	414	16	430
NET FINANCIAL INCOME/(LOSS)	**(697)**	**22**	**(675)**
Income tax expense	(1,088)	190	(898)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS	**1,597**	**63**	**1,660**
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**-**	**(63)**	**(63)**
NET INCOME/(LOSS)	**1,597**	**-**	**1,597**
Net income/(loss) Group share	**1,237**	**-**	**1,237**
of which Net income/(loss) relating to continued operations, Group share	*1,237*	*44*	*1,281*
of which Net income/(loss) relating to discontinued operations, Group share	*-*	*(44)*	*(44)*
Non-controlling interests	**360**	**-**	**360**
of which Non-controlling interests relating to continued operations	*360*	*19*	*379*
of which Non-controlling interests relating to discontinued operations	*-*	*(19)*	*(19)*
BASIC EARNINGS/(LOSS) PER SHARE (EUROS)	**0.48**	**-**	**0.48**
of which Basic earnings/(loss) relating to continued operations per share	*0.48*	*0.02*	*0.50*
of which Basic earnings/(loss) relating to discontinued operations per share	*-*	***(0.02)***	***(0.02)***
DILUTED EARNINGS/(LOSS) PER SHARE (EUROS)	**0.48**	**-**	**0.48**
of which Diluted earnings/(loss) relating to continued operations per share	*0.48*	*0.02*	*0.50*
of which Diluted earnings/(loss) relating to discontinued operations per share	*-*	***(0.02)***	***(0.02)***

12.2 Statement of comprehensive income at June 30, 2016

In millions of euros	June 30, 2016 published	IFRS 5 adjustments	June 30, 2016 restated
NET INCOME/(LOSS)	**1,597**	**-**	**1,597**
Available-for-sale securities	170	-	170
Net investment hedges	95	-	95
Cash flow hedges (excl. commodity instruments)	(520)	-	(520)
Commodity cash flow hedges	(422)	328	(94)
Deferred tax on items above	370	(144)	226
Share of entities accounted for using the equity method in recyclable items, net of tax	(131)	-	(131)
Translation adjustments	-	(13)	(13)
Recyclable items relating to discontinued operations, net of tax	-	(172)	(172)
TOTAL RECYCLABLE ITEMS	**(439)**	**-**	**(439)**
Actuarial gains and losses	(1,659)	51	(1,608)
Deferred tax on actuarial gains and losses	508	(16)	492
Share of entities accounted for using the equity method in non-recyclable items from actuarial gains and losses, net of tax	-	-	-
Non-recyclable items relating to discontinued operations, net of tax	-	(35)	(35)
TOTAL NON-RECYCLABLE ITEMS	**(1,150)**	**-**	**(1,150)**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**8**	**-**	**8**
of which owners of the parent	(245)	-	(245)
of which non-controlling interests	253	-	253

