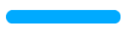
2018 FIRST-HALF FINANCIAL REPORT



About ENGIE

We are a global energy and services group, focused on three core activities: low-carbon power generation, mainly based on natural gas and renewable energy; global networks and customer solutions. Driven by our ambition to contribute to a harmonious progress, we take up major global challenges such as the fight against global warming, access to energy to all, or mobility, and offer our residential customers, businesses and communities energy production solutions and services that reconcile individual and collective interests.

Our integrated - low-carbon, high-performing and sustainable - offers are based on digital technologies. Beyond energy, they facilitate the development of new uses and promote new ways of living and working.

Our ambition is conveyed by each of our 150,000 employees in 70 countries. Together with our customers and partners, they form a community of imaginative builders who invent and build today solutions for tomorrow.

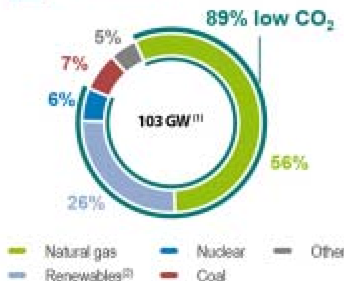
2017 turnover: 65 billion Euros. Listed in Paris and Brussels (ENGI), the Group is represented in the main financial (CAC 40, BEL 20, Euro STOXX 50, STOXX Europe 600, MSCI Europe, Euronext 100, FTSE Eurotop 100, Euro STOXX Utilities, STOXX Europe 600 Utilities) and extra-financial indices (DJSI World, DJSI Europe and Euronext Vigeo Eiris - World 120, Eurozone 120, Europe 120, France 20, CAC 40 Governance).

ENGIE TODAY

LOW CO_2 POWER GENERATION

- World leader in IPP
- 103 GW [1] installed
- ~90% low CO2
- 23% renewables [2]

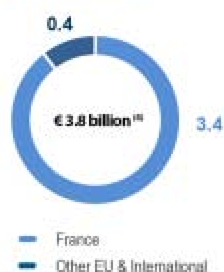
Capacity breakdown



GLOBAL NETWORKS

- European leader in gas infrastrucures
- 12 bcm storage capacity
- Objective green gas in France: 100% by 2050
- Expertise in power transmission & distribution (T&D)

EBITDA gas infrastructures



CUSTOMER SOLUTIONS

- 24 million customers worldwide
- Global leader in energy solutions for cities
- + 250 District Heating & Cooling networks worldwide

EBITDA by type of business

(1) At 31/12/2017, at 100%
(2) excl. pumped storage for hydro (3%)
(3) Incl. Storengy in France, regulated as from 01/01/2018
(4) 2017 EBITDA

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01 MANAGEMENT REPORT

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1 SUMMARY OF THE GROUP'S RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

Income statement and cash flow statement data for the six months to June 30, 2017 have been restated following the first time application of IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*, and the classification of the upstream liquefied natural gas (LNG) business as “Discontinued operations”. A reconciliation of the reported data with the restated comparative data is presented in Note 2 “Restatement of 2017 comparative data” to the interim condensed consolidated financial statements.

ENGIE delivered robust results and strong organic growth in first-half 2018, despite the unfavorable impact of unscheduled maintenance operations of Belgian nuclear power plants.

Revenues amounted to €30.2 billion in first-half 2018, up 0.1% on a reported basis and 0.8% on an organic basis compared to first-half 2017.
Reported revenue growth was affected by an adverse exchange rate, mainly due to the depreciation of the US dollar and Brazilian real against the euro, offset by an overall positive scope effect.
Organic revenue growth was mainly driven by a sharp increase in renewable power generation, mainly hydro power, in France and Brazil, and by the introduction of gas storage regulation in France. These impacts were partly offset in particular by the new accounting treatment of long-term gas supply contracts in Europe since the end of 2017, with no impact on EBITDA.

EBITDA amounted to €5.1 billion, up 1.3% on a reported basis and up sharply by 6.2% on an organic basis compared to first-half 2017.
Reported growth includes an adverse exchange rate effect, mainly due to the depreciation of the US dollar and Brazilian real against the euro. It also includes a slightly negative scope effect stemming chiefly from the sale of the Loy Yang B coal-fired power plant in Australia in early 2018 and of the thermal generation business in the United Kingdom and Poland in 2017, partly offset by two new hydro power station concessions acquired in Brazil in late 2017 and several acquisitions in 2017, including Tabreed, the leader in district cooling networks in the Middle East, and Keepmoat Regeneration, the leader in regeneration services for local authorities in the United Kingdom.
The strong organic EBITDA growth was mainly driven by revenue-related developments. The excellent performance from the energy management activities, due to favorable market conditions in Europe and to the impact of the change of management set up for some of GEM Business Unit’s long-term contracts, and the impacts of the Lean 2018 performance program, also contributed to this organic growth. These impacts more than offset the outages at the Belgian nuclear power plants during the period.

Current operating income after share in net income of entities accounted for using the equity method amounted to €3.1 billion, up 1.4% on a reported basis and 7.2% on an organic basis compared with first-half 2017, in line with EBITDA growth.

Net income Group share relating to continued operations amounted to €1.1 billion in first-half 2018, an improvement on the prior-year period. It includes the highly positive change in the fair value of hedges of commodity purchases and sales and the impact of lower restructuring provisions, partially offset by lower gains on disposals compared with first-half 2017 and by impairment losses during the period.

Net income Group share amounted to €0.9 billion compared with €1.2 billion in first-half 2017. It includes a loss of €0.2 billion related to the upstream LNG business classified as “Discontinued operations”.

Net recurring income Group share relating to continued operations amounted to €1.5 billion in first-half 2018, a sharp increase of 11.4% compared with the previous year, driven by the improvement in current operating income after share in net income of entities accounted for using the equity method, coupled with an improvement in the recurring effective tax rate.

Net recurring income Group share amounted to €1.5 billion, a slight improvement on the previous year.

Cash flow from operations (CFFO) amounted to €3.3 billion, down €0.6 billion compared with first-half 2017. The decrease stems chiefly from the return to a normal level of change in working capital (€1.2 billion negative impact), partly offset by an increase in generated operating cash flow [(1)], a reduction in the cost of debt and lower tax paid.

Net debt stood at €20.5 billion, down €2.0 billion compared with December 31, 2017. This variation is mainly due to (i) cash flow from operations (€3.3 billion), (ii) the impacts of the portfolio rotation program (€3.4 billion), including the closing of sale of the exploration-production business, the Loy Yang B coal-fired power plant in Australia and of the distribution business in Hungary, as well as the classification of Glow, a power plant operator in the Asia-Pacific region, as "Assets held for sale", (iii) to the net change in outstanding hybrid bonds (€0.4 billion), and to (iv) a slightly favourable exchange rate effect. These items were partially offset by (i) gross investments in the period (€3.6 billion), and (ii) dividends paid to ENGIE SA shareholders (€0.8 billion) and to non-controlling interests (€0.5 billion).

(1) Cash generated from operations before income tax and working capital requirements.

2 OUTLOOK

Confirmation of the 2018 [(1)] financial targets:

- **Net recurring income Group share between €2.45 and 2.65 billion**. This target is based on an estimated EBITDA between €9.3 and 9.7 billion;
- **Net financial debt / EBITDA ratio less than or equal to 2.5x** and a maintained **"A" category rating**;
- **Dividend of €0.75/share**, in cash, for fiscal year 2018.

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(1) These targets and indications exclude E&P and LNG contributions and assume average weather conditions in France, full pass through of supply costs in French regulated gas tariffs, unchanged significant Group accounting principles except for IFRS 9 & 15, no significant regulatory and macro-economic changes, commodity price assumptions based on market conditions as of December 31, 2017 for the non-hedged part of the production, and average foreign exchange rates as follows for 2018: €/$: 1.22; €/BRL: 3.89 and do not consider significant impacts on disposals not already announced at December 31, 2017. In addition, the confirmation of the 2018 guidance is based on the assumption of a restart of Belgian nuclear units according to the schedule published in REMIT as of today.

3 CONSOLIDATED REVENUES AND EARNINGS

In millions of euros	June 30, 2018	June 30, 2017 (1)	% change (reported basis)	% change (organic basis)
Revenues	**30,182**	**30,160**	**+0.1%**	**+0.8%**
EBITDA	**5,065**	**5,000**	**+1.3%**	**+6.2%**
Net depreciation and amortization/Other	(2,003)	(1,982)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**3,061**	**3,018**	**+1.4%**	**+7.2%**

(1) Comparative data at June 30, 2017 have been restated due to the first-time application of IFRS 9 and IFRS 15, and the classification of the upstream liquefied natural gas (LNG) business as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

Consolidated **revenues** for first-half 2018 amounted to €30.2 billion, up slightly compared with first-half 2017. On an organic basis (excluding changes in the scope of consolidation and foreign exchange impacts), revenues grew by 0.8%. Adjusted for the favorable trend in temperatures in France, which were colder than in 2017, organic growth was 0.6%.

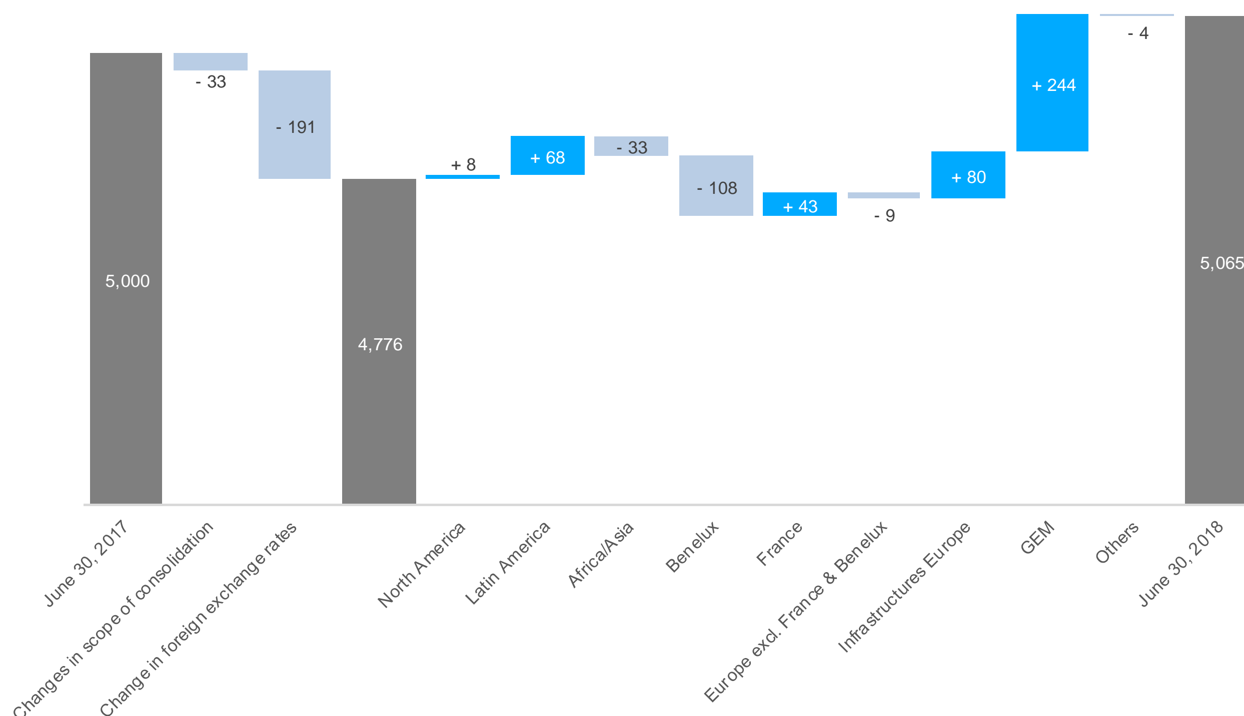
Exchange rates had a significant negative impact of €684 million on revenues, mainly reflecting the depreciation of the US dollar and the Brazilian real against the euro. Changes in the scope of consolidation (€481 million positive impact) mainly included the acquisition of Keepmoat Regeneration, a housing regeneration company in the United Kingdom (€385 million), MCI, a commercial and industrial refrigeration company in France (€92 million), and services company Talen in the United States, as well as two new hydro power concessions obtained in Brazil (€91 million). The impact of these acquisitions was partly offset by the disposal of the thermal generation business in the United Kingdom and Poland in 2017 (€306 million) and the Loy Yang B coal-fired power plant in Australia in early 2018 (€63 million).

The 0.8% organic revenue growth was mainly driven by a sharp increase in renewable power generation, mainly hydro power, in France and Brazil, the introduction of gas storage regulation in France, a rise in retail sales in Australia, and growth in the retail electricity market in France. These impacts were partly offset by the new accounting treatment of long-term gas supply contracts in Europe since the end of 2017 and, to a lesser extent, by a decrease in downstream BtoB gas sales in France, less favorable market conditions for thermal activities in Europe, and a decrease in nuclear power generation volumes in Belgium and in captured prices.

EBITDA increased by 1.3% to €5.1 billion over the period. Excluding the impact of changes in the scope of consolidation and exchange rates, EBITDA increased by 6.2%.

EBITDA TRENDS

In millions of euros



Reported EBITDA growth includes an adverse exchange rate effect (€191 million), mainly due to the depreciation of the US dollar and Brazilian real against the euro and a slightly negative scope effect (€33 million).

The scope effect stemmed chiefly from (i) the sale of the Loy Yang B coal-fired power plant in Australia in early 2018 (€84 million) and the thermal generation business in the United Kingdom and Poland in 2017 (€42 million), partly offset by (ii) two new hydro power station concessions obtained in Brazil in late 2017 and several acquisitions, including Tabreed, the leader in urban district networks in the Middle East, and Keepmoat Regeneration, the leader in regeneration services for local authorities in the United Kingdom in 2017.

On an organic basis, EBITDA was up 6.2% to €288 million, driven by (i) revenue-related developments (except for the change of accounting treatment for GEM contracts, which had no impact on EBITDA), (ii) an excellent performance from the energy management activities, due to favorable market conditions in Europe, (iii) the impact of the change in management set up for some of GEM Business Unit's long-term contracts, and (iv) the impacts of the Lean 2018 performance program.

Organic EBITDA performance varied by segment:

- **North America** delivered strong 9.0% growth, driven by a positive temperature effect in the United States on thermal generation activities and the contribution of the Holman solar farm in Texas commissioned in the second half of 2017;
- **Latin America** delivered strong 8.7% growth, driven mainly by an improvement in the contribution from hydro power generation in Brazil, by tariffs increasing in gas distribution in Mexico and Argentina and new long term power purchase agreements (PPA) in Chile, partly offset by the expiration of long-term PPAs in Peru at the end of 2017;

- **Africa/Asia** reported a sharp 6.2% decrease, mainly due to the unfavorable impacts linked to positive one-offs in 2017 related to the Fadhili contract in Saudi Arabia and to the resolution of disputes in the Middle East, as well as the closure of the Hazelwood coal-fired power plant in Australia in March 2017;

- **Benelux** reported a sharp 44.9% decrease, mainly due to lower volumes caused chiefly by prolonged outages at the Doel 3 and Tihange 3 power plants and also to a reduction in hedged power prices. These impacts were partially offset by higher volumes in the retail activities. ;

- **France** delivered 5.3% growth, driven primarily by a sharp increase in renewable hydro power generation, partly offset by a decrease in margins in the retail gas activities;

- **Europe excluding France & Benelux** reported a 2.5% decrease, due mainly to a drop in volumes and prices in the gas distribution in Romania and a reduction in hydro power margins in the United Kingdom;

- **Infrastructures Europe** delivered 4.2% growth, mainly due to the introduction of gas storage regulation in France on January 1, 2018, coupled with good performance from GRDF notably driven by a favorable temperature effect and by an accelerated deployment of gas smart meters;

- **GEM (Global Energy Management)** delivered very strong growth, this is mainly driven by excellent performance from the energy management activities in a favorable market environment compared to the first quarter of 2017 which had suffered supply difficulties in the south of France, and by the impact of the change of management set up for some long-term contracts;

- the **Other** segment reported a 5.3% decline, mainly due to a decrease in the contribution from thermal activities in Europe, having benefitted from exceptionally good market conditions in 2017, partly offset by cost savings under the Lean 2018 program.

Current operating income after share in net income of entities accounted for using the equity method amounted to €3.1 billion, up 1.4% on a reported basis and 7.2% on an organic basis compared with first-half 2017, in line with EBITDA growth.

4 REPORTABLE SEGMENT BUSINESS TRENDS

4.1 North America

In millions of euros	June 30, 2018	June 30, 2017	% change (reported basis)	% change (organic basis)
Revenues	1,539	1,460	+5.4%	+8.6%
EBITDA	102	100	+1.9%	+9.0%
Net depreciation and amortization/Other	(31)	(20)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	71	80	-11.7%	-4.7%

Revenues for the North America segment totaled €1,539 million, up 5.4% on a reported basis. The negative exchange rate effect was partly offset by net positive scope effects mainly arising from the acquisition of the Talen service activities in September 2017. On an organic basis, the 8.6% revenue increase was mainly driven by higher prices and volumes achieved by the LNG activity.

EBITDA totaled €102 million, up 9% on an organic basis. This growth is mainly attributable to the favorable impact of cold weather on residual thermal generation activities in the Northeast region of the United States in the first quarter of 2018 and to the commissioning of Holman solar assets in the second half of 2017.

Current operating income after share in net income of entities accounted for using the equity method amounted to €71 million, down 4.7% on an organic basis, the above-mentioned positive effects on EBITDA being more than offset by a one-off positive effect on net depreciation and amortization charges in 2017.

4.2 Latin America

In millions of euros	June 30, 2018	June 30, 2017	% change (reported basis)	% change (organic basis)
Revenues	2,173	2,233	-2.6%	+8.6%
EBITDA	924	920	+0.4%	+8.7%
Net depreciation and amortization/Other	(203)	(218)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	721	702	+2.8%	+9.6%

Revenues for the Latin America segment totaled €2,173 million, down 2.6% on a reported basis but up 8.6% organically. On a reported basis, revenues were negatively impacted by the strong depreciation of the Brazilian real (-17%) and the US dollar (-11%), these negative effects being only partly offset by the scope effect of the new hydro concessions in Brazil (Jaguara and Miranda) acquired at the end of 2017 and the organic revenue increase. In Brazil, organic growth was mainly driven by higher hydro sales in the spot market. In Mexico and Argentina, revenues benefited from the prices increases in gas distribution activities. In Chile, business was positively impacted by the start of new PPAs with distribution companies, while in Peru it was affected by the end of some high margin PPAs in 2017.

Electricity sales increased by 1.8 TWh to 30.3 TWh and gas sales decreased by 0.2 TWh to 14.4 TWh.

EBITDA totaled €924 million, up 8.7% on an organic basis, mainly due to the above change in revenues.

Current operating income after share in net income of entities accounted for using the equity method amounted to €721 million, up 9.6% on an organic basis in line with the change in EBITDA.

4.3 Africa/Asia

In millions of euros	June 30, 2018	June 30, 2017	% change (reported basis)	% change (organic basis)
Revenues	1,892	1,950	-3.0%	+4.5%
EBITDA	534	665	-19.8%	-6.2%
Net depreciation and amortization/Other	(73)	(119)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	460	545	-15.7%	-3.5%

Revenues for the Africa/Asia segment totaled €1,892 million, down 3.0% on a reported basis but up 4.5% organically. On a reported basis, revenues were impacted by the negative exchange rate effect relating to the US dollar and the Australian dollar. The net scope effect was not material, as the negative impact of the sale of the Loy Yang B coal-fired power plant in Australia in January 2018 was offset by the positive contribution of several acquisitions in Client Solutions in South Africa, Morocco, Ivory Coast, Uganda and Australia. The organic increase mainly reflects higher sales in retail activities in Australia and higher volumes of thermal contracted power generation in Thailand. These effects were partially offset by the impacts of the closure of the Hazelwood coal-fired power plant in Australia in March 2017 and lower volumes in thermal contracted power generation in Turkey.

Electricity sales decreased by 4.8 TWh to 17.4 TWh, with reduced volumes mostly due to the Hazelwood closure and the sale of Loy Yang B.

EBITDA totaled €534 million, down 19.8% on a reported basis and 6.2% organically. Reported EBITDA was negatively impacted by the foreign exchange effects mentioned above and by the sale of Loy Yang B, partly offset by the positive contribution from Tabreed (cooling networks) in the United Arab Emirates. The negative organic change was mainly driven by the impact of the positive one-offs in 2017 in the Middle East (impact of the Fadhili contract and positive settlement of claims), a lower contribution from Australian business following the closure of the Hazelwood coal-fired power plant, and a decline in retail market performance.

