# 2016 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 energy's 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 solutions.

ENGIE employs 154,950 people worldwide and achieved revenues of €69.9 billion in 2015. 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, 2015

154,950 employees throughout the world

- inc. 57,750 in power and natural gas,
- and 97,200 in energy services.

€69.9 billion in 2015 revenues.

Operations in 70 countries.

€22 billion of investment over 2016-2018.

1,000 researchers and experts at 11 R&D centers.

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# 1 SUMMARY OF THE GROUP'S RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2016

After putting in place its new organizational structure effective January 1, 2016, ENGIE is rolling out its strategy to make it the world energy transition leader.

Although the Group continues to face a complex macro-economic and market environment, notably characterized by significant commodity prices volatility, its results for the first half of 2016 are strong and are already benefiting from the positive impact of the Lean 2018 performance program.

**Revenues** fell by 13.0% on a reported basis to €33.5 billion (down by 11.9% on an organic basis) compared with the period ended June 30, 2015. In addition to the unfavorable exchange rate effect chiefly related to the Brazilian real and the pound sterling, this decrease is mainly attributable to lower commodity prices which impacted LNG and gas midstream activities, gas and electricity retail businesses, exploration and production, and power generation businesses, but only partially affected margins.

**EBITDA**(1) amounted to €5.7 billion, down 7.8% on a reported basis and 4.1% on an organic basis. In first-half 2016, EBITDA benefited from the very positive impact of the restart of the Doel 3, Tihange 2 and Doel 1 nuclear power plants in Belgium in December 2015, the first effects of the Lean 2018 performance program and the impact of commissioning of new assets. These items were partially offset by the decline in commodity prices and the unfavorable exchange rate effect chiefly related to the Brazilian real and the Norwegian krone.

**Current operating income after share in net income of entities accounted for using the equity method** decreased by 3.5% on a reported basis and increased by 1.9% on an organic basis to €3.5 billion. The impact of the organic decrease in EBITDA was mainly offset by the positive effect of lower depreciation and amortization charges in first-half 2016 as a result of impairment losses recorded at end-2015 and the impact of reclassifying the portfolio of merchant power generation assets in the United States as assets held for sale in 2015.

**Net income Group share** amounted to €1.2 billion for the six months ended June 30, 2016, up €0.1 billion on first-half 2015. It takes into account the partial disposal of Transmisora Eléctrica del Norte (TEN) in Chile and the positive changes in the fair value of hedging contracts related to electricity and gas purchases and sales, as well as the reduction in the net financial loss and lower impairment losses compared to 2015.

**Net recurring income Group share**(2) amounted to €1.5 billion, down €0.1 billion on first-half 2015. The decline in current operating income after share in net income of entities accounted for using the equity method was partly offset by the reduction in the recurring net financial loss. Recurring tax expense was stable as the tax provision reversals recognized in 2015 were offset by the reduction in the nuclear contribution.

**Cash flow from operations** amounted to €4.5 billion, down €1.5 billion on first-half 2015. The decrease was due to a decline in cash generated from operations before income tax and working capital requirements in line with EBITDA trends and to unfavorable changes in working capital requirements compared with first-half 2015. The earlier period had been buoyed by the partial reversal of margin calls that had been cashed out in second-half 2014 following the sharp fall in oil prices.

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*(1) Data at June 30, 2016 are presented according to the Group's new EBITDA definition.This now excludes the non-recurring portion of the net income of entities accounted for using the equity method. Comparative data for the first half of 2015 have been restated in order to reflect this new definition. EBITDA as published in the financial statements for the six months ended June 30, 2015 amounted to €6,122 million (see Note 3 "Segment Information" to the interim condensed consolidated financial statements).*

*(2) Further to the agreement entered into on November 30, 2015 between the Belgian State, ENGIE and Electrabel, the expense relating to the nuclear contribution is now classified in recurring expenses (see Note 4.4 to the interim condensed consolidated financial statements). Comparative data for the first half of 2015 have been restated.*

**Net debt** stood at €26.0 billion at June 30, 2016, down €1.7 billion compared with net debt at December 31, 2015, mainly reflecting the following items: (i) cash generated from operations before income tax and working capital requirements (€5.5 billion); (ii) the first effects of the portfolio rotation program (€1.8 billion, particularly the disposal of the merchant hydro generation asset portfolio in the United States, the reclassification of thermal power generation assets in India as assets held for sale, and the partnership established as part of the TEN project which led to the disposal of 50% of the holding in TEN in Chile); and (iii) a favorable exchange rate effect (€0.3 billion). These items were partially offset by investments in the period (€3.1 billion), dividends paid to ENGIE SA shareholders (€1.2 billion) and to non-controlling interests (€0.2 billion), cash outflows related to tax payments (€0.8 billion) and interest payments on net debt (€0.4 billion).

# 2 OUTLOOK

The Group confirms its 2016 financial targets[1]:

- a **net recurring income Group share** between €2.4 billion and €2.7 billion. This target is based on an indicative EBITDA range of €10.8 billion to €11.4 billion[2];
- a **net debt/EBITDA ratio** less than or equal to 2.5x and an “A” category rating;
- a **dividend** of €1 per share with respect to 2016[3], paid in cash.

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*(1) These targets and indications assume average weather conditions in France, full pass through of supply costs in French regulated gas tariffs, no significant regulatory and macro-economic changes, commodity prices assumptions based on market conditions as of December 31, 2015 for the non-hedged part of the production, and average foreign exchange rates as follows for 2016: €/$: 1,10 ; €/BRL: 4,59.*

*(2) Excluding significant scope impact and changes of the accounting treatment of the nuclear contribution in Belgium.*

*(3) The Board of Directors approved the payment of an interim dividend of €0.5 per share for fiscal year 2016, to be paid on October 14, 2016.*

# 3 CONSOLIDATED REVENUES AND EARNINGS

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| **Revenues** | 33,504 | 38,520 | -13.0% | -11.9% |
| **EBITDA** | 5,651 | 6,131 | -7.8% | -4.1% |
| Net depreciation and amortization/Other | (2,163) | (2,517) | | |
| **CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | 3,487 | 3,614 | -3.5% | +1.9% |

Consolidated **revenues** for the six months ended June 30, 2016 amounted to €33.5 billion, down 13.0% compared with first-half 2015. On an organic basis (excluding the impact of changes in the scope of consolidation and exchange rates), revenues fell by 11.9%.

Changes in the scope of consolidation had a net positive €44 million impact resulting chiefly from (i) acquisitions made during second-half 2015 of energy services companies operating in Belgium (€22 million), France (€44 million), Chile (€19 million), Australia and New Zealand (€77 million) and Solairedirect (€18 million), as well as (ii) acquisitions made in first-half 2016, particularly OpTerra Energy Services in the United States (€84 million). These items were partly offset by disposals and departures from the scope of consolidation in 2015 and 2016, such as the disposals of Marketing and Sales (M&S) activities in Hungary during second-half 2015 (negative €192 million impact) and of merchant hydro generation assets exposed to commodity price fluctuations in the United States on June 1, 2016 (negative €13 million impact).

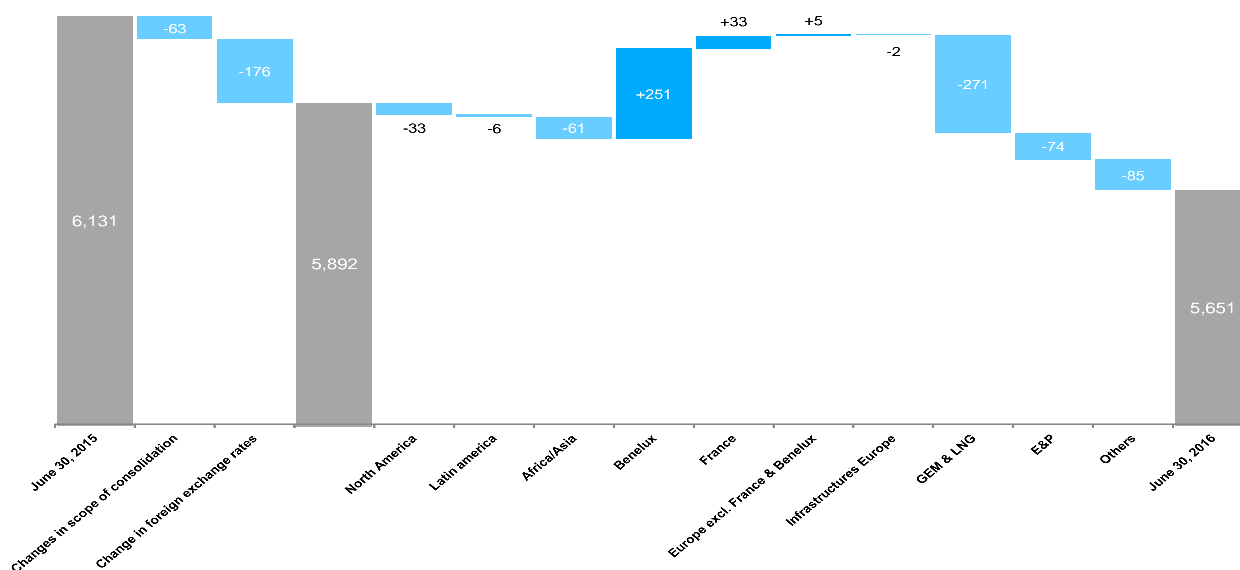
Exchange rates had a negative €572 million impact on Group revenues, mainly reflecting the appreciation of the euro against the Brazilian real, the pound sterling, the Norwegian krone, the Thai baht and the Australian dollar.

Organic revenue performance was severely affected by lower commodity prices in the retail, midstream gas and merchant power generation businesses. Although these price effects had a significant impact on revenues, their impact on margins was more limited, particularly in the retail businesses. As a result, organic revenue for the Group's segments was up slightly in Infrastructures Europe and in Benelux, declined marginally in Europe excluding France & Benelux, Latin America, North America and Other, and fell sharply in GEM & LNG as well as in France, Africa/Asia and E&P.

**EBITDA** declined by 7.8% to €5.7 billion over the period. Excluding the impact of changes in the scope of consolidation and exchange rates, EBITDA decreased by 4.1%.

## EBITDA TRENDS

*In millions of euros*




Changes in the scope of consolidation had a negative €63 million impact on EBITDA and chiefly resulted from the disposals noted above in the revenues section, along with the zero contribution from certain equity-accounted companies included in the merchant thermal power plant portfolio in the United States and classified as assets held for sale. Changes in exchange rates had a negative €176 million impact, mainly due to the appreciation of the euro against the Brazilian real and the Norwegian krone.

On an organic basis, EBITDA was down 4.1%, or €242 million. The latter benefited from the positive impact of (i) the restart of the Doel 3, Tihange 2 and Doel 1 nuclear power plants in Belgium in December 2015, (ii) the first effects of the Lean 2018 performance program and (iii) the impact of commissioning of assets in the Latin America, Africa/Asia and E&P segments. However these positive impacts only partially offset the negative price effects, mainly in the midstream gas and LNG businesses but also to a lesser extent in the exploration-production and power generation businesses.

Organic EBITDA performance varied significantly between segments:

- EBITDA for North America, Latin America and Africa/Asia was down due to unfavorable price effects (notably in North America and Brazil), one-off positive impacts that had boosted first-half 2015 and the lower availability of coal assets in Australia. These impacts were partially offset by the good performance of our activities in Peru due to improved production volumes and the commissioning of the Quitaracsa hydroelectric power plant, in Mexico with the commissioning of the Mayakan gas pipeline extension, and in South Africa with the commissioning of West Coast 1 and Dedisa;
- EBITDA for Benelux was up sharply as a result of the positive impact of the restart of the Doel 3, Tihange 2 and Doel 1 nuclear power plants at end-2015 and to a lesser extent due to improved retail business margins, which offset the difficulties encountered in the services activities, particularly in Oil & Gas;
- EBITDA for France improved due to increased performance in the renewable power generation business, to the rise in electricity volumes sold, and to the slight increase in services business margins. These increases together with the impact of the Lean 2018 performance program are partly countered by decreasing market share in gas sales to business customers;
- the slight growth in EBITDA in Europe excluding France & Benelux was driven by an improved performance from services and retail businesses, partly offset by the adverse impact of new gas distribution tariffs in Romania;
- EBITDA for the Infrastructures Europe segment was stable;

- EBITDA for the GEM & LNG segment declined due to the positive impact in first-half 2015 of revised gas supply conditions, and the sharp fall in LNG midstream margins, particularly with shipments from Yemen halted as from April 2015;
- EBITDA for Exploration-Production activities was down due to the fall in the market prices of oil and gas, partially offset by the slight increase in production (30.0 Mboe compared to 29.0 Mboe);
- EBITDA for the Other segment was down on an organic basis mainly due to the positive impact of one-off items recorded in first-half 2015 and the slight contraction in engineering activities. These factors were partially offset by an improved performance from thermal power generation activities in Europe.

**Current operating income after share in net income of entities accounted for using the equity method** amounted to €3.5 billion, up 1.9% on an organic basis compared with first-half 2015. Changes in this indicator for each segment reflect EBITDA trends, plus the positive impact of reduced depreciation and amortization charges as a result of the impairment losses recorded at end-2015 and the impact of reclassifying the portfolio of merchant power generation assets in the United States as assets held for sale.

# 4 REPORTABLE SEGMENT BUSINESS TRENDS

## 4.1 North America

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| **Revenues** | 1,740 | 1,752 | -0.7% | -4.5% |
| **EBITDA** | 216 | 286 | -24.6% | -13.1% |
| Net depreciation and amortization/Other | (32) | (154) | | |
| **CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | 184 | 132 | +39.3% | +84.1% |

**Revenues** for the North America segment totaled €1,740 million, down 0.7% on a reported basis. Revenues were down 4.5% on an organic basis due to lower generation volumes and prices. The change on a reported basis also factored in the positive impact of the acquisition of OpTerra Energy Services in February 2016 and of Green Charge Networks in April 2016, along with the impact of the disposal of merchant hydro assets in June 2016.

Electricity sales decreased 1.8 TWh to 30.4 TWh due to lower US generation volumes, primarily a consequence of weaker wholesale commodity prices, but additionally impacted by the disposal noted above. US retail sales volumes increased, offsetting some of the generation volume reduction.

**EBITDA** totaled €216 million, down 24.6% on a reported basis but down 13.1% on an organic basis. The 13.1% decline resulted primarily from lower margins in the US generation and retail businesses. The retail business is impacted by expenses incurred to expand in the US residential market. The cessation of recognition of income from associates under the assets held for sale treatment, plus the disposal of the merchant hydro assets noted above, significantly impacted the reported results.

**Current operating income after share in net income of entities accounted for using the equity method** amounted to €184 million, up 39.3% on a reported basis and 84.1% on an organic basis, due to the positive impacts on depreciation and amortization resulting from a combination of the accounting treatment of assets held for sale and impairment recognized in 2015**.**

## 4.2 Latin America

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| **Revenues** | 1,962 | 2,220 | -11.6% | -0.7% |
| **EBITDA** | 725 | 829 | -12.5% | -0.8% |
| Net depreciation and amortization/Other | (191) | (199) | | |
| **CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | 534 | 631 | -15.3% | -3.0% |

**Revenues** for the Latin America segment totaled €1,962 million, representing an 11.6% decrease on a reported basis, highly impacted by the depreciation of the Brazilian real, and a 0.7% organic decrease.

In Brazil, the impact of inflation on average prices under bilateral agreements failed to offset the impact of the very high spot prices which had boosted the first-half 2015 performance. Peru trended upwards thanks to volume growth mainly as a result of the commissioning of the Quitaracsa hydroelectric power plant, and Mexico was positively impacted by the commissioning of the Mayakan gas pipeline extension in April 2015. In Chile, the decrease in commodity prices affected sale prices.

Electricity sales decreased by 1.4 TWh to 29.2 TWh and gas sales increased by 1.6 TWh to 13.4 TWh.

**EBITDA** totaled €725 million, 12.5% lower than 2015 on a reported basis, significantly impacted by the depreciation of the Brazilian real. On an organic basis, the decrease of 0.8% is explained by lower energy margins in Brazil and Chile, partially compensated by a better performance in Peru and Mexico.

**Current operating income after share in net income of entities accounted for using the equity method** amounted to €534 million, down 3.0% on an organic basis primarily due to the reduced EBITDA.

## 4.3 Africa/Asia

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| Revenues | 1,896 | 2,174 | -12.8% | -12.9% |
| EBITDA | 584 | 665 | -12.2% | -9.4% |
| Net depreciation and amortization/Other | (100) | (153) | | |
| CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD | 484 | 511 | -5.4% | -2.9% |

**Revenues** for the Africa/Asia segment totaled €1,896 million, down 12.8% on a reported basis and 12.9% on an organic basis. The negative forex impact, mainly due to the euro strengthening against the Thai baht and Australian dollar, is compensated by the scope effect of the Australian services business acquired at end-2015. The organic decline resulted from a combination of lower generation volumes, lower achieved prices in Australia and reduced cost pass-through (gas purchase costs to electricity sale prices) in Thailand and Turkey.

