2017
Registration Document
including annual financial report

summary

1 PRESENTATION OF THE GROUP 5

1.1 Profile, organization and strategy of the Group 6
1.2 Key figures 13
1.3 Description of the Group's activities 15
1.4 Real estate, plant and equipment 39
1.5 Innovation, research and technologies policy 41

2 RISK FACTORS 45

2.1 Risk management process 46
2.2 Risks related to the external environment 48
2.3 Operational risks 52
2.4 Industrial risks 56
2.5 Financial risks 58

3 SOCIAL AND ENVIRONMENTAL INFORMATION, CORPORATE SOCIAL COMMITMENTS 61

3.1 Corporate Social Responsibility 62
3.2 Business model 62
3.3 Risk analysis 63
3.4 Social information 63
3.5 Environmental information 88
3.6 Societal information 97
3.7 Purchasing and Suppliers 99
3.8 Independent verifier's report on consolidated social, environmental and societal information presented in the management report 100
3.9 Statutory auditors' reasonable assurance report on selected social, environmental and governance information 103

4 CORPORATE GOVERNANCE 105

4.1 The Board of Directors' report on corporate governance 106
4.2 Shareholders' Meeting of May 18, 2018 – Composition of the Board of Directors 128
4.3 General Management 129
4.4 Ethics and compliance 130
4.5 Vigilance plan 133
4.6 Compensation and benefits paid to members of corporate governance bodies 135
4.7 Internal control and risk management procedures put in place by the Company 160
4.8 Statutory Auditors' special report on regulated agreements and commitments, transactions with related parties and service contracts 165

5 INFORMATION ON THE SHARE CAPITAL AND SHAREHOLDING 169

5.1 Information on the share capital and non-equity instruments 170
5.2 Shareholding 181

6 FINANCIAL INFORMATION 185

6.1 Management report 186
6.2 Consolidated financial statements 203
6.3 Statutory Auditors' Report on the Consolidated Financial Statement 334
6.4 Parent company financial statements 341
6.5 Statutory auditors' report on the parent company financial statements 388

7 ADDITIONAL INFORMATION 395

7.1 Specific statutory provisions and bylaws 396
7.2 Litigation, arbitration and investigative procedures 401
7.3 Public documents 401
7.4 Parties responsible for the Registration Document 402
7.5 Statutory Auditors 403

A APPENDIX A – LEXICON 405

Conversion Table 406
Units of Measurement 406
Short forms and acronyms 407
Glossary 409

B APPENDIX B – COMPARISON TABLES 413

Comparison table with Regulation (EC) 809/2004 414
Corporate, environmental and social information 417
Information relating to the management report 420
Information relating to the Annual Financial Report 422
Information relating to the Board of Directors' report on corporate governance 423

2017
Registration document
including the annual financial report

This Registration Document was filed with the *Autorité des Marchés Financiers* on March 28, 2018, in accordance with the provisions of article 212-13 of the General Regulations of the AMF.

It may be used in support of a financial transaction if supplemented by an information memorandum approved by the *Autorité des Marchés Financiers*.

This document has been prepared by the issuer, and its signatory is responsible for its content.

GÉRARD MESTRALLET CHAIRMAN OF THE BOARD OF DIRECTORS

ENGIE, A PIONEERING DNA

A new era is dawning for ENGIE in 2018. Engie's story, which I have been a part of since 1984, dates back more than 150 years. From its inception as Compagnie Financière de Suez-Lyonnaise des Eaux, then from GDF SUEZ to ENGIE, as I conclude my final term as Chairman of the Group, I am very proud to have played a key role in these transformations – especially the change from a finance-centered group to one focused on energy.

This great success story today positions ENGIE as the world leader in the energy transition, confirming the relevance of the strategy decided five years ago.

True to its pioneering spirit, the Group continues to capitalize on its historical strengths to accompany this energy revolution and to help build a low-carbon energy world where gas and renewables are more than ever the energies of the future.

A committed and responsible global player, the Group has always stood by its convictions on the European and international stage. Strong examples of this include, among many others, its actions to fight against global warming, to promote universal energy access, and to put a price on carbon.

The 2017 results are in line with the Group's guidance. The three-year transformation plan that we launched with Isabelle Kocher in February 2016 was already 90% completed after only two years. The return of organic growth enables the Group to offer a dividend of €0.75 for 2018, an increase of 7.1%.