Current operating income after share in net income of entities accounted for using the equity method amounted to €460 million, down 3.5% on an organic basis primarily for the same reasons as those given above for EBITDA, but partly offset by lower net depreciation and amortization charges following the disposal and closure of thermal assets in Australia.

4.4 Benelux

In millions of euros	June 30, 2018	June 30, 2017	% change (reported basis)	% change (organic basis)
Revenues	3,405	3,490	-2.5%	-2.4%
EBITDA	133	242	-44.9%	-44.9%
Net depreciation and amortization/Other	(283)	(267)		
CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	(149)	(26)	NA	NA

Revenues for the Benelux segment amounted to €3,405 million, down 2.5% on a reported basis compared to first-half 2017. The decline stemmed mainly from the nuclear power generation business, which was affected by a decline in volumes due to longer outages in 2018 than 2017 (in particular, Doel 3 since September 22, 2017 and Tihange 3 since March 31, 2018) and by a decrease in captured prices. These negative impacts were partially offset by favorable volumes in the retail electricity market.

In Belgium and Luxembourg, electricity sales amounted to 15.2 TWh, representing a decrease of 3.2 TWh. In the Netherlands, electricity sales amounted to 5.3 TWh, representing an increase of 0.5 TWh.

Natural gas sales in Benelux totaled 30.1 TWh, representing an increase of 1.7 TWh compared with first-half 2017, due to a favorable climate effect and net customer gains.

EBITDA totaled €133 million, down 44.9% on an organic basis, due to the above-mentioned impacts on nuclear power generation activities.

Current operating income after share in net income/(loss) of entities accounted for using the equity method amounted to a negative €149 million, down €124 million compared with first-half 2017 in line with the change in EBITDA.

4.5 France

In millions of euros	June 30, 2018	June 30, 2017	% change (reported basis)	% change (organic basis)
Revenues	**7,813**	**7,265**	**+7.5%**	**+5.2%**
EBITDA	**858**	**820**	**+4.6%**	**+5.3%**
Net depreciation and amortization/Other	(306)	(293)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**553**	**527**	**+4.8%**	**+5.4%**

VOLUMES SOLD

In TWh	June 30, 2018	June 30, 2017	% change (reported basis)
Gas sales	54.6	56.2	-2.8%
Electricity sales	22.2	17.4	+27.2%

FRANCE CLIMATIC ADJUSTMENT

In TWh	June 30, 2018	June 30, 2017	Total change in TWh
Climate adjustment volumes (negative figure = warm climate, positive figure = cold climate)	1.0	0.5	+0.6

Revenues for the France segment totaled €7,813 million, up 7.5% on a reported basis and 5.2% on an organic basis. Reported growth includes the impact of the acquisition of several service companies in the BtoB segment (mainly MCI and Icomera). Organic growth was driven primarily by a sharp increase in renewable hydro power generation and growth in retail electricity sales.

Natural gas sales fell by 1.6 TWh following the loss of retail customers due to competitive pressure (down 2.2 TWh), partly offset by a favorable temperature effect (up 0.6 TWh). Electricity sales were up 4.8 TWh on first-half 2017 thanks to the continued development of retail offers (up 1.9 TWh) and growth in sales of hydro power (up 3.1 TWh), offset by a fall in France Networks (down 0.2 TWh).

EBITDA amounted to €858 million, up 5.3% on an organic basis, driven primarily by a sharp increase in hydro power generation, but partly offset by a fall in margins in the retail gas market.

Current operating income after share in net income of entities accounted for using the equity method amounted to €553 million, up 5.4% on an organic basis in line with the change in EBITDA.

4.6 Europe excluding France & Benelux

In millions of euros	June 30, 2018	June 30, 2017	% change (reported basis)	% change (organic basis)
Revenues	4,769	4,236	+12.6%	+4.7%
EBITDA	375	389	-3.7%	-2.5%
Net depreciation and amortization/Other	(97)	(100)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	279	289	-3.6%	-2.7%

Revenues for the Europe excluding France & Benelux segment amounted to €4,769 million, up 12.6% on a reported basis and 4.7% on an organic basis, driven mainly by Client Solutions. Reported growth includes a positive scope effect related to a major acquisition in the housing regeneration sector in the United Kingdom (Keepmoat Regeneration) in April 2017. The negative exchange rate effect was primarily due to the depreciation of the pound sterling, the Romanian leu and the Swiss franc. The 4.7% organic growth was driven by the start-up of the retail energy business in the United Kingdom in June 2017, a positive price effect in the gas and electricity retail business in Romania, and the development of services in Germany, Switzerland and Spain.

Electricity sales amounted to 14.3 TWh, representing a decrease of 0.2 TWh compared to first-half 2017. Gas sales were stable at 39.7 TWh.

EBITDA totaled €375 million, representing a decrease of 2.5% on an organic basis, due mainly to a drop in volumes and prices in the distribution business in Romania and a reduction in margins on electricity sales in the United Kingdom compared with first-half 2017.

Current operating income after share in net income of entities accounted for using the equity method amounted to €279 million, down 2.7% on an organic basis in line with the change in EBITDA.

4.7 Infrastructures Europe

In millions of euros	June 30, 2018	June 30, 2017	% change (reported basis)	% change (organic basis)
Revenues	3,054	2,872	+6.3%	+6.4%
Total revenues (incl. intra-group transactions)	**3,695**	**3,515**	**+5.1%**	
EBITDA	1,965	1,885	+4.2%	+4.2%
Net depreciation and amortization/Other	(726)	(710)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	1,239	1,175	+5.5%	+5.5%

Revenues amounted to €3,054 million, up 6.3% on 2017. Growth was driven mainly by the introduction of gas storage industry regulation in France on January 1, 2018, coupled with a significant increase in own account storage sales in the United Kingdom and a favorable temperature effect [(1)] on distribution infrastructure. It was partly offset by the negative impact of changes in distribution infrastructure access tariffs (2.05% decrease on July 1, 2017).

EBITDA increased 4.2% to €1,965 million, mainly due to the introduction of gas storage industry regulation in France and a good performance from GRDF driven by a favorable temperature effect.

Current operating income after share in net income of entities accounted for using the equity method amounted to €1,239 million for the period, an increase of 5.5% in line with EBITDA growth.

(1) A 2.8 TWh increase due to colder conditions in first-half 2018 and a 1.2 TWh increase in first-half 2017, representing an €11 million increase in revenues calculated at €7/MWh.

4.8 GEM

In millions of euros	June 30, 2018	June 30, 2017	% change (reported basis)	% change (organic basis)
Revenues	3,214	3,800	-15.4%	-15.0%
EBITDA	124	(120)	NA	NA
Net depreciation and amortization/Other	(20)	(20)		
CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	104	(140)	NA	NA

GEM's contribution to Group **revenues** for first-half 2018 amounted to €3,214 million, down 15% on an organic basis compared to the prior-year period, mainly due to the new accounting treatment for long-term gas supply contracts [(1)] since end-2017.

EBITDA amounted to €124 million, up sharply compared with the prior-year period, driven by an excellent performance from the energy management activities in favorable market conditions in 2018 (whereas the first quarter of 2017 had suffered supply difficulties in the south of France), coupled with the impact of the change of management model for certain long term contracts.

Current operating income after share in net income of entities accounted for using the equity method amounted to €104 million in first-half 2018, up on both a reported and an organic basis in line with the change in EBITDA.

4.9 Other

In millions of euros	June 30, 2018	June 30, 2017	% change (reported basis)	% change (organic basis)
Revenues	2,322	2,854	-18.7%	-8.9%
EBITDA	50	99	-49.3%	-5.3%
Net depreciation and amortization/Other	(266)	(234)		
CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	(215)	(135)	-59.4%	+28.5%

VOLUMES SOLD

In TWh	June 30, 2018	June 30, 2017	% change (reported basis)
Gas sales in France	22.0	25.0	-11.9%
Electricity sales in France	12.8	12.8	+0.0%

FRANCE CLIMATIC ADJUSTMENT

In TWh	June 30, 2018	June 30, 2017	Total change in TWh
Climate adjustment volumes (negative figure = warm climate, positive figure = cold climate)	0.3	0.1	+0.1

(1) Since October 1, 2017, these contracts have been managed individually based on market conditions rather than as part of a portfolio. As a result, fair value accounting is mostly applied. The segment's results therefore include the realized and unrealized gains and losses relating to these contracts, which are now measured at fair value through income and included in the net margin presented in revenues.

The Other segment mainly comprises the activities of the Generation Europe, Tractebel and GTT business units, the Entreprises & Collectivités activities, and the Group's holding and corporate activities, which notably include the entities centralizing the Group's financing requirements and the equity-accounted contribution of SUEZ.

Revenues amounted to €2,322 million, down 18.7% on a reported basis and 8.9% on an organic basis. The reported decrease mainly reflects the 2017 disposal of the thermal power generation business in the United Kingdom and Poland.

The organic decrease mainly reflects lower downstream gas sales in France and less favorable market conditions for power generation in Europe.

Gas sales fell by 3.0 TWh as a result of strong competitive pressure, despite a slightly positive climate effect. ENGIE's share of the market has fallen from 22% to 20% at end-June 2018.

Electricity sales totaled 17.7 TWh, representing a decrease of 6.8 TWh compared to first-half 2017. The decrease was mainly due to the disposal of thermal generation assets in the United Kingdom and Poland, and the end of the Rosen power station contract in Italy.

EBITDA totaled €50 million, down on both a reported and organic basis compared to first-half 2017, mainly due to a lower contribution from the thermal power generation business in Europe (first-half 2017 had enjoyed particularly favorable market conditions), partly offset by the impacts of the Lean 2018 performance program.

Current operating income/(loss) after share in net income of entities accounted for using the equity method amounted to a negative €215 million for the period, representing a decrease on both a reported and an organic basis in line with EBITDA.

5 OTHER INCOME STATEMENT ITEMS

In millions of euros	June 30, 2018	June 30, 2017 [(1)]	% change (reported basis)
Current operating income after share in net income of entities accounted for using the equity method	**3,061**	**3,018**	**+1.4%**
Mark to market on commodity contracts other than trading instruments	520	(600)	
Impairment losses	(752)	4	
Restructuring costs	(50)	(475)	
Changes in scope of consolidation	(102)	620	
Other non-recurring items	(13)	(39)	
Income/(loss) from operating activities	**2,665**	**2,528**	**+5.4%**
Net financial income/(loss)	(665)	(734)	
Income tax expense	(657)	(373)	
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS	**1,344**	**1,422**	
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**(119)**	**184**	
NET INCOME/(LOSS)	**1,225**	**1,606**	**-23.7%**
Net income/(loss) Group share	**938**	**1,205**	
of which Net income/(loss) relating to continued operations, Group share	*1,081*	*1,025*	
of which Net income/(loss) relating to discontinued operations, Group share	*(142)*	*180*	
Non-controlling interests	**287**	**401**	
of which Non-controlling interests relating to continued operations	*263*	*397*	
of which Non-controlling interests relating to discontinued operations	*24*	*4*	

(1) Comparative data at June 30, 2017 have been restated due to the first-time application of IFRS 9 and IFRS 15, and the classification of the upstream liquefied natural gas (LNG) business as “Discontinued operations” in March 2018 (see Note 2 “Restatement of 2017 comparative data”).

Income from operating activities amounted to €2,665 million in first-half 2018, compared to €2,528 million for first-half 2017. Apart from trends in current operating income after share in net income of entities accounted for using the equity method, the change stemmed mainly from (i) the positive impact of fair value adjustments to commodity hedges and (ii) lower restructuring costs, partly offset by (iii) impairment losses, and (iv) losses on asset disposals.

Income from operating activities was affected by:

- changes in the fair value of derivatives relating to operating items, which had a positive impact of €520 million on income from operating activities (reflecting the impact of transactions not eligible for hedge accounting), compared with a negative impact of €600 million in first-half 2017. The impact for the period results chiefly from positive overall price effects on these positions, partly offset by the net negative impact of unwinding positions with a positive market value at December 31, 2017;
- net impairment losses of €752 million compared with a net impairment reversal of €4 million in first-half 2017, mainly related to thermal power generation assets in Europe and Latin America (*see Note 6.1.2*);
- restructuring costs of €50 million (compared with €475 million in first-half 2017), mainly including costs related to plant closures;
- changes in scope of consolidation amounting to a negative €102 million, mainly comprising the loss on the sale of the Loy Yang B coal-fired power plant in Australia (*see Note 3.1.1*);
- other non-recurring items representing a loss of €13 million (versus a loss of €39 million in first-half 2017).

The improvement in **net financial income/(loss)** (net loss of €665 million in first-half 2018 compared with a net loss of €734 million for the same prior-year period) chiefly due to a reduction in the volume of average debt since June 30, 2017, as well as to the positive effects of debt financing transactions and active interest rate management performed by the Group.

The **income tax expense** for first-half 2018 amounted to €657 million (€373 million in first-half 2017). The effective tax rate amounted to 36.7% at June 30, 2018 compared with 22.9% at June 30, 2017. The increase in the effective tax rate was mainly due to significant tax-exempt capital gains in 2017 and disallowable impairment losses in 2018, despite the recognition of a deferred tax asset in Australia in 2018. The recurring effective tax rate amounted to 25.3% for first-half 2018 compared with 31.7% for first-half 2017.

Net income relating to continued operations attributable to non-controlling interests amounted to €263 million, compared with €397 million in first-half 2017. The decrease was mainly due to the variation in impairment losses, coupled with the sale of the Loy Yang B coal-fired power plant.

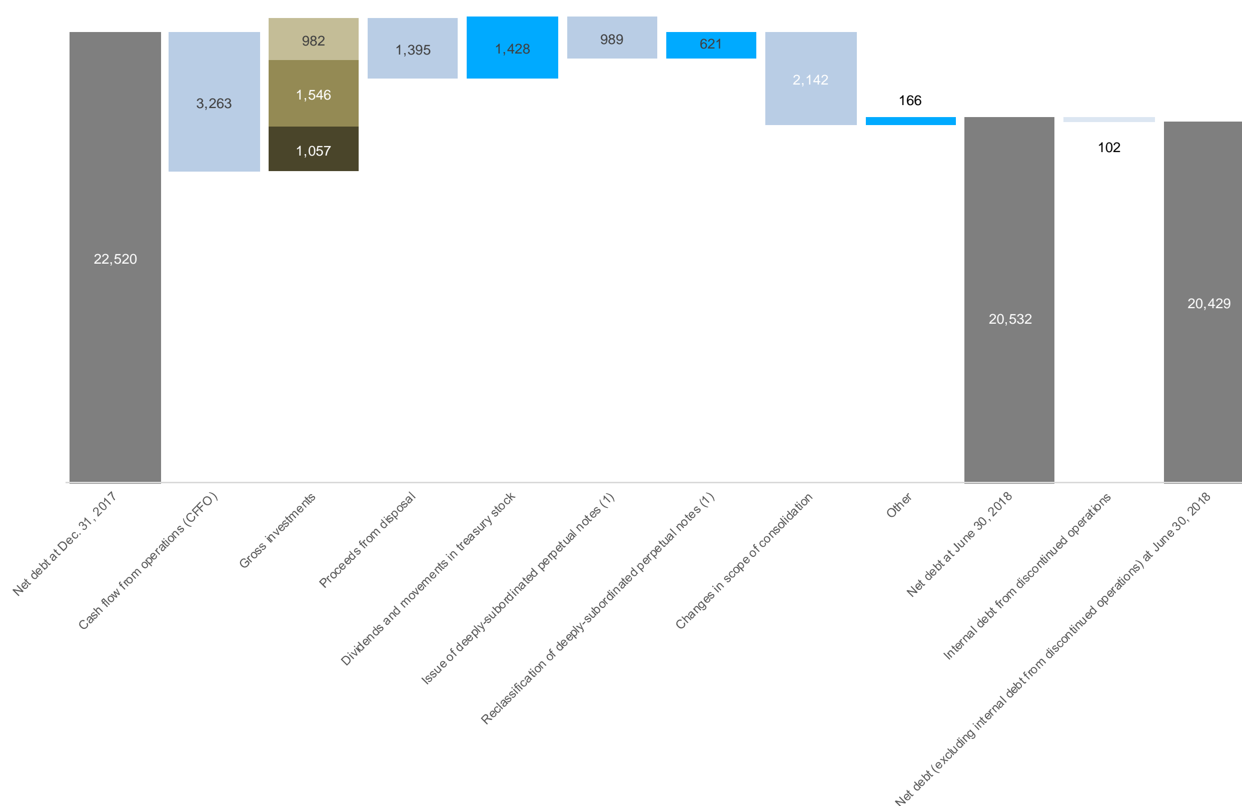
6 CHANGES IN NET DEBT

Net debt stood at €20.5 billion, down €2.0 billion compared with December 31, 2017. This variation is mainly due to (i) cash flow from operations (€3.3 billion), (ii) the impacts of the portfolio rotation program (€3.4 billion), including the closing of sale of the exploration-production business, the Loy Yang B coal-fired power plant in Australia and of the distribution business in Hungary, as well as the classification of Glow, a power plant operator in the Asia-Pacific region, as "Assets held for sale", (iii) to the net change in outstanding hybrid bonds (€0.4 billion), and to (iv) a slightly favourable exchange rate effect. These items were partially offset by (i) gross investments in the period (€3.6 billion), and (ii) dividends paid to ENGIE SA shareholders (€0.8 billion) and to non-controlling interests (€0.5 billion).

Net debt (excluding internal debt of discontinued operations) amounted to €20,429 million compared with €20,788 million at December 31, 2017.

Changes in net debt break down as follows:

In millions of euros



(1) *See Note 8.5 "Deeply subordinated notes".*

The net debt (excluding internal debt of discontinued operations) to EBITDA ratio came out at 2.21 at June 30, 2018.

In millions of euros	June 30, 2018	Dec. 31, 2017
Net debt (excluding internal debt from discontinued operations)	20,429	20,788
EBITDA (12-month rolling)	9,262	9,198
NET DEBT/EBITDA RATIO	**2.21**	**2.26**

The economic net debt (excluding internal debt of discontinued operations) to EBITDA ratio stood at 3.77 at June 30, 2018.

In millions of euros	June 30, 2018	Dec. 31, 2017
Economic net debt (excluding internal debt from discontinued operations)	34,927	35,124
EBITDA (12-month rolling)	9,262	9,198
ECONOMIC NET DEBT/EBITDA ration	**3.77**	**3.82**

6.1 Cash flow from operations

Cash flow from operations amounted to €3.3 billion, down €0.6 billion compared with first-half 2017. The decrease stems chiefly from the return to a normal level of change in working capital (€1.2 billion negative impact), partly offset by an increase in operating cash flow [(1)], a fall in the cost of debt and lower tax expense.

6.2 Net investments

Gross investments during the period amounted to €3,585 million and included:

- financial investments for €982 million, relating primarily to (i) the acquisition of renewable energy companies (wind and solar) and services companies (micro-power grid, heating and cooling network) in North America (€311 million), and wind power and service companies in Africa (€137 million), and (ii) a €136 million increase in Synatom investments;
- development investments totaling €1,546 million, including (i) €609 million invested in the Latin America segment to build thermal power plants and develop wind and photovoltaic farms in Brazil and Chile, (ii) €343 million invested in the Infrastructures Europe segment (blending projects and development of the natural gas transportation network in France), (iii) €245 million invested in the France segment (mainly in renewable projects), and (iv) €153 million invested in the North America segment (mainly to develop wind power projects);
- maintenance investments for an amount of €1,057 million.