Electricity sales decreased by 1.9 TWh to 25.6 TWh, with reduced volumes in Australia and in Thailand. Natural gas sales rose by 0.3 TWh to 14.5 TWh.

**EBITDA** totaled €584 million, down 12.2% on a reported basis and 9.4% on an organic basis, mainly reflecting reduced availability of the coal-fired assets in Australia, lower margins in Singapore and India, and last year's positive one-off impacts in the Middle East. However, EBITDA was lifted by the power generation assets commissioned in South Africa in 2015.

**Current operating income after share in net income of entities accounted for using the equity method** amounted to €484 million, down 2.9% on an organic basis for the same reasons as those given above for EBITDA. However, it was favorably impacted by lower depreciation and amortization charges due to the impairment losses recognized at end-2015.

## 4.4 Benelux

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| Revenues | 4,665 | 4,633 | +0.7% | +0.3% |
| EBITDA | 488 | 235 | +107.4% | +106.6% |
| Net depreciation and amortization/Other | (186) | (191) | | |
| CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD | 302 | 45 | NA | NA |

**Revenues** for the Benelux segment amounted to €4,665 million, up 0.7% on a reported basis and 0.3% on an organic basis compared to first-half 2015. This rise reflects the restart of the Doel 1, Doel 3 and Tihange 2 nuclear power plants at the end of 2015. The latter is partly offset by the impact of a decrease in sales prices (no margin impact) on revenues

from gas and electricity retail businesses and by the fall in revenues from services businesses, mainly in the Oil & Gas segment.

Electricity sales in Belgium and Luxembourg were up 5.0 TWh, mainly due to increased availability of nuclear power plants. The B2C market share in Belgium remained stable at 46% at June 30, 2016. Electricity sales in the Netherlands edged up 0.6 TWh.

Natural gas sales remained stable in Benelux at 28.0 TWh. The B2C market share in Belgium remained stable at 42% at June 30, 2016.

**EBITDA** amounted to €488 million, soaring 107.4% on a reported basis, mainly due to the restart of the three nuclear power plants at the end of 2015 and better margins in gas retail businesses.

**Current operating income after share in net income of entities accounted for using the equity method** increased in line with EBITDA.

## 4.5 France

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| **Revenues** | **10,769** | **11,206** | **-3.9%** | **-4.1%** |
| **EBITDA** | **938** | **915** | **+2.5%** | **+3.7%** |
| Net depreciation and amortization/Other | (297) | (266) | | |
| **CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **641** | **650** | **-1.3%** | **+1.3%** |

### Volumes sold by the business unit

| *In TWh* | June 30, 2016 | June 30, 2015 | % change (reported basis) |
|---|---|---|---|
| Gas sales | 89.9 | 96.3 | -6.7% |
| Electricity sales | 29.9 | 26.4 | +13.1% |

### France climatic adjustment

| *In TWh* | June 30, 2016 | June 30, 2015 | Total change in TWh |
|---|---|---|---|
| Climate adjustment volumes<br>(negative figure = warm climate, positive figure = cold climate) | 3.3 | 3.0 | 0.3 |

France's contribution to Group **revenues** amounted to €10,769 million in first-half 2016, down 3.9% on a reported basis and 4.1% on an organic basis due to a negative price effect on gas sales in the retail segment (no margin impact) and to a lesser extent a downturn in B2B services activities.

Natural gas sales were down 6.5 TWh, of which a positive 0.2 TWh climatic effect and a negative 6.7 TWh impact from the loss of customers due to competitive pressure. ENGIE holds around 76% of the B2C market and around 28% of the B2B market. Electricity sales were up 8.3 TWh on first-half 2015 and continued to advance in terms of sales to end customers (up 1.3 TWh), sales to business customers (up 6.3 TWh) and sales of renewable energy (up 0.7 TWh).

**EBITDA** came in at €938 million, up 3.7% on an organic basis, led by a good performance from the renewable energy business, a rise in electricity volumes sold to retail and business customers, and the improved profitability of services businesses. These impacts were partly offset by the fall in prices and volumes of gas sold to business customers.

**Current operating income after share in net income of entities accounted for using the equity method** rose by 1.3% on an organic basis to €641 million in line with organic EBITDA growth, slightly offset by higher depreciation and amortization charges.

## 4.6 Europe excluding France and Benelux

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| **Revenues** | **4,210** | **4,532** | **-7.1%** | **-0.8%** |
| **EBITDA** | **347** | **355** | **-2.4%** | **+1.6%** |
| Net depreciation and amortization/Other | (90) | (101) | | |
| **CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **257** | **254** | **+1.1%** | **+5.8%** |

**Revenues** for the Europe excluding France & Benelux segment totaled €4,210 million, representing a 7.1% decrease on a reported basis, reflecting the foreign exchange impact (mainly due to the depreciation of the pound sterling) combined with the disposal of M&S activities in Hungary in 2015. The 0.8% organic decrease is mainly due to the adverse weather conditions in Italy (impacting both Services & Networks and retail activities) and to lower gas distribution tariffs in Romania.

Electricity sales inched up 0.5 TWh to 14.7 TWh. Gas sales fell by 7.7 TWh to 37.1 TWh mainly because of the disposal of M&S activities in Hungary in 2015.

**EBITDA** totaled €347 million, representing an organic increase of 1.6%. This mainly reflects the improved performance of energy retail activities in Italy (despite the negative weather impact) and in the United Kingdom, and of services businesses in the United Kingdom and Germany, and was partly offset by the impact of lower gas distribution tariffs in Romania.

**Current operating income after share in net income of entities accounted for using the equity method** amounted to €257 million, up 5.8% on an organic basis in line with EBITDA growth.

## 4.7 Infrastructures Europe

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| **Revenues** | **1,671** | **1,609** | **+3.8%** | **+3.9%** |
| **Total revenues *(incl. intra-group transactions)*** | **3,516** | **3,551** | **-1.0%** | |
| **EBITDA** | **1,866** | **1,868** | **-0.1%** | **-0.1%** |
| Net depreciation and amortization/Other | (679) | (653) | | |
| **CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **1,187** | **1,215** | **-2.3%** | **-2.3%** |

Total **revenues** for the Infrastructures Europe segment, including intra-Group transactions, amounted to €3,516 million, slipping 1.0% on first-half 2015, reflecting:

- lower storage capacity sales in France;
- the decrease in gas purchases and sales to maintain technical performance (low summer/winter spreads).

The drop in revenues came despite:

- the annual review in France of distribution infrastructure access tariffs (3.9% increase on July 1, 2015) and of transport infrastructure tariffs (2.5% increase on April 1, 2015 and 4.6% increase on April 1, 2016);
- a small increase in volumes distributed by GRDF due to colder weather conditions in the first half of 2016 compared to the same prior-year period (1.2 TWh[(1)]).

The contribution to Group revenues was €1,671 million, up 3.8% on first-half 2016. The improved contribution essentially reflects the growth in distribution and transportation activities for third parties.

**EBITDA** remained stable compared to first-half 2015 at €1,866 million.

**Current operating income after share in net income of entities accounted for using the equity method** came in at €1,187 million for the period, down 2.3% on the same prior-year period, with a rise in net depreciation and amortization charges resulting from new assets commissioned by GRTgaz and GRDF in 2015.

## 4.8 GEM & LNG

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| **Revenues** | **4,046** | **7,581** | **-46.6%** | **-46.5%** |
| **EBITDA** | **(39)** | **233** | **-116.9%** | **-118.7%** |
| Net depreciation and amortization/Other | (46) | (41) | | |
| **CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **(85)** | **192** | **-144.2%** | **-147.0%** |

Global Energy Management (GEM) and LNG's contribution to Group **revenues** for the period ended June 30, 2016 amounted to €4,046 million, down 46.6% overall compared to the same prior-year period. The lower contribution is mainly attributable to the slump in commodity prices (oil and gas) versus first-half 2015 and a drop in gas volumes sold.

External LNG sales were stable despite Yemen halting its shipments as of April 2015. External LNG sales amounted to 41.5 TWh, representing 56 cargoes in first-half 2016 (41.0 TWh, or 52 cargoes in first-half 2015) but were hit by the continued downturn in sales prices in Europe and Asia.

**EBITDA** was down on first-half 2015 at a negative €39 million, due chiefly to the recognition of a profit relating to the revised gas supply conditions introduced in 2015 and to the sharp fall in LNG trading margins, with shipments from Yemen halted as from April 2015.

**Current operating income/(loss) after share in net income of entities accounted for using the equity method** represented an €85 million loss for the period ended June 30, 2016, down 144.2% on a reported basis and 147.0% on an organic basis, in line with EBITDA.

*(1) A 5 TWh increase due to colder conditions in first-half 2015 and a 6.2 TWh increase in first-half 2016, representing an €8 million increase in revenues calculated at €7/MWh.*

## 4.9 E&P

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| **Revenues** | **930** | **1,119** | **-16.9%** | **-12.8%** |
| **EBITDA** | **618** | **732** | **-15.6%** | **-10.7%** |
| Net depreciation and amortization/Other | (305) | (493) | | |
| **CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **313** | **239** | **+31.2%** | **+41.1%** |

The contribution of the E&P segment to Group **revenues** amounted to €930 million in first-half 2016, down 16.9% on a reported basis and 12.8% on an organic basis, mainly due to the slump in oil and gas prices in 2015. This unfavorable price impact was partly offset by the 1 Mboe increase in total hydrocarbon production (30.0 Mboe in first-half 2016 compared to 29.0 Mboe in first-half 2015), notably as a result of the strong performance of assets in Norway and the Netherlands. Exchange rate differences account for the remainder of the reported decrease in revenues.

**EBITDA** amounted to €618 million, down 15.6% on a reported basis or 10.7% on an organic basis, in line with revenue trends. The EBITDA performance also reflects lower extraction and exploration costs.

**Current operating income after share in net income of entities accounted for using the equity method** amounted to €313 million for first-half 2016, up 31.2% on a reported basis and up 41.1% on an organic basis, as the decrease in EBITDA was more than offset by lower depreciation and amortization charges due to the impairment losses recorded at end-2015 and by lower charges in respect of pre-capitalized exploration costs.

## 4.10 Other

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) | % change (organic basis) |
|---|---|---|---|---|
| **Revenues** | **1,615** | **1,695** | **-4.7%** | **-3.5%** |
| **EBITDA** | **(92)** | **13** | **NA** | **NA** |
| Net depreciation and amortization/Other | (238) | (266) | | |
| **CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **(330)** | **(254)** | **-29.9%** | **-22.3%** |

The Other segment's contribution to Group **revenues** was led by thermal electricity generation activities in Europe and by Tractebel and GTT's engineering activities. Revenues for the segment came in at €1,615 million, down 4.7% on a reported basis and 3.5% based on organic figures. Besides the negative foreign exchange impact relating to the pound sterling, the decline in the contribution was mainly attributable to the fall in sales prices for generated electricity and to the closure of the 1 GW coal-fired power plant in Rugeley (the United Kingdom) in early June 2016 and of the 0.6 GW coal-fired power plant in Gelderland (the Netherlands) in late 2015.

Electricity sales were down 0.7 TWh at 11.6 TWh due mainly to the closure of the aforementioned coal-fired power plants.

**EBITDA** came in at a negative €92 million, down on both a reported and organic basis compared to first-half 2015 owing to one-off items which had boosted the earlier comparative period and the slight contraction in Tractebel's engineering activities, despite a better performance in thermal power generation activities.

**Current operating income after share in net income of entities accounted for using the equity method** was a negative €330 million for the period, down 29.9% in line with EBITDA trends.

# 5 OTHER INCOME STATEMENT ITEMS

| *In millions of euros* | June 30, 2016 | June 30, 2015 | % change (reported basis) |
|---|---|---|---|
| **Current operating income after share in net income of entities accounted for using the equity method** | **3,487** | **3,614** | **-3.5%** |
| Mark to market on commodity contracts other than trading instruments | 516 | 401 | |
| Impairment losses | (541) | (740) | |
| Restructuring costs | (133) | (70) | |
| Changes in scope of consolidation | 196 | (1) | |
| Other non-recurring items | (143) | 11 | |
| **Income/(loss) from operating activities** | **3,382** | **3,214** | **+5.2%** |
| Net financial income/(loss) | (697) | (889) | |
| Income tax expense | (1,088) | (990) | |
| **NET INCOME/(LOSS)** | **1,597** | **1,336** | **+19.6%** |
| o/w net income/(loss) Group share | 1,237 | 1,111 | |
| o/w non-controlling interests | 360 | 224 | |

**Income/(loss) from operating activities** amounted to €3,382 million in first-half 2016, compared to €3,214 million for first-half 2015. The increase results chiefly from (i) the positive impact of changes in the fair value of commodity derivatives and (ii) lower impairment charges compared to first-half 2015. The increase was partly offset by the fall in current operating income after share in net income of companies accounted for using the equity method.

Income from operating activities was also affected by:

- changes in the fair value of commodity derivatives relating to operating items, which had a positive impact of €516 million on income from operating activities (reflecting the impact of transactions not eligible for hedge accounting), compared with a positive impact of €401 million in first-half 2015. The impact for the period results chiefly from positive overall price effects on these positions, combined with the net positive impact of unwinding positions with a negative market value at December 31, 2015;
- impairment charged against goodwill, property, plant and equipment, and intangible and financial assets totaling €541 million (€740 million in first-half 2015). After taking into account the deferred tax effects and the share of impairment losses attributable to non-controlling interests, the impact of these impairment losses on net income Group share was a negative €477 million. These impairment losses are described in more detail in Note 4.1.2 "Impairment losses" to the interim condensed consolidated financial statements;
- restructuring costs of €133 million, compared with €70 million for the same prior-year period;
- changes in the scope of consolidation (gains and losses on disposals of consolidated equity investments and remeasurements of previously-held interests in accordance with IFRS 3), which had a positive impact of €196 million in first-half 2016 and included the capital gain and remeasurements of previously-held interests on the disposal of 50% of the holding in Transmisora Eléctrica del Norte (TEN) in Chile for a total of €210 million;
- other non-recurring items representing an expense of €143 million (versus income of €11 million in first-half 2015).

The Group's net financial loss narrowed to €697 million for first-half 2016 from €889 million for the same prior-year period, owing to the fall in the cost of gross debt and lower non-recurring expenses compared to first-half 2015.

The income tax charge for first-half 2016 amounted to €1,088 million (€990 million in first-half 2015). The effective tax rate amounted to 44.9% at June 30, 2016 compared with 47.9% at June 30, 2015. The fall in the effective income tax rate is due mainly to the decrease in tax-disallowable losses reported by certain Group entities, particularly in Belgium and in the United Kingdom, and the reduction in the nuclear contribution paid by Electrabel SA. These items were partly offset by the one-off impact of the reversal of provisions for tax disputes in Australia and the United Kingdom in 2015. Adjusted for these non-recurring items, the effective recurring tax rate was 37.8%, down slightly on the 38.3% rate in first-half 2015.