As you know, ENGIE's Board of Directors unanimously confirmed the decision made in 2016 to separate the roles of Chairman and Chief Executive Officer. I will leave the position of Chairman of the Board at the Annual General Meeting on May 18, 2018. On this occasion, there will be a resolution submitted for approval to shareholders to appoint a new independent director, Jean-Pierre Clamadieu, who will transition into the role of Chairman. I am pleased with the choice of Jean-Pierre Clamadieu, a great industrialist who has particularly distinguished himself in the transformation of Solvay, the international chemical group. I would also like to recognize the Board of Directors and the Appointments, Compensation and Governance Committee for the quality of their work, as well as the rigorous process they have undertaken.

> “THIS GREAT SUCCESS STORY TODAY POSITIONS ENGIE AS THE WORLD LEADER IN THE ENERGY TRANSITION”

I am most grateful to the directors who have served on the Group's Board of Directors for their commitment, their determination, and their support at every stage of the Group's life.

Finally, let me conclude this message with thanks to all of those who have supported and placed their trust in me throughout these 34 years.

I wish great success to Jean-Pierre Clamadieu and Isabelle Kocher, and long life to ENGIE.

A SUCCESSFUL STRATEGIC REPOSITIONNING

ISABELLE KOCHER CHIEF EXECUTIVE OFFICER

Three years ago, we launched an ambitious repositioning project to make ENGIE the champion of the new energy world.

In meeting this challenge, the Group has built on foundations that were already in place: in fact, 80% of our activities were already in step with tomorrow's energy world when we started out. It was in total alignment with this new energy world and with society's changing needs that we decided to reposition the Group.

At the same time, we carried out a major disposal program and an ambitious investment plan.

In two years, we sold off nearly €13 billion in assets, while during the same period, we invested and secured €13.9 billion on our three growth drivers. By the end of the plan, we will have invested €7.1 billion in low-carbon electricity generation (including €4.5 billion in renewable energy), €2.6 billion in infrastructure and €4.6 billion in customer solutions.

These investments are driving major progress in our business. In low-carbon electricity generation, we will have almost doubled our solar and wind capacity between 2016 and 2019. Our total renewable generation now totals 24 GW, equivalent to 24 nuclear units. In infrastructure, we have continued to expand internationally, stepped up our natural gas "greening" efforts in France, and launched an entity dedicated to hydrogen. Finally, in customer solutions, we have completed 43 acquisitions since 2015, thereby consolidating our leading position in certain markets and gaining a foothold in sectors such as mobility, where the future will run on electricity and natural gas.

We have succeeded in this repositioning while continuing to create value.

Our financial results are solid. Our financial position has improved and we are now much freer to look to the future. With all this in mind, the Group has decided to propose an increase in the dividend to €0.75 for the 2018 fiscal year.

ENGIE has set in motion a dynamic of sustainable growth aimed at achieving more harmonious progress, reconciling individual needs and the public interest. We have resolutely changed course, and the in-depth work that has been done will continue unabated to ensure that our organization is more agile, more competitive, more digital, and thus all the better equipped to seize opportunities for growth.

> "WE HAVE SUCCEEDED IN THIS REPOSITIONING WHILE CONTINUING TO CREATE VALUE"

Annual Financial Report, Management Report and Board of Directors' Report on corporate governance

This Registration Document includes (i) all the items of the Annual Financial Report mentioned in section I of article L. 451-1-2 of the French Monetary and Financial Code, and in article 222-3 of the General Regulations of the *Autorité des Marchés Financiers* (AMF), the French Financial Markets Authority, (ii) all the mandatory information included in the Management Report of the Board of Directors to the Annual Shareholders' Meeting of May 18, 2018, as provided for in articles L. 225-100 and L. 225-100-2 of the French Commercial Code, and (iii) all the information included in the Board of Directors' Report on corporate governance as provided for in article L. 225-37 of the French Commercial Code.

In Appendix B of this Registration document, there is a comparison table between the documents mentioned in these texts and the corresponding headings in this Registration Document.

Incorporation by reference

In accordance with article 28 of European Regulation No. 809/2004 of April 29, 2004, this Registration Document incorporates by reference the following information, to which the reader should refer:

- in relation to the ENGIE fiscal year ended on December 31, 2016: the management report, consolidated financial statements prepared according to IFRS and the related Statutory Auditors' report appearing on pages 181 to 196 and 197 to 326 of the Registration Document filed with the AMF on March 23, 2017 under number D. 17-0220;
- in relation to the ENGIE fiscal year ended on Thursday, December 31, 2015: the management report, consolidated financial statements prepared according to IFRS and the related Statutory Auditors' report appearing on pages 170 to 186 and 187 to 306 of the Registration Document filed with the AMF on Wednesday, March 23, 2016 under number D. 16-0195.