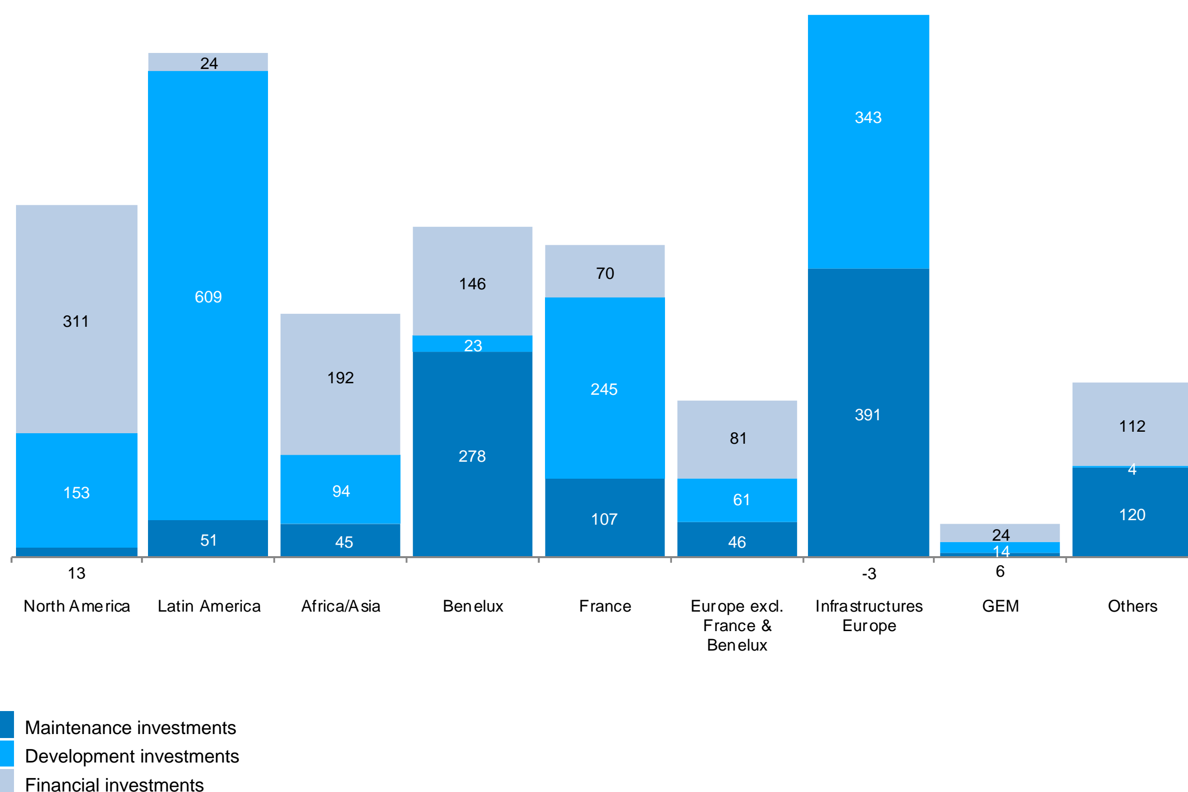
Disposals represented a cash inflow of €1,395 million and mainly included the Group's divestment of its 70% state in its subsidiary ENGIE E&P International (EPI), the Loy Yang B coal-fired power plant in Australia and the gas distribution business in Hungary.

Taking into account changes in the scope of consolidation for the period relating to acquisitions and disposals of subsidiaries (€2,142 million negative impact), the impact on net debt of investments net of proceeds from disposals amounted to €48 million.

(1) Cash generated from operations before income tax and working capital requirements.

Capital expenditure breaks down as follows by segment:

In millions of euros



6.3 Dividends and movements in treasury stock

Dividends and movements in treasury stock during the period amounted to €1,428 million and included:

- €847 million in dividends paid by ENGIE SA to its shareholders, consisting of the outstanding balance on the 2017 dividend paid in May 2018;
- dividends paid by various subsidiaries to their non-controlling shareholders in an amount of €492 million, the payment of interest on hybrid debt for €88 million, withholding tax and movements in treasury stock.

6.4 Net debt at June 30, 2018

Excluding amortized cost but including the impact of foreign currency derivatives, at June 30, 2018 a total of 79% of net debt was denominated in euros, 16% in US dollars and 5% in Brazilian real.

Including the impact of financial instruments, 84% of net debt is at fixed rates.

The average maturity of the Group's net debt is 11 years.

At June 30, 2018, the Group had total undrawn confirmed credit lines of €13 billion.

7 OTHER ITEMS IN THE STATEMENT OF FINANCIAL POSITION

In millions of euros	June 30, 2018	Dec. 31, 2017	Net change
Non-current assets	**90,909**	**92,412**	**(1,503)**
of which goodwill	*17,376*	*17,285*	*91*
of which property, plant and equipment and intangible assets, net	*55,047*	*57,566*	*(2,518)*
of which investments in entities accounted for using the equity method	*7,880*	*7,606*	*274*
Current assets	**60,373**	**57,728**	**2,645**
of which assets classified as held for sale	*4,280*	*6,687*	*(2,407)*
Total equity	**41,877**	**42,122**	**(245)**
Provisions	21,795	21,715	80
Borrowings	31,769	32,982	(1,213)
Other liabilities	55,840	53,320	2,520
of which liabilities directly associated with assets classified as held for sale	*2,670*	*3,371*	*(701)*

The carrying amount of **property, plant and equipment** and intangible assets was €55.0 billion, down €2.5 billion on December 31, 2017. The decrease arose primarily from the classification of the upstream liquefied natural gas (LNG) business as “Discontinued operations” and the interest in Thai company Glow as “Assets held for sale” (€2.2 billion negative impact) (*see Note 3.2*), depreciation and amortization charges (€1.9 billion negative impact), impairment losses on property, plant and equipment relating mainly to thermal power generation assets in Europe and Latin America (€0.7 billion negative impact), and translation adjustments (€0.3 billion negative impact), partially offset by capital expenditure during the period (€2.6 billion positive impact).

Goodwill remained stable at €17.4 billion.

Total equity amounted to €41.9 billion, a decrease of €0.2 billion compared to December 31, 2017. The decrease stemmed mainly from the payment of the cash dividend (€1.4 billion negative impact, including €0.8 billion of dividends paid by ENGIE SA to its shareholders and €0.6 billion paid to non-controlling interests) and other items of comprehensive income, partially offset by the net change in outstanding hybrid bonds (€0.4 billion positive impact).

Provisions amounted to €21.8 billion, stable compared with December 31, 2017.

Assets and liabilities presented in the statement of financial position at June 30, 2018 under “**Assets classified as held for sale**” and “**Liabilities directly associated with assets classified as held for sale**” relate to the Group’s upstream liquefied natural gas (LNG) business and to the interest in Thai company Glow *(see Note 3.2).*

8 RELATED PARTY TRANSACTIONS

Related party transactions are described in Note 24 to the 2017 consolidated financial statements and have not significantly changed in first-half 2018.

9 DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES FOR THE SECOND HALF OF 2018

The “Risk factors” section (Section 2) of the 2017 Registration Document provides a detailed description of the risk factors to which the Group is exposed.

Developments over the period in risks related to financial instruments and legal proceedings to which the Group is exposed are respectively set out in Note 9 and Note 11 to the interim condensed consolidated financial statements for the six months ended June 30, 2018.

The risks and uncertainties relating to the carrying amounts of goodwill, property, plant and equipment and intangible assets are presented in Note 7 to the interim condensed consolidated financial statements for the six months ended June 30, 2018 and in Note 12.2 to the 2017 consolidated financial statements.

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

02 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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INCOME STATEMENT

In millions of euros	Notes	June 30, 2018	June 30, 2017 (1)
Revenues from contracts with customers		27,998	26,832
Revenues from other contracts		2,184	3,328
REVENUES	**5.2**	**30,182**	**30,160**
Purchases		(15,632)	(16,125)
Personnel costs		(5,320)	(5,051)
Depreciation, amortization and provisions		(1,841)	(1,741)
Other operating expenses		(5,226)	(5,086)
Other operating income		690	691
CURRENT OPERATING INCOME		**2,852**	**2,849**
Share in net income of entities accounted for using the equity method	5.2	209	169
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**5.2**	**3,061**	**3,018**
Mark-to-market on commodity contracts other than trading instruments		520	(600)
Impairment losses		(752)	4
Restructuring costs		(50)	(475)
Changes in scope of consolidation		(102)	620
Other non-recurring items		(13)	(39)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**6.1**	**2,665**	**2,528**
Financial expenses		(1,038)	(1,106)
Financial income		373	372
NET FINANCIAL INCOME/(LOSS)	**6.2**	**(665)**	**(734)**
Income tax expense	6.3	(657)	(373)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS		**1,344**	**1,422**
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	3.2.2	**(119)**	**184**
NET INCOME/(LOSS)		**1,225**	**1,606**
Net income/(loss) Group share		**938**	**1,205**
of which Net income/(loss) relating to continued operations, Group share		*1,081*	*1,025*
of which Net income/(loss) relating to discontinued operations, Group share		*(142)*	*180*
Non-controlling interests		**287**	**401**
of which Non-controlling interests relating to continued operations		*263*	*397*
of which Non-controlling interests relating to discontinued operations		*24*	*4*
BASIC EARNINGS/(LOSS) PER SHARE (EUROS)		**0.36**	**0.47**
of which Basic earnings/(loss) relating to continued operations per share		*0.42*	*0.39*
of which Basic earnings/(loss) relating to discontinued operations per share		*(0.06)*	*0.08*
DILUTED EARNINGS/(LOSS) PER SHARE (EUROS)		**0.36**	**0.47**
of which Diluted earnings/(loss) relating to continued operations per share		*0.41*	*0.39*
of which Diluted earnings/(loss) relating to discontinued operations per share		*(0.06)*	*0.08*

(1) Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

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

STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	Notes	June 30, 2018	June 30, 2018 Owners of the parent	June 30, 2018 Non-controlling interests	June 30, 2017 [(1)]	June 30, 2017 Owners of the parent [(1)]	June 30, 2017 Non-controlling interests [(1)]
NET INCOME/(LOSS)		**1,225**	**938**	**287**	**1,606**	**1,205**	**401**
Equity instruments	8.1	38	38	-	(386)	(386)	-
Net investment hedges		34	34	-	262	262	-
Cash flow hedges (excl. commodity instruments)		(114)	(125)	11	295	281	14
Commodity cash flow hedges		64	63	1	5	(3)	7
Deferred tax on items above		33	34	(2)	(146)	(139)	(7)
Share of entities accounted for using the equity method in recyclable items, net of tax		148	148	-	(50)	(50)	-
Translation adjustments		(196)	(196)	1	(1,800)	(1,573)	(227)
Recyclable items relating to discontinued operations, net of tax		279	282	(3)	(4)	(1)	(3)
TOTAL RECYCLABLE ITEMS		**286**	**278**	**8**	**(1,824)**	**(1,609)**	**(215)**
Equity instruments	8.1	(2)	(2)	-	(5)	(5)	-
Actuarial gains and losses		(395)	(375)	(20)	97	82	16
Deferred tax on items above		108	96	13	(36)	(33)	(3)
Share of entities accounted for using the equity method in non-recyclable items from actuarial gains and losses, net of tax		3	1	2	22	22	-
Non-recyclable items relating to discontinued operations, net of tax		(4)	(2)	(2)	-	-	-
TOTAL NON-RECYCLABLE ITEMS		**(290)**	**(282)**	**(8)**	**78**	**65**	**13**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**1,221**	**934**	**287**	**(141)**	**(339)**	**198**

(1) Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

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

STATEMENT OF FINANCIAL POSITION

ASSETS

In millions of euros	Notes	June 30, 2018	Dec. 31, 2017 (1)	Jan. 1, 2017 (1)
Non-current assets				
Goodwill	7	17,376	17,285	17,372
Intangible assets, net	7	6,495	6,504	6,640
Property, plant and equipment, net	7	48,553	51,061	57,775
Other financial assets	8.1	5,689	5,586	5,243
Derivative instruments	8.1	3,625	2,949	3,603
Assets from contracts with customers	8.1	2	-	-
Investments in entities accounted for using the equity method		7,880	7,606	6,815
Other non-current assets		397	566	430
Deferred tax assets		892	854	1,297
TOTAL NON-CURRENT ASSETS		**90,909**	**92,412**	**99,175**
Current assets				
Other financial assets	8.1	2,483	2,010	1,746
Derivative instruments	8.1	13,657	7,378	9,047
Trade and other receivables, net	8.1	12,233	13,126	14,160
Assets from contracts with customers	8.1	7,047	6,930	6,529
Inventories		3,792	4,161	3,663
Other current assets		7,346	8,508	10,697
Cash and cash equivalents	8.1	9,535	8,929	9,810
Assets classified as held for sale	3.2	4,280	6,687	3,506
TOTAL CURRENT ASSETS		**60,373**	**57,728**	**59,157**
TOTAL ASSETS		**151,282**	**150,140**	**158,332**

(1) Comparative data at December 31, 2017 and at January 1, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 "Restatement of 2017 comparative data").

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

LIABILITIES

In millions of euros	Notes	June 30, 2018	Dec. 31, 2017 [1]	Jan. 1, 2017 [1]
Shareholders' equity		36,673	36,283	39,253
Non-controlling interests		5,204	5,840	5,784
TOTAL EQUITY		**41,877**	**42,122**	**45,037**
Non-current liabilities				
Provisions		18,947	18,434	19,466
Long-term borrowings	8.2	24,697	25,292	24,405
Derivative instruments	8.2	3,563	2,980	3,410
Other financial liabilities	8.2	31	32	200
Liabilities from contracts with customers	8.2	45	258	265
Other non-current liabilities		895	1,007	1,180
Deferred tax liabilities		5,251	5,215	6,782
TOTAL NON-CURRENT LIABILITIES		**53,427**	**53,218**	**55,709**
Current liabilities				
Provisions		2,848	3,281	2,693
Short-term borrowings	8.2	7,514	8,175	12,544
Derivative instruments	8.2	15,258	8,720	9,228
Trade and other payables	8.2	13,897	16,404	17,042
Liabilities from contracts with customers	8.2	3,181	3,317	2,545
Other current liabilities		10,611	11,530	13,233
Liabilities directly associated with assets classified as held for sale	3.2	2,670	3,371	300
TOTAL CURRENT LIABILITIES		**55,977**	**54,799**	**57,586**
TOTAL EQUITY AND LIABILITIES		**151,282**	**150,140**	**158,332**

(1) Comparative data at December 31, 2017 and at January 1, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 “Restatement of 2017 comparative data”).

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

STATEMENT OF 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, 2016	**2,435,285,011**	**2,435**	**32,506**	**1,967**	**3,273**	**(1,137)**	**1,296**	**(761)**	**39,578**	**5,870**	**45,447**
IFRS 9 & 15 impact (*see Note 2*)	-	-	-	(18)	-	(307)	-	-	(325)	(86)	(411)
EQUITY AT JANUARY 1, 2017 (1)	**2,435,285,011**	**2,435**	**32,506**	**1,949**	**3,273**	**(1,444)**	**1,296**	**(761)**	**39,253**	**5,784**	**45,037**
Net income/(loss)				1,205					1,205	401	1,606
Other comprehensive income/(loss)				65		78	(1,686)		(1,544)	(203)	(1,747)
TOTAL COMPREHENSIVE INCOME/(LOSS)				**1,270**	**-**	**78**	**(1,686)**	**-**	**(339)**	**198**	**(141)**
Employee share issues and share-based payment				18					18	-	18
Dividends paid in cash				(1,213)					(1,213)	(315)	(1,528)
Purchase/disposal of treasury stock				(19)				24	5	-	5
Coupons of deeply-subordinated perpetual notes					(85)				(85)	-	(85)
Transactions between owners				(3)					(3)	2	(1)
Transactions between owners within entities accounted for using the equity method				3					3		3
Share capital increases subscribed by non-controlling interests									-	48	48
Other changes				(2)					(2)	2	-
EQUITY AT JUNE 30, 2017 (1)	**2,435,285,011**	**2,435**	**32,506**	**2,003**	**3,188**	**(1,367)**	**(391)**	**(737)**	**37,638**	**5,719**	**43,356**

(1) Comparative data at January 1, 2017 June 30, 2017 and December 31,2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

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

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, 2017	**2,435,285,011**	**2,435**	**32,506**	**1,455**	**3,129**	**(915)**	**(1,088)**	**(883)**	**36,639**	**5,938**	**42,577**
IFRS 9 & 15 impact (*see Note 2*)	-	-	-	(122)	-	(270)	36	-	(357)	(99)	(455)
Reclassification of premiums and coupons relating deeply-subordinated perpetual notes [1]	-	-	-	(570)	570	-	-	-	-	-	-
EQUITY AT JANUARY 1, 2018 [2]	**2,435,285,011**	**2,435**	**32,506**	**763**	**3,699**	**(1,184)**	**(1,053)**	**(883)**	**36,282**	**5,840**	**42,122**
Net income/(loss)				938					938	287	1,225
Other comprehensive income/(loss)				(282)		382	(104)		(4)	-	(4)
TOTAL COMPREHENSIVE INCOME/(LOSS)				**656**	**-**	**382**	**(104)**	**-**	**934**	**287**	**1,221**
Employee share issues and share-based payment				45					45	-	45
Dividends paid in cash [3]				(847)					(847)	(587)	(1,434)
Purchase/disposal of treasury stock				(103)				102	(1)	-	(1)
Deeply-subordinated perpetual notes [1]				(11)	1,000				989	-	989
Reclassification under debt of deeply-subordinated perpetual notes [1]				(21)	(600)				(621)	-	(621)
Interests on deeply-subordinated perpetual notes				(88)	-				(88)	-	(88)
Transactions between owners				(25)					(25)	14	(10)
Transactions with impact on non-controlling interests [4]				-					-	(360)	-
Share capital increases and decreases subscribed by non-controlling interests									-	14	14
Other changes				6	-	(1)			5	(4)	1
EQUITY AT JUNE 30, 2018	**2,435,285,011**	**2,435**	**32,506**	**374**	**4,099**	**(803)**	**(1,157)**	**(780)**	**36,673**	**5,204**	**41,877**

(1) For clarity's sake, it has been decided to present deeply-subordinated perpetual notes for their nominal value instead of their net value (premiums and coupons deducted). This reclassification has no impact on equity. Transactions for the period are presented in Note 8.5 "Deeply-subordinated perpetual notes".

(2) Comparative data at January 1, 2017, June 30, 2017 and December 31, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

(3) On May 18, 2018, the Shareholders' Meeting resolved that a €0.70 dividend per share would be paid for 2017.
In accordance with Article 26.2 of the bylaws, a 10% bonus loyalty dividend of €0.07 per share, has been awarded to shares registered (whether in a direct or an administered account) continuously for at least two years at December 31, 2017 until the payment date of the dividend. The loyalty dividend will be capped at 0.5% of the share capital for each eligible shareholder.
An interim dividend of €0.35 per share was paid in cash on October 13, 2017 (total of €836 million) and on May 24, 2018, the Group settled in cash (total of €847 million) the balance of €0.35 per share for shares with rights to ordinary dividends, as well as the balance of €0.42 per share for shares eligible for the loyalty bonus.

(4) Mainly relating to the deconsolidation of the ENGIE E&P International following its disposal (see Note 3.1.2).

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, 2018	June 30, 2017 [1]
NET INCOME/(LOSS)		**1,225**	**1,606**
- Net income/(loss) relating to discontinued operations		(119)	184
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS		**1,344**	**1,422**
- Share in net income of entities accounted for using the equity method		(209)	(169)
+ Dividends received from entities accounted for using the equity method		304	276
- Net depreciation, amortization, impairment and provisions		2,360	1,804
- Impact of changes in scope of consolidation and other non-recurring items		110	(616)
- Mark-to-market on commodity contracts other than trading instruments		(520)	600
- Other items with no cash impact		54	18
- Income tax expense		657	373
- Net financial income/(loss)		661	620
Cash generated from operations before income tax and working capital requirements	**4.4**	**4,760**	**4,326**
+ Tax paid	4.4	(291)	(569)
Change in working capital requirements	**4.4**	**(968)**	**279**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO CONTINUED OPERATIONS		**3,501**	**4,036**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS		**82**	**(26)**
CASH FLOW FROM OPERATING ACTIVITIES		**3,583**	**4,010**
Acquisitions of property, plant and equipment and intangible assets	4.5	(2,603)	(2,285)
Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired	4.5	(432)	(574)
Acquisitions of investments in entities accounted for using the equity method and joint operations	4.5	(133)	(483)
Acquisitions of equity and debt instruments	4.5	(279)	(164)
Disposals of property, plant and equipment, and intangible assets		80	30
Loss of controlling interests in entities, net of cash and cash equivalents sold		791	3,308
Disposals of investments in entities accounted for using the equity method and joint operations		2	118
Disposals of equity and debt instruments		44	33
Interest received on financial assets	4.4	15	(19)
Dividends received on equity instruments	4.4	40	144
Change in loans and receivables originated by the Group and other	4.5	(88)	(57)
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO CONTINUED OPERATIONS		**(2,562)**	**50**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS		**(155)**	**67**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		**(2,717)**	**117**
Dividends paid [2]		(1,428)	(1,622)
Repayment of borrowings and debt		(4,348)	(2,447)
Change in financial assets held for investment and financing purposes	4.4	(190)	(306)
Interest paid	4.4	(342)	(422)
Interest received on cash and cash equivalents	4.4	35	53
Cash flow on derivatives qualifying as net investment hedges and compensation payments on derivatives and on early buyback of borrowings		(111)	(226)
Increase in borrowings		4,225	2,231
Increase/decrease in capital		15	48
Hybrid issue of perpetual subordinated notes		989	-
Purchase and/or sale of treasury stock		(1)	5
Changes in ownership interests in controlled entities	4.5	(13)	(220)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO CONTINUED OPERATIONS		**(1,168)**	**(2,906)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS		**1,020**	**5**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		**(148)**	**(2,901)**
Effects of changes in exchange rates and other relating to continued operations		(109)	(127)
Effects of changes in exchange rates and other relating to discontinued operations		(1)	37
TOTAL CASH FLOW FOR THE PERIOD		**607**	**1,136**
Reclassification of cash and cash equivalents relating to discontinued operations		(1)	(21)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**8,929**	**9,813**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**9,535**	**10,927**

(1) *Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").*

(2) *The line "Dividends paid" includes the coupons paid to the owners of the deeply-subordinated perpetual notes for an amount of €88 million for the six months ended June 30, 2018 (€88 million for the six months ended June 30, 2017).*

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 26, 2018, 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, 2018.