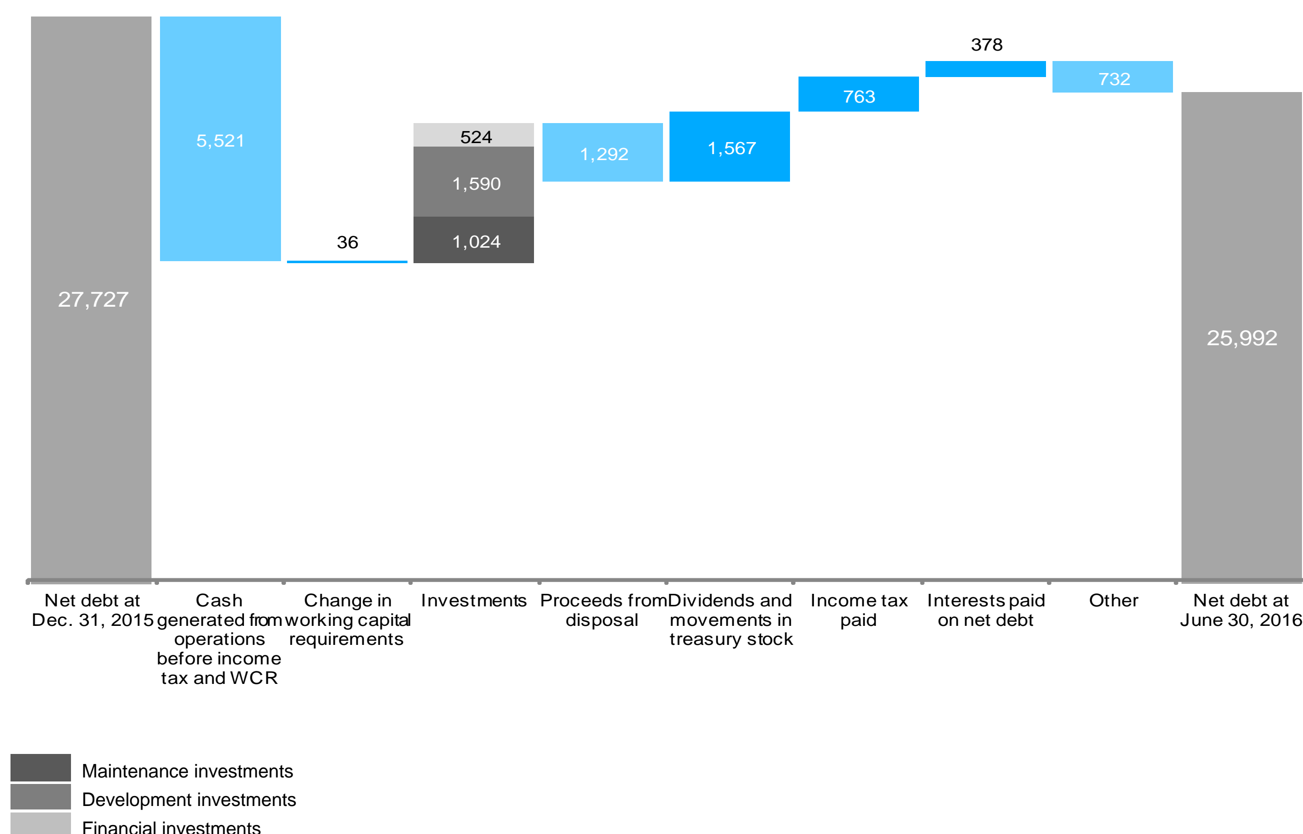
Net income attributable to non-controlling interests was up year-on-year at €360 million due mainly to the impact of the capital gain on the disposal of 50% of the holding in Transmisora Eléctrica del Norte (TEN) which affected the net income of the Group's 53%-owned subsidiary ENGIE Energia Chile, as well as improved income from 70%-owned exploration-production activities.

# 6 CHANGES IN NET DEBT

Net debt stood at €26.0 billion at June 30, 2016, down €1.7 billion compared with net debt at December 31, 2015, mainly reflecting the following items: (i) cash generated from operations before income tax and working capital requirements (€5.5 billion); (ii) the first effects of the portfolio rotation program (€1.8 billion, particularly the disposal of the merchant hydro generation assets portfolio in the United States, the reclassification of thermal power generation assets in India as assets held for sale, and the partnership established as part of the TEN project which led to the disposal of 50% of the holding in TEN in Chile); and (iii) a favorable exchange rate effect (€0.3 billion). These items were partially offset by investments in the period (€3.1 billion), dividends paid to ENGIE SA shareholders (€1.2 billion) and to non-controlling interests (€0.2 billion), cash outflows related to tax payments (€0.8 billion) and interest payments on net debt (€0.4 billion).

Changes in net debt break down as follows:

*In millions of euros*



The net debt to EBITDA ratio came out at 2.41 at June 30, 2016.

| *In millions of euros* | June 30, 2016 | Dec. 31, 2015 |
|---|---|---|
| Net debt | 25,992 | 27,727 |
| EBITDA (12-month rolling) | 10,793 | 11,274 |
| **NET DEBT/EBITDA RATIO** | **2.41** | **2.46** |

## 6.1 Cash generated from operations before income tax and working capital requirements

Cash generated from operations before income tax and working capital requirements amounted to €5,521 million in first-half 2016, down €380 million compared with the same prior-year period.

The fall was in line with the EBITDA performance.

## 6.2 Change in working capital requirements

The change in working capital requirements came out close to zero despite the impact of fluctuations in commodity prices (Brent crude) on margin calls.

## 6.3 Net investments

Gross investments during the period amounted to €3,138 million and included:

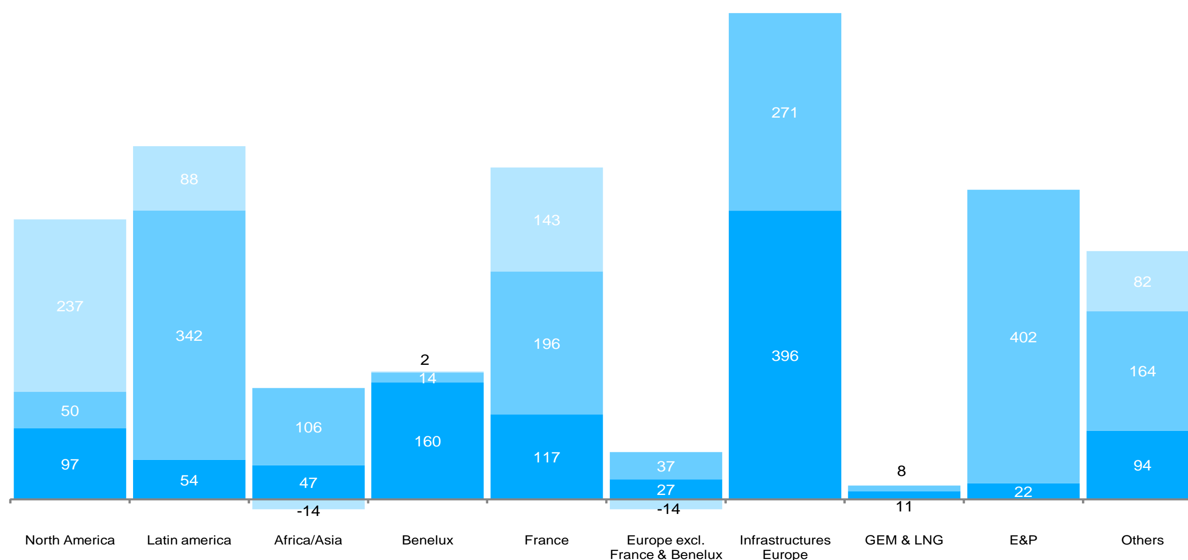
- financial investments for €524 million, relating primarily to the acquisition of OpTerra Energy Services in the United States for €187 million and of 51% of Maïa Eolis (windfarms in France) shares for €152 million;
- development investments totaling €1,590 million, including (i) €342 million invested in the Latin America segment to build power plants and develop wind farms in Peru, Chile and Brazil, (ii) €402 million invested in the E&P segment to develop gas fields primarily in Algeria, Indonesia, the United Kingdom and Norway, (iii) €271 million invested in the Infrastructures Europe segment, and (iv) €120 million to develop Solairedirect's photovoltaic projects in India and Chile;
- maintenance investments for an amount of €1,024 million.

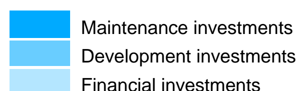
Disposals represented a cash amount of €1,292 million and mainly included the Group's divestment of its merchant hydro generation assets in the United States for €868 million and of 50% of its holding in Transmisora Eléctrica del Norte (TEN) for €272 million.

Including changes in the scope of consolidation resulting from these acquisitions and disposals, net investments represented €1,478 million.

Capital expenditure breaks down as follows by segment:

*In millions of euros*




## 6.4 Dividends and movements in treasury stock

Dividends and movements in treasury stock during the period amounted to €1,567 million and included:

- €1,198 million in dividends paid by ENGIE SA to its shareholders, consisting of the outstanding balance on the 2015 dividend (€0.50 per share) paid in May 2016;
- dividends paid by various subsidiaries to their non-controlling shareholders in an amount of €245 million, the payment of interest on hybrid debt for €87 million, withholding tax and movements in treasury stock.

## 6.5 Net debt at June 30, 2016

Excluding amortized cost but including the impact of foreign currency derivatives, at June 30, 2016 a total of 74% of net debt was denominated in euros, 16% in US dollars and 3% in pounds sterling.

Including the impact of financial instruments, 74% of net debt is at fixed rates.

The average maturity of the Group’s net debt is 9.3 years.

At June 30, 2016, the Group had total undrawn confirmed credit lines of €13.3 billion.

# 7 OTHER ITEMS IN THE STATEMENT OF FINANCIAL POSITION

| *In millions of euros* | June 30, 2016 | Dec. 31, 2015 | Net change |
|---|---|---|---|
| **Non-current assets** | **100,696** | **101,204** | **(508)** |
| of which goodwill | 19,083 | 19,024 | 59 |
| of which property, plant and equipment and intangible assets, net | 64,055 | 64,001 | 54 |
| of which investments in entities accounted for using the equity method | 6,841 | 6,977 | (136) |
| **Current assets** | **50,300** | **59,454** | **(9,154)** |
| **Total equity** | **47,164** | **48,750** | **(1,586)** |
| Provisions | 20,773 | 18,835 | 1,938 |
| Borrowings | 37,176 | 39,155 | (1,980) |
| Other liabilities | 45,882 | 53,917 | (8,034) |

The carrying amount of **property, plant and equipment and intangible assets** was €64.1 billion, up €0.1 billion on December 31, 2015. The increase reflects the investments made in the first half (positive €2.6 billion impact), depreciation and amortization charges (negative €2.2 billion impact) and write-downs of assets (negative €0.2 billion impact).

**Goodwill** remained stable at €19.1 billion.

**Total equity** amounted to €47.2 billion, a decrease of €1.6 billion compared to December 31, 2015, essentially reflecting actuarial losses net of tax (negative €1.2 billion impact) and the payment of dividends in cash (negative €1.6 impact), partially offset by net income for the period (positive €1.6 billion impact).

**Provisions** amounted to €20.8 billion, an increase of €1.9 billion compared to December 31, 2015. This increase stems mainly from the actuarial losses on provisions for post-employment benefits (adding €1.6 billion to the provision amount) owing to the fall in discount rates in the period (see Note 8 "Provisions") and the impact of unwinding the discount on the provisions (adding €0.3 billion to the provision amount).

# 8 RELATED PARTY TRANSACTIONS

Related party transactions are described in the Note 24 to the consolidated financial statements at December 31, 2015 and have not significantly changed in 2016.

# 9 DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES FOR THE SECOND HALF OF 2016

The "Risk factors" section of the 2015 Registration Document (Section 2) provides a detailed description of the risk factors to which the Group is exposed.

Developments in risks related to financial instruments and legal proceedings over the period to which the Group is exposed are respectively set out in Note 7 and Note 9 to the interim condensed consolidated financial statements for the six months ended June 30, 2016.

The risks and uncertainties relating to the carrying amounts of goodwill, property, plant and equipment and intangible assets are presented in Note 4.1.2 to the interim condensed consolidated financial statements for the six months ended June 30, 2016 and in Note 7.2 to the consolidated financial statements for the year ended December 31, 2015.

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

# 02 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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# INCOME STATEMENT

| *In millions of euros* | Notes | June 30, 2016 | June 30, 2015 |
|---|---|---|---|
| Revenues | 3.2 | 33,504 | 38,520 |
| Purchases | | (18,267) | (22,852) |
| Personnel costs | | (5,270) | (5,172) |
| Depreciation, amortization and provisions | | (2,195) | (2,431) |
| Other operating expenses | | (5,257) | (5,442) |
| Other operating income | | 713 | 733 |
| **CURRENT OPERATING INCOME** | | **3,228** | **3,356** |
| Share in net income of entities accounted for using the equity method | 3.2 | 260 | 258 |
| **CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **3.2** | **3,487** | **3,614** |
| Mark-to-market on commodity contracts other than trading instruments | | 516 | 401 |
| Impairment losses | | (541) | (740) |
| Restructuring costs | | (133) | (70) |
| Changes in scope of consolidation | | 196 | (1) |
| Other non-recurring items | | (143) | 11 |
| **INCOME/(LOSS) FROM OPERATING ACTIVITIES** | **4.1** | **3,382** | **3,214** |
| Financial expenses | | (1,111) | (1,371) |
| Financial income | | 414 | 483 |
| **NET FINANCIAL INCOME/(LOSS)** | **4.2** | **(697)** | **(889)** |
| Income tax expense | 4.3 | (1,088) | (990) |
| **NET INCOME/(LOSS)** | | **1,597** | **1,336** |
| Net income/(loss) Group share | | 1,237 | 1,111 |
| Non-controlling interests | | 360 | 224 |
| **BASIC EARNINGS/(LOSS) PER SHARE *(EUROS)*** | | **0.48** | **0.43** |
| **DILUTED EARNINGS/(LOSS) PER SHARE *(EUROS)*** | | **0.48** | **0.43** |

*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, 2016 | June 30, 2016 Owners of the parent | June 30, 2016 Non-controlling interests | June 30, 2015 | June 30, 2015 Owners of the parent | June 30, 2015 Non-controlling interests |
|---|---|---|---|---|---|---|---|
| **NET INCOME/(LOSS)** | | **1,597** | **1,237** | **360** | **1,336** | **1,111** | **224** |
| Available-for-sale securities | 6.1 | 170 | 170 | - | 5 | 5 | - |
| Net investment hedges | | 95 | 95 | - | (408) | (408) | - |
| Cash flow hedges (excl. commodity instruments) | | (520) | (510) | (10) | 317 | 311 | 7 |
| Commodity cash flow hedges | | (422) | (292) | (130) | (4) | - | (4) |
| Deferred tax on items above | | 370 | 310 | 60 | (42) | (44) | 2 |
| Share of entities accounted for using the equity method in recyclable items, net of tax | | (131) | (131) | - | (43) | (42) | - |
| Translation adjustments | | - | (44) | 44 | 1,348 | 1,163 | 185 |
| **TOTAL RECYCLABLE ITEMS** | | **(439)** | **(403)** | **(36)** | **1,174** | **984** | **190** |
| Actuarial gains and losses | 8 | (1,659) | (1,554) | (105) | 405 | 399 | 6 |
| Deferred tax on actuarial gains and losses | | 508 | 475 | 33 | (126) | (122) | (4) |
| Share of entities accounted for using the equity method in non-recyclable items from actuarial gains and losses, net of tax | | - | - | - | (53) | (53) | - |
| **TOTAL NON-RECYCLABLE ITEMS** | | **(1,150)** | **(1,079)** | **(71)** | **227** | **225** | **2** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS)** | | **8** | **(245)** | **253** | **2,737** | **2,321** | **416** |

*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, 2016 | Dec. 31, 2015 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets, net | 5 | 6,797 | 7,013 |
| Goodwill | 5 | 19,083 | 19,024 |
| Property, plant and equipment, net | 5 | 57,257 | 56,988 |
| Available-for-sale securities | 6.1 | 3,179 | 3,016 |
| Loans and receivables at amortized cost | 6.1 | 2,478 | 2,377 |
| Derivative instruments | 6.1 | 3,334 | 4,026 |
| Investments in entities accounted for using the equity method | | 6,841 | 6,977 |
| Other assets | | 424 | 503 |
| Deferred tax assets | | 1,303 | 1,280 |
| **TOTAL NON-CURRENT ASSETS** | | **100,696** | **101,204** |
| **Current assets** | | | |
| Loans and receivables at amortized cost | 6.1 | 692 | 731 |
| Derivative instruments | 6.1 | 7,850 | 10,857 |
| Trade and other receivables, net | 6.1 | 17,840 | 19,349 |
| Inventories | | 3,225 | 4,207 |
| Other assets | | 7,463 | 9,348 |
| Financial assets at fair value through income | 6.1 | 1,644 | 1,172 |
| Cash and cash equivalents | 6.1 | 8,526 | 9,183 |
| Assets classified as held for sale | | 3,059 | 4,607 |
| **TOTAL CURRENT ASSETS** | | **50,300** | **59,454** |
| **TOTAL ASSETS** | | **150,996** | **160,658** |

*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, 2016 | Dec. 31, 2015 |
|---|---|---|---|
| Shareholders' equity | | 41,551 | 43,078 |
| Non-controlling interests | | 5,613 | 5,672 |
| **TOTAL EQUITY** | | **47,164** | **48,750** |
| **Non-current liabilities** | | | |
| Provisions | 8 | 18,686 | 16,804 |
| Long-term borrowings | 6.2 | 27,068 | 28,123 |
| Derivative instruments | 6.2 | 3,646 | 4,216 |
| Other financial liabilities | 6.2 | 239 | 237 |
| Other liabilities | | 1,191 | 1,108 |
| Deferred tax liabilities | | 7,450 | 8,131 |
| **TOTAL NON-CURRENT LIABILITIES** | | **58,281** | **58,619** |
| **Current liabilities** | | | |
| Provisions | | 2,087 | 2,032 |
| Short-term borrowings | 6.2 | 10,107 | 11,032 |
| Derivative instruments | 6.2 | 6,768 | 8,642 |
| Trade and other payables | 6.2 | 13,734 | 17,101 |
| Other liabilities | | 12,304 | 13,782 |
| Liabilities directly associated with assets classified as held for sale | | 549 | 699 |
| **TOTAL CURRENT LIABILITIES** | | **45,550** | **53,288** |
| **TOTAL EQUITY AND LIABILITIES** | | **150,996** | **160,658** |