12.3 Statement of cash flows at June 30, 2016

In millions of euros	June 30, 2016 published	IFRS 5 adjustments	June 30, 2016 restated
NET INCOME/(LOSS)	1,597	-	1,597
- Net income/(loss) relating to discontinued operations	-	(63)	(63)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS	**1,597**	**63**	**1,660**
- Share in net income of entities accounted for using the equity method	(260)	6	(253)
+ Dividends received from entities accounted for using the equity method	281	(5)	276
- Net depreciation, amortization, impairment and provisions	2,810	(428)	2,382
- Impact of changes in scope of consolidation and other non-recurring items	(180)	(5)	(185)
- Mark-to-market on commodity contracts other than trading instruments	(516)	(12)	(528)
- Other items with no cash impact	4	(1)	3
- Income tax expense	1,088	(190)	898
- Net financial income/(loss)	697	(22)	675
Cash generated from operations before income tax and working capital requirements	**5,521**	**(592)**	**4,928**
+ Tax paid	(763)	378	(385)
Change in working capital requirements	**36**	**330**	**366**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO CONTINUED OPERATIONS	**4,793**	**116**	**4,909**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS	**-**	**(116)**	**(116)**
CASH FLOW FROM OPERATING ACTIVITIES	**4,793**	**-**	**4,793**
Acquisitions of property, plant and equipment and intangible assets	(2,614)	424	(2,190)
Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired	(353)	-	(353)
Acquisitions of investments in entities accounted for using the equity method and joint operations	(66)	-	(66)
Acquisitions of available-for-sale securities	(49)	-	(49)
Disposals of property, plant and equipment, and intangible assets	45	(3)	42
Loss of controlling interests in entities, net of cash and cash equivalents sold	1,111	-	1,111
Disposals of investments in entities accounted for using the equity method and joint operations	62	-	62
Disposals of available-for-sale securities	48	-	48
Interest received on non-current financial assets	22	4	26
Dividends received on non-current financial assets	95	(1)	94
Change in loans and receivables originated by the Group and other	6	-	6
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO CONTINUED OPERATIONS	**(1,692)**	**424**	**(1,267)**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS	**-**	**(424)**	**(424)**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**(1,692)**	**-**	**(1,692)**
Dividends paid	(1,567)	-	(1,567)
Repayment of borrowings and debt	(3,726)	-	(3,725)
Change in financial assets at fair value through income	(456)	-	(456)
Interest paid	(442)	(16)	(458)
Interest received on cash and cash equivalents	63	-	63
Cash flow on derivatives qualifying as net investment hedges and compensation payments on derivatives and on early buyback of borrowings	(17)	-	(17)
Increase in borrowings	2,289	(52)	2,237
Increase/decrease in capital	1	-	1
Hybrid issue of perpetual subordinated notes	-	-	-
Purchase and/or sale of treasury stock	1	-	1
Changes in ownership interests in controlled entities	(2)	-	(2)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO CONTINUED OPERATIONS	**(3,855)**	**(68)**	**(3,923)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS	**-**	**68**	**68**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**(3,855)**	**-**	**(3,855)**
Effects of changes in exchange rates and other relating to continued operations	96	(1)	95
Effects of changes in exchange rates and other relating to discontinued operations	-	1	1
TOTAL CASH FLOW FOR THE PERIOD	**(657)**	**-**	**(657)**
Reclassification of cash and cash equivalents relating to discontinued operations	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**9,183**	**-**	**9,183**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**8,526**	**-**	**8,526**

04 STATEMENT BY PERSON RESPONSIBLE FOR THE FIRST-HALF FINANCIAL REPORT

I hereby certify that, to the best of my knowledge, the condensed interim consolidated financial statements for six months ended June 30, 2017 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and net result of the Company and all the entities included in the consolidation, and that the interim management report presents a fair view of the significant events of first-half 2017, their impact on the interim financial statements, the main related party transactions and the main risks and uncertainties to which the Group is exposed for the second half of 2017.

Courbevoie, July 27, 2017

Chief Executive Officer

Isabelle Kocher

05 STATUTORY AUDITORS' REVIEW REPORT ON THE FIRST-HALF FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report on the half-year financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-year management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignments entrusted to us by your shareholder's general meeting, and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code ("*Code monétaire et financier*"), we hereby report to you on:

- The review of the accompanying condensed half-year consolidated financial statements of ENGIE, for the period from January 1st to June 2017, and
- The verification of the information contained in the interim management report.

These condensed half-year consolidated financial statements were prepared under the responsibility of ENGIE board of directors in a context sensitive to the changes of the energy markets, which already prevailed at the preceding year-end closing, and whose consequences make it difficult to forecast economic mid-term perspectives. This context is described in note 1.2 "Use of estimates and judgment" in the condensed half-year consolidated financial statements. Our role is to express a conclusion on these financial statements based on our review.

I- Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France. Consequently, the level of assurance we obtain about whether the condensed half-year consolidated financial statements taken as a whole, are free of material misstatements is moderate, and lower than that obtained in an audit.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-year consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

II- Specific verification

We have also verified the information presented in the interim management report commenting on the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, July 27, 2017

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES
Pascal Pincemin

ERNST & YOUNG et Autres
Stéphane Pédron

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