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, 2018 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, 2017, 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, 2017, apart from the following developments of IFRS presented in 1.1.1.

1.1.1 IFRS standards, amendments or IFRIC interpretations applicable in 2018

- **IFRS 9 – *Financial Instruments.***

  In July 2014, the IASB launched a new standard on financial instruments. IFRS 9 encompasses the following three main phases:

  - **Classification and measurement of financial assets and liabilities**

    Under the new standard, financial assets are to be classified on the basis of their nature, their contractual cash-flow characteristics and their related business model.

  - **Impairment**

    IFRS 9 sets out the principles and guidance to apply in order to measure and recognize the expected credit losses of financial assets, loan commitments and financial guarantees.

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(1) Available on the European Commission's website:
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32002R1606&from=EN

- **Hedge accounting**

  The new standard aims to better align hedge accounting with risk management by establishing a risk management principles-based approach.

The Group has applied IFRS 9, in its entirety, since January 1, 2018 and has elected to restate the comparative information for the 2017 financial year.

With regard to the classification and measurement of equity instruments that are not held for trading, the Group has elected to recognize them at fair value through income or through other comprehensive income, depending on the strategic and long-term nature of these investments.

The impairment model for financial assets under IFRS 9 is based on the expected credit losses model. For trade receivables and contract assets with no significant financing component, the Group has adopted a provisioning matrix approach to calculate the expected credit loss. This approach mainly concerns claims on private and business customers. The "three-stage" approach has been used for trade receivables and contract assets with a significant financing component.

In accordance with the transition principles of IFRS 9, the new standard is applied retrospectively for the classification and measurement of financial assets and liabilities as well as for impairment losses, and prospectively for hedge accounting with the exception of the provisions relating to the recognition of the time value of derivative instruments. For these, as from January 1, 2017, the Group has decided to recognize changes in the fair value of the time component in other comprehensive income, for hedging relationships in which only the ‘spot’ element had previously been designated as hedging instrument.

The impacts of the application of this standard on the Group's consolidated financial statements are presented in Note 2 "Restatement of 2017 comparative information".

- **IFRS 15 – *Revenue from Contracts with Customers.***

In May 2014, the IASB issued a new standard on revenue recognition. Under IFRS 15, revenue is recognized when the customer obtains control of goods or services promised in the contract, for the amount of consideration to which an entity expects to be entitled in exchange for said promised goods or services.

IFRS 15 is mandatorily applicable as from January 1, 2018. The first-time application has been implemented under the full retrospective method requiring comparative information to be restated at the date of initial application. In addition, ENGIE has decided to apply the practical expedients provided for by the standard regarding completed contracts or contracts modified as at January 1, 2017.

The Group inventoried the main following categories of sales contracts:

- **Revenues from contracts with customers (IFRS 15 revenues)**

  The IFRS 15 revenues concern the following items:

  - *Gas*

    Related gas sales contracts revenue is recognized upon delivery of the molecule to the client, whether it be an individual, business or industrial client.

  - *Electricity and other energies*

    As for gas, related electricity sales contracts revenue is recognized upon delivery of the power to the client.

- *Gas, electricity and other energies infrastructure*

  Revenue derived by gas and electricity infrastructure managers upon providing transmission or distribution or storage capacities, is recognized on a straight-line basis over the contract term.

  In the countries where the Group acts as an energy provider without being in charge of its distribution or its transmission, an analysis of the energy sales contracts and the related regulatory environment is carried out to determine whether the distribution or transmission services invoiced to the clients have to be excluded from the revenue recognized under IFRS 15.

  Judgment may be required for this analysis in order for the Group to determine whether the energy provider acts as an agent or a principal for the gas or electricity distribution or transmission services re-invoiced to the clients. When exercising its judgment and concluding, in certain countries, that the energy provider acts as an agent for the infrastructure manager, the main criteria used by the Group are: who bears the primary responsibility for the distribution or transmission services? Has the energy provider the ability to commit to capacity reservation contracts towards the infrastructure manager? To what extent does the energy provider set out the price of the distribution or transmission services?

- *Constructions, installations, Operations and Maintenance (O&M), facility management (FM) and other services*

  Constructions and installations contracts mainly concern assets built on the premises of the clients such as cogeneration units, heaters or other energy-efficiency assets. The related revenue is usually recognized according to the percentage of completion on the basis of the costs incurred.

  O&M contracts generally require the Group to perform services ensuring the availability of assets generating energy. These services are performed over time and the related revenue is recognized according to the percentage of completion on the basis of the costs incurred.

  FM generally involves managing and integrating a great variety of services differing in nature, outsourced by the clients. The consideration due to FM suppliers can either be of a fixed amount or depend on the number of hours or on another indicator, irrespective of the nature of the services provided. Hence, the related revenue is recognized according to the percentage of completion on the basis of the costs incurred or the number of hours performed.

– **Revenues from other contracts (non-IFRS 15 revenues)**

Revenues related to operations which are not in the scope of IFRS 15 are shown on a separate line of the income statement. They include the following items:

- commodity sales transactions which are in the scope of IFRS 9 – *Financial Instruments* and provide for a physical delivery;
- energy trading operations for own use or not, shown on a net basis after offsetting of purchases and sales;
- leases or concession income, as well as any financing component of operational services.

The impacts of the application of this standard on the Group's consolidated financial statements are presented in Note 2 "Restatement of 2017 comparative information".

The other amendments and interpretations applicable as from 2018 have no significant impact on the Group’s consolidated financial statements.

- Amendments to IFRS 2 – *Share-based payments: Classification and measurement of share-based payments transactions.*
- IFRIC 22 – *Foreign Currency Transactions and Advance Consideration.*

- Annual improvements to IFRSs - 2014-2016 cycle [1].

1.1.2 IFRS standards, amendments or IFRIC interpretations applicable after 2018 that the Group has elected not to early adopt

- IFRS 16 – *Leases*.

  In January 2016, the IASB has issued a new standard on leases. Under the new standard, all lease commitments will be recognized on the face of the statement of financial position, without distinguishing between operating leases and finance leases.

  Further to the stage of identifying leases throughout the Group, the analyses under the new standard were carried out (identifying a lease, assessing the term of the lease, measuring and determining the discount rates, etc.) This stage has been extended so that new leases are identified on an ongoing basis.

  The impact of the transition is being analyzed going on under the modified retrospective approach. How the standard will be precisely applied at the transition date, as at January 1, 2019, is being finalized.

  The IFRS 16-compliant management IT tool able to deal with processing a large number of leases, is being deployed throughout the Group.

  The main impact we expect on the consolidated financial statements is an increase in the “right-of-use” assets on the asset side and an increase in the lease liabilities on the liabilities side, regarding leases for which the Group acts as a lessee and which are currently classified as “operating leases”. They mainly concern real estate and vehicles. Commitments relating to these contracts are shown in off-balance sheet commitments in the consolidated financial statements for the year ended December 31, 2017 (*see Note 21)*.

  In the consolidated income statement, the reversal of the rental expenses of these “operating leases” will lead to an increase in EBITDA and in depreciation and financial expenses.

- IFRIC 23 – *Uncertainty over Income Tax Treatments* [2].
- IFRS 17 – *Insurance Contracts* [2].
- Amendments to IFRS 9 – *Financial Instruments*: Prepayment features with negative compensation [2].
- Amendments to IAS 28 – *Investments in Associates and Joint Ventures*: Long-term Interests in Associates and Joint Ventures [2].
- Annual improvements to IFRSs - 2015-2017 cycle [2].
- Amendments to IAS 19 – *Employee Benefits*: Plan Amendment, Curtailment or Settlement [2].

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

1.2 Use of estimates and judgment

The developments of the economic and financial environment have 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

(1) The improvements of this cycle applicable as from 2018 are those relating to IFRS 1 and IAS 28, the improvement concerning IFRS 12 was applicable in 2017.
(2) These standards, amendments or interpretations have not yet been adopted by the European Union.

tests. The Group's estimates used in business plans and the determination of discount rates used in impairment tests and for calculating provisions take into account the environment and the important market volatility.

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

1.2.1 Estimates

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

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

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

- measurement at fair value of assets acquired and liabilities assumed in a business combination;
- measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets;
- measurement of provisions, particularly for back-end nuclear fuel cycle, dismantling obligations, disputes, pensions and other employee benefits;
- financial instruments;
- 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, 2017.

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 the revenue related to the distribution or transmission services invoiced to clients as well as the identification of "own use contracts" as defined by IFRS 9 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 even more by changes in climatic conditions than by seasonality. Consequently, the interim results for the six months ended June 30, 2018 are not necessarily indicative of those that may be expected for full-year 2018.

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 RESTATEMENT OF 2017 COMPARATIVE DATA

The previously financial statements published presented hereafter have been restated to take into account:

- impacts resulting from the application of the new standards IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*; and
- the presentation in the financial statements for the six months ended June 30, 2017 of liquefied natural gas (LNG) upstream activities held for sale, as discontinued operations, as they represent a separate major line of business under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

It should be noted that the exploration-production activities (ENGIE E&P International) were already classified as discontinued operations in the interim condensed consolidated financial statements for the six months ended June 30, 2017.

2.1 Impacts of applying IFRS 9 and IFRS 15 to the comparative 2017 financial statements

2.1.1 Impacts on the statement of financial position at December 31, 2017

2.1.1.1 Summary of the main impacts

In millions of euros	Dec. 31, 2017 reclassified	IFRS 9 impacts	IFRS 15 impacts	Dec. 31, 2017 restated
Other financial assets	7,632	(35)	-	7,596
Investments in entities accounted for using the equity method	7,702	(79)	(16)	7,606
Trade and other receivables, net	13,247	(126)	4	13,126
Assets from contracts with customers	6,946	(16)	-	6,930
Other current and non-current assets	114,761	37	83	114,882
TOTAL ASSETS	**150,287**	**(217)**	**70**	**150,140**
Shareholders' equity	36,639	(224)	(132)	36,283
Non-controlling interests	5,938	(11)	(87)	5,840
TOTAL EQUITY	**42,577**	**(235)**	**(219)**	**42,122**
Provisions	21,720	3	(8)	21,715
Liabilities from contracts with customers	3,278	-	298	3,575
Other current and non-current liabilities	82,712	15	(1)	82,727
TOTAL EQUITY AND LIABILITIES	**150,287**	**(217)**	**70**	**150,140**

2.1.1.2 Reclassification made to adapt the presentation of the statement of financial position to the application of the two new standards

The main impacts concern, for IFRS 9, the reclassification of financial assets which were previously classified as "Available-for-sale securities" and measured at fair value through other comprehensive income, and, for IFRS 15, the separate presentation of contract assets and contract liabilities.

In millions of euros	Dec. 31, 2017 published										Dec. 31, 2017 reclassified
Available-for-sale securities	2,656	(2,656)									-
Loans and receivables at amortized cost	3,576		(3,576)								-
Other financial assets	-	2,656	3,576	85	(293)				1,608			7,632
Equity instruments at fair value through other comprehensive income	-	*745*									*745*
Equity instruments at fair value through income	-	*379*									*379*
Debt instruments at fair value through other comprehensive income	-	*882*						*901*			*1,783*
Debt instruments at fair value through income	-	*650*						*213*			*863*
Loans and receivables at amortized cost	-		*3,576*	*85*	*(293)*				*494*			*3,861*
Investments in entities accounted for using the equity method	7,409				293						7,702
Other current and non-current assets	9,059					22					9,081
Trade and other receivables, net	20,311			(74)			(46)	(6,951)			7	13,247
Assets from contracts with customers	-			(4)				6,951				6,947
Financial assets at fair value through income	1,608								(1,608)			-
Cash and cash equivalents	8,931			(7)								8,924
Provisions	21,768						(48)					21,720
Trade and other payables	16,432									(7)	(18)	16,408
Liabilities from contracts with customers	-						2			3,276		3,278
Other current and non-current liabilities	15,765					22				(3,269)	25	12,542

2.1.1.3 IFRS 9 – *Financial Instruments*: impacts on the statement of financial position at December 31, 2017

The main impacts of the first-time application of IFRS 9 on the statement of financial position are summarized below for each of the three phases of the new standard.

- **Classification and measurement of financial assets and liabilities**
  IFRS 9 requires financial assets to be classified and measured on the basis of their nature, their contractual cash flow characteristics and their business model. The new standard does not significantly change how financial liabilities are classified and measured.
  For the Group, the main impact concerns the reclassification of financial assets which were previously presented as "Available-for-sale securities" and measured at fair value through other comprehensive income. A summary of the reclassifications is shown in the table above (*see Note 2.1.1.2*).

- **Impairment**
  IFRS 9 rules regarding impairment require the recognition of expected credit losses on initial recognition of the receivables, or as from the time when loans are granted or financial guarantees given.
  The first-time application of IFRS 9 resulted in an increase in impairments. The increase mainly concerns trade receivables and assets from contracts with customers (increase in impairment of €134 million at end-2017 out of

a total gross amount of €21 billion), as well as long-term receivables (increase in impairment of €26 million at end-2017 out of a total gross amount of €4 billion).

The impacts of changes in impairment following the first-time application of IFRS 9 are summarized in the table below.

En millions d'euros	Dec. 31, 2017 reclassified	IFRS 9 impacts	Dec. 31, 2017 restated without IFRS 15 impacts
Other financial assets	7,632	(35)	7,596
Equity instruments at fair value through other comprehensive income	**745**	**(12)**	**733**
Gross	*578*	*(3)*	*575*
Fair value	*167*	*(9)*	*158*
Equity instruments at fair value through income	**379**	**14**	**393**
Gross	*466*	*(2)*	*464*
Fair value	*(87)*	*16*	*(71)*
Debt instruments at fair value through other comprehensive income	**1,783**	**3**	**1,786**
Gross	*1,741*	*-*	*1,741*
Fair value	*42*	*4*	*46*
Debt instruments at fair value through income	**863**	**(6)**	**857**
Gross	*908*	*(2)*	*906*
Fair value	*(46)*	*(3)*	*(49)*
Loans and receivables at amortized cost	**3,861**	**(35)**	**3,826**
Gross	*4,084*	*(8)*	*4,076*
Fair value	*19*	*-*	*19*
Impairment	*(242)*	*(26)*	*(269)*
Trade and other receivables	13,247	(126)	13,122
Gross	*14,221*	*-*	*14,221*
Impairment	*(973)*	*(126)*	*(1,099)*
Assets from contracts with customers	6,946	(16)	6,930
Gross	*6,950*	*(8)*	*6,943*
Impairment	*(4)*	*(8)*	*(12)*

- **Hedge accounting**
  The new standard aims to better align hedge accounting with risk management, without substantially changing hedge accounting principles.
  The Group, which applies hedge accounting primarily to hedge net debt risk, did not observe any material impact of the transition in this respect.

For the three phases, the first-time application of IFRS 9 had a total negative €235 million impact on consolidated equity at December 31, 2017 (including a negative €79 million impact on the measurement of the share in net assets of companies accounted for using the equity method).

2.1.1.4 IFRS 15 – *Revenue from Contracts with Customers*: impacts on the statement of financial position at December 31, 2017

The main impacts of the first-time application of IFRS 15 on the Group's statement of financial position concern:

- the separate presentation of contract assets and contract liabilities, which results in certain trade receivables being reclassified as contract assets and certain other current liabilities as contract liabilities (see summary table of reclassifications in section 2.1.1.2 above);
- the measurement of revenue to be recognized, for which more explicit rules are set in the new standard, notably depending on how the performance obligations identified are satisfied, and has modified the timing of revenue recognition and margin profile for certain contracts.
  This mainly affects contracts for the operation and maintenance of power plants or the provision of production capacities, with a potential increase in contract liabilities reflecting the delay between the price received and the completion of the services.
  As a consequence, applying IFRS 15 had a negative €219 million impact on equity at December 31, 2017 whereas the impact on the rhythm of revenue recognition in the income statement for these contracts is not material, given their term.

2.1.2 Impacts on the first-half 2017 income statement

2.1.2.1 Summary of the main impacts

In millions of euros	June 30, 2017 published	IFRS 9 impacts	IFRS 15 impacts	June 30, 2017 restated excluding IFRS 5 impacts relating to LNG
Revenues from contracts with customers	32,726	-	(5,228)	27,499
Revenues from other contracts	372	-	2,977	3,349
REVENUES	**33,098**	**-**	**(2,251)**	**30,848**
Purchases	(18,898)	-	2,151	(16,747)
Other operating income and expenses	(4,496)	3	80	(4,413)
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**3,036**	**15**	**(17)**	**3,033**
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**2,698**	**3**	**(17)**	**2,684**
NET FINANCIAL INCOME/(LOSS)	**(626)**	**(110)**	**(5)**	**(742)**
Income tax expense	(366)	29	5	(333)
NET INCOME/(LOSS)	**1,703**	**(79)**	**(18)**	**1,606**

2.1.2.2 IFRS 9 – *Financial Instruments*: impacts on the first-half 2017 income statement

The impact of the application of IFRS 9 on net income Group share amounted to a negative €79 million (negative €108 million before tax) in first half 2017.

The impact on net income was primarily due to a one-off transition effect resulting from the application of IFRS 9, paragraph 7.2.1, which requires assets that were derecognized in 2017, particularly trade receivables, to continue to be accounted for under IAS 39 rather than IFRS 9. As a result, the recognition of expected credit losses on the initial recognition of new receivables (mainly trade receivables) in 2017 had a one-off negative impact of €113 million on gross income for the period, presented in non-recurring income.

It should be noted that after transition, recurring income may be impacted primarily by significant changes in the credit rating of our counterparties, for example in the event of a financial crisis.

2.1.2.3 IFRS 15 – *Revenue from Contracts with Customers*: impacts on the first-half 2017 income statement

The main impacts on the Group's consolidated revenues are related to presentation. The impact of the new standard on current operating income is not material.

The three main issues concerning the Group are presented below. The first two are related to presentation and have no impact on the Group's current operating income:

- in certain countries where the Group acts as energy provider without being in charge of energy distribution, the analysis under IFRS 15 may lead to recognizing only energy sales as revenue. In some situations, the accounting treatment under IFRS 15 leads to a decrease in revenue corresponding to the distribution part, however without any impact on the energy margin, since the related expenses are decreased accordingly. In first-half 2017, the related revenue restatement amounted to a negative €1,745 million, with operating expenses decreasing by the same amount.
  The countries that are most concerned are Belgium (for the distribution of gas and electricity as well as for the transportation of electricity) and France (for the distribution of electricity). Even if there is no impact at Group level for gas in France, there is an impact on the revenue breakdown per reportable segment: under IFRS 15, the revenue on gas distribution is no longer recognized by the provider (in the France reportable segment) but by the distributor (in the Europe Infrastructures reportable segment). At June 30, 2017, this revenue amounted to €1,086 million;

- commodities sales transactions which are within the scope of IFRS 9 – *Financial Instruments*, are outside the scope of IFRS 15. The sales under the related contracts that result in a physical delivery are therefore presented on a line separate from "Revenues from contracts with customers". At June 30, 2017, these sales amounted to €2,977 million;
- the new standard has modified the timing of revenue recognition for certain types of activities, as described in Note 1 "Accounting standards and methods". However, this did not have a material impact on income in first half 2017.

2.2 Classification of upstream liquefied natural gas (LNG) activities as "Discontinued operations"

The Group has initiated the disposal of its upstream liquefied natural gas (LNG) activities (*see Note 3.2.1 "Disposal of ENGIE's liquefied natural gas (LNG) activities"*).