*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, 2014[1]** | **2,435,285,011** | **2,435** | **32,506** | **12,436** | **3,564** | **(627)** | **191** | **(957)** | **49,548** | **6,433** | **55,981** |
| Net income/(loss) | | | | 1,111 | | | | | 1,111 | 224 | 1,336 |
| Other comprehensive income/(loss) | | | | 225 | | (179) | 1,163 | | 1,209 | 192 | 1,401 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS)** | | | | **1,337** | **-** | **(179)** | **1,163** | **-** | **2,321** | **416** | **2,737** |
| Employee share issues and share-based payment | | | | 26 | | | | | 26 | - | 26 |
| Dividends paid in cash | | | | (1,196) | | | | | (1,196) | (323) | (1,518) |
| Purchase/disposal of treasury stock | | | | (47) | | | | 48 | 1 | - | 1 |
| Coupons of deeply-subordinated perpetual notes | | | | | (87) | | | | (87) | - | (87) |
| Transactions between owners | | | | (55) | | | | | (55) | 9 | (46) |
| Share capital increases subscribed by non-controlling interests | | | | | | | | | - | 10 | 10 |
| Other changes | | | | 1 | | | | | 1 | - | 1 |
| **EQUITY AT JUNE 30, 2015** | **2,435,285,011** | **2,435** | **32,506** | **12,503** | **3,477** | **(807)** | **1,355** | **(909)** | **50,560** | **6,544** | **57,104** |

*(1) Comparative data at December 31, 2014 have been restated due to the retrospective application of IFRIC 21 (see Note 1.1 to the consolidated financial statements at December 31, 2015).*

*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, 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)] | | | | (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** |

*(1) On May 3, 2016 The Shareholders' Meeting resolved that a €1.00 dividend per share would be paid for 2015. An interim dividend of €0.50 per share was paid in cash on October 15, 2015 (total of €1,196 million) and the balance of €0.50 per share (total of €1,198 million) was paid on May 9, 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.*

# STATEMENT OF CASH FLOWS

| *In millions of euros* | Notes | June 30, 2016 | June 30, 2015 |
|---|---|---|---|
| NET INCOME/(LOSS) | | 1,597 | 1,336 |
| - Share in net income of entities accounted for using the equity method | | (260) | (258) |
| + Dividends received from entities accounted for using the equity method | | 281 | 287 |
| - Net depreciation, amortization, impairment and provisions | | 2,810 | 3,037 |
| - Impact of changes in scope of consolidation and other non-recurring items | | (180) | (7) |
| - Mark-to-market on commodity contracts other than trading instruments | | (516) | (401) |
| - Other items with no cash impact | | 4 | 28 |
| - Income tax expense | | 1,088 | 990 |
| - Net financial income/(loss) | | 697 | 889 |
| **Cash generated from operations before income tax and working capital requirements** | | **5,521** | **5,901** |
| + Tax paid | | (763) | (710) |
| **Change in working capital requirements** | | **36** | **1,177** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **4,793** | **6,367** |
| Acquisitions of property, plant and equipment and intangible assets | 2.4.3 | (2,614) | (2,707) |
| Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired | 2.4.3 | (353) | (22) |
| Acquisitions of investments in entities accounted for using the equity method and joint operations | 2.4.3 | (66) | (166) |
| Acquisitions of available-for-sale securities | 2.4.3 | (49) | (165) |
| Disposals of property, plant and equipment, and intangible assets | | 45 | 390 |
| Loss of controlling interests in entities, net of cash and cash equivalents sold | | 1,111 | (29) |
| Disposals of investments in entities accounted for using the equity method and joint operations | | 62 | 45 |
| Disposals of available-for-sale securities | | 48 | 13 |
| Interest received on non-current financial assets | | 22 | 64 |
| Dividends received on non-current financial assets | | 95 | 51 |
| Change in loans and receivables originated by the Group and other | 2.4.3 | 6 | 206 |
| **CASH FLOW FROM (USED IN) INVESTING ACTIVITIES** | | **(1,692)** | **(2,321)** |
| Dividends paid [(1)] | | (1,567) | (1,544) |
| Repayment of borrowings and debt | | (3,726) | (3,730) |
| Change in financial assets at fair value through income | | (456) | 321 |
| Interest paid | | (442) | (500) |
| Interest received on cash and cash equivalents | | 63 | 62 |
| Cash flow on derivatives qualifying as net investment hedges and compensation payments on derivatives and on early buyback of borrowings | | (17) | (756) |
| Increase in borrowings | | 2,289 | 3,481 |
| Increase/decrease in capital | | 1 | 11 |
| Hybrid issue of perpetual subordinated notes | | - | - |
| Purchase and/or sale of treasury stock | | 1 | 1 |
| Changes in ownership interests in controlled entities | 2.4.3 | (2) | (9) |
| **CASH FLOW FROM (USED IN) FINANCING ACTIVITIES** | | **(3,855)** | **(2,662)** |
| Effects of changes in exchange rates and other | | 96 | 53 |
| TOTAL CASH FLOW FOR THE PERIOD | | (657) | 1,436 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | | 9,183 | 8,546 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | 8,526 | 9,982 |

*(1) The line “Dividends paid” includes the coupons paid to the owners of the deeply-subordinated perpetual notes for an amount of €87 million for the six months ended June 30, 2016 (€87 million for the six months ended June 30, 2015).*

*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

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# 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 28, 2016, 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, 2016.

# 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, 2016 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, 2015, 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, 2015, apart from the following developments of IFRS presented in 1.1.1.

### 1.1.1 IFRS standards, interpretations or amendments applicable in 2016

- Amendments to IFRS 11 – *Joint arrangements: Accounting for acquisitions of interests in Joint Operations.*
- Amendments to IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible assets: Clarification of acceptable methods of depreciation and amortization.*
- Amendments to IAS 1 – *Presentation of financial statements: Disclosure Initiative.*
- Amendments to IAS 19 – *Employee benefits: Defined benefit plans: employee contributions.*
- Annual improvements to IFRSs 2010-2012 cycle.
- Annual improvements to IFRSs 2012-2014 cycle.

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.*

### 1.1.2 IFRS standards, interpretations or amendments applicable after 2016 that the Group has elected not to early adopt

- IFRS 9 – *Financial Instruments*[1].
  An internal Group project has been launched in 2015 at Group level, together with the entities specifically concerned by the accounting of financial instruments.
- IFRS 15 – *Revenue from contracts with customers*[1].
  The Group project has been deployed since end 2014 in order to identify the issues likely to have an impact on how revenue is recognized by the various entities of the Group. Identifying the effects of the first application of this standard is still under way.
- IFRS 16 – *Leases*[1].
  A project has been launched at Group level.
- Amendments to IFRS 2 – *Share-based payments: Classification and measurement of share-based payments transactions*[1].
- Amendments to IAS 7 – *Statement of cash flows: Disclosure Initiative*[1].
- Amendments to IAS 12 – *Income taxes: Recognition of deferred tax assets for unrealized losses*[1].

The impact of these standards and amendments 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 characterized by a significant decrease in energy markets, the consequences of which make it difficult to grasp middle-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 other intangible assets;
- measurement of provisions, particularly for back-end nuclear fuel cycle, dismantling obligations, disputes, pensions and other employee benefits;
- financial instruments;
- 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, 2015.

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*(1) These standards and amendments have not yet been adopted by the European Union.*

### 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, 2016 are not necessarily indicative of those that may be expected for full-year 2016.

### 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 Disposals carried out in first-half 2016

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 cumulative impact of the main disposals and sales agreements on the Group's net debt at June 30, 2016:

| *In millions of euros* | Disposal price | Reduction in net debt |
|---|---|---|
| **Transactions finalized during the first half of 2016 relating to "Assets held for sale" at December 31, 2015** | **868** | **(861)** |
| Disposal of the merchant hydro generation assets (United States) | 868 | (861) |
| **Transactions carried out in the first half of 2016** | **195** | **(671)** |
| Disposal of a 50% interest in Transmisora Eléctrica del Norte - "TEN" (Chile) | 195 | (267) |
| Meenakshi classified as "Assets held for sale" (India) | - | (405) |
| **Other disposals that are not material taken individually** | **-** | **(160)** |
| **TOTAL** | | **(1,692)** |

### 2.1.1 Disposal of a portion of the portfolio of merchant power generation assets in the United States

At December 31, 2015, the Group considered that the sale of its portfolio of merchant power generation assets in the United States was 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).

At June 30, 2016, the Group had finalized the sale of the hydropower generation assets. The remaining assets in the portfolio that were unsold at the reporting date, i.e., the thermal merchant power plants, were still classified in "Assets held for sale".

The Group recorded an additional impairment loss of €125 million at June 30, 2016 corresponding to the difference between the sale prices and carrying amounts of these merchant power plants.

#### 2.1.1.1 Disposal of the merchant hydropower generation assets

On June 1, 2016, the Group finalized the sale of its merchant hydropower generation assets in the United States to PSP Investments (Public Sector Pension Investment Board) for a total amount of USD 968 million (€868 million). These assets represent a total installed capacity of 1.4 GW and are located in Massachusetts and Connecticut.

This transaction resulted in an €861 million reduction in the Group's net debt at June 30, 2016 (i.e., €868 million in consideration received, less transaction fees of €7 million).

#### 2.1.1.2 Thermal merchant power plant portfolio

On February 24, 2016, the Group entered into a sales agreement with a consortium made up of Dynegy and ECP for the sale of the thermal merchant power plant portfolio, representing a total installed capacity of 8.7 GW (at 100%) and operating in Ercot, PJM and New England, for an enterprise value of USD 3.3 billion.

Due to the fact that certain conditions precedent for the completion of the transaction have yet to be formally fulfilled (including authorization from the Federal Energy Regulatory Commission), the assets and liabilities comprising the thermal merchant power plant portfolio remained classified in "Assets held for sale" at June 30, 2016.

This transaction is scheduled to be completed in the second half of 2016 and will result in a €2.8 billion reduction in the Group's net debt.

### 2.1.2 Disposal of a 50% interest in Transmisora Eléctrica del Norte (TEN) (Chile)

On January 27, 2016, the Group finalized the sale to Red Eléctrica Internacional (via its subsidiary ENGIE ENERGIA CHILE, in which the Group holds a 53% interest) of a 50% interest in Transmisora Eléctrica del Norte (TEN), a company responsible for building an electrical transmission line to interconnect Chile's two main electricity networks (SING and SIC).

The Group received a payment of USD 304 million (€272 million), of which USD 218 million (€195 million) corresponded to the sale price for 50% of the TEN shares, and USD 86 million (€77 million) corresponded to the repayment by Red Eléctrica Internacional of 50% of the shareholder’s loan granted to TEN.

This transaction resulted in the loss of control of this subsidiary and the Group’s remaining 50% interest in TEN is now accounted for as a joint venture. The total gain generated on the disposal, including the capital gain on the 50% interest disposal and the revaluation gain on the remaining interest, amounted to USD 234 million (€210 million) in first-half 2016.

## 2.2 Assets held for sale

Total “Assets classified as held for sale” and total “Liabilities directly associated with assets classified as held for sale” amounted to €3,059 million and €549 million, respectively, at June 30, 2016.

The main categories of assets and liabilities reclassified on these two lines of the statement of financial position are detailed below:

| *In millions of euros* | June 30, 2016 | Dec. 31, 2015 |
|---|---|---|
| Property, plant and equipment, net | 2,879 | 4,139 |
| Other assets | 181 | 468 |
| **TOTAL ASSETS CLASSIFIED AS HELD FOR SALE** | **3,059** | **4,607** |
| Borrowings and debt | 413 | 244 |
| Other liabilities | 136 | 455 |
| **TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE** | **549** | **699** |

At June 30, 2016, "Assets held for sale" included, in addition to the thermal merchant power plant portfolio in the United States (see Note 2.1.1), the Meenakshi coal-fired power plants in India.

In February 2016, the Group also reached an agreement for the sale of its interest in the Paiton coal-fired power plant (representing a total installed capacity (at 100%) of 2 GW). However, in light of the expected time frame required to fulfill the remaining conditions precedent, the Group considered that this equity-accounted interest could not be classified in activities held for sale at June 30, 2016.

### 2.2.1 Meenakshi coal-fired power plants

On February 24, 2016, the Group entered into an agreement with the Indian group India Power Corporation Limited (IPCL) for the sale of its 89.9% stake in the fully-consolidated entity Meenakshi.

The Meenakshi power station includes a plant currently in operation with a capacity of 0.3 GW and a plant under construction with a planned capacity of 0.7 GW.

At June 30, 2016, the Group considered that the sale of its interest in Meenakshi was highly probable in view of progress made in fulfilling the conditions precedent and, as a result, classified the interest in “Assets held for sale”.

The Group expects to finalize this transaction during the second half of 2016. The classification in "Assets held for sale" decreased net debt by €405 million at June 30, 2016.

## 2.3 Acquisition of OpTerra Energy Services (United States)

On February 25, 2016, the Group (via its subsidiary Cofely USA) completed the acquisition of 100% of US company OpTerra Energy Services, a specialist in energy services. OpTerra Energy Services helps its customers to manage their energy consumption by offering technological solutions to various issues including energy efficiency, renewable energy sources and flexible power generation. The acquisition was carried out based on a transaction price of USD 209 million (€187 million).

Provisional goodwill of €152 million was recorded in respect of this acquisition at June 30, 2016 and the purchase price allocation will be finalized in the second half of 2016.

## 2.4 Acquisition of a controlling interest in Maïa Eolis (France)

On May 25, 2016, the Group finalized its acquisition from Maïa Group of 51% of Maïa Eolis, a company specialized in the development, construction, operation and maintenance of wind farms in France. Maïa Eolis currently operates a portfolio of wind farm assets representing 246 MW of installed production capacity, in addition to assets under construction or which have obtained planning permission representing a further 250 MW in production capacity.

This transaction, which represents an investment of €152 million, enabled the Group to increase its stake in Maïa Eolis from 49% to 100%, thereby taking control of a company that had been hitherto accounted for as a joint venture using the equity method.

Maïa Eolis has been fully consolidated in ENGIE's consolidated financial statements since May 25, 2016. Provisional goodwill of €106 million was recorded in respect of this acquisition at June 30, 2016 and the purchase price allocation will be finalized in the second half of 2016.

The change in consolidation method for the 49% stake previously held in Maïa Eolis gave rise to a revaluation loss of €22 million.

## 2.5 Other transactions in first-half 2016

Various other acquisitions, equity transactions and disposals took place in first-half 2016, including in the United States, where the Group acquired Green Charge Networks (GCN), an energy storage company, and a customer portfolio from Guttman Energy. Their individual and cumulative impacts on the Group's interim condensed consolidated financial statements are not significant.

# NOTE 3 SEGMENT INFORMATION

## 3.1 Operating segments and reportable segments

### 3.1.1 ENGIE's new organizational structure and determination of operating segments

Since January 1, 2016, the Group is organized around 24 Business Units (BUs) mostly according to a region-centered approach within a single country or a group of countries.

***24 Business Units***

**11 geographic BUs (excluding France)**

North America
Latin America
Brazil
Africa
Asia-Pacific
Middle East, Southern and Central Asia and Turkey
China
Benelux
United Kingdom
North, South and Eastern Europe
Generation Europe

**8 BUs in France**

France BtoB
France BtoC
France Networks
France Renewable Energies
GRDF
GRTgaz
Elengy
Storengy

**5 Global businesses BUs**

Exploration & Production International
Global LNG
Global Energy Management
Tractebel Engineering
GTT

Each Business Unit corresponds to an "operating segment" whose operational and financial performance are regularly reviewed by the Group's Executive Committee, which is the Group's “chief operating decision maker” within the meaning of IFRS 8.

The Executive Committee monitors the performance of each Business Unit in terms of:

- revenues;
- EBITDA;
- current operating income after share in net income of entities accounted for using the equity method;
- industrial capital employed.