This information should be read in conjunction with the comparative information as of December 31, 2017.

The information included in these Registration Documents, along with the information mentioned above, is replaced or updated, as necessary, by the information included in this Registration Document. These reference documents are available under the conditions described in Section 7.3 "Documents available to the public" in this Registration Document.

Forward-looking information and market data

This Registration Document contains forward-looking information including in Section 1.1.4 "Strategic priorities," Section 1.1.5 "Transformation plan," Section 1.1.7 "Competitive positioning," Section 1.3 "Description of the Group's activities," and Section 6.1.1.2 "Outlook." This information is not historical data and therefore should not be construed as a guarantee that the events and data mentioned will occur or that the objectives will be achieved, since these are by nature subject to unpredictable events and external factors, such as those described in Section 2 "Risk factors."

Unless otherwise stated, the market data appearing in this Registration Document comes from internal estimates by ENGIE based on publicly available data.

Note

In this Registration Document, the terms "ENGIE," the "Company," the "Issuer," and the "Enterprise" refer to ENGIE. The term "Group" refers to ENGIE and its subsidiaries.

A list of units of measurement, short forms and acronyms and a glossary of the frequently used technical terms are featured in Appendix A of this Registration Document.

Copies of this Registration Document are available at no cost on the Company website (engie.com), on the website of the *Autorité des Marchés Financiers* (amf-france.org), as well as from ENGIE, 1 place Samuel de Champlain, 92400 Courbevoie (France).

1 Presentation of the Group

1.1	**Profile, organization and strategy of the Group**	**6**
1.1.1	General presentation	6
1.1.2	History and evolution of the Company	6
1.1.3	Organization	7
1.1.4	Strategic priorities	9
1.1.5	Transformation plan	10
1.1.6	Highlights	10
1.1.7	Competitive positioning	12
1.2	**Key figures**	**13**
1.2.1	Group financial data	13
1.2.2	CSR indicators	14
1.3	**Description of the Group's activities**	**15**
1.3.1	North America	15
1.3.2	Latin America	16
1.3.3	Africa/Asia	18
1.3.4	Benelux	22
1.3.5	France	23
1.3.6	Europe (excluding France and Benelux)	25
1.3.7	Infrastructures Europe	27
1.3.8	Global LNG and Global Energy Management	30
1.3.9	Exploration and Production International	33
1.3.10	Other	34
1.3.11	Description of the Métiers	37
1.4	**Real estate, plant and equipment**	**39**
1.5	**Innovation, research and technologies policy**	**41**
1.5.1	Innovation	41
1.5.2	Research & Technologies	41

1.1 Profile, organization and strategy of the Group

1.1.1 General presentation

The ENGIE group is one of the world's leading industrial companies and a benchmark in the fields of gas, electricity and energy services.

It is active throughout the entire energy value chain, in electricity and natural gas, upstream to downstream in:

- power generation;
- global networks, mainly gas;
- integrated solutions for customers.

In a world of energy that is undergoing a period of unprecedented change, marked by persistently weak commodity prices and the acceleration and globalization of the energy transition, ENGIE can count on its strong positions in regulated infrastructure, customer services and its dynamic of growth in renewable power generation. The development of these activities, together with a bold plan for asset rotation (see Section 1.1.5 "Transformation Plan") will transform the Group and position it as a pioneer in the new world of energy.

Listed in Paris and Brussels, ENGIE is represented in the major stock indices (see Section 5.1.1.1 "Share capital and voting rights").

The Group's fundamental values are drive, commitment, daring and cohesion.

1.1.2 History and evolution of the Company

The Company is the result of the merger-absorption of SUEZ by Gaz de France, following the decisions of the Combined Shareholders' Meetings of Gaz de France and SUEZ of July 16, 2008. The merger took effect on July 22, 2008.

Initially incorporated in 1946 as an EPIC (French public industrial and commercial enterprise), it became a limited liability company with a 99-year term under Law 2004-803 of August 9, 2004 on the electricity and gas public service and electricity and gas companies (amending Law 46-628 of April 8, 1946) whose provisions were aimed at organizing the change in the Company's legal status.