In accordance with IFRS 5, the upstream LNG activities are presented as "discontinued operations" in the first-half 2017 income statement, statement of comprehensive income and statement of cash flows. Their contribution is identified separately from other assets and liabilities in the statement of financial position at June 30, 2018 under "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale", with no retroactive effect on 2017.

Other assets held for sale at June 30, 2018 (Glow) do not meet the definition of "Discontinued operations" and therefore have not been restated.

2.3 2017 comparative financial statements

2.3.1 Income statement for first-half 2017

In millions of euros	June 30, 2017 published	IFRS 9 impacts	IFRS 15 impacts	IFRS 5 - GNL	June 30, 2017 restated
Revenues from contracts with customers	32,726	-	(5,228)	(666)	26,832
Revenues from other contracts	372	-	2,977	(21)	3,328
REVENUES	**33,098**	**-**	**(2,251)**	**(688)**	**30,160**
Purchases	(18,898)	-	2,151	622	(16,125)
Personnel costs	(5,068)	-	-	17	(5,051)
Depreciation, amortization and provisions	(1,771)	9	2	18	(1,741)
Other operating expenses	(5,141)	3	33	19	(5,086)
Other operating income	645	-	47	(1)	691
CURRENT OPERATING INCOME	**2,866**	**12**	**(18)**	**(12)**	**2,849**
Share in net income of entities accounted for using the equity method	169	3	-	(3)	169
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**3,036**	**15**	**(17)**	**(15)**	**3,018**
Mark-to-market on commodity contracts other than trading instruments	(790)	(17)	-	207	(600)
Impairment losses	3	1	-	1	4
Restructuring costs	(476)	-	-	-	(475)
Changes in scope of consolidation	620	-	-	-	620
Other non-recurring items	306	4	-	(350)	(39)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**2,698**	**3**	**(17)**	**(156)**	**2,528**
NET FINANCIAL INCOME/(LOSS)	**(626)**	**(110)**	**(5)**	**9**	**(734)**
Income tax expense	(366)	29	5	(40)	(373)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS	**1,706**	**(79)**	**(18)**	**(188)**	**1,422**
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**(3)**	**-**	**-**	**188**	**184**
NET INCOME/(LOSS)	**1,703**	**(79)**	**(18)**	**-**	**1,606**
Net income/(loss) Group share	**1,281**	**(68)**	**(8)**	**-**	**1,205**
of which Net income/(loss) relating to continued operations, Group share	*1,288*	*(68)*	*(8)*	*(188)*	*1,025*
of which Net income/(loss) relating to discontinued operations, Group share	*(7)*	*-*	*-*	*188*	*180*
Non-controlling interests	**422**	**(10)**	**(10)**	**-**	**401**
of which Non-controlling interests relating to continued operations	*418*	*(10)*	*(10)*	*-*	*397*
of which Non-controlling interests relating to discontinued operations	*4*	*-*	*-*	*-*	*4*
BASIC EARNINGS/(LOSS) PER SHARE (EUROS)	**0.50**	**(0.03)**	**-**	**-**	**0.47**
of which Basic earnings/(loss) relating to continued operations per share	*0.50*	*(0.03)*	*-*	*(0.08)*	*0.39*
of which Basic earnings/(loss) relating to discontinued operations per share	*-*	*-*	*-*	*0.08*	*0.08*
DILUTED EARNINGS/(LOSS) PER SHARE (EUROS)	**0.50**	**(0.03)**	**-**	**-**	**0.47**
of which Diluted earnings/(loss) relating to continued operations per share	*0.50*	*(0.03)*	*-*	*(0.08)*	*0.39*
of which Diluted earnings/(loss) relating to discontinued operations per share	*-*	*-*	*-*	*0.08*	*0.08*

2.3.2 Statement of comprehensive income at June 30, 2017

In millions of euros	Published figures of June 30, 2017	Impact of IFRS 9	Impact of IFRS 15	IFRS 5 - LNG	Restated figures of June 30, 2017
NET INCOME/(LOSS)	**1,703**	**(79)**	**(18)**	**-**	**1,606**
Equity instruments	(398)	11	-	-	(386)
Net investment hedges	262	-	-	-	262
Cash flow hedges (excl. commodity instruments)	282	13	-	-	295
Commodity cash flow hedges	37	7	-	(40)	5
Deferred tax on items above	(133)	(21)	-	9	(146)
Share of entities accounted for using the equity method in recyclable items, net of tax	(62)	(2)	-	14	(50)
Translation adjustments	(1,843)	14	17	11	(1,800)
Recyclable items relating to discontinued operations, net of tax	(10)	-	-	6	(4)
TOTAL RECYCLABLE ITEMS	**(1,863)**	**22**	**17**	**-**	**(1,824)**
Equity instruments	-	(5)	-	-	(5)
Actuarial gains and losses	98	-	-	(1)	97
Deferred tax on items above	(33)	(3)	-	-	(36)
Share of entities accounted for using the equity method in non-recyclable items from actuarial gains and losses, net of tax	22	-	-	-	22
Non-recyclable items relating to discontinued operations, net of tax	(1)	-	-	1	-
TOTAL NON-RECYCLABLE ITEMS	**86**	**(8)**	**-**	**-**	**78**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**(75)**	**(65)**	**(1)**	**-**	**(141)**
Of which owners of the parent	(283)	(58)	2	-	(339)
Of which non-controlling interests	208	(7)	(3)	-	198

2.3.3 Statement of financial position at January 1, 2017

In millions of euros	Jan 1, 2017 published	IFRS 9 & IFRS 15 classification	Jan 1, 2017 reclassified	IFRS 9 impacts	IFRS 15 impacts	Jan 1, 2017 restated
Non-current assets						
Goodwill	17,372	-	17,372	-	-	17,372
Intangible assets, net	6,639	1	6,640	-	-	6,640
Property, plant and equipment, net	57,739	-	57,739	(3)	39	57,775
Available-for-sale securities	2,997	(2,997)	-	-	-	-
Loans and receivables at amortized cost	2,250	(2,250)	-	-	-	-
Other financial assets	-	5,249	5,249	(6)	-	5,243
Derivative instruments	3,603	-	3,603	-	-	3,603
Assets from contracts with customers	-	-	-	-	-	-
Other non-current assets	6,624	348	6,972	(141)	(16)	6,815
Deferred tax assets	431	(1)	430	-	-	430
Investments in entities accounted for using the equity method	1,250	-	1,250	7	40	1,297
TOTAL NON-CURRENT ASSETS	**98,905**	**351**	**99,255**	**(143)**	**62**	**99,175**
Current assets						
Loans and receivables at amortized cost	595	(595)	-	-	-	-
Other financial assets	-	1,768	1,768	(22)	-	1,746
Derivative instruments	9,047	-	9,047	-	-	9,047
Trade and other receivables, net	20,835	(6,666)	14,169	(19)	10	14,160
Assets from contracts with customers	-	6,536	6,536	(6)	(1)	6,529
Inventories	3,656	-	3,656	-	7	3,663
Other current assets	10,692	5	10,697	1	(1)	10,697
Financial assets at fair value through income	1,439	(1,439)	-	-	-	-
Cash and cash equivalents	9,825	(7)	9,819	(9)	-	9,810
Assets classified as held for sale	3,506	-	3,506	-	-	3,506
TOTAL CURRENT ASSETS	**59,595**	**(397)**	**59,198**	**(55)**	**15**	**59,157**
TOTAL ASSETS	**158,499**	**(47)**	**158,453**	**(198)**	**77**	**158,332**
Shareholders' equity	39,578		39,578	(203)	(122)	39,253
Non-controlling interests	5,870		5,870	(2)	(83)	5,784
TOTAL EQUITY	**45,447**		**45,447**	**(206)**	**(205)**	**45,037**
Non-current liabilities						
Provisions	19,461	-	19,461	5	-	19,466
Long-term borrowings	24,411	(6)	24,405	-	-	24,405
Derivative instruments	3,410	-	3,410	-	-	3,410
Other financial liabilities	200	-	200	-	-	200
Liabilities from contracts with customers	-	53	53	-	212	265
Other non-current liabilities	1,203	(23)	1,180	-	-	1,180
Deferred tax liabilities	6,775	-	6,775		7	6,782
TOTAL NON-CURRENT LIABILITIES	**55,461**	**23**	**55,484**	**5**	**220**	**55,709**
Current liabilities						
Provisions	2,747	(49)	2,698	-	(5)	2,693
Short-term borrowings	12,539	6	12,544	-	-	12,544
Derivative instruments	9,228	-	9,228	-	-	9,228
Trade and other payables	17,075	(24)	17,051	-	(9)	17,042
Liabilities from contracts with customers	-	2,454	2,454	(2)	94	2,545
Other current liabilities	15,702	(2,456)	13,246	4	(17)	13,233
Liabilities directly associated with assets classified as held for sale	300	-	300	-	-	300
TOTAL CURRENT LIABILITIES	**57,591**	**(70)**	**57,521**	**2**	**62**	**57,586**
TOTAL EQUITY AND LIABILITIES	**158,499**	**(47)**	**158,453**	**(198)**	**77**	**158,332**

2.3.4 Statement of financial position at December 31, 2017

In millions of euros	Dec. 31, 2017 published	IFRS 9 & IFRS 15 classification	Dec. 31, 2017 reclassified	IFRS 9 impacts	IFRS 15 impacts	Dec. 31, 2017 restated
Non-current assets						
Goodwill	17,285	-	17,285	-	-	17,285
Intangible assets, net	6,504	1	6,504	-	-	6,504
Property, plant and equipment, net	51,024	-	51,024	-	38	51,061
Available-for-sale securities	2,656	(2,656)	-	-	-	-
Loans and receivables at amortized cost	2,976	(2,976)	-	-	-	-
Other financial assets	-	5,598	5,598	(12)	-	5,586
Derivative instruments	2,948	(2)	2,946	3	-	2,949
Assets from contracts with customers	-	-	-	-	-	-
Investments in entities accounted for using the equity method	7,409	293	7,702	(79)	(16)	7,606
Other non-current assets	567	(1)	566	-	-	566
Deferred tax assets	803	(21)	782	27	45	854
TOTAL NON-CURRENT ASSETS	**92,171**	**236**	**92,407**	**(61)**	**66**	**92,412**
Current assets						
Loans and receivables at amortized cost	599	(599)	-	-	-	-
Other financial assets	-	2,033	2,033	(23)	-	2,010
Derivative instruments	7,378	(4)	7,374	4	-	7,378
Trade and other receivables, net	20,311	(7,064)	13,247	(126)	4	13,126
Assets from contracts with customers	-	6,946	6,946	(16)	-	6,930
Inventories	4,155	-	4,155	-	7	4,161
Other current assets	8,492	23	8,515	(1)	(6)	8,508
Financial assets at fair value through income	1,608	(1,608)	-	-	-	-
Cash and cash equivalents	8,931	(7)	8,924	5	-	8,929
Assets classified as held for sale	6,687	-	6,687	-	-	6,687
TOTAL CURRENT ASSETS	**58,161**	**(280)**	**57,881**	**(157)**	**4**	**57,728**
TOTAL ASSETS	**150,332**	**(45)**	**150,287**	**(217)**	**70**	**150,140**
Shareholders' equity	36,639		36,639	(224)	(132)	36,283
Non-controlling interests	5,938		5,938	(11)	(87)	5,840
TOTAL EQUITY	**42,577**		**42,577**	**(235)**	**(219)**	**42,122**
Non-current liabilities						
Provisions	18,428	1	18,429	5	-	18,434
Long-term borrowings	25,292	-	25,292	-	-	25,292
Derivative instruments	2,980	-	2,980	-	-	2,980
Other financial liabilities	32	-	32	-	-	32
Liabilities from contracts with customers	-	33	33	-	225	258
Other non-current liabilities	1,009	(3)	1,006	-	2	1,007
Deferred tax liabilities	5,220	(27)	5,193	14	8	5,215
TOTAL NON-CURRENT LIABILITIES	**52,960**	**4**	**52,964**	**19**	**235**	**53,218**
Current liabilities						
Provisions	3,340	(49)	3,291	(2)	(8)	3,281
Short-term borrowings	8,176	-	8,175	-	-	8,175
Derivative instruments	8,720	-	8,720	-	-	8,720
Trade and other payables	16,432	(24)	16,408	-	(4)	16,404
Liabilities from contracts with customers	-	3,245	3,245	-	72	3,317
Other current liabilities	14,756	(3,220)	11,536	1	(7)	11,530
Liabilities directly associated with assets classified as held for sale	3,371	-	3,371	-	-	3,371
TOTAL CURRENT LIABILITIES	**54,795**	**(49)**	**54,746**	**(1)**	**55**	**54,799**
TOTAL EQUITY AND LIABILITIES	**150,332**	**(45)**	**150,287**	**(217)**	**70**	**150,140**

2.3.5 Statement of cash flows at June 30, 2017

In millions of euros	June 30, 2017 published	IFRS 9 impacts	IFRS 15 impacts	IFRS 5 - GNL	June 30, 2017 restated
NET INCOME/(LOSS)	1,703	(79)	(18)	-	1,606
- Net income/(loss) relating to discontinued operations	(3)	-	-	188	184
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS	**1,706**	**(79)**	**(18)**	**(188)**	**1,422**
- Share in net income of entities accounted for using the equity method	(169)	(3)	-	3	(169)
+ Dividends received from entities accounted for using the equity method	276	-	-	-	276
- Net depreciation, amortization, impairment and provisions	1,778	5	(1)	21	1,804
- Impact of changes in scope of consolidation and other non-recurring items	(967)	1	-	350	(616)
- Mark-to-market on commodity contracts other than trading instruments	790	17	-	(207)	600
- Other items with no cash impact	18	-	-	-	18
- Income tax expense	366	(29)	(5)	40	373
- Net financial income/(loss)	626	(3)	5	(9)	620
Cash generated from operations before income tax and working capital requirements	**4,425**	**(90)**	**(18)**	**10**	**4,326**
+ Tax paid	(555)	-	-	(15)	(569)
Change in working capital requirements	**(135)**	**93**	**31**	**290**	**279**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO CONTINUED OPERATIONS	**3,736**	**3**	**12**	**285**	**4,036**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS	**259**	**-**	**-**	**(285)**	**(26)**
CASH FLOW FROM OPERATING ACTIVITIES	3,995	3	12	-	4,010
Acquisitions of property, plant and equipment and intangible assets	(2,286)	-	-	1	(2,285)
Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired	(572)	(2)	-	-	(574)
Acquisitions of investments in entities accounted for using the equity method and joint operations	(555)	-	-	72	(483)
Acquisitions of equity and debt instruments	(178)	15	-	-	(164)
Disposals of property, plant and equipment, and intangible assets	30	-	-	-	30
Loss of controlling interests in entities, net of cash and cash equivalents sold	3,308	-	-	-	3,308
Disposals of investments in entities accounted for using the equity method and joint operations	118	-	-	-	118
Disposals of equity and debt instruments	444	1	-	(412)	33
Interest received on financial assets	(13)	(2)	(5)	1	(19)
Dividends received on equity instruments	144	-	-	-	144
Change in loans and receivables originated by the Group and other	(50)	-	(7)	-	(57)
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO CONTINUED OPERATIONS	**390**	**11**	**(12)**	**(338)**	**50**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS	**(271)**	**-**	**-**	**338**	**67**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	119	11	(12)	-	117
Dividends paid	(1,622)	-	-	-	(1,622)
Repayment of borrowings and debt	(2,447)	-	-	-	(2,447)
Change in financial assets held for investment and financing purposes	(298)	(8)	-	-	(306)
Interest paid	(422)	-	-	-	(422)
Interest received on cash and cash equivalents	53	-	-	-	53
Cash flow on derivatives qualifying as net investment hedges and compensation payments on derivatives and on early buyback of borrowings	(226)	-	-	-	(226)
Increase in borrowings	2,231	-	-	-	2,231
Increase/decrease in capital	48	-	-	-	48
Purchase and/or sale of treasury stock	5	-	-	-	5
Changes in ownership interests in controlled entities	(220)	-	-	-	(220)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO CONTINUED OPERATIONS	**(2,898)**	**(8)**	**-**	**-**	**(2,906)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS	**5**	**-**	**-**	**-**	**5**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	(2,892)	(8)	-	-	(2,901)
Effects of changes in exchange rates and other relating to continued operations	(134)	7	-	-	(127)
Effects of changes in exchange rates and other relating to discontinued operations	37	-	-	-	37
TOTAL CASH FLOW FOR THE PERIOD	1,124	12	-	-	1,136
Reclassification of cash and cash equivalents relating to discontinued operations	(21)	-	-	-	(21)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,825	(13)	-	-	9,813
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,928	(1)	-	-	10,927

2.3.6 Impacts on key indicators

In millions of euros	June 30, 2017 published	IFRS 9 impacts	IFRS 15 impacts	IFRS 5 - GNL	June 30, 2017 restated
EBITDA	**5,028**	**13**	**(17)**	**(22)**	**5,000**
NET RECURRING INCOME	**2,000**	**(97)**	**(18)**	**-**	**1,885**
Net recurring income/(loss) relating to continued operations	1,853	(106)	(18)	10	1,739
Net recurring income/(loss) relating to discontinued operations	147	9	-	(10)	146
NET RECURRING INCOME/(LOSS), GROUP SHARE	**1,540**	**(92)**	**(8)**	**-**	**1,440**
Net recurring income/(loss) relating to continued operations, Group share	1,437	(99)	(8)	10	1,341
Net recurring income/(loss) relating to discontinued operations, Group share	103	6	-	(10)	99
NET RECURRING INCOME/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**460**	**(4)**	**(10)**	**-**	**445**
Net recurring income/(loss) relating to continued operations attributable to non-controlling interests	415	(7)	(10)	-	398
Net recurring income/(loss) relating to discontinued operations attributable to non-controlling interests	44	3	-	-	47
CASH FLOW FROM OPERATIONS (CFFO)	**3,523**	**1**	**7**	**291**	**3,821**

NOTE 3 MAIN CHANGES IN GROUP STRUCTURE

3.1 Disposals carried out in first-half 2018

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

The table below shows the impact of the main disposals and sale agreements on the Group's net debt at June 30, 2018:

In millions of euros	**Disposal price**	**Reduction in net debt**
Disposal of the Loy Yang B coal power plant (Australia)	471	331
Disposal of the exploration-production activities	928	1,927
Disposal of gas distribution activities (Hungary)	147	198
Other disposals that are not material taken individually	157	93
TOTAL	**1,703**	**2,549**

The €2,549 million reduction in net debt at June 30, 2018 is in addition to the €8,976 million decrease previously recognized at December 31, 2017 as part of the asset disposal program, representing a total of €11,525 million to date.

3.1.1 Disposal of the Loy Yang B coal-fired power plant (Australia)

On January 15, 2018, the Group completed the sale of the Loy Yang B coal-fired power plant in Australia, for which it received a payment of €471 million corresponding to the sale price of the entire interest in Loy Yang B. An amount corresponding to 30% of this price was paid to Mitsui in the form of dividends.

The transaction also reduced the Group's net debt by €624 million (the impact of the derecognition of Loy Yang B's net debt totaling €294 million following its classification under "Assets held for sale" at December 31, 2017, plus the payment of €330 million received in 2018 for the 70% interest sold). The loss on disposal totaled €87 million for 2018, mainly corresponding to the reclassification from other comprehensive income to the income statement of translation adjustments and net investment hedges relating to the portfolio.

3.1.2 Disposal of the exploration-production business

On February 15, 2018, the Group completed the sale of its 70% interest in EPI to Neptune Energy and received a payment of €928 million, corresponding to the sale price of all of its shares.

The combined effects of the transaction and of the cash generated by these exploration-production activities since January 1, 2018 have reduced the Group's net debt by €1,927 million excluding any additional future payments to be received. The disposal gain before tax, recognized in "Net income/(loss) from discontinued operations" (*see Note 3.2.2*), amounted to €69 million at June 30, 2018.

Following the transaction, the Group still holds a residual 46% interest in ENGIE E&P Touat B.V., which holds a 65% stake in the Touat gas field under development in Algeria. This 46% interest is now accounted for using the equity method.

3.1.3 Disposal of the gas distribution business (Hungary)

On January 11, 2018, following the success of the negotiations initiated in the second half of 2015 with the Hungarian State, the Group completed the sale of its entire interest in its Hungarian gas distribution subsidiary Égaz-Dégaz to Nemzeti Közmuvek Zártköruen Muködö Résvénytársaság (NKM) – a Hungarian State-owned company. The transaction reduced the Group's net debt by €198 million, with no material disposal gain.