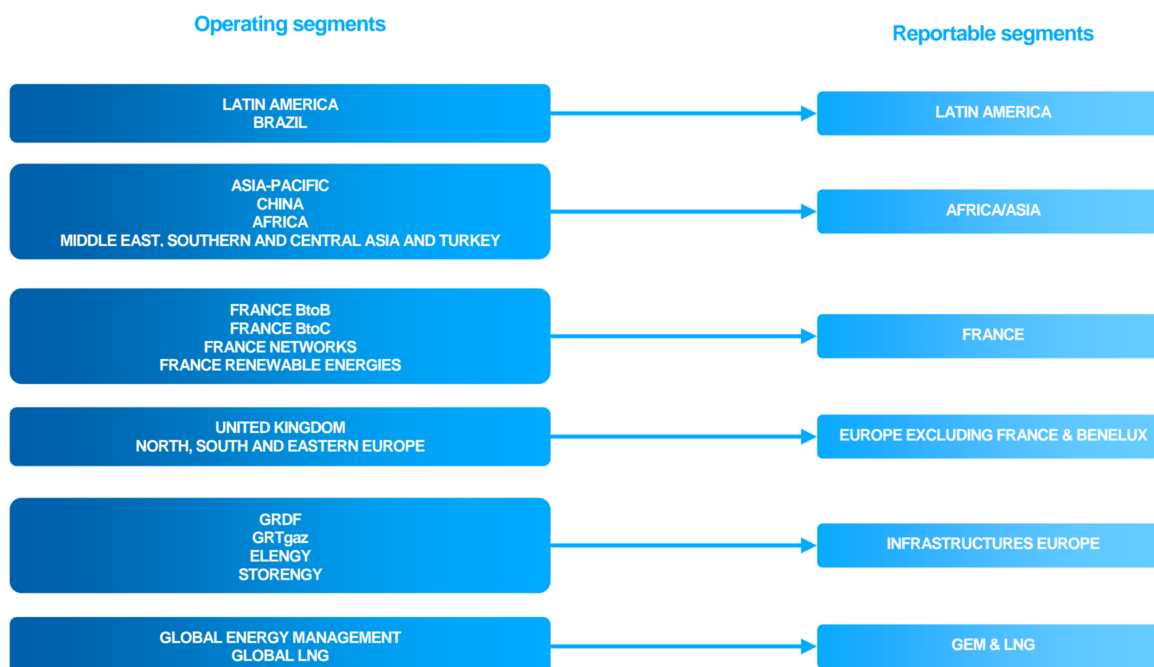
Net financial income and income taxes are monitored at the Group level.

Until December 31, 2015, the Group was organized around the following five operating segments: Energy International, Energy Europe, Global Gas & LNG, Infrastructures and Energy Services.

### 3.1.2 Definition of reportable segments

In accordance with IFRS 8, ENGIE has grouped its operating segments into ten reportable segments to present the Group's segment information:

- three reportable segments corresponding to operating segments: North America, Benelux and Exploration & Production (E&P);
- six reportable segments corresponding to groups of operating segments, broken down as follows:




- a tenth reportable segment called "Other" that comprises operating segments that cannot be grouped together (Tractebel Engineering, GTT, Thermal Generation Europe, Solairedirect) due to the specificity of their businesses and markets or due to their particular risk profile, as well as the Group's holding and corporate activities.

In order to determine how to group together the operating segments, as set out above, the Group exercised its judgment to decide whether two or more operating segments could be grouped together in the same reportable segment. The following key factors were examined to assess the similarity of the operating segments' economic characteristics:

- regulatory environment;
- economic environment in which the concerned activities operate (market maturity, growth prospects, political risks, etc.);
- risk profiles of the activities;
- how the activities fit into the Group's strategy and new business model.

The Group decided to organize the operating segments within the six reportable segments set out in the diagram above, for the following reasons:

- the Latin America and Brazil operating segments were grouped together within the Latin America reportable segment as these segments share relatively similar growth prospects and a substantial proportion of their revenue is generated by electricity sales under long-term agreements;

- the Asia-Pacific, China, Africa and Middle East, Southern and Central Asia and Turkey operating segments were grouped together within the Africa/Asia reportable segment as all these regions have high power generation requirements and consequently represent significant growth prospects for the Group in the energy and energy services businesses. A substantial proportion of their revenue is also generated by electricity sales under long-term agreements;
- the France BtoB, France BtoC, France Networks and France Renewable Energies operating segments group all the French downstream energy businesses (energy services and gas and electricity sales and distribution to BtoB, BtoT and BtoC customers) and the increasingly decentralized renewable energy production. These are complementary businesses that are supported by a well-developed local network and primarily aim to develop a combined offering for local customers: energy services, decentralized production resources and combined gas and electricity supply contracts;
- the United Kingdom and North, South and Eastern Europe operating segments were grouped together within the Europe excluding France & Benelux reportable segment as both BUs have a similar business mix (energy services, production and sales of renewable energy), operate in mature energy markets and which are undergoing a process transformation as part of the energy transition;
- the GRDF, GRTgaz, Storengy and Elengy operating segments, which comprise the gas infrastructure businesses in Europe (distribution, transport, storage and LNG terminals), were grouped together within the Infrastructures Europe reportable segment as they are all regulated (or pending regulation) businesses with similar risk profiles and margins;
- the Global Energy Management and Global LNG operating segments were grouped together within the GEM & LNG reportable segment as they are both responsible for managing and optimizing the Group's gas supply contracts.

### 3.1.3 Description of reportable segments

- **North America**: includes power generation, energy services and natural gas and electricity sales activities in the United States, Canada and Puerto Rico.
- **Latin America**: groups together the activities of (i) the Brazil BU and (ii) the Latin America BU (Argentina, Chile, Mexico and Peru). The subsidiaries concerned are involved in the centralized power generation and gas chain businesses, and energy services.
- **Africa/Asia**: groups together the activities of the following BUs: (i) Asia-Pacific (Australia, New Zealand, Thailand, Singapore, Indonesia and Laos), (ii) China, (iii) Africa (Morocco, South Africa) and (iv) the Middle East, South and Central Asia and Turkey (including India and Pakistan). In all of these regions, the Group is active in power generation and sales, gas distribution and sales, energy services and seawater desalination in the Arabian peninsula.
- **Benelux**: includes the Group's activities in Belgium, the Netherlands and Luxembourg: (i) power generation activities using its nuclear power plants and renewable power generation facilities, (ii) natural gas and electricity sales activities, and (iii) energy services activities.
- **France**: groups together the activities of the following BUs: (i) France BtoB: energy sales and services for buildings and industry, cities and regions and major infrastructures, (ii) France BtoC: sales of energy and related services to individual and professional customers, (iii) France Renewable Energies: development, construction, financing, operation and maintenance of all of the renewable power generation assets in France (excluding Solairedirect), and (iv) France Networks, which designs, finances, builds and operates decentralized energy production and distribution facilities (heating and cooling networks).
- **Europe excluding France & Benelux**: groups together the activities of the following BUs: (i) United Kingdom (management of renewable power generation assets and the portfolio of distribution assets, supply of energy services and solutions, etc.), (ii) North, South and Eastern Europe (sales of natural gas and electricity and related energy services and solutions, operation of renewable power generation assets, management of distribution networks).
- **Infrastructures Europe**: groups together the GRDF, GRTgaz, Elengy and Storengy BUs, which operate natural gas transportation, storage and distribution networks and facilities, and LNG terminals, mainly in France and Germany. They also sell access rights to these infrastructures to third parties.
- **GEM & LNG**: includes the activities of the Global Energy Management (GEM) and Global LNG BUs. The aim of the GEM BU is to manage and optimize the Group's portfolios of physical and contractual assets (excluding gas

infrastructures), particularly on the European market, on behalf of the BUs that hold power generation assets. It is also responsible for sales of energy to major pan-European and national industrial clients, and leverages its expertise in the energy-related financial markets to provide solutions to third parties. The Global LNG BU manages a long-term supply contract portfolio and interests in LNG infrastructures and operates an LNG fleet.

- **E&P**: groups together the Group's activities relating to the exploration, development and operation of oil and gas fields.
- **Other**: includes the activities of the following BUs: (i) Thermal Generation Europe, comprising the Group's thermal power generation activities in Europe, (ii) Tractebel Engineering (engineering companies specializing in the areas of energy, hydraulics and infrastructures), (iii) GTT (specialized in the design of cryogenic membrane confinement systems for sea transportation and storage of LNG, both on land and at sea), as well as the Group's holding and corporate activities which include the entities centralizing the Group's financing requirements, Solairedirect's activities and the contribution of the associate SUEZ.

The main commercial relationships between the reportable segments are as follows:

- relationships between the "Infrastructures Europe" reportable segment and the users of these infrastructures, i.e., the "GEM & LNG" and "France" reportable segments: services relating to the use of the Group's gas infrastructures in France are billed based on regulated fees applicable to all network users, except for storage infrastructure. The prices for reservation and use of storage facilities are established by storage operators based on a "negotiated access" system;
- relationships between the "GEM & LNG" reportable segment and the "France", "Benelux" and "Europe excluding France & Benelux" reportable segments: the "GEM & LNG" reportable segment manages the Group's natural gas supply contracts and sells gas at market prices to commercial companies within the "France", "Benelux" and "Europe excluding France & Benelux" reportable segments. As regards electricity, GEM manages and optimizes the power stations and sales portfolios on behalf of entities that hold power generation assets and deducts a percentage of the energy margin in return for providing these services. The revenue and margins related to power generation activities (minus the percentage deducted by GEM) are reported by the segments that hold power generation assets ("France", "Benelux", "Europe excluding France & Benelux" and "Thermal Generation Europe" within the "Other" reportable segment);
- relationships between the "Thermal Generation Europe" segment, housed within the "Other" reportable segment, and the commercial entities in the "France", "Benelux" and "Europe excluding France & Benelux" reportable segments: a portion of the power generated by the thermal assets within the "Thermal Generation Europe" BU is sold to commercial entities from these segments at market prices.

Due to the variety of its businesses and their geographical location, the Group serves a very diverse range of situations and customer types (industry, local authorities and individual customers). Accordingly, no external customer represents individually 10% or more of the Group's consolidated revenues.

## 3.2 Key indicators by reportable segment

The recognition and measurement methods used for internal reporting purposes reviewed by the Executive Committee are the same as those used to prepare the consolidated financial statements. EBITDA, industrial capital employed and capital expenditure (CAPEX) are reconciled with the consolidated financial statements in Section 3.4 of this note.

Comparative segment information for the first half of 2015 has been restated in order to present this information in accordance with the new segment structure introduced by the Group on January 1, 2016.

## REVENUES

| In millions of euros | June 30, 2016 | | | June 30, 2015 | | |
|---|---|---|---|---|---|---|
| | External revenues | Intra-Group Revenues | Total | External revenues | Intra-Group Revenues | Total |
| North America | 1,740 | 26 | 1,766 | 1,752 | - | 1,752 |
| Latin America | 1,962 | - | 1,962 | 2,220 | - | 2,220 |
| Africa/Asia | 1,896 | 2 | 1,898 | 2,174 | - | 2,174 |
| Benelux | 4,665 | 16 | 4,681 | 4,633 | 18 | 4,651 |
| France | 10,769 | 198 | 10,967 | 11,206 | 88 | 11,294 |
| Europe excluding France & Benelux | 4,210 | 102 | 4,311 | 4,532 | 75 | 4,606 |
| Infrastructures Europe | 1,671 | 1,844 | 3,516 | 1,609 | 1,941 | 3,551 |
| GEM & LNG | 4,046 | 4,040 | 8,086 | 7,581 | 4,947 | 12,528 |
| E&P | 930 | 46 | 976 | 1,119 | 81 | 1,200 |
| Others | 1,615 | 368 | 1,983 | 1,695 | 755 | 2,449 |
| Elimination of internal transactions | - | (6,642) | (6,642) | - | (7,904) | (7,904) |
| **TOTAL REVENUES** | **33,504** | **-** | **33,504** | **38,520** | **-** | **38,520** |

## EBITDA[1]

| In millions of euros | June 30, 2016 | June 30, 2015 |
|---|---|---|
| North America | 216 | 286 |
| Latin America | 725 | 829 |
| Africa/Asia | 584 | 665 |
| Benelux | 488 | 235 |
| France | 938 | 915 |
| Europe excluding France & Benelux | 347 | 355 |
| Infrastructures Europe | 1,866 | 1,868 |
| GEM & LNG | (39) | 233 |
| E&P | 618 | 732 |
| Others | (92) | 13 |
| **TOTAL EBITDA** | **5,651** | **6,131** |

*(1) Data at June 30, 2016 are presented according to the Group's new EBITDA definition. This now excludes the non-recurring portion of the net income of entities accounted for using the equity method. Comparative data for the first half of 2015 have been restated in order to reflect this new definition. EBITDA as published in the financial statements for the six months ended June 30, 2015 amounted to €6,122 million.*

## DEPRECIATION AND AMORTIZATION

| In millions of euros | June 30, 2016 | June 30, 2015 |
|---|---|---|
| North America[1] | (33) | (153) |
| Latin America | (191) | (198) |
| Africa/Asia | (114) | (152) |
| Benelux | (185) | (190) |
| France | (293) | (266) |
| Europe excluding France & Benelux | (101) | (104) |
| Infrastructures Europe | (679) | (653) |
| GEM & LNG | (44) | (40) |
| E&P | (301) | (415) |
| Others | (231) | (230) |
| **TOTAL DEPRECIATION AND AMORTIZATION** | **(2,171)** | **(2,402)** |

*(1) The decrease in depreciation and amortization for North America is mainly due to the classification in "Assets held for sale" of the portfolio of merchant power generation assets at December 31, 2015.*

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

| *In millions of euros* | June 30, 2016 | June 30, 2015 |
|---|---|---|
| North America | 29 | 52 |
| Latin America | 4 | (30) |
| Africa/Asia | 124 | 150 |
| Benelux | 1 | - |
| France | (5) | (5) |
| Europe excluding France & Benelux | 65 | 46 |
| Infrastructures Europe | 4 | 4 |
| GEM & LNG | - | 3 |
| E&P | 6 | 7 |
| Others | 31 | 32 |
| *Of which share in net income of SUEZ* | *46* | *32* |
| **TOTAL SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **260** | **258** |

Associates and joint ventures total respectively €205 million and €55 million in share in net income of entities accounted for using the equity method at June 30, 2016, compared to €164 million and €94 million at June 30, 2015.

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

| *In millions of euros* | June 30, 2016 | June 30, 2015 |
|---|---|---|
| North America | 184 | 132 |
| Latin America | 534 | 631 |
| Africa/Asia | 484 | 511 |
| Benelux | 302 | 45 |
| France | 641 | 650 |
| Europe excluding France & Benelux | 257 | 254 |
| Infrastructures Europe | 1,187 | 1,215 |
| GEM & LNG | (85) | 192 |
| E&P | 313 | 239 |
| Others | (330) | (254) |
| **TOTAL CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **3,487** | **3,614** |

## INDUSTRIAL CAPITAL EMPLOYED

| *In millions of euros* | June 30, 2016 | June 30, 2015 |
|---|---|---|
| North America | 1,433 | 1,247 |
| Latin America | 8,094 | 7,754 |
| Africa/Asia | 6,316 | 6,472 |
| Benelux | (772) | (466) |
| France | 6,433 | 5,989 |
| Europe excluding France & Benelux | 4,964 | 5,221 |
| Infrastructures Europe | 18,183 | 18,975 |
| GEM & LNG | 1,363 | 2,576 |
| E&P | 2,717 | 2,571 |
| Others | 10,165 | 9,561 |
| *Of which SUEZ equity value* | *1,859* | *1,974* |
| **TOTAL INDUSTRIAL CAPITAL EMPLOYED** | **58,897** | **59,899** |

To ensure the comparability of financial information, the figures presented by segment at December 31, 2015 have been restated and include goodwill reallocations to the new goodwill CGUs (see Note 5.1 "Goodwill CGUs") as they were recorded at January 1, 2016 consequent to the new Group reorganization.