On July 7, 2005, the Company publicly floated its shares on the stock market. The Company's shares, under its former name, Gaz de France, were first listed on July 7, 2005.

Law 2004-803 of August 9, 2004, as amended by Law 2006-1537 of December 7, 2006 governing the energy sector and Decree 2007-1784 of December 19, 2007, authorized the transfer of the Company from the public to the private sector. On July 22, 2008, the Company absorbed SUEZ in a merger which entailed transferring the majority of the Company's share capital to the private sector. The new Company took the name "GDF SUEZ".

SUEZ itself was the result of the merger in 1997 of Compagnie de Suez and Lyonnaise des Eaux. At the time, Compagnie de Suez – which had built and operated the Suez Canal until its nationalization by the Egyptian government in 1956 – was a holding company with diversified stakes in Belgium and France, particularly in the finance and energy sectors. Lyonnaise des Eaux was a diversified company in the management and treatment of water, waste, construction, communications and technical facility management. SUEZ became an international industrial and services group whose objective was to meet essential requirements in electricity, gas, energy and industry services, water and waste management.

The deregulation of European energy markets in the early 1990s promoted the international development of both Gaz de France and SUEZ, which progressively expanded their activities beyond their respective traditional markets, both in Europe and internationally.

On February 3, 2011, the Company completed a merger with International Power. In 2012, it confirmed its strategy as a global energy player, finalizing the purchase of shares held by the minority shareholders of International Power on June 29, 2012.

The shareholders' agreement for SUEZ Environnement Company expired on July 22, 2013 and was not renewed. The cooperation and shared functions agreement and the financing agreement between the Company and SUEZ Environnement Company have also come to an end. The Company now uses the equity method to consolidate SUEZ Environnement Company's activities in its financial statements, rather than full consolidation.

The Company intends to maintain its role as a long-term strategic partner of SUEZ (formerly SUEZ Environnement Company) and as its majority shareholder. The guiding principles of the industrial and commercial agreements between the Company and SUEZ Environnement Company were confirmed in January 2013, and form the basis of a framework agreement between the two companies, similar to what might have been concluded with third parties outside the Group. They relate to reciprocal preference, under market conditions, in purchasing/sales, continuing cooperation in certain industrial activities, development of potential joint commercial offerings and cooperation in sustainable development, innovation and research and development.

In early March 2016, the two companies signed an agreement providing for the contribution by ENGIE to SUEZ (formerly SUEZ Environnement Company) of all of the share capital of SUEZ IP, which owns all intellectual property rights related to the SUEZ brand. The main terms and conditions of this transaction as set out in the contribution agreement are detailed in Section 4.8.

On July 29, 2015, the Extraordinary Shareholders' Meeting approved a change in the Company name, and adopted "ENGIE" as its new legal name.

The name of the share listed on the stock market was also changed to ENGIE, and its ISIN code changed to "ENGI", with effect from July 31, 2015.

ENGIE has its head office at 1, place Samuel de Champlain, 92400 Courbevoie, France. The telephone number is +33 (0) 1 44 22 00 00. ENGIE is listed in the Nanterre Trade and Companies Register under reference number 542 107 651. Its NAF (French business sectors) code is 3523Z.

ENGIE is a public limited liability company (société anonyme) with a Board of Directors subject to the laws and regulations governing public limited companies and any specific laws governing the Company, and to its by-laws.

The Company's 12-month fiscal year runs from January 1 to December 31 of each year.

1.1.3 Organization

In response to the challenge of the global energy revolution and to get closer to its customers, on January 1, 2016, ENGIE put in place a simplified structure based on a territorial and decentralized approach. The Group now comprises 24 operating entities (Business Units, or BUs) (1), five Métiers and a range of support functions and operational functions (see the Group organizational chart on the next page).

Most of the BUs are constituted on the scale of a country or group of countries, according to the density of the activities carried out in the geographical areas concerned. They bring together the Group's activities to meet the expectations of their customers and stakeholders in a given area.

- The following were therefore created:
  - eleven geographical BUs, in Europe and worldwide (Africa; North America; Latin America; Asia-Pacific; Benelux; Brazil; China; Northern, Southern and Eastern Europe; Middle East, South and Central Asia, and Turkey; United Kingdom; and Generation Europe) responsible for the central management of all Group activities within their region;
  - France has a special structure, given its size and the presence of regulated entities. It has eight BUs, four specialized in gas infrastructures (transmission, distribution, terminals and storage) and four related to the BtoB, BtoC, networks, and renewable energy businesses;
  - lastly, in addition to the operational entities, there are five global BUs, whose scope is worldwide: Exploration and Production International (2); Global Energy Management; Global LNG (3); Gaztransport & Technigaz (GTT); and Tractebel.