3.2 Assets held for sale and discontinued operations

In millions of euros	June 30, 2018	Dec. 31, 2017
Property, plant and equipment, net	2,243	5,307
Other assets	2,037	1,380
TOTAL ASSETS CLASSIFIED AS HELD FOR SALE	**4,280**	**6,687**
of which Assets relating to discontinued operations	*1,115*	*5,471*
Borrowings and debt	-	418
Other liabilities	2,670	2,953
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**2,670**	**3,371**
of which Liabilities directly associated with assets relating to discontinued operations	*903*	*2,705*

Total "Assets classified as held for sale" and total "Liabilities directly associated with assets classified as held for sale" amounted to €4,280 million and €2,670 million, respectively, at June 30, 2018.

All assets held for sale at December 31, 2017 (exploration-production activities and the Loy Yang B power plant in Australia) were sold in the first half of 2018 (*see Note 3.1 "Disposals carried out in first-half 2018"*).

Assets held for sale and the associated liabilities presented in the statement of financial position at June 30, 2018 under "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" relate to the Group's upstream liquefied natural gas (LNG) activities and to the interest in Glow in Thailand, which were both in the process of being sold at June 30, 2018 (*see Notes 3.2.1 and 3.2.3*).

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

3.2.1 Disposal of ENGIE's liquefied natural gas (LNG) activities

On November 8, 2017, the Group received a firm and binding offer from Total for the sale of its upstream LNG activities: liquefaction, shipping (including the Gazocéan subsidiary) and international LNG trading operations, for an aggregate value of USD 2.04 billion, including an earn-out of up to USD 550 million. The European regasification booked capacities are also included in the scope of the offer. ENGIE will keep its downstream activities, including the regasification infrastructures and LNG retail end-customer sales.

In late March 2018, after obtaining the consent of the major partners and based on the firm and binding nature of the offer received, and the conditions precedent, which are expected to be met upon completion of the consultation process currently being held with the staff representatives, the Group classified the upstream LNG activities under "Discontinued operations". In April 2018, ENGIE signed an agreement with Total for the sale of these activities.

The impact of this classification on the Group's consolidated financial statements was as follows:

- assets held for sale and the associated liabilities are identified separately from other assets and liabilities in the statement of financial position at June 30, 2018, but the comparative statement of financial position at December 31, 2017 has not been restated;
- net income or loss relating to discontinued operations generated in the first half of 2018 is presented on a single line of the income statement entitled "Net income/(loss) relating to discontinued operations". The comparative income statement data for first-half 2017 have been restated in accordance with IFRS 5 (*see Note 2 "Restatement of 2017 comparative data"*);
- recyclable and non-recyclable items relating to discontinued operations are identified separately in the statement of comprehensive income for first-half 2018. The comparative comprehensive income data for first-half 2017 have also been restated in accordance with IFRS 5 (*see Note 2 "Restatement of 2017 comparative data"*);

- cash flows generated by operating, investing and financial activities during the first half attributable to discontinued operations are presented on separate lines of the Group's statement of cash flows for first-half 2018. The comparative cash flow data for first-half 2017 have been restated in accordance with IFRS 5 (*see Note 2 "Restatement of 2017 comparative data"*).

Given the expected capital gain from the sale, no value adjustments was made at June 30, 2018.

The Group completed the transaction on July 13, 2018 (*see Note 13 "Subsequent events"*).

3.2.2 Financial information on discontinued operations

Income from discontinued operations

In millions of euros	June 30, 2018	June 30, 2017
Revenues from contracts with customers	2,162	2,372
Revenues from other contracts	68	21
REVENUES	**2,229**	**2,394**
Purchases	(2,096)	(1,502)
Personnel costs	(34)	(120)
Depreciation, amortization and provisions	(18)	(163)
Other operating expenses	(42)	(192)
Other operating income	(4)	45
CURRENT OPERATING INCOME	**36**	**462**
Share in net income of entities accounted for using the equity method	1	8
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**38**	**470**
Mark-to-market on commodity contracts other than trading instruments	(313)	(205)
Impairment losses	(1)	(144)
Restructuring costs	-	-
Changes in scope of consolidation	58	(17)
Other non-recurring items	(2)	367
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**(219)**	**471**
Financial expenses	(20)	(44)
Financial income	7	15
NET FINANCIAL INCOME/(LOSS)	**(16)**	**(29)**
Income tax expense	116	(258)
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**(119)**	**184**
Net income/(loss) relating to discontinued operations, Group share	**(142)**	**180**
Non-controlling interests relating to discontinued operations	**24**	**4**

Income from discontinued operations relates to ENGIE's upstream LNG activities (*see 3.2.1*) and to exploration-production activities, including the disposal gain (*see 3.1.2*).

Revenue generated by discontinued operations (LNG and exploration-production) with ENGIE Group companies totaled €880 million in first-half 2018 (€876 million in first half 2017).

As required by IFRS 5, ENGIE has no longer recognized any depreciation and amortization expense on the property, plant and equipment and intangible assets of LNG activities (as of April 1, 2018) and EPI activities. The savings generated by this change amounted to €36 million before tax (primarily relating to EPI) in first-half 2018.

Net income relating to discontinued operations also includes €14 million of costs incurred specifically in connection with the LNG transaction.

Comprehensive income from discontinued operations

In millions of euros	June 30, 2018	June 30, 2018 Owners of the parent	June 30, 2018 Non-controlling interests	June 30, 2017	June 30, 2017 Owners of the parent	June 30, 2017 Non-controlling interests
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**(119)**	**(142)**	**24**	**184**	**180**	**4**
Commodity cash flow hedges	296	269	27	261	194	66
Deferred tax on items above	(112)	(101)	(10)	(93)	(68)	(25)
Share of entities accounted for using the equity method in recyclable items, net of tax	22	22	-	(14)	(14)	-
Translation adjustments	73	92	(19)	(157)	(114)	(44)
TOTAL RECYCLABLE ITEMS	**280**	**282**	**(3)**	**(4)**	**(1)**	**(3)**
Actuarial gains and losses	(3)	(1)	(2)	(1)	-	-
Deferred tax on items above	(1)	(1)	-	-	-	-
TOTAL NON-RECYCLABLE ITEMS	**(4)**	**(2)**	**(2)**	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**157**	**138**	**19**	**180**	**179**	**1**

Comprehensive income from discontinued operations relates to ENGIE's upstream LNG activities (*see 3.2.1*) and to exploration-production activities (*see 3.1.2*).

The net gain recognized in comprehensive income in first-half 2018 totaled €224 million with no impact on non-controlling interests and included:

- items that may not be recycled to profit or loss, mainly actuarial gains and losses on post-employment benefit obligations for a negative €21 million before tax;
- items that may subsequently be recycled to profit or loss, mainly translation adjustments totaling €117 million and mark-to-market on financial instruments representing €127 million.

Assets and liabilities from discontinued operations

In millions of euros	June 30, 2018	Dec. 31, 2017
Non-current assets		
Goodwill	-	32
Intangible assets, net	7	194
Property, plant and equipment, net	110	4,145
Other financial assets	-	23
Other non-current assets	368	13
Deferred tax assets	-	11
Investments in entities accounted for using the equity method	285	237
TOTAL NON-CURRENT ASSETS	**772**	**4,655**
Current assets		
Derivative instruments	-	1
Trade and other receivables, net	169	137
Assets from contracts with customers	-	133
Inventories	123	60
Other current assets	51	468
Cash and cash equivalents	1	16
TOTAL CURRENT ASSETS	**344**	**815**
TOTAL ASSETS RELATING TO DISCONTINUED OPERATIONS	**1,115**	**5,471**

In millions of euros	June 30, 2018	Dec. 31, 2017
Non-current liabilities		
Provisions	44	1,252
Long-term borrowings	3	5
Other financial liabilities	-	-
Other non-current liabilities	-	31
Deferred tax liabilities	219	836
TOTAL NON-CURRENT LIABILITIES	**267**	**2,123**
Current liabilities		
Provisions	226	14
Short-term borrowings	(3)	3
Derivative instruments	-	3
Trade and other payables	228	215
Liabilities from contracts with customers	5	4
Other current liabilities	180	342
TOTAL CURRENT LIABILITIES	**636**	**581**
TOTAL LIABILITIES DIRECTLY ASSOCIATED TO DISCONTINUED OPERATIONS	**903**	**2,705**

At June 30, 2018 and December 31, 2017, assets and liabilities from discontinued operations relate to ENGIE's upstream LNG activities (*see 3.1.1*) and to exploration-production activities (EPI), respectively.

In addition, the net debt contracted by discontinued operations with the Group (not included in the above items) totaled €102 million at June 30, 2018..

Cash flows from discontinued operations

In millions of euros	June 30, 2018	June 30, 2017
NET INCOME/(LOSS)	(119)	184
Cash generated from operations before income tax and working capital requirements	**52**	**590**
+ Tax paid	(53)	(250)
Change in working capital requirements	**83**	**(366)**
CASH FLOW FROM OPERATING ACTIVITIES	**82**	**(26)**
Acquisitions of property, plant and equipment and intangible assets	(51)	(363)
Loss of controlling interests in entities, net of cash and cash equivalent sold	439	-
Disposals of equity and debt instruments	-	412
Other	(544)	18
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**(155)**	**67**
Cash flow from (used in) financing activities excluding intercompany transactions	1,020	(30)
Intercompany transactions with ENGIE on borrowings	(945)	(89)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**75**	**(119)**
Effects of changes in exchange rates and other	(1)	37
TOTAL CASH FLOW FOR THE PERIOD	1	(42)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-	65
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1	21

Cash flows from discontinued operations relate to ENGIE's upstream LNG activities (*see 3.2.1*) and to exploration-production activities (*see 3.1.2*).

3.2.3 Disposal project of ENGIE's interest in Glow

On June 20, ENGIE signed a share purchase agreement with Thailand-based Global Power Synergy Public Company Ltd. (GPSC) for the sale of its 69.1% interest in Glow, an independent power producer listed on the Stock Exchange of Thailand, subject to the satisfaction of conditions precedent including approval from GPSC shareholders and the relevant regulatory approvals. The transaction translates into net proceeds of €2.6 billion for ENGIE and is expected to result in a €3.3 billion reduction in ENGIE's consolidated net debt.

At June 30, 2018, the Group considered that the sale of this asset was highly probable in view of progress made in the divestiture process and, as a result, classified the power plant in "Assets held for sale". Given the expected capital gain from the sale, no value adjustments was made at June 30, 2018.

This reclassification under "Assets held for sale" reduced the Group's net debt by €811 million at June 30, 2018. Glow's contribution to "Net income/(loss) Group share" was €80 million in first-half 2018 and €138 million for full year 2017.

The transaction is expected to be completed by late 2018.

3.3 Acquisitions carried out in first-half 2018

Various other acquisitions, equity transactions and disposals took place in first-half 2018, including the purchase of companies in the renewable energy sector (wind and solar power) and in the services sector (microgrid and district energy system) in the United States, and the purchase of a majority interest in Electro Power Systems (EPS) in France. Their individual and cumulative impacts on the Group's interim condensed consolidated financial statements are not material. EPS is listed on Euronext and specializes in energy storage solutions and microgrids that enable intermittent renewable sources to be transformed into a stable power source.

NOTE 4 FINANCIAL INDICATORS USED IN FINANCIAL COMMUNICATION

The purpose of this note is to present the main non-GAAP financial indicators used by the Group as well as their reconciliation with the aggregates of the IFRS consolidated financial statements.

4.1 EBITDA

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

In millions of euros	June 30, 2018	June 30, 2017 (1)
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**3,061**	**3,018**
Net depreciation and amortization/Other	1,922	1,945
Share-based payments (IFRS 2)	55	18
Non-recurring share in net income of entities accounted for using the equity method	27	19
EBITDA	**5,065**	**5,000**

(1) *Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").*

4.2 Net recurring income Group share

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

Net recurring income 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 2017 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 IFRS 9 – *Financial Instruments,* as well as the ineffective portion of derivative instruments that qualify as hedges;
- the income tax impact of the items described above, determined using the statutory income tax rate applicable to the relevant tax entity;
- net non-recurring income items included in "Share in net income of entities accounted for using the equity method". The excluded items correspond to the non-recurring items as defined above.

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

In millions of euros	Notes	June 30, 2018	June 30, 2017 (1)
NET INCOME/(LOSS) GROUP SHARE		**938**	**1,205**
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS, GROUP SHARE (2)		**(142)**	**180**
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS, GROUP SHARE		**1,081**	**1,025**
Non-controlling interests relating to continued operations		263	397
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS		**1,344**	**1,422**
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		**397**	**490**
Mark-to-market on commodity contracts other than trading instruments	*6.1*	*(520)*	*600*
Impairment losses	*6.1*	*752*	*(4)*
Restructuring costs	*6.1*	*50*	*475*
Changes in scope of consolidation	*6.1*	*102*	*(620)*
Other non-recurring items	*6.1*	*13*	*39*
Other adjusted items		**195**	**(173)**
Ineffective portion of derivatives qualified as fair value hedges	*6.2*	*(1)*	*(1)*
Gains/(losses) on debt restructuring and early unwinding of derivative financial instruments	*6.2*	*17*	*90*
Change in fair value of derivatives not qualified as hedges and ineffective portion of derivatives qualified as cash flow hedges	*6.2*	*71*	*68*
Taxes on non-recurring items		*82*	*(348)*
Non-recurring income included in share in net income of entities accounted for using the equity method		*27*	*19*
NET RECURRING INCOME RELATING TO CONTINUED OPERATIONS		**1,936**	**1,739**
Net recurring income relating to continued operations attributable to non-controlling interests		441	398
NET RECURRING INCOME RELATING TO CONTINUED OPERATIONS, GROUP SHARE		**1,494**	**1,341**
Net recurring income relating to discontinued operations, Group share (2)		(27)	99
NET RECURRING INCOME GROUP SHARE		**1,468**	**1,440**

(1) Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

(2) The reconciliation of "net income/(loss) relating to discontinued operations, Group share" with "net recurring income relating to discontinued operations, Group share" at June 30, 2018 is mainly due to the gain on the disposal of the exploration-production activities, to the MtM on on commodity contracts other than trading instruments recorded by upstream LNG activities and to miscellaneous disposal costs.

Industrial capital employed

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

	In millions of euros	June 30, 2018	Dec. 31, 2017 [(1)]
(+)	Property, plant and equipment and intangible assets, net	55,047	57,566
(+)	Goodwill	17,376	17,285
(-)	*Goodwill Gaz de France - SUEZ and International Power* [(2)]	*(7,698)*	*(7,715)*
(+)	IFRIC 4 and IFRIC 12 receivables	1,398	1,548
(+)	Investments in entities accounted for using the equity method	7,880	7,606
(-)	*Goodwill arising on the International Power combination* [(2)]	*(148)*	*(144)*
(+)	Trade and other receivables, net	12,233	13,126
(-)	*Margin calls* [(2, 3)]	*(1,455)*	*(1,110)*
(+)	Inventories	3,792	4,161
(+)	Assets from contracts with customers	7,049	6,930
(+)	Other current and non-current assets	7,743	9,073
(+)	Deferred tax	(4,359)	(4,361)
(+)	*Cancellation of deferred tax on other recyclable items* [(2)]	*(228)*	*(236)*
(-)	Provisions	(21,795)	(21,715)
(+)	*Actuarial gains and losses in shareholders' equity (net of deferred tax)* [(2)]	*2,712*	*2,438*
(-)	Trade and other payables	(13,897)	(16,404)
(+)	*Margin calls* [(2, 3)]	*798*	*474*
(-)	Liabilities from contracts with customers	(3,225)	(3,575)
(-)	Other current and non-current liabilities	(11,545)	(12,578)
INDUSTRIAL CAPITAL EMPLOYED		**51,678**	**52,369**

(1) Comparative data at December 31, 2017 and at January 1, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 "Restatement of 2017 comparative data").

(2) 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.

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

4.3 Cash flow from operations (CFFO)

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

In millions of euros	June 30, 2018	June 30, 2017 [(1)]
Cash generated from operations before income tax and working capital requirements	4,760	4,326
Tax paid	(291)	(569)
Change in working capital requirements	(968)	279
Interest received on financial assets	15	(19)
Dividends received on non-current financial assets	40	144
Interest paid	(342)	(422)
Interest received on cash and cash equivalents	35	53
Change in financial assets held for investment and financing purposes	(190)	(306)
(+) Change in financial assets held for investment and financing purposes recorded in the statement of financial position and other	*204*	*335*
CASH FLOW FROM OPERATIONS (CFFO)	**3,263**	**3,821**

(1) Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

4.4 Capital expenditure (CAPEX)

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

In millions of euros	June 30, 2018	June 30, 2017 [1]
Acquisitions of property, plant and equipment and intangible assets	2,603	2,285
Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired	432	574
(+) Cash and cash equivalents acquired	*42*	*9*
Acquisitions of investments in entities accounted for using the equity method and joint operations	133	483
Acquisitions of equity and debt instruments	279	164
Change in loans and receivables originated by the Group and other	88	57
(+) Other	*(5)*	*-*
Change in ownership interests in controlled entities	13	220
TOTAL CAPITAL EXPENDITURE (CAPEX)	**3,585**	**3,791**

(1) Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

4.5 Net debt

The net debt financial indicator is presented in Note 8 "Financial instruments".

4.6 Economic net debt

Economic net debt is as follows:

In millions of euros	Notes	June 30, 2018	Dec. 31, 2017 [1]
NET DEBT	8	**20,532**	**22,520**
Internal debt from discontinued operations	8	102	1,732
NET DEBT (excluding internal debt from discontinued operations)		**20,429**	**20,788**
Future minimum operating lease payments [2]		3,463	3,463
(-) Discontinued operations [2]		*(1,132)*	*(1,132)*
Provisions for back-end of the nuclear fuel cycle		6,043	5,914
Provisions for dismantling of plant and equipment		5,795	5,728
Provisions for site rehabilitation		313	313
Post-employment benefit - Pension		2,007	1,763
(-) Discontinued operations		*-*	*(14)*
(-) Infrastructures regulated companies		*(11)*	*41*
Post-employment benefit - Reimbursement rights		(158)	(159)
Post-employment benefit - Others benefits		4,364	4,277
(-) Discontinued operations		*-*	*(34)*
(-) Infrastructures regulated companies		*(2,630)*	*(2,421)*
Deferred tax assets for pension and related obligations		(1,390)	(1,319)
(-) Discontinued operations		*-*	*11*
(-) Infrastructures regulated companies		*642*	*578*
Plan assets relating to nuclear provisions, inventories of uranium and a receivable of Electrabel towards EDF Belgium		(2,807)	(2,672)
ECONOMIC NET DEBT		**34,927**	**35,124**

(1) Comparative data at December 31, 2017 and at January 1, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 "Restatement of 2017 comparative data").
(2) Based on the off-balance sheet commitments listed at the end of 2017.

NOTE 5 SEGMENT INFORMATION

5.1 Operating segments and reportable segments

ENGIE is organized around 23 Business Units (BUs) or operating segments mostly according to a region-centered approach within a single country or a group of countries.

In accordance with IFRS 8, these operating segments are grouped into nine reportable segments to present the Group's segment information.

Exploration & Production (E&P) and GNL operating segments are presented under discontinued operations (*see Note 3 "Main changes in Group structure").* As a result, the reportable segment "GEM & LNG" has been renamed "GEM" and from now on only includes the activities of the GEM Business Unit.

The reportable segments at June 30, 2018 are as follows: North America, Latin America, Africa/Asia, Benelux, France, Europe excluding France & Benelux, Infrastructures Europe, GEM and Other and are described in Note 6 "Segment information" to the 2017 consolidated financial statements.

5.2 Key indicators by reportable segment

Key indicators by reportable segments (except for 2017 industrial capital employed) presented hereafter, no longer take into account the contribution of discontinued operations in accordance with IFRS 5 (*see Note 3 "Main changes in Group structure")* and comparative data at June 30, 2017 and December 31, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (*see Note 2 "Restatement of 2017 comparative data*").