### CAPITAL EXPENDITURE (CAPEX)

| *In millions of euros* | June 30, 2016 | June 30, 2015 |
|---|---|---|
| North America | 384 | 139 |
| Latin America | 484 | 573 |
| Africa/Asia | 139 | 87 |
| Benelux | 175 | 299 |
| France | 455 | 308 |
| Europe excluding France & Benelux | 51 | 121 |
| Infrastructures Europe | 667 | 614 |
| GEM & LNG | 18 | 31 |
| E&P | 424 | 486 |
| Others | 340 | 203 |
| **TOTAL CAPITAL EXPENDITURE (CAPEX)** | **3,138** | **2,861** |

## 3.3 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, 2016 | June 30, 2015 | June 30, 2016 | Dec. 31, 2015 |
| France | 12,754 | 15,202 | 29,369 | 30,320 |
| Belgium | 5,008 | 5,086 | 1,106 | 1,325 |
| Other EU countries | 8,238 | 9,317 | 10,433 | 10,753 |
| Other European countries | 663 | 1,160 | 728 | 735 |
| North America | 2,191 | 2,286 | 1,688 | 1,589 |
| Asia, Middle East & Oceania | 2,653 | 3,178 | 7,018 | 7,129 |
| South America | 1,852 | 2,160 | 7,859 | 7,475 |
| Africa | 146 | 131 | 696 | 573 |
| **TOTAL** | **33,504** | **38,520** | **58,897** | **59,899** |

## 3.4 Reconciliation of indicators with consolidated financial statements

### 3.4.1 Reconciliation of 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, 2016 | June 30, 2015 |
|---|---|---|
| **CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **3,487** | **3,614** |
| Net depreciation and amortization/Other | 2,174 | 2,479 |
| Share-based payments (IFRS 2) | 20 | 29 |
| Non-recurring share in net income of entities accounted for using the equity method | (31) | 9 |
| **EBITDA** | **5,651** | **6,131** |

### 3.4.2 Reconciliation of industrial capital employed with items in the statement of financial position

| | *In millions of euros* | June 30, 2016 | Dec. 31, 2015 |
|---|---|---|---|
| (+) | Property, plant and equipment and intangible assets, net | 64,055 | 64,001 |
| (+) | Goodwill | 19,083 | 19,024 |
| *(-)* | *Goodwill arising on the Gaz de France - SUEZ merger[1]* | *(6,583)* | *(6,647)* |
| *(-)* | *Goodwill arising on the International Power combination[1]* | *(2,042)* | *(2,036)* |
| (+) | IFRIC 4 and IFRIC 12 receivables | 991 | 1,042 |
| (+) | Investments in entities accounted for using the equity method | 6,841 | 6,977 |
| *(-)* | *Goodwill arising on the International Power combination[1]* | *(165)* | *(168)* |
| (+) | Trade and other receivables, net | 17,840 | 19,349 |
| *(-)* | *Margin calls[1, 2]* | *(1,371)* | *(1,054)* |
| (+) | Inventories | 3,225 | 4,207 |
| (+) | Other current and non-current assets | 7,887 | 9,851 |
| (+) | Deferred tax | (6,147) | (6,851) |
| *(+)* | *Cancellation of deferred tax on other recyclable items[1]* | *(504)* | *(100)* |
| (-) | Provisions | (20,773) | (18,835) |
| *(+)* | *Actuarial gains and losses in shareholders' equity (net of deferred tax)[1]* | *3,045* | *1,894* |
| (-) | Trade and other payables | (13,734) | (17,101) |
| *(+)* | *Margin calls[1, 2]* | *987* | *1,476* |
| (-) | Other liabilities | (13,737) | (15,128) |
| **INDUSTRIAL CAPITAL EMPLOYED** | | **58,897** | **59,899** |

*(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 commodities transactions.*

### 3.4.3 Reconciliation of capital expenditures (CAPEX) with items in the statement of cash flows

| *In millions of euros* | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Acquisitions of property, plant and equipment and intangible assets | 2,614 | 2,707 |
| Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired | 353 | 22 |
| *(+) Cash and cash equivalents acquired* | *61* | - |
| Acquisitions of investments in entities accounted for using the equity method and joint operations | 66 | 166 |
| Acquisitions of available-for-sale securities | 49 | 165 |
| Change in loans and receivables originated by the Group and other | (6) | (206) |
| *(+) Other* | - | - |
| Change in ownership interests in controlled entities | 2 | 9 |
| *(+) Payments received in respect of the disposal of non-controlling interests* | - | *(3)* |
| **TOTAL CAPITAL EXPENDITURE (CAPEX)** | **3,138** | **2,861** |

# NOTE 4 INCOME STATEMENT

## 4.1 Income/(loss) from operating activities

| *In millions of euros* | June 30, 2016 | June 30, 2015 |
|---|---|---|
| **CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | **3,487** | **3,614** |
| Mark-to-market on commodity contracts other than trading instruments | 516 | 401 |
| Impairment losses | (541) | (740) |
| Restructuring costs | (133) | (70) |
| Changes in scope of consolidation | 196 | (1) |
| Other non-recurring items | (143) | 11 |
| **INCOME/(LOSS) FROM OPERATING ACTIVITIES** | **3,382** | **3,214** |

### 4.1.1 Mark-to-market on commodity contracts other than trading instruments

In the first half of 2016, this item represents net income of €516 million, compared with net income of €401 million in the first half of 2015. 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 income is mainly due to (i) a positive price effect related to changes in the forward prices of the underlying commodities during the period, as well as (ii) the positive impact of the settlement of positions over the period with a negative fair value at December 31, 2015.

### 4.1.2 Impairment losses

| *In millions of euros* | June 30, 2016 | June 30, 2015 |
|---|---|---|
| **Impairment losses:** | | |
| Goodwill | (161) | - |
| Property, plant and equipment and other intangible assets | (406) | (542) |
| Investments in entities accounted for using the equity method and related provisions | - | (111) |
| Financial assets | (20) | (92) |
| **TOTAL IMPAIRMENT LOSSES** | **(587)** | **(746)** |
| **Reversal of impairment losses:** | | |
| Property, plant and equipment and other intangible assets | 46 | 4 |
| Financial assets | 1 | 1 |
| **TOTAL REVERSALS OF IMPAIRMENT LOSSES** | **47** | **5** |
| **TOTAL** | **(541)** | **(740)** |

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, 2016, impairment tests were performed on a limited number of assets and CGUs for which indications of impairment were identified during the first half of 2016.

#### 4.1.2.1 Impairment losses recognized during the first half of 2016

Net impairment losses recognized for first-half 2016 amounted to €541 million, primarily relating to the following CGUs: GTT (€161 million), E&P (€147 million), North America (€113 million) and Benelux (€51 million). After taking into account the deferred tax effects and the share of impairment losses attributable to non-controlling interests, the impact of these impairment losses on net income Group share for first-half 2016 amounts to €477 million.

**Impairment on GTT CGU goodwill**

GTT is a listed subsidiary specialized in the design of cryogenic membrane containment systems for sea transportation and storage of LNG, both onshore and offshore.

In first-half 2016, the Group recognized an impairment loss of €161 million against the goodwill allocated to the GTT CGU following the fall in the value of the GTT share price during the first half of 2016, based on the market price at June 30, 2016.

A 10% fall in the market price would result in an additional €80 million impairment loss on the CGU's goodwill.

**Impairment losses on property, plant and equipment and intangible assets**

Net impairment losses recognized for first-half 2016 amounted to €360 million, primarily relating to:

- the E&P CGU's energy production assets and exploration licenses totaling €147 million. These impairment losses are mainly due to the downward revision of natural gas and brent crude oil price forecasts over the assets' expected operating lives.
  The value in use of these assets was calculated using the cash flow forecasts for the gas field's expected operating life drawn up by management.
  Key assumptions used in this impairment test relate to changes in gas and brent crude oil prices, estimated level of reserves for the fields concerned and the discount rate. A 10% decrease in hydrocarbon prices over the assets' operating lives would lead to the recognition of an additional impairment loss of €250 million. A 50 basis point increase in the discount rate used would lead to an additional impairment loss totaling €30 million;
- the portfolio of merchant power generation assets in the United States, classified in "Assets held for sale" since December 31, 2015 (€125 million), as their fair value less disposal costs was lower than the carrying amount of the groups of assets held for sale;
- a drilling rig in the Benelux region (€46 million) following the expiration of the operating agreement, in a challenging market environment for exploration-production activities;
- a coal-fired power plant in the United Kingdom (€19 million) following the Group's decision in the first half of 2016 to close this plant earlier than scheduled.

Net impairment losses recognized for first-half 2015 amounted to €740 million, primarily relating to:

- the property, plant and equipment of a gas field that was being developed in the North Sea (€228 million);
- an exploration-production license for an offshore gas field in Qatar (€87 million);
- the entire net investment in GNL Sur, the joint venture commissioned to build an offshore storage and regasification LNG terminal in Uruguay within the framework of the Build, Own, Operate and Transfer (BOOT) contract for €196 million;
- the Everett regasification terminal (€194 million) in the United States.

### 4.1.3 Restructuring costs

Restructuring costs totaled €133 million in first-half 2016, 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.

Restructuring costs totaled €70 million in first-half 2015, including €18 million of external costs related to the corporate Group brand change, as well as costs incurred to adapt to economic conditions, of which €11 million for France, €17 million for Benelux and €18 million for Europe excluding France & Benelux.

### 4.1.4 Changes in scope of consolidation

In first-half 2016, the impact of changes in the scope of consolidation amounted to €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 (see Note 2.1.2).

In first-half 2015, this item amounted to a negative €1 million, and did not include any individually material amount.

## 4.2 Net financial income/(loss)

| | June 30, 2016 | | | June 30, 2015 | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Expense | Income | Total | Expense | Income | Total |
| **Cost of net debt** | **(449)** | **74** | **(375)** | **(503)** | **77** | **(427)** |
| Interest expense on gross debt and hedges | (524) | - | (524) | (583) | - | (583) |
| Foreign exchange gains/(losses) on borrowings and hedges | - | 5 | 5 | - | 10 | 10 |
| Ineffective portion of derivatives qualified as fair value hedges | (2) | - | (2) | (7) | - | (7) |
| Gains and losses on cash and cash equivalents and financial assets at fair value through income | - | 69 | 69 | - | 67 | 67 |
| Capitalized borrowing costs | 78 | - | 78 | 87 | - | 87 |
| **Gains/(losses) on debt restructuring and early unwinding of derivative financial instruments** | **(66)** | **66** | **-** | **(269)** | **148** | **(122)** |
| Cash payments made on the unwinding of swaps | (66) | - | (66) | (151) | - | (151) |
| Reversal of the negative fair value of these early unwound derivative financial instruments | - | 66 | 66 | - | 148 | 148 |
| Expenses on debt restructuring transactions | - | - | - | (118) | - | (118) |
| **Other financial income and expenses** | **(596)** | **274** | **(322)** | **(599)** | **258** | **(341)** |
| Net interest expense on post-employment benefits and other long-term benefits | (72) | - | (72) | (62) | - | (62) |
| Unwinding of discounting adjustments to other long-term provisions | (285) | - | (285) | (282) | - | (282) |
| Change in fair value of derivatives not qualified as hedges | (88) | - | (88) | (66) | - | (66) |
| Income from available-for-sale securities | - | 88 | 88 | - | 46 | 46 |
| Other | (150) | 186 | 35 | (188) | 212 | 24 |
| **NET FINANCIAL INCOME/(LOSS)** | **(1,111)** | **414** | **(697)** | **(1,371)** | **483** | **(889)** |

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 2015, to the positive impacts of debt financing transactions realized by the Group and to active of interest rate management.

## 4.3 Income tax expense

| *In millions of euros* | June 30, 2016 | June 30, 2015 |
|---|---|---|
| Net income/(loss) (A) | 1,597 | 1,336 |
| Total income tax expense recognized in income of the period (B) | (1,088) | (990) |
| Share in net income of entities accounted for using the equity method (C) | 260 | 258 |
| **INCOME BEFORE INCOME TAX EXPENSE AND SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD (A)-(B)-(C)=(D)** | **2,426** | **2,068** |
| **EFFECTIVE TAX RATE (B)/(D)** | **44.9%** | **47.9%** |

The decrease in the effective tax rate is mainly due to the following reasons:

- the decrease in the losses from Electrabel SA, ENGIE E&P UK and other entities without any deferred tax asset recognition, with respect to the tax situation of the companies;
- the decrease in the nuclear contribution from Electrabel SA.

These items are partially offset by the net tax income resulting from settlements of tax disputes in Australia and the United Kingdom in 2015.

## 4.4 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.

This financial indicator therefore 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 2015 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 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.

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

| *In millions of euros* | Notes | June 30, 2016 | June 30, 2015 |
|---|---|---|---|
| **NET INCOME/(LOSS) GROUP SHARE** | | **1,237** | **1,111** |
| Non-controlling interests | | 360 | 224 |
| **NET INCOME/(LOSS)** | | **1,597** | **1,336** |
| **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"** | | **105** | **400** |
| *Mark-to-market on commodity contracts other than trading instruments* | *4.1* | *(516)* | *(401)* |
| *Impairment losses* | *4.1* | *541* | *740* |
| *Restructuring costs* | *4.1* | *133* | *70* |
| *Changes in scope of consolidation* | *4.1* | *(196)* | *1* |
| *Other non-recurring items* | *4.1* | *143* | *(11)* |
| **Other adjusted items** | | **156** | **174** |
| *Ineffective portion of derivatives qualified as fair value hedges* | *4.2* | *2* | *7* |
| *Gains/(losses) on debt restructuring and early unwinding of derivative financial instruments* | *4.2* | *-* | *122* |
| *Change in fair value of derivatives not qualified as hedges* | *4.2* | *88* | *66* |
| *Taxes on non-recurring items* | | *97* | *(30)* |
| *Non-recurring income included in share in net income of entities accounted for using the equity method* | | *(31)* | *9* |
| **NET RECURRING INCOME** | | **1,859** | **1,910** |
| Non-controlling interests net recurring income | | 381 | 322 |
| **NET RECURRING INCOME GROUP SHARE** | | **1,478** | **1,588** |

*(1) Further to an agreement entered into on November 30, 2015 between the Belgian State, ENGIE and Electrabel, the expense relating to the nuclear contribution is now classified in recurring expenses. To ensure the comparability of financial information between the two reporting periods, the net expense of €177 million relating to the first-half 2015 contribution, which was not included within the Group's reported net recurring income for the first half of 2015, is presented under first-half 2015 recurring income. Following this adjustment, net recurring income Group share for first-half 2015 now amounts to €1,588 million (versus €1,764 million as reported in 2015).*

# NOTE 5 GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

| *In millions of euros* | Goodwill | Intangible assets | Property, plant and equipment |
|---|---|---|---|
| **GROSS AMOUNT** | | | |
| **At December 31, 2015** | **26,612** | **16,565** | **109,248** |
| Acquisitions and construction of property, plant and equipment and intangible assets | - | 306 | 2,265 |
| Disposals of property, plant and equipment and intangible assets | - | (33) | (404) |
| Changes in scope of consolidation | 295 | (11) | 74 |
| Transfer to "Assets classified as held for sale" | (79) | - | (745) |
| Other changes | - | 14 | (3) |
| Translation adjustments | (81) | (66) | (207) |
| **AT JUNE 30, 2016** | **26,748** | **16,775** | **110,228** |
| **ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT** | | | |
| **At December 31, 2015** | **(7,588)** | **(9,553)** | **(52,259)** |
| Depreciation and amortization | - | (384) | (1,798) |
| Impairment | (161) | - | (237) |
| Disposals of property, plant and equipment and intangible assets | - | 30 | 359 |
| Changes in scope of consolidation | (7) | (3) | (8) |
| Transfer to "Assets classified as held for sale" | 79 | - | 632 |
| Other changes | - | (102) | 87 |
| Translation adjustments | 13 | 34 | 254 |
| **AT JUNE 30, 2016** | **(7,665)** | **(9,978)** | **(52,971)** |
| **CARRYING AMOUNT** | | | |
| At December 31, 2015 | 19,024 | 7,013 | 56,988 |
| **AT JUNE 30, 2016** | **19,083** | **6,797** | **57,257** |

The impairment losses recognized for first-half 2016 primarily relate to goodwill from the GTT CGU (€161 million), exploration-production assets (€147 million) and a drilling platform in the Benelux (€46 million) (see Note 4.1.2 “Impairment losses”).

In first-half 2016, the change in scope of consolidation relate primarily to the acquisition of OpTerra Energy Services and Green Charge Networks in the United States, the acquisition of control over Maïa Eolis in France and the sale of a 50% interest held in Transmisora Eléctrica del Norte SA (TEN) in Chile (see Note 2 “Main changes in Group structure”).

Following the classification of the Meenakshi coal-fired power plants in India as assets held for sale (see Note 2.2 “Assets held for sale”), the carrying amount of the corresponding property, plant and equipment was transferred to “Assets classified as held for sale” in the statement of financial position at June 30, 2016.

## 5.1 Goodwill CGUs

Due to its new operational structure, which took effect on January 1, 2016 (see Note 3 "Segment information"), the Group has re-defined its goodwill CGUs and has accordingly performed some goodwill reallocations between the former and the new CGUs.

The Group now has 26 goodwill CGUs corresponding to the 24 Business Units described in Note 3, with the exception of the Asia-Pacific BU, which is split into two goodwill CGUs (Australia and Asia-Pacific excluding Australia), plus the Solairedirect goodwill CGU.

The table below shows material goodwill CGUs for which the amount of goodwill is greater than 5% of the total value of the Group's goodwill at June 30, 2016, as well as CGUs with goodwill exceeding €500 million.

| *In millions of euros* | Reportable segment | June 30, 2016 |
|---|---|---|
| **MATERIAL CGUs** | | |
| Benelux | Benelux | 5,601 |
| GRDF | Europe Infrastructures | 4,009 |
| France BtoC | France | 1,008 |
| France Renewable Energies | France | 934 |
| **OTHER SIGNIFICANT CGUs** | | |
| Generation Europe | Others | 823 |
| North America | North America | 758 |
| United Kingdom | Europe excl. France & Benelux | 672 |
| Northern, Southern and Eastern Europe | Europe excl. France & Benelux | 617 |
| GRTGaz | Europe Infrastructures | 614 |
| Storengy | Europe Infrastructures | 543 |
| **OTHER CGUs** *(GOODWILL INDIVIDUALLY LESS THAN €500 MILLION)* | | 3,504 |
| **TOTAL** | | **19,083** |

The main sensitivity analyses of material CGUs that resulted from the impairment tests carried out at December 31, 2015 on the activities included in these new CGUs and the key assumptions used are presented below.

As the scope of the GRDF (Distribution France) CGU remained the same as in 2015, information regarding this test is presented in Note 12.3.1 "Material CGUs" to the 2015 consolidated financial statements.

At June 30, 2016, the Group considered that, in view of the changes in market inputs and key assumptions, it was not necessary to carry out a full update of these impairment tests performed in 2015 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 2016 will be carried out in the second half of the year.

### 5.1.1 Benelux CGU

The goodwill allocated to the Benelux CGU amounted to €5,601 million at June 30, 2016. 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.

The 2015 value in use of the activities included in this CGU was calculated using the cash flow projections drawn up on the basis of the 2016 budget and of the medium-term 2017-2021 business plan, as approved by the Group Management Committee and the Board of Directors. Cash flow projections for the period beyond the medium-term business plan were determined as described below:

| Activities | Assumptions applied beyond the term of the business plan |
|---|---|
| Nuclear power generation in Belgium | For Doel 1, Doel 2 and Tihange 1, cash flow projection over a useful life of 50 years. For the second generation reactors (Doel 3, Doel 4, Tihange 2 and Tihange 3), cash flow projection over 40 years, then extension of the operating life of half of this power plant portfolio for a period of 20 years. |
| Drawing rights on Chooz B et Tricastin power plants | Cash flow projection over the remaining term of existing contract plus assumption that drawing rights will be extended for a further ten years. |
| Marketing and sales activities | Cash flow projection using a long term growth rate of 1.9%. |

The discount rates applied to these cash flows ranged from 5.4% to 9.2%, depending on the risk profiles of each business activity.

Key assumptions used for impairment tests for the Benelux goodwill CGU included expected changes in the regulatory environment, in the price of electricity, in demand for gas and electricity, and in discount rates.

The most important assumptions concerning the regulatory environment in Belgium relate to the operating life of existing nuclear reactors.

In order to ensure the security of supply in Belgium, on June 18, 2015 the parliament approved the extension of the operating life of the Doel 1 and Doel 2 reactors for a period of ten years. The law of January 31, 2003 with respect to the phase-out of nuclear power in Belgium was amended accordingly, extending the operating life of the Doel 1 and Doel 2 reactors to February 15 and December 1, 2025, respectively. The restart of the two reactors was authorized by the Belgian Federal Agency for Nuclear Control (*Agence fédérale de contrôle nucléaire* – AFCN) in December 2015. In addition, the agreement entered into with the Belgian government on November 30, 2015 provides for annual royalties totaling €20 million for the extension of the Doel 1 and Doel 2 reactors, as well as new conditions for determining the nuclear contribution applicable to second-generation reactors (Doel 3 and 4 and Tihange 2 and 3) through their 40th year of operation. The agreement's entry into force is subject to a law which has not yet been passed by the Belgian Parliament. The impairment test carried out in 2015 took into account the impacts of this agreement, i.e., the ten-year extension of the two reactors, the payment of annual royalties totaling €20 million in respect of said extension, as well as the new conditions for determining the Belgian nuclear contribution, as defined in the November 2015 agreement.

In December 2013, concerning second-generation reactors, the previous government confirmed the principle for the gradual phase-out of nuclear power, with the shutdown of Doel 3 in 2022, Tihange 2 in 2023, and Tihange 3 and Doel 4 in 2025, after 40 years of operation. The principle and schedule were reaffirmed in the law of June 18, 2015.

However, in view of (i) the extension of the operating life of Tihange 1, Doel 1 and Doel 2 beyond 40 years, (ii) the importance of nuclear power generation in the Belgian energy mix, (iii) the lack of a sufficiently detailed and attractive industrial plan enticing energy utilities to invest in replacement thermal capacity, and (iv) $CO_2$ emissions reduction targets, the Group considers that nuclear power will still be needed to guarantee the energy equilibrium in Belgium after 2025. Accordingly, in calculating value in use, the Group assumes a 20-year extension of the operating life of half of its second-generation reactors, while taking into account a mechanism of nuclear contributions to be paid to the Belgian government.

In France, the Group included an assumption that its drawing rights on the Tricastin and Chooz B nuclear plants expiring in 2021 and 2037, respectively, would be extended by ten years. Although no such decision has been taken by the government and the nuclear safety authority, the Group considers that extending the reactors' operating life is the most credible and likely scenario at this point in time. This is also consistent with the expected French energy mix featured in its reference scenario.

A decrease of €1/MWh in prices for electricity from nuclear power plants would have a negative 20% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. Conversely, an increase of €1/MWh in electricity prices would have a positive 20% impact on the calculation.

Various transformational scenarios were considered concerning nuclear power generation in Belgium:

- 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 have a strongly adverse impact on the results of the test, with the recoverable amount falling significantly below the carrying amount. In this scenario, the impairment risk would represent around €2,100 million;
- if the life of half of the second-generation reactors were to be extended by ten years and the entire nuclear component subsequently disappear, the recoverable amount would fall below the carrying amount and the impairment risk would represent €400 million.

### 5.1.2 France BtoC CGU

The total amount of goodwill allocated to the France BtoC CGU was €1,008 million at June 30, 2016. The France BtoC CGU groups together sales of energy and related services to individual and professional customers in France. These include the sale of gas and electricity, related energy services (maintenance contracts, smart services and assistance to energy efficiency improvements) and the decentralization of energy production.

Value in use was calculated using the cash flow projections drawn up on the basis of the 2016 budget and of the medium-term 2017-2021 business plan, as approved by the Group Management Committee and the Board of Directors. A terminal value was calculated by extrapolating the cash flows beyond that period using a long-term growth rate of 1.9%.

The main assumptions and key estimates primarily include the discount rates, the expected trends in gas and electricity demand in France, the changes in the Group's market share and the sales margin forecasts.

The discount rates applied are between 7.8% and 8.6%.

A decrease of 5% in the margin on gas and electricity sales activities would have a negative 11% impact on the excess of the CGU's recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. Conversely, an increase of 5% in the margin on gas and electricity sales activities would have a positive 11% impact on the calculation.

### 5.1.3 France Renewable Energies CGU

The total amount of goodwill allocated to the France Renewable Energies CGU was €934 million at June 30, 2016. The France Renewable Energies CGU groups together the development, construction, financing, operation and maintenance of all of the renewable power generation assets in France (hydraulic, wind and photovoltaic, with the exception of the photovoltaic parks developed and operated by Solairedirect).

Value in use was calculated using the cash flow projections drawn up on the basis of the 2016 budget and of the medium-term 2017-2021 business plan, as approved by the Group Management Committee and the Board of Directors. For the hydraulics business, a terminal value was calculated by extrapolating the cash flows beyond that period based on the reference scenario adopted by the Group.

The main assumptions and key estimates primarily include the discount rates, the renewal of the hydropower concessions and the changes in the price of electricity beyond the liquidity period.

Value in use was calculated based on the assumption that the hydropower concession agreements would be renewed, particularly the Compagnie Nationale du Rhône concessions expiring in 2023. The cash flows for the periods covered by the renewal of the concession agreements are based on a number of assumptions relating to the economic and regulatory conditions for operating these assets (royalty rates, required level of investment, etc.) during this period.

If the Compagnie Nationale du Rhône hydropower concession agreements are not renewed beyond 2023, this would have a strong adverse impact on the results of the test, with the recoverable amount falling significantly below the carrying amount. In this scenario, the impairment risk would represent around €1,100 million.

The discount rates applied are between 5.2% and 7.3%.

# NOTE 6 FINANCIAL INSTRUMENTS

## 6.1 Financial assets

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

| In millions of euros | June 30, 2016 | | | Dec. 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Total | Non-current | Current | Total |
| Available-for-sale securities | 3,179 | - | 3,179 | 3,016 | - | 3,016 |
| Loans and receivables at amortized cost | 2,478 | 18,532 | 21,010 | 2,377 | 20,080 | 22,457 |
| *Loans and receivables at amortized cost (excluding trade and other receivables)* | *2,478* | *692* | *3,170* | *2,377* | *731* | *3,108* |
| *Trade and other receivables* | *-* | *17,840* | *17,840* | *-* | *19,349* | *19,349* |
| Other financial assets at fair value | 3,334 | 9,494 | 12,828 | 4,026 | 12,029 | 16,055 |
| *Derivative instruments* | *3,334* | *7,850* | *11,183* | *4,026* | *10,857* | *14,883* |
| *Financial assets at fair value through income* | *-* | *1,644* | *1,644* | *-* | *1,172* | *1,172* |
| Cash and cash equivalents | - | 8,526 | 8,526 | - | 9,183 | 9,183 |
| **TOTAL** | **8,991** | **36,552** | **45,543** | **9,419** | **41,292** | **50,711** |

### 6.1.1 Available-for-sale securities

| In millions of euros | |
|---|---|
| **At December 31, 2015** | **3,016** |
| Acquisitions | 49 |
| Disposals - carrying amount excluding changes in fair value recorded in "Other comprehensive income" | (15) |
| Disposals - "Other comprehensive income" derecognized | - |
| Other changes in fair value recorded in equity | 170 |
| Changes in fair value recorded in income | (12) |
| Changes in scope of consolidation, foreign currency translation and other changes | (29) |
| **AT JUNE 30, 2016** | **3,179** |

The Group's available-for-sale securities amounted to €3,179 million at June 30, 2016 breaking down as €1,618 million of listed securities and €1,561 million of unlisted securities (respectively, €1,593 million and €1,423 million at December 31, 2015).

## 6.2 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, 2016, broken down into current and non-current items:

| In millions of euros | June 30, 2016 | | | Dec. 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Total | Non-current | Current | Total |
| Borrowings and debt | 27,068 | 10,107 | 37,176 | 28,123 | 11,032 | 39,155 |
| Derivative instruments | 3,646 | 6,768 | 10,414 | 4,216 | 8,642 | 12,858 |
| Trade and other payables | - | 13,734 | 13,734 | - | 17,101 | 17,101 |
| Other financial liabilities | 239 | - | 239 | 237 | - | 237 |
| **TOTAL** | **30,954** | **30,609** | **61,563** | **32,577** | **36,775** | **69,352** |

# 6.3 Net debt

## 6.3.1 Net debt by type

| | June 30, 2016 | | | Dec. 31, 2015 | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Non-current | Current | Total | Non-current | Current | Total |
| Borrowings and debt outstanding | 26,415 | 9,192 | 35,607 | 27,537 | 9,988 | 37,525 |
| Impact of measurement at amortized cost | 96 | 65 | 161 | 276 | 107 | 383 |
| Impact of fair value hedge[(1)] | 558 | 34 | 592 | 310 | 23 | 333 |
| Margin calls on derivatives hedging borrowings - liabilities | - | 816 | 816 | - | 914 | 914 |
| **BORROWINGS AND DEBT** | **27,068** | **10,107** | **37,176** | **28,123** | **11,032** | **39,155** |
| Derivatives hedging borrowings - carried in liabilities[(2)] | 223 | 90 | 313 | 278 | 100 | 377 |
| **GROSS DEBT** | **27,292** | **10,198** | **37,489** | **28,401** | **11,132** | **39,533** |
| Assets related to financing | (49) | (1) | (50) | (37) | - | (37) |
| **ASSETS RELATED TO FINANCING** | **(49)** | **(1)** | **(50)** | **(37)** | **-** | **(37)** |
| Financial assets at fair value through income (excluding margin calls) | - | (820) | (820) | - | (797) | (797) |
| Margin calls on derivatives hedging borrowings - carried in assets | - | (825) | (825) | - | (375) | (375) |
| Cash and cash equivalents | - | (8,526) | (8,526) | - | (9,183) | (9,183) |
| Derivatives hedging borrowings - carried in assets[(2)] | (1,070) | (208) | (1,278) | (1,174) | (240) | (1,413) |
| **NET CASH** | **(1,070)** | **(10,378)** | **(11,448)** | **(1,174)** | **(10,595)** | **(11,768)** |
| **NET DEBT** | **26,173** | **(181)** | **25,992** | **27,190** | **537** | **27,727** |
| Borrowings and debt outstanding | 26,415 | 9,192 | 35,607 | 27,537 | 9,988 | 37,525 |
| Assets related to financing | (49) | (1) | (50) | (37) | - | (37) |
| Financial assets at fair value through income (excluding margin calls) | - | (820) | (820) | - | (797) | (797) |
| Cash and cash equivalents | - | (8,526) | (8,526) | - | (9,183) | (9,183) |
| **NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, CASH COLLATERAL AND AMORTIZED COST** | **26,366** | **(155)** | **26,212** | **27,500** | **8** | **27,508** |

*(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 fair value of debt-related derivatives irrespective of whether or not they are qualified as hedges.*

The fair value of gross borrowings and debt amounted to €39,787 million at June 30, 2016, compared with a carrying amount of €37,176 million.

## 6.3.2 Main events of the period

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

During the first half of 2016, changes in exchange rates led to a €262 million decrease in net debt (including a negative €102 million in relation to the US dollar, a negative €173 million in relation to the pound sterling and a positive €42 million in relation to the Brazilian real).

Changes in the scope of consolidation (including the cash impact of acquisitions and disposals) led to a €1,215 million decrease in net debt, mainly reflecting:

- disposals of assets over the period, including the disposal of a 50% interest in Transmisora Eléctrica del Norte (TEN) and the disposal of the merchant hydropower generation assets, which reduced net debt by €1,287 million (see Note 2.1 "Disposals carried out in first-half 2016");
- the acquisitions carried out during the first half of 2016 (chiefly Maïa Eolis and OpTerra Energy Services), which increased net debt by €477 million (see Notes 2.4 and 2.3);
- the classification of Meenakshi in "Assets held for sale", which resulted in a €405 million reduction in the Group's net debt.

#### 6.3.2.2 Financing and refinancing transactions

The Group carried out the following transactions during the first half of 2016:

- the issuance by Glow Energy Public Co. Ltd. on May 18, 2016, of THB 3 billion (€75 million) worth of bonds with a 2.81% coupon maturing in 2026;
- the redemption of the following bonds, which matured during the first half of 2016:
  - €1,043 million worth of ENGIE SA bonds with a coupon of 5.625% which matured on January 18, 2016,
  - €1 billion worth of ENGIE SA bonds with a coupon of 1.5% which matured on February 1, 2016;
- refinancing transactions:
  - on June 26, 2016, the Group secured bank refinancing of AUD 175 million (€117 million) for Pelican Point and Canunda,
  - on June 30, 2016, the Group settled Hazelwood Power Partnership's bank loan of AUD 368 million (€242 million) upon maturity through internal refinancing.

## 6.4 Derivative instruments

### 6.4.1 Derivative financial assets

| | June 30, 2016 | | | Dec. 31, 2015 | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Non-current | Current | Total | Non-current | Current | Total |
| Derivatives hedging borrowings | 1,070 | 208 | 1,278 | 1,174 | 240 | 1,413 |
| Derivatives hedging commodities | 1,270 | 7,582 | 8,852 | 1,962 | 10,510 | 12,472 |
| Derivatives hedging other items[(1)] | 994 | 60 | 1,054 | 890 | 107 | 998 |
| **TOTAL** | **3,334** | **7,850** | **11,183** | **4,026** | **10,857** | **14,883** |

*(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.*

### 6.4.2 Derivative financial liabilities

| | June 30, 2016 | | | Dec. 31, 2015 | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Non-current | Current | Total | Non-current | Current | Total |
| Derivatives hedging borrowings | 223 | 90 | 313 | 278 | 100 | 377 |
| Derivatives hedging commodities | 1,404 | 6,599 | 8,003 | 2,528 | 8,493 | 11,022 |
| Derivatives hedging other items[(1)] | 2,018 | 79 | 2,098 | 1,410 | 49 | 1,459 |
| **TOTAL** | **3,646** | **6,768** | **10,414** | **4,216** | **8,642** | **12,858** |

*(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.*

### 6.4.3 Financial instruments by level in the fair value hierarchy

During the first half of 2016, 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 7 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 2015 Registration Document.