REVENUES

							June 30, 2018		
In millions of euros	Sales of gas	Sales of electricity and other energies	Sales of services linked to infrastructures	Constructions, installations, O&M, FM and other services	Total IFRS 15	Total excl. IFRS 15	External revenues	Intra-Group Revenues	Total
North America	317	882	-	320	1,520	20	**1,539**	62	1,601
Latin America	199	1,686	139	81	2,105	68	**2,173**	-	2,173
Africa/Asia	206	1,286	15	332	1,839	53	**1,892**	-	1,892
Benelux	754	1,053	7	1,472	3,287	118	**3,405**	669	4,074
France	1,889	2,205	39	3,613	7,746	67	**7,813**	87	7,900
Europe excluding France & Benelux	1,035	1,654	123	1,790	4,602	167	**4,769**	58	4,827
Infrastructures Europe	132	-	2,683	87	2,903	151	**3,054**	641	3,695
GEM	1,355	492	55	-	1,903	1,311	**3,214**	3,382	6,596
Others	663	917	63	451	2,094	228	**2,322**	890	3,212
Elimination of internal transactions	-	-	-	-	-	-	-	(5,788)	(5,788)
TOTAL REVENUES	**6,550**	**10,175**	**3,125**	**8,148**	**27,998**	**2,184**	**30,182**	**-**	**30,182**

							June 30, 2017		
In millions of euros	Sales of gas	Sales of electricity and other energies	Sales of services linked to infrastructures	Constructions, installations, O&M, FM and other services	Total IFRS 15	Total excl. IFRS 15	External revenues	Intra-Group Revenues	Total
North America	210	996	1	234	1,441	20	**1,460**	11	1,472
Latin America	202	1,789	174	67	2,232	-	**2,233**	-	2,233
Africa/Asia	212	1,195	24	350	1,781	169	**1,950**	-	1,950
Benelux	689	1,008	11	1,472	3,181	309	**3,490**	486	3,976
France	1,955	1,778	-	3,386	7,120	146	**7,266**	55	7,321
Europe excluding France & Benelux	974	1,493	169	1,348	3,985	251	**4,236**	77	4,313
Infrastructures Europe	85	-	2,563	81	2,729	143	**2,872**	643	3,515
GEM	1,112	715	119	-	1,945	1,854	**3,799**	4,008	7,807
Others	823	1,066	64	466	2,418	436	**2,854**	697	3,551
Elimination of internal transactions	-	-	-	-	-	-	-	(5,978)	(5,978)
TOTAL REVENUES	**6,262**	**10,040**	**3,125**	**7,405**	**26,832**	**3,328**	**30,160**	**-**	**30,160**

EBITDA

In millions of euros	June 30, 2018	June 30, 2017
North America	102	100
Latin America	924	920
Africa/Asia	534	665
Benelux	133	242
France	858	820
Europe excluding France & Benelux	375	389
Infrastructures Europe	1,965	1,885
GEM	124	(120)
Others	50	99
TOTAL EBITDA	**5,065**	**5,000**

DEPRECIATION AND AMORTIZATION

In millions of euros	June 30, 2018	June 30, 2017
North America	(32)	(22)
Latin America	(200)	(217)
Africa/Asia	(93)	(123)
Benelux	(281)	(266)
France	(302)	(290)
Europe excluding France & Benelux	(100)	(97)
Infrastructures Europe	(725)	(710)
GEM	(19)	(19)
Others	(170)	(202)
TOTAL DEPRECIATION AND AMORTIZATION	**(1,922)**	**(1,945)**

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

In millions of euros	June 30, 2018	June 30, 2017
North America	44	41
Latin America	(4)	(23)
Africa/Asia	135	104
Benelux	3	2
France	(3)	(3)
Europe excluding France & Benelux	36	36
Infrastructures Europe	4	7
GEM	(2)	(1)
Others	(4)	7
TOTAL SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**209**	**169**

Associates and joint ventures totaled €64 million and €145 million respectively in share of net income of entities accounted for using the equity method in first-half 2018, compared to €92 million and €77 million in first-half 2017.

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

In millions of euros	June 30, 2018	June 30, 2017
North America	71	80
Latin America	721	702
Africa/Asia	460	545
Benelux	(149)	(26)
France	553	527
Europe excluding France & Benelux	279	289
Infrastructures Europe	1,239	1,175
GEM	104	(140)
Others	(215)	(135)
TOTAL CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**3,061**	**3,018**

INDUSTRIAL CAPITAL EMPLOYED

In millions of euros	June 30, 2018	Dec. 31, 2017
North America	2,265	1,718
Latin America	9,427	9,281
Africa/Asia	3,409	5,186
Benelux	(3,071)	(3,019)
France	6,862	5,890
Europe excluding France & Benelux	5,060	5,022
Infrastructures Europe	19,439	19,914
GEM (2018) / GEM & GNL (2017)	733	929
Others	7,554	7,447
Of which SUEZ equity value	*1,983*	*2,110*
TOTAL INDUSTRIAL CAPITAL EMPLOYED	**51,678**	**52,370**

CAPITAL EXPENDITURE (CAPEX)

In millions of euros	June 30, 2018	June 30, 2017
North America	478	79
Latin America	684	573
Africa/Asia	330	186
Benelux	447	333
France	423	393
Europe excluding France & Benelux	212	452
Infrastructures Europe	732	710
GEM	44	238
Others	235	828
TOTAL CAPITAL EXPENDITURE (CAPEX)	**3,585**	**3,791**

5.3 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, 2018	June 30, 2017	June 30, 2018	Dec. 31, 2017
France	12,912	12,385	30,900	30,310
Belgium	3,035	3,808	(2,352)	(2,233)
Other EU countries	7,657	7,048	7,002	7,250
Other European countries	366	579	425	425
North America	1,849	1,715	2,672	2,188
Asia, Middle East & Oceania	2,296	2,456	3,292	5,264
South America	1,919	2,053	9,084	9,091
Africa	147	116	655	74
TOTAL	**30,182**	**30,160**	**51,678**	**52,370**

NOTE 6 INCOME STATEMENT

6.1 Income/(loss) from operating activities

In millions of euros	June 30, 2018	June 30, 2017 [1]
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**3,061**	**3,018**
Mark-to-market on commodity contracts other than trading instruments	520	(600)
Impairment losses	(752)	4
Restructuring costs	(50)	(475)
Changes in scope of consolidation	(102)	620
Other non-recurring items	(13)	(39)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**2,665**	**2,528**

(1) Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

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

In the first half of 2018, this item represents net income of €520 million, compared with a net expense of €600 million in the first half of 2017. It mainly reflects changes in the fair value of (i) electricity and natural gas sale and purchase contracts falling within the scope of IFRS 9 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, partially offset by (ii) the negative impact of the settlement of positions over the period with a positive fair value at December 31, 2017.

6.1.2 Impairment losses (net)

In millions of euros	June 30, 2018	June 30, 2017 [1]
Impairment losses:		
Goodwill	-	-
Property, plant and equipment and other intangible assets	(766)	(113)
Investments in entities accounted for using the equity method and related provisions	-	(21)
Financial assets	-	(4)
TOTAL IMPAIRMENT LOSSES	**(766)**	**(139)**
Reversal of impairment losses:		
Property, plant and equipment and other intangible assets	13	139
Financial assets	-	5
TOTAL REVERSALS OF IMPAIRMENT LOSSES	**13**	**144**
TOTAL	**(752)**	**4**

(1) Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

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

At June 30, 2018, impairment tests were performed on a limited number of assets for which indications of impairment were identified during the first half of 2018.

At June 30, 2018, the Group considered that, in view of the changes in market inputs and key assumptions since December 31, 2017, it was not necessary to carry out a full update of the impairment tests performed on the goodwill CGUs in 2017 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 2018 will be carried out in the second half of the year.

6.1.2.1 Impairment losses recognized during the first half of 2018

Net impairment losses recognized for first-half 2018 amounted to €752 million, primarily relating to:

- thermal power generation assets in Europe (€661 million), owing to the downward revision of cash flow projections for certain portfolio assets in an unfavorable economic environment. The main assumptions and key estimates used to determine the value of assets are discount rates, estimated demand for electricity and changes in the price of CO_2, fuel and electricity beyond the liquidity period, in addition to the regulatory environment and the operating life of the assets concerned;
- thermal power generation assets in Latin America (€60 million), following the decision to shut down two plants in 2019.

Net impairment losses recognized for first-half 2017 amounted to €4 million, primarily relating to:

- the reversal of an impairment loss of €93 million on a portfolio of three thermal assets in the United Kingdom, which were effectively sold in the second half of 2017;
- an impairment loss of €74 million, resulting from the decision to permanently shut down a gas-fired power plant in the Netherlands in 2019.

6.1.3 Restructuring costs

Restructuring costs totaled €50 million in first-half 2018 and mainly included costs related to site closures, employee related costs and other restructuring costs.

In first-half 2017, restructuring costs totaled €475 million and mainly included costs related to various staff reduction plans implemented as part of the Group's transformation plan, as well as measures to adapt to economic conditions.

6.1.4 Changes in scope of consolidation

In first-half 2018, the impact of changes in the scope of consolidation amounted to a negative €102 million and mainly comprised an €87 million loss on the sale of the Loy Yang B thermal power plant in Australia, primarily in respect of items of other comprehensive income recycled to the income statement (*see Note 3.1.1*).

In first-half 2017, this item amounted to a positive €620 million and mainly comprised (i) a €540 million gain on the disposal of the thermal merchant power plant portfolio in the United States, (ii) a €57 million gain on the disposal of the Polaniec power plant in Poland, and (iii) a €21 million gain on the disposal of Opus Energy in the United Kingdom.

6.2 Net financial income/(loss)

In millions of euros	June 30, 2018			June 30, 2017 (1)		
	Expense	Income	Total	Expense	Income	Total
Cost of net debt	**(329)**	**37**	**(291)**	**(398)**	**69**	**(328)**
Interest expense on gross debt and hedges	(393)	-	(393)	(445)	-	(445)
Foreign exchange gains/(losses) on borrowings and hedges	(2)	-	(2)	-	6	6
Ineffective portion of derivatives qualified as fair value hedges	-	1	1	-	1	1
Gains and losses on cash and cash equivalents and liquid debt instruments	-	36	36	-	62	62
Capitalized borrowing costs	66	-	66	48	-	48
Gains/(losses) on debt restructuring and early unwinding of derivative financial instruments	**(119)**	**102**	**(17)**	**(172)**	**83**	**(90)**
Cash payments made on the unwinding of swaps	(112)	-	(112)	(83)	-	(83)
Reversal of the negative fair value of these early unwound derivative financial instruments	-	102	102	-	83	83
Expenses on debt restructuring transactions	(6)	-	(6)	(90)	-	(90)
Other financial income and expenses	**(590)**	**234**	**(356)**	**(536)**	**220**	**(316)**
Net interest expense on post-employment benefits and other long-term benefits	(57)	-	(57)	(58)	-	(58)
Unwinding of discounting adjustments to other long-term provisions	(282)	-	(282)	(240)	-	(240)
Change in fair value of derivatives not qualified as hedges and ineffective portion of derivatives qualified as cash flow hedges	(72)	-	(72)	(68)	-	(68)
Income/(loss) from debt instruments and equity instruments	(9)	24	15	(2)	37	35
Other	(170)	209	40	(168)	183	15
NET FINANCIAL INCOME/(LOSS)	**(1,038)**	**373**	**(665)**	**(1,106)**	**372**	**(734)**

(1) Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

The decrease in the cost of net debt is mainly due to a reduction in the volume of average debt since June 30, 2017, as well as to the positive effects of debt financing transactions and active interest rate management performed by the Group.

6.3 Income tax expense

In millions of euros	June 30, 2018	June 30, 2017 [1]
Net income/(loss) (A)	1,225	1,606
Total income tax expense recognized in income of the period (B)	(657)	(373)
Share in net income of entities accounted for using the equity method (C)	209	169
Net income on discontinued operations (D)	(119)	184
INCOME BEFORE INCOME TAX EXPENSE, NET INCOME ON DISCONTINUED OPERATIONS AND SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD (A)-(B)-(C)-(D)=(E)	**1,791**	**1,625**
EFFECTIVE TAX RATE (B)/(E)	**36.7%**	**22.9%**

(1) Comparative data at June 30, 2017 have been restated due to the application of IFRS 9 and IFRS 15 and to the classification of ENGIE's upstream liquefied natural gas (LNG) activities as "Discontinued operations" in March 2018 (see Note 2 "Restatement of 2017 comparative data").

The increase in the effective tax rate is mainly due to the significant tax-exempt capital gains in 2017 and the disallowable impairment losses recorded in 2018 against thermal power generation assets, despite the recognition of a deferred tax asset in Australia in 2018.

NOTE 7 GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In millions of euros	Goodwill	Intangible assets	Property, plant and equipment
GROSS AMOUNT			
At December 31, 2017 [(1)]	**26,485**	**16,988**	**98,303**
Acquisitions and construction of property, plant and equipment and intangible assets	-	430	2,160
Disposals of property, plant and equipment and intangible assets	-	(135)	(1,953)
Changes in scope of consolidation	306	74	(188)
Transfer to "Assets classified as held for sale"	(228)	(550)	(4,142)
Other changes	5	5	(11)
Translation adjustments	(23)	(51)	(278)
AT JUNE 30, 2018	**26,545**	**16,761**	**93,891**
ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT			
At December 31, 2017 [(1)]	**(9,200)**	**(10,484)**	**(47,241)**
Depreciation and amortization	-	(394)	(1,531)
Impairment	-	(4)	(749)
Disposals of property, plant and equipment and intangible assets	-	129	1,911
Changes in scope of consolidation	(1)	(9)	137
Transfer to "Assets classified as held for sale"	24	491	1,957
Other changes	-	(5)	127
Translation adjustments	9	9	51
AT JUNE 30, 2018	**(9,169)**	**(10,266)**	**(45,338)**
CARRYING AMOUNT			
At December 31, 2017 [(1)]	17,285	6,504	51,061
AT JUNE 30, 2018	**17,376**	**6,495**	**48,553**

(1) Comparative data at December 31, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 "Restatement of 2017 comparative data").

Changes in the scope of consolidation in first-half 2018 mainly relate to (i) acquisitions in the renewable energy and in service sector in the United States and Africa, (ii) the acquisition of a stake in Electro Power Systems in France, and (iii) the disposal of gas distribution business in Hungary *(see Note 3 "Main changes in Group structure").*

Following the classification of the stake in Glow (power generation in Thailand) under "Assets held for sale" and LNG activities under "Discontinued operations" (*see Note 3.2 "Assets held for sale and discontinued operations"*), the carrying amount of the corresponding property, plant and equipment and intangible assets, and any associated goodwill, was transferred to "Assets classified as held for sale" in the statement of financial position at June 30, 2018.

Net impairment losses on property, plant and equipment of €752 million, mainly relate to thermal power generation assets in Europe and Latin America *(see Note 6.1 "Income/(loss) from operating activities").*

Translation adjustments recognized on the carrying amount of property, plant and equipment are mainly attributable to exchange rate fluctuations in the Brazilian real (negative €421 million impact) and the US dollar (positive €188 million impact) against the euro.

7.1 Information on Benelux CGU goodwill

The Benelux CGU includes the Group's activities in Belgium, the Netherlands and Luxembourg: (i) power generation activities using its nuclear power plants and wind farms, (ii) natural gas and electricity sales activities, and (iii) energy services activities, as well as drawing rights on the Chooz B and Tricastin power plants in France. The goodwill allocated to the Benelux CGU amounted to €4,239 million at June 30, 2018.

As regards second-generation reactors, the principle of a gradual phase-out of nuclear power and the schedule for this phase-out, with the shutdown of the reactors announced for 2025 at the latest in the law of June 18, 2015, were confirmed in the energy pact approved by the Belgian government on March 30, 2018. The pact is supplemented by a federal energy strategy based on four objectives: the safeguarding of supplies, the impact on the climate, the impact on energy prices,

and the safety of power plants. A monitoring committee has been set up and will meet each year to evaluate the achievement of these objectives and, where applicable, make recommendations to policymakers so that corrective action may be taken.

The Group considers that these events do not call into question the main assumptions used at December 31, 2017 to determine the value in use of the Benelux CGU, and in particular that nuclear power will still be needed to guarantee the energy equilibrium in Belgium after 2025.

The key assumptions used for impairment testing at December 31, 2017 as well as the analyses of sensitivity to changes in key assumptions are described in Note 8.2.1 "Information on cash flow projections used in impairment tests" and Note 12.3.1.1 on impairment testing of Benelux CGU goodwill, to the 2017 consolidated financial statements.

The CGU's recoverable amount is particularly sensitive to the assumptions concerning the operating life of existing nuclear reactors in Belgium. As a result, the disappearance of the entire nuclear component from the portfolio in 2025 after 50 years of operation in the case of Tihange 1, Doel 1 and Doel 2, and 40 years of operation for the second-generation reactors would lead to an impairment loss of around €2,300 million.

A decrease of €10/MWh in electricity prices for nuclear power generation would lead to an impairment loss of around €800 million.

NOTE 8 FINANCIAL INSTRUMENTS

8.1 Financial assets

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

	June 30, 2018			Dec. 31, 2017 [1]		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivative instruments	3,625	13,657	17,283	2,949	7,378	10,326
Trade and other receivables	-	12,233	12,233	-	13,126	13,126
Assets from contracts with customers	2	7,047	7,049	-	6,930	6,930
Cash and cash equivalent [2]	-	9,535	9,535	-	8,929	8,929
Other financial assets	5,689	2,483	8,172	5,586	2,010	7,596
Equity instruments at fair value through other comprehensive income	*732*	*-*	*732*	*733*	*-*	*733*
Equity instruments at fair value through income	*429*	*-*	*429*	*393*	*-*	*393*
Debt instruments at fair value through other comprehensive income	*979*	*980*	*1,959*	*844*	*942*	*1,786*
Debt instruments at fair value through income	*690*	*220*	*910*	*647*	*210*	*857*
Loans and receivables at amortized cost [3]	*2,860*	*1,283*	*4,143*	*2,968*	*858*	*3,826*
TOTAL	**9,316**	**44,956**	**54,272**	**8,535**	**38,373**	**46,907**

(1) Comparative data at December 31, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 "Restatement of 2017 comparative data").

(2) This item includes funds raised during 2017 and 2018 on the issue of green bonds that are yet to be allocated to eligible projects.

(3) The increase in "Loans and receivables at amortized cost" in first-half 2018 includes the €245 million loan granted to Neptune Energy as part of the sale of the exploration-production business.

8.1.1 Equity instruments at fair value

In millions of euros	Equity instruments at fair value through other comprehensive income	Equity instruments at fair value through income	Total
At December 31, 2017	**733**	**393**	**1,127**
Increase	19	125	143
Decrease	-	(54)	(54)
Changes in fair value	(2)	(15)	(17)
Changes in scope of consolidation, foreign exchange translation and other	(18)	(20)	(39)
AT JUNE 30, 2018	**732**	**429**	**1,160**

The Group's equity instruments amounted to €1,160 million at June 30, 2018 of which:

- €62 million in listed securities relating to equity instruments at fair value through other comprehensive income;
- €38 million in listed securities relating to equity instruments at fair value through income.

8.1.2 Debt instruments at fair value

In millions of euros	Debt instruments at fair value through other comprehensive income	Debt instruments at fair value through income	Liquid debt instruments held for cash investment purposes at fair value through other comprehensive income	Liquid debt instruments held for cash investment purposes at fair value through income	Total
At December 31, 2017	**884**	**621**	**902**	**236**	**2,643**
Increase	103	33	65	22	222
Decrease	(7)	(1)	-	-	(8)
Changes in fair value	38	(6)	-	-	32
Changes in scope of consolidation, foreign exchange translation and other	(21)	3	(5)	3	(21)
AT JUNE 30, 2018	**997**	**650**	**962**	**261**	**2,869**

Debt instruments at fair value totaled €2,869 million at June 30, 2018, breaking down as €1,959 million of debt instruments at fair value through other comprehensive income and €911 million of debt instruments at fair value through income (respectively €1,786 million and €857 million at December 31, 2017).

At June 30, 2018, debt instruments included €1,222 million of liquid debt instruments (€1,138 million at December 31, 2017), which are deducted from gross debt.

8.2 Financial liabilities

Financial liabilities are recognized either:

- as “Liabilities at amortized cost” for borrowings and debt, trade and other payables, liabilities from contracts with customers 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, 2018, broken down into current and non-current items:

	June 30, 2018			Dec. 31, 2017 (1)		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings and debt	24,697	7,514	32,211	25,292	8,175	33,467
Derivative instruments	3,563	15,258	18,820	2,980	8,720	11,700
Trade and other payables	-	13,897	13,897	-	16,404	16,404
Liabilities from contracts with customers	45	3,181	3,225	258	3,317	3,575
Other financial liabilities	31	-	31	32	-	32
TOTAL	**28,335**	**39,849**	**68,184**	**28,562**	**36,617**	**65,179**

(1) Comparative data at December 31, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 “Restatement of 2017 comparative data”).