## 7.1 Market risks

### 7.1.1 Commodity risk

#### 7.1.1.1 Portfolio management activities

Sensitivities of the commodity-related financial derivatives portfolio used as part of the portfolio management activities at June 30, 2016 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, 2016 | |
|---|---|---|---|
| *In millions of euros* | **Changes in price** | Pre-tax impact on income | Pre-tax impact on equity |
| Oil-based products | +USD 10/bbl | 478 | (64) |
| Natural gas | +€3/MWh | (49) | (136) |
| Electricity | +€5/MWh | 96 | (23) |
| Coal | +USD 10/ton | 80 | 4 |
| Greenhouse gas emission rights | +€2/ton | 122 | 1 |
| EUR/USD | +10% | (92) | (7) |
| EUR/GBP | +10% | (50) | 2 |

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

#### 7.1.1.2 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, 2016 | 2016 average[1] | 2016 maximum[2] | 2016 minimum[2] |
|---|---|---|---|---|
| Trading activities | 10 | 12 | 20 | 6 |

*(1) Average daily VaR.*
*(2) Maximum and minimum daily VaR observed in 2016.*

### 7.1.2 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, 2016 | | |
|---|---|---|---|
| | Impact on income after hedging | | Impact on equity |
| *In millions of euros* | +10%[1] | -10%[1] | - 10% |
| Liabilities denominated in a currency other than the functional currency of companies carrying the liabilities on their statements of financial position[2] | (3) | 3 | NA |
| Financial instruments (debt and derivatives) qualified as net investment hedges[3] | NA | NA | 490 |

*(1) +(-)10%: appreciation (depreciation) of 10% on the majority of 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.*

### 7.1.3 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 with closing interest rates.

| | June 30, 2016 | | | |
|---|---|---|---|---|
| | 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 | (67) | 65 | NA | NA |
| Change in fair value of derivatives not qualified as hedges | 24 | (49) | NA | NA |
| Change in fair value of derivatives qualified as cash flow hedges | NA | NA | 607 | (760) |

## 7.2 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, 2016, 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 €21,762 million in bonds, or 62% of gross debt).

Outstanding short-term commercial paper represented 17% of gross debt, or €6,132 million at June 30, 2016.

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 €8,844 million at June 30, 2016.

Confirmed credit facilities had been granted for a total of €13,559 million at June 30, 2016, of which €13,332 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, 2016, undiscounted contractual payments on net debt (excluding the impact of derivative instruments, margin calls and amortized cost) break down as follows by maturity:

| *In millions of euros* | Total | 2016 | 2017 | 2018 | 2019 | 2020 | Beyond 5 years |
|---|---|---|---|---|---|---|---|
| Bond issues | 21,762 | - | 3,321 | 1,690 | 920 | 2,488 | 13,343 |
| Bank borrowings | 5,747 | 589 | 997 | 687 | 438 | 767 | 2,269 |
| Negotiable commercial paper | 6,132 | 5,822 | 310 | - | - | - | - |
| Drawdowns on credit facilities | 227 | 11 | 57 | 152 | 2 | 1 | 5 |
| Liabilities under finance leases | 640 | 43 | 140 | 147 | 136 | 75 | 100 |
| Other borrowings | 596 | 303 | 181 | 17 | 40 | 12 | 43 |
| Bank overdrafts and current accounts | 503 | 503 | - | - | - | - | - |
| **OUTSTANDING BORROWINGS AND DEBT** | **35,607** | **7,270** | **5,006** | **2,693** | **1,537** | **3,342** | **15,759** |
| Assets related to financing | (50) | (1) | - | - | - | (2) | (47) |
| Financial assets qualifying or designated as at fair value through income | (820) | (820) | - | - | - | - | - |
| Cash and cash equivalents | (8,526) | (8,526) | - | - | - | - | - |
| **NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, CASH COLLATERAL AND AMORTIZED COST** | **26,212** | **(2,076)** | **5,006** | **2,693** | **1,537** | **3,340** | **15,712** |

**Confirmed undrawn credit facility programs**

At June 30, 2016, the maturities of the Group's confirmed undrawn credit facility programs are analyzed in the table below:

| *In millions of euros* | Total | 2016 | 2017 | 2018 | 2019 | 2020 | Beyond 5 years |
|---|---|---|---|---|---|---|---|
| Confirmed undrawn credit facility programs | 13,332 | 416 | 1,319 | 296 | 200 | 5,898 | 5,203 |

The maturity of the €5 billion syndicated loan was extended by one year to March 2021.

At June 30, 2016, no single counterparty represented more than 6% of the Group's confirmed undrawn credit lines.

# NOTE 8 PROVISIONS

| *In millions of euros* | Dec. 31, 2015 | Additions | Reversals (utilizations) | Reversals (surplus provisions) | Changes in scope of consolidation | Impact of unwinding discount adjustments | Translation adjustments | Other | June 30, 2016 |
|---|---|---|---|---|---|---|---|---|---|
| Post-employment and other long-term benefits | 5,785 | 135 | (128) | (1) | 1 | 80 | 9 | 1,605 | 7,486 |
| Back-end of the nuclear fuel cycle | 4,744 | 54 | (14) | - | - | 115 | - | - | 4,898 |
| Dismantling of plant and equipment[(1)] | 4,476 | 1 | (3) | - | (1) | 103 | (5) | 6 | 4,576 |
| Site rehabilitation | 1,474 | - | (19) | - | 7 | 11 | (11) | (53) | 1,408 |
| Litigations, claims, and tax risks[(2)] | 663 | 158 | (26) | (52) | 2 | 5 | 1 | 2 | 752 |
| Other contingencies | 1,694 | 212 | (237) | (7) | 6 | - | (8) | (9) | 1,652 |
| **TOTAL PROVISIONS** | **18,835** | **560** | **(427)** | **(60)** | **15** | **314** | **(15)** | **1,551** | **20,773** |

*(1) Of which €3,716 million in provisions for dismantling nuclear facilities at June 30, 2016, versus €3,629 million at December 31, 2015.*

*(2) The main legal disputes are presented in Note 9 "Legal and anti-trust proceedings".*

The impact of unwinding discounting adjustments in respect of post-employment benefit obligations and other long-term benefits relates to the interest expense on the pension obligations, net of the expected return on plan assets.

The "Other" column mainly comprises actuarial gains and losses arising on post-employment benefit obligations in 2016 which are recorded in "Other comprehensive income" as well as provisions recorded against a dismantling or site-rehabilitation asset.

Additions, reversals and the impact of unwinding discounting adjustments are presented as follows in the consolidated income statement:

| *In millions of euros* | June 30, 2016 |
|---|---|
| Income/(loss) from operating activities | (116) |
| Other financial income and expenses | (314) |
| Income taxes | 43 |
| **TOTAL** | **(387)** |

The different types of provisions and the calculation principles applied are described in the 2015 consolidated financial statements.

## 8.1 Post-employment benefits and other long-term benefits

The discount rate used to measure pensions and other employee benefits is determined based on the yield, at the measurement date, on high-quality corporate bonds with maturities mirroring the term of the plan. The rates are determined for each monetary area (Eurozone and United Kingdom) based on data for AA corporate bond yields (Bloomberg and iBoxx), extrapolated on the basis of government bond yields for long maturities.

The benchmark rates at June 30, 2016 were down by around 100 basis points compared to December 31, 2015. This significant reduction in the discount rates resulted in a €1,560 million increase in post-employment benefits and other long-term benefits at June 30, 2016.

## 8.2 Nuclear power generation activities

Pursuant to the law of April 11, 2003, the Commission for Nuclear Provisions is to examine in the second half of 2016 the triennial review of nuclear provisions which the Group subsidiary Synatom is scheduled to send it in September 2016.

At June 30, 2016, the measurement of provisions for managing nuclear fuel processing and storage and for dismantling nuclear facilities was based on an industrial scenario and a set of technical and financial assumptions that had been approved by the Commission for Nuclear Provisions in November 2013. These assumptions are described in detail in Note 18.2 "Nuclear power generation activities" to the 2015 consolidated financial statements.

**Discount rate sensitivity analysis**

The discount rate applied was 4.8% (an actual rate of 2.8% plus an inflation rate of 2.0%).
Based on the inputs currently applied at June 30, 2016 for estimating costs and the timing of payments, a rise or fall of 100 basis points in the discount rate could lead to an increase or a decrease of around €1,100 million in provisions for dismantling and managing the nuclear fuel processing and storage. A lower discount rate would lead to an increase in outstanding provisions, while a higher discount rate would reduce the provision amount.

Any change arising as a result of the review of the dismantling provision would not have an immediate impact on income, since the matching entry under certain conditions would consist in adjusting the corresponding assets accordingly.

Sensitivity to discount rates as presented above, in accordance with the applicable standards, is an automatic calculation and should therefore be interpreted with appropriate caution in view of the variety of other inputs - some of which may be interdependent - included in the evaluation.

# NOTE 9 LEGAL AND ANTI-TRUST PROCEEDINGS

The Group is party to a number of legal and anti-trust proceedings ("disputes"), including tax disputes, with administrative, legal and arbitration authorities in connection with its business activities.

Provisions recorded in respect of these disputes totaled €752 million at June 30, 2016 (€663 million at December 31, 2015).

During the first half of 2016, the key developments in the major disputes involving the Group were as follows:

## 9.1 Belgium – Nuclear contributions

On November 30, 2015, the Belgian State, ENGIE and Electrabel entered into an agreement to extend the operating lives of the Doel 1 and Doel 2 reactors. In light of the fact that this extension of operations is linked to the fees and nuclear contributions payable in respect of each year between 2015 and 2026, the entry into force of the agreement is subject to the regulations governing these fees and contributions also entering into force. The June 12, 2016 law setting the annual fee for the Doel 1 and Doel 2 reactors was published on June 22, 2016, while the law governing nuclear contributions for the Doel 3 and Doel 4 and the Tihange 2 and Tihange 3 reactors has not yet been passed by the Belgian Parliament.

## 9.2 Belgium – Resumption and extension of operations at the Tihange and Doel nuclear reactors

On December 30, 2015, the campaign group *Nucléaire Stop Kernenergie* launched proceedings before the President of the Brussels Court of First Instance seeking an environmental injunction to (i) suspend operations at the Doel 3 and Tihange 2 reactors, (ii) order an expert analysis to be carried out on the reactor vessels, and (iii) rule on the future of these reactors based on the findings of said expert analysis. The President of the Brussels Court of First Instance dismissed *Nucléaire Stop Kernenergie*'s claims via an order issued on March 9, 2016. *Nucléaire Stop Kernenergie* stated that it did not intend to appeal this order.

On June 16, 2016, the *Conseil d'État* dismissed Greenpeace's requests to suspend the extension of operations at the Tihange 1 and Doel 1 and 2 reactors. Proceedings to overturn this decision are currently ongoing. The *Conseil d'État* also dismissed the requests submitted by the nonprofit organization Benegora to suspend and annul the decision to allow the aforementioned reactors to extend their operations.

## 9.3 United States – Investigation by the FERC

The Group formally issued its response to the preliminary findings of the investigation carried out by the Federal Energy Regulation Commission (FERC) explaining why it believes the Group has acted properly and lawfully at all times. The Division of Investigations will then decide whether to close the investigation, recommend that the FERC launch infringement proceedings or suggest a settlement.

## 9.4 France – Compensation for "transmission" services

In the dispute between GRDF and certain gas suppliers, in a decision dated June 2, 2016, the Paris Court of Appeal:

- noted 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 by the gas supplier;
- held that the compensation for customer management services carried out by the supplier on behalf of the grid manager should be fair and commensurate with the grid manager's cost savings;
- 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'Etat* also ruled that the same principle whereby the grid manager pays compensation to the supplier should apply. In the same decision, the *Conseil d'Etat* 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.

## 9.5 France – Competition authorities

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 request for protective interim measures. As a protective interim measure and pending a decision on the merits, in a decision dated May 2, 2016, the competition authorities ordered ENGIE to set the prices of its customized offers on the B2B market at a level that allows it to cover the short-term costs it incurs in marketing these offers, including the avoidable costs relating to energy savings certificates and sales and marketing costs.

Direct Energie appealed the competition authorities' decision of May 2, 2016.

The investigation on the merits is currently underway and the Group is cooperating fully with the inquiries.

Within the context of the first complaint lodged by Direct Energie on April 15, 2014, the competition authorities notified ENGIE on July 20, 2016 of the allegations of abuse of a dominant position on the residential and non-residential markets for customers connected to the distribution network, covering the supply of both electricity and natural gas. These allegations relate to various periods from July 2004 up to the present day, depending on the nature of the alleged practice.

The investigation is currently underway and the Group is cooperating fully with the inquiries.

## 9.6 France – Fos Cavaou

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*, where proceedings are currently underway, over the dispute.

## 9.7 France – Claim by the French tax authorities

In their tax deficiency notice dated September 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. On July 7, 2009, they informed ENGIE SA that they maintained their position, which was confirmed on December 7, 2011. As a result, they reduced the ENGIE tax consolidation group's tax loss carry-forwards by €710 million in a tax deficiency notice dated December 16, 2015, and claimed additional tax in an amount of €90 million on May 17, 2016. ENGIE paid this amount and intends to file a claim contesting this decision.

Regarding the dispute about the *précompte* itself – in respect of which the receivable was sold, 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. Therefore, in principle, the decision handed down by the Paris Court of Appeal in 2014 in which it recognized that the *précompte* was incompatible with EU law in accordance with the Court of Justice of the European Union's position, and significantly reduced the amount awarded to SUEZ (now ENGIE), became final. 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.

However, 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 EU law when handing down decisions in disputes regarding the *précompte*, such as those

involving ENGIE. The French State failed to comply with this opinion within the two-month deadline, giving the European Commission the right to refer the matter to the Court of Justice of the European Union.

## 9.8 Hungary – Arbitration proceedings before the ICSID concerning gas operations

On April 4, 2016, ENGIE, GDF International and ENGIE International Holdings filed a request for arbitration before the International Center for Settlement of Investment Disputes (ICSID). In essence, the Group accused the Hungarian State of not fulfilling its obligations pursuant to the Energy Charter Treaty by taking various regulatory measures that breached the principle of fair and equitable treatment and the ban on forceful expropriation, and is requesting compensation for the damage it has suffered. This request for arbitration follows a referral submitted on February 25, 2015. Arbitration proceedings before the ICSID usually last between two and three years.

## 9.9 Italy – Maestrale

On February 13, 2013, International Power Consolidated Holdings Ltd (IPCHL), a subsidiary of ENGIE, sold a number of its subsidiaries operating in the on-shore wind farm sector in Sardinia and Sicily to ERG Renew SpA (ERG).

Since the beginning of the 2000s and before they belonged to the Group, these subsidiaries benefited from subsidies granted under Italian law no. 488/1192. In 2007, the public prosecutor seized the wind farm assets on the suspicion that a fraud had been committed in relation to the granting of the subsidies. Following a request by IPCHL, the seizure was lifted in 2010 subject to the latter providing a guarantee of €31.6 million pending a decision on the merits.

On November 4, 2014, the Italian authorities formally revoked the subsidies in question and requested that ERG repay them immediately, in spite of the amount already provided by IPCHL as a guarantee.

On March 21, 2016, ERG filed a request for arbitration against IPCHL with the ICC International Court of Arbitration, seeking a guarantee from IPCHL on the amounts claimed by the Italian authorities. The arbitration proceedings are currently ongoing.

## 9.10 Netherlands – Claim by the Dutch tax authorities

Based on a disputable interpretation of a statutory modification that came into force in 2007, the Dutch tax authorities refuse the deductibility of a portion of the interest paid on financing contracted for the acquisition of investments made in the Netherlands since 2000.

At the end of March 2016, the Dutch tax authorities rejected the claim lodged by ENGIE Energie Nederland Holding BV against the tax assessment for the 2007 fiscal year. On May 5, 2016, an appeal was filed against this decision. The total amount of tax and default interest assessed at December 31, 2011 amounted to €227 million.

# 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, 2016.

# NOTE 11 SUBSEQUENT EVENTS

On July 20, 2016, the competition authorities notified ENGIE of allegations of abuse of a dominant position on the residential and non-residential markets for customers connected to the distribution network, covering the supply of both electricity and natural gas in France (see Note 9.5 "France – Competition authorities").

# 04 STATEMENT BY PERSON RESPONSIBLE FOR THE 2016 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, 2016 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 undertakings included in the consolidation, and that the interim management report presents a fair view of the significant events of first-half 2016, 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 2016.

Courbevoie, July 28, 2016

Chief Executive Officer

**Isabelle Kocher**

# 05 STATUTORY AUDITOR'S 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 assignment 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 1 to June 30, 2016, 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 of significant downturn in 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 28, 2016

The Statutory Auditors
*French original signed by*

| **DELOITTE & ASSOCIÉS** | **ERNST & YOUNG et Autres** |
|---|---|
| Véronique Laurent | Pascal Macioce |

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