8.3 Net debt

8.3.1 Net debt by type

	June 30, 2018			Dec. 31, 2017 [1]		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings and debt outstanding	24,264	7,067	31,331	24,714	7,714	32,427
Impact of measurement at amortized cost	121	60	181	242	21	263
Impact of fair value hedge [2]	312	15	327	336	29	365
Margin calls on derivatives hedging borrowings - carried in liabilities	-	372	372	-	412	412
BORROWINGS AND DEBT	**24,697**	**7,514**	**32,211**	**25,292**	**8,175**	**33,467**
Derivatives hedging borrowings - carried in liabilities [3]	277	94	371	293	59	352
GROSS DEBT	**24,974**	**7,608**	**32,582**	**25,585**	**8,234**	**33,819**
Assets related to financing	(55)	-	(55)	(59)	(1)	(60)
Margin calls on derivatives hedging borrowings - carried in assets	-	(602)	(602)	-	(500)	(500)
ASSETS RELATED TO FINANCING AND MARGIN CALLS	**(55)**	**(602)**	**(657)**	**(59)**	**(501)**	**(559)**
Cash and cash equivalents	-	(9,536)	(9,536)	-	(8,930)	(8,930)
Derivatives hedging borrowings - carried in assets [3]	(574)	(62)	(636)	(610)	(63)	(673)
NET CASH	**(574)**	**(9,598)**	**(10,172)**	**(610)**	**(8,993)**	**(9,604)**
Liquid debt instruments held for cash investment purposes	(50)	(1,173)	(1,222)	(30)	(1,108)	(1,138)
LIQUID DEBT INSTRUMENTS HELD FOR CASH INVESTMENT PURPOSES	**(50)**	**(1,173)**	**(1,222)**	**(30)**	**(1,108)**	**(1,138)**
NET DEBT	24,296	(3,765)	20,530	24,887	(2,368)	22,519
Borrowings and debt outstanding	24,264	7,067	31,331	24,714	7,714	32,427
Assets related to financing	(55)	-	(55)	(59)	(1)	(60)
Liquid debt instruments held for cash investment purposes	(50)	(1,173)	(1,222)	(30)	(1,108)	(1,138)
Cash and cash equivalents	-	(9,536)	(9,536)	-	(8,930)	(8,930)
NET DEBT EXCLUDING THE IMPACT OF AMORTIZED COST, DERIVATIVE INSTRUMENTS AND MARGIN CALLS	**24,160**	**(3,642)**	**20,518**	**24,626**	**(2,326)**	**22,300**

(1) Comparative data at December 31, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 “Restatement of 2017 comparative data”).

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

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

Net debt excluding internal debt relating to discontinued operations (*see Note 3.2*) amounted to €20,429 million at June 30, 2018 (€20,788 million at December 31, 2017).

The fair value of gross borrowings and debt amounted to €33,946 million at June 30, 2018, compared with a carrying amount of €32,211 million.

8.3.2 Main events of the period

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

In first-half 2018, changes in exchange rates resulted in a €64 million decrease in net debt (including a €137 million decrease in relation to the Brazilian real and a €63 million increase in relation to the US dollar).

Changes in the scope of consolidation (including the cash impact of acquisitions and disposals) led to a €2,388 million decrease in net debt, mainly reflecting:

- disposals of assets over the period, which reduced net debt by €2,594 million, notably including the disposal of the exploration-production business, the Loy Yang B power plant in Australia and the gas distribution business in Hungary (*see Note 3.1 "Disposals carried out in first-half 2018"*);
- the classification of Glow under “Assets held for sale” (*see Note 3.2.3*), which reduced net debt by €811 million;

- acquisitions carried out during the first half of 2018 (chiefly in the United States with the purchase of companies in the renewable energy and services sectors and in France with the purchase of a majority interest in Electro Power Systems), which increased net debt by €972 million (*see Note 3.3 "Acquisitions carried out in first half 2018").*

8.3.2.2 Financing and refinancing transactions

The Group carried out the following transactions during the first half of 2018:

- ENGIE SA redeemed the €644 million bond that matured on February 18, 2018 with a 5.125% coupon;
- ENGIE SA redeemed the €729 million bond that matured on June 1, 2018 with a 2.25% coupon;
- on June 22, 2018, ENGIE SA issued €750 million worth of bonds maturing in 2028 with a 1.421% coupon;
- on June 6, 2018, ENGIE SA gave notice that it had exercised the annual prepayment option and recognized the €600 million tranche of deeply-subordinated perpetual notes with a 3.875% coupon previously recognized in equity under borrowings. The repayment will take place on July 10, 2018;
- on June 28, 2018, ENGIE Brasil Energia carried out four bond issues totaling BRL 1,802 million (€401 million). BRL 782 million of these issues matures in 2023 and BRL 1,020 million in 2027;
- on June 29, 2018, ENGIE Brasil Energia partially redeemed bonds in an amount of BRL 1,685 million (€375 million).

8.4 Derivative instruments

8.4.1 Derivative financial assets

	June 30, 2018			Dec. 31, 2017 [1]		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	574	62	636	610	63	673
Derivatives hedging commodities	2,424	13,494	15,918	1,532	7,231	8,763
Derivatives hedging other items [2]	627	102	729	806	83	889
TOTAL	3,625	13,657	17,283	2,949	7,378	10,326

(1) Comparative data at December 31, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 "Restatement of 2017 comparative data").

(2) 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.

8.4.2 Derivative financial liabilities

	June 30, 2018			Dec. 31, 2017 (1)		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	277	94	371	293	59	352
Derivatives hedging commodities	2,154	15,090	17,244	1,475	8,544	10,018
Derivatives hedging other items [2]	1,132	73	1,205	1,212	118	1,329
TOTAL	3,563	15,258	18,820	2,980	8,720	11,700

(1) Comparative data at December 31, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 "Restatement of 2017 comparative data").

(2) 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.

8.4.3 Classification of financial instruments by level in the fair value hierarchy

During the first half of 2018, the Group has not made neither significant changes to in the classification of financial instruments nor any significant transfers between levels in the fair value hierarchy.

8.5 Deeply subordinated perpetual notes

On January 16, 2018, ENGIE SA issued a green deeply-subordinated perpetual note for a total amount of €1 billion callable annually from April 2023 with a 1.375% coupon.
In accordance with the provisions of IAS 32 – *Financial Instruments: Presentation*, and in view of their characteristics, these instruments were recognized in equity in the Group's consolidated financial statements for a total amount of €989 million.

On June 6, 2018, ENGIE gave notice that it had exercised the annual prepayment option relating to the €600 million tranche (€621 million including accrued interest) previously recognized in equity for a net amount of €584 million.

NOTE 9 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 2017 Registration Document.

9.1 Market risks

9.1.1 Commodity risk

9.1.1.1 Portfolio management activities

Sensitivities of the commodity-related financial derivatives portfolio used as part of the portfolio management activities at June 30, 2018 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, 2018	
In millions of euros	**Changes in price**	Pre-tax impact on income	Pre-tax impact on equity
Oil-based products	+USD 10/bbl	69	-
Natural gas	+€3/MWh	947	20
Electricity	+€5/MWh	126	(35)
Coal	+USD 10/ton	18	3
Greenhouse gas emission rights	+€2/ton	52	1
EUR/USD	+10%	52	-
EUR/GBP	+10%	88	-

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

9.1.1.2 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, 2018	2018 average (1)	2018 maximum [2]	2018 minimum [2]
Trading activities	6	8	13	5

(1) Average daily VaR.
(2) Maximum and minimum daily VaR observed in 2018.

9.1.2 Currency risk

Sensitivity analysis to currency risk on the income statement was performed based on all financial instruments managed by the treasury department and representing a currency risk (including derivative financial).

Sensitivity analysis to currency risk on equity was performed based on all 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, 2018		
	Impact on income after hedging		Impact on equity
In millions of euros	+10% (1)	-10% (1)	+10% (1)
Exposures denominated in a currency other than the functional currency of companies carrying the liabilities on their statements of financial position (2)	(57)	57	NA
Financial instruments (debt and derivatives) qualified as net investment hedges (3)	NA	NA	201

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

9.1.3 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 100-basis-point rise or fall in the yield curve compared to close interest rates.

	June 30, 2018			
	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 nominal amount and on floating-rate leg of derivatives	(13)	12	NA	NA
Change in fair value of derivatives not qualified as hedges	39	(51)	NA	NA
Change in fair value of derivatives qualified as cash flow hedges	NA	NA	324	(410)

9.2 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, 2018, bank loans accounted for 17% 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 €21,760 million in bonds, or 70% of gross debt).

Outstanding negotiable commercial paper represented 12% of gross debt (excluding bank overdrafts and the impact of derivatives and amortized cost), or €3,841 million at June 30, 2018.

Available cash, comprising cash and cash equivalents and liquid debt instruments dedicated to cash investments totaled €10,758 million at June 30, 2018.

Confirmed credit facilities had been granted for a total of €13,186 million at June 30, 2018, of which €13,133 million was available and undrawn. 96% of total available credit lines are centralized.

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

At June 30, 2018, 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	2018	2019	2020	2021	2022	Beyond 5 years
Bond issues	21,760	843	776	2,473	1,763	2,593	13,312
Bank borrowings	4,677	719	349	875	303	364	2,067
Negotiable commercial paper	3,841	3,492	349	-	-	-	-
Drawdowns on credit facilities	53	16	3	25	3	1	6
Liabilities under finance leases	440	67	129	98	89	11	47
Other borrowings	119	29	9	8	8	3	62
Bank overdrafts and current accounts	441	441	-	-	-	-	-
OUTSTANDING BORROWINGS AND DEBT	**31,331**	**5,607**	**1,615**	**3,478**	**2,166**	**2,971**	**15,493**
Assets related to financing	(55)	-	-	(2)	(1)	-	(51)
Liquid debt instruments dedicated to cash investments	(1,222)	(1,222)	-	-	-	-	-
Cash and cash equivalents	(9,536)	(9,536)	-	-	-	-	-
NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, AMORTIZED COST AND MARGIN CALLS	**20,518**	**(5,151)**	**1,615**	**3,476**	**2,166**	**2,971**	**15,442**

Confirmed undrawn credit facilities programs

The maturities of the Group's confirmed undrawn credit facilities programs at June 30, 2018, are analyzed in the table below:

In millions of euros	Total	2018	2019	2020	2021	2022	Beyond 5 years
Confirmed undrawn credit facilities programs	13,133	352	598	1,360	4,668	5,513	642

At June 30, 2018, no single counterparty represented more than 7% of the Group's confirmed undrawn credit lines.

NOTE 10 PROVISIONS

In millions of euros	Dec. 31, 2017 [1]	Additions	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Impact of unwinding discount adjustments	Translation adjustments	Other	June 30, 2018	Non-current	Current
Post-employment and other long-term benefits	6,142	143	(189)	1	22	58	(9)	253	6,420	6,270	150
Back-end of the nuclear fuel cycle	5,914	65	(39)	-	-	103	-	-	6,043	5,988	55
Dismantling of plant and equipment	5,728	-	(11)	-	15	106	(3)	(41)	5,795	5,795	-
Site rehabilitation [2]	313	6	(5)	-	(2)	3	(3)	-	313	312	1
Litigations, claims, and tax risks	703	30	(97)	(1)	2	1	(5)	21	654	15	639
Other contingencies	2,915	224	(405)	(20)	21	15	-	(181)	2,571	567	2,004
TOTAL PROVISIONS	**21,715**	**469**	**(746)**	**(20)**	**58**	**287**	**(20)**	**53**	**21,795**	**18,947**	**2,848**

(1) *Comparative data at December 31, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 "Restatement of 2017 comparative data").*

(2) *Of which €5,248 million in provisions for dismantling nuclear facilities at June 30, 2018, versus €5,159 million at December 31, 2017.*

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

The "Other" column mainly comprises actuarial gains and losses arising on post-employment benefit obligations in 2018 which are recorded in "Other comprehensive income" as well as provisions recorded against a dismantling or site rehabilitation asset.

The different types of provisions and the calculation principles applied are described in the 2017 consolidated financial statements.

10.1 Nuclear power generation activities

Provisions for dismantling nuclear facilities and managing radioactive spent fuel at these facilities are measured based on the triennial report approved by the Commission for nuclear provisions (*Commission des provisions nucléaires* – CPN) on December 12, 2016.

As indicated in Note 18.2.2 "Provisions for nuclear fuel processing and storage" to the 2017 consolidated financial statements, the Belgian government has not yet taken a decision on how to manage highly radioactive waste and/or long-lived fission products generated by nuclear activities in Belgium. In this context, the Belgian national agency for radioactive waste and enriched fissile material (*Organisme National des Déchets Radrioactifs*) proposed on February 9, 2018 that geological storage be adopted as the national policy for managing highly radioactive waste and/or long-lived fission products over the long term. The proposal is subject to the approval of the Belgian government after obtaining the opinion of the Federal Agency for Nuclear Control (*Agence Fédérale de Contrôle Nucléaire* – AFCN).

Futhermore, in accordance with the procedures set out in the Royal Decree of March 30, 1981 "determining the tasks and setting the operational procedures of the public agency for the management of radioactive waste and fissile material", ONDRAF initiated a process to update the fees charged for the management and storage of such waste. Once the process has been completed, a rate will be set and included in agreements between ONDRAF and waste producers by the end of 2018. This rate should be set in accordance with a new reference scenario for managing highly radioactive waste and/or long-lived fission products over the long term, based on an new technological concept governing operations as well as the possibility of burying waste at greater depths.

Compared with ONDRAF's previous assumptions, which were approved by the CPN in December 2016, this change in scenario is expected to result in significantly higher geological storage costs for highly radioactive waste and/or

long-lived fission products. These additional costs would be shared between the various waste producers depending on the fees set for the different categories of waste using allocation methods yet to be specified by ONDRAF.

Such a scenario would also lead to significant delays in the payment schedule for the various expenses related to the conditioning and burying of nuclear waste which, under the supervision of the competent authorities, would reduce the net present value of the expenses and thereby reduce the impact of these cost increases on the measurement of nuclear provisions.

Once the amount and timetable of these expenses will have been defined in light of the impacts of this new reference scenario, these items will need to be included at the latest in the Synatom proposal to be presented to the CPN at the time of the triennial revision of the provisions, expected to take place in 2019.

In this context, the Group deems that as of June 30, 2018, the conditions have not been met and the information available is not sufficient to revise the assumptions on which the measurement of the provisions at December 31, 2017 was based. These provisions remain sensitive to assumptions regarding costs, the timing of operations and expenditure, as well as to discount rates. Any change in these factors could lead to a significant adjustment of the provisions recorded.

NOTE 11 LEGAL AND ANTI-TRUST PROCEEDINGS

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

Provisions recorded in respect of these proceedings totaled €654 million at June 30, 2018 (€703 million at December 31, 2017 [(1)]).

Legal and anti-trust proceedings are described in Note 26 to the 2017 consolidated financial statements. Those that have seen developments during the first half of 2018 are presented below.

11.1 Benelux

11.1.1 Resumption and extension of operations of nuclear reactors

Various associations have brought actions before the Constitutional Court, the *Conseil d'État* and the ordinary courts against the laws and administrative decisions authorizing the extension of operations at the Doel 1 and 2 and Tihange 1 reactors. On June 22, 2017, the Constitutional Court referred the case to the Court of Justice of the European Union for a preliminary ruling. In a decision dated June 12, 2018, the Brussels Court of Appeal dismissed Greenpeace's claims; the other proceedings are still pending. In addition, some German local authorities and various organizations have challenged the authorization to restart operations at the Tihange 2 reactor. These actions are also pending.

11.1.2 Tax risk in the Netherlands related to power plant impairment losses

The Dutch tax authorities plan to disallow the tax deduction of impairment losses claimed by ENGIE Energie Nederland NV in its 2010-2013 tax returns. The authorities challenged both the period of coverage of the impairment losses (tax deduction not in line with the amount of impairment) and the amount (valuation based on the discounted cash flow method). Accordingly, they added back the full amount of the accumulated impairment losses on assets over the abovementioned period. ENGIE has contested the tax authorities' position and is currently preparing an appeal.

11.2 Infrastructures Europe

11.2.1 Commissioning

In the dispute between GRDF and various gas suppliers, in a decision dated June 2, 2016, the Paris Court of Appeal (i) recalled that the risk of unpaid compensation for the "transmission" part of the agreement with the end customer should be borne by the grid manager and not the gas supplier; (ii) held that the compensation for customer management services provided by the supplier on behalf of the grid manager should be fair and commensurate with the grid manager's cost savings; and (iii) ordered GRDF to bring its transmission agreements into compliance with these principles. GRDF appealed the decision handed down by the Court of Appeal before the Court of Cassation. On January 18, 2018, the Energy Regulatory Commission (*Commission de Régulation de l'Énergie* – CRE) published a decision setting the rate for access to the grids for management services provided to single contract customers from January 1, 2018. This compensation is included in the costs covered by the transmission rate and is therefore ultimately borne by the grids' users. On June 18, 2018, the CRE's Standing Committee for Disputes and Sanctions (*Comité de règlement des différends et des sanctions* – CoRDiS), which has been tasked by the Court of Appeal to evaluate the amount of the customer management services, instructed GRDF to propose to Direct Energie (retroactively and going forward) and to ENI (going forward) a new

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(1) Comparative data at December 31, 2017 have been restated due to the application of IFRS 9 and IFRS 15 (see Note 2 "Restatement of 2017 comparative data").

addendum providing for compensation of €91 per year for T3, T4 and TP customers, and €8.10 per year for T1 and T2 customers.

Regarding the customer management services carried out on behalf of the grid manager in the electricity sector (in this case ERDF, now ENEDIS), following proceedings brought by ENGIE, in a decision of July 13, 2016, the *Conseil d'État* also ruled that the same principle whereby the grid manager pays compensation to the supplier should apply. In the same decision, the *Conseil d'État* denied the CRE the right to set a customer threshold beyond which the compensation would not be payable, which has hitherto prevented ENGIE SA from receiving any compensation. In light of this decision, ENGIE brought an action against ENEDIS with the purpose of obtaining payment for these customer management services. ENGIE also brought an action before the *Conseil d'État* against the CRE's decision of October 26, 2017 in respect of the compensation for customer management services in the electricity sector, seeking the annulment of the decision for the period prior to January 1, 2018 only.

11.3 Other

11.3.1 Luxembourg – State aid investigation

On September 19, 2016, the European Commission announced its decision to open an investigation into whether or not two private rulings granted by the Luxembourg State in 2008 and 2010 covering two similar transactions between several of the Group's Luxembourg subsidiaries constituted State aid. On June 20, 2018, the European Commission published a final, unfavorable decision confirming its analysis that Luxembourg had provided ENGIE with State aid. ENGIE intends to request the annulment of the decision before the European Courts, thereby challenging the existence of a selective advantage.

NOTE 12 RELATED PARTY TRANSACTIONS

The related party transactions described in Note 23 to the consolidated financial statements at December 31, 2017 have not changed significantly at the end of June 2018.

NOTE 13 SUBSEQUENT EVENTS

Disposal of liquefied natural gas (LNG) activities

On July 13, 2018, the Group completed the sale (*see Note 3.2.1*) of its upstream liquefied natural gas (LNG) activities and received payment of the equivalent of €1.4 billion, corresponding to the sale price of all of its shares.

The combined effects of the transaction and of the cash generated by these LNG activities since January 1, 2018 (i) reduce the Group's net debt by around €1.1 billion excluding any additional future payments to be received, and (ii) resulte in the recognition of a disposal gain of around €1.3 billion including the fair value at June 30, 2018 of any additional future payments.

Acquisition of the LANGA group

On July 18, 2018, ENGIE finalized its acquisition of the LANGA group, an independent producer of renewable energy in France (wind, solar, biogas and biomass), for €0.2 billion. LANGA owns a portfolio of operating assets and development projects.

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

I hereby certify that, to the best of my knowledge, the condensed interim consolidated financial statements for six months ended June 30, 2018 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and net result of the Company and all the entities included in the consolidation, and that the interim management report presents a fair view of the significant events of first-half 2018, 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 2018.

Courbevoie, July 26, 2018

The Chief Executive Officer

Isabelle Kocher

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

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

To the shareholders,

In compliance with the assignment entrusted to us by your General Shareholders's 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-yearly consolidated financial statements of ENGIE, for the period from January 1st to June 30, 2018,
- The verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of ENGIE board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. 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 accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in notes 1 and 2 relating to the changes in accounting standards and impacts related to the first application of IFRS 9 "*Financial Instruments*" and IFRS 15 "*Revenue from Contracts with Customers*" effective since January 1st, 2018.

2. Specific Verification

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

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

Paris-La Défense, July 26, 2018

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES		**ERNST & YOUNG et Autres**	
Patrick E. Suissa	Olivier Broissand	Charles-Emmanuel Chosson	Stéphane Pédron

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