Each of these BUs is represented on the Group Executive Committee (COMEX) by an Executive Vice-President, who oversees it.

Five Métiers have been created in addition to this geographical structure: gas value chain; centralized generation; decentralized solutions for cities and territories; solutions for businesses; and solutions for residentials and professionals.

The support functions and the operational functions complete the organization. They aim to reinforce the action of the Métiers to develop synergies within the Group and support the BUs.

- The support functions are as follows: General Secretariat; Finance Department; Group Human Resources Department; Group Strategy Department; Group Brand and Communication Department; Group Digital and Information Systems Department; Innovation Department; Corporate Social Responsibility Department; Group Real Estate Department; Risk Management Department; and departments reporting to the Chief Executive Officer (Internal Audit Department and Institutions France and Territories Department).
- The operational functions are as follows: Strategic Sourcing & Supply Department; Research & Technology Department; Business Development Oversight Department; Industrial Projects Department; and Nuclear Development Department.

The Métiers, the support functions and the operational functions are grouped within the scope of the NewCorp.

In addition, the Global Business Support entity groups together the Group's Shared Service Centers in France and Belgium. It covers six functional areas: general procurement and IT, finance, human resources, real estate and logistics, information systems, and internal consulting.

The Company operates its own business. At the end of 2017, the number of subsidiaries directly or indirectly controlled by the Company was 2,300. In addition to the lists provided in Section 6.2 "Consolidated financial statements – Note 2 Main subsidiaries at December 31, 2017" and Section 6.4 "Parent company financial statements – Note 22 Subsidiaries and affiliates", a list of subsidiaries can be found on the Group's website (www.engie.com, investisseurs section).

The presentation of the Company's activities and the strategic economic assets of its main subsidiaries as well as their geographical location are presented in Section 1.3 "Description of the Group's activities".

(1) There is also a 25th BU comprising the "Entreprises & Collectivités" BtoB activities of ENGIE SA (since 1/1/2017), the activities of the Solairedirect entity and the holding company and corporate activities, which include entities dedicated to the Group's centralized financing ang the equity-accounted contribution of SUEZ.

(2) Since February 15, 2018, this BU has no longer been part of the Group following the sale of ENGIE's stake in the Exploration & Production International entity to Neptune Energy (see section 1.3.9.2 for further details).

(3) A plan to sell upstream LNG activities is under way (see section 1.3.8.1.2 for further details).

AN ORGANIZATION CLOSE TO CUSTOMERS AND TERRITORIES

24 Business Units

11 BUs in Europe and worldwide

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

8 BUs in France

- Elengy
- France BtoB
- France BtoC
- France Renewable Energy
- France Networks
- GRDF
- GRTgaz
- Storengy

5 Global BUs

- Exploration and Production International[1]
- Global Energy Management
- Global LNG[2]
- GTT
- Tractebel

NewCorp

5 Métiers

- Gas Chain
- Solutions for Residentials and Professionals
- Centralized Generation
- Decentralized Solutions for Cities and Territories
- Solutions for Businesses

Support Functions

- General Secretariat
- Finance Department
- Group Human Resources Department
- Group Strategy Department
- Brand and Communication Department
- Group Digital and Information Systems Department
- Innovation Department
- Group Environmental and Societal Responsibility Department
- Group Real Estate Department
- Risk Management Department
- Departments reporting to the Chief Executive Officer
  - —Internal Audit Department
  - —Institutions France and Territories Department

Operational Functions

- Strategic Sourcing and Supply Department
- Research and Technology Department
- Business Development Oversight Department
- Industrial Projects Department
- Nuclear Development Department

Global Business Support

(1) No longer part of the Group since 02/15/2018.
(2) Pending disposal.

1.1.4 Strategic priorities

The markets in which the Group is expanding are currently undergoing profound change:

- the increase in energy demand is concentrated in the fast-growing economies;
- natural gas is playing a growing role at global level;
- the energy transition has become a global reality;
- energy management is more and more decentralized, at local and even individual levels.

The economic slowdown in Europe and energy efficiency policies have led to a fall in consumption which, in combination with continuing development of renewable energy and plentiful cheap coal, has generated surplus capacity and low electricity prices in the long term. This situation has caused a significant crisis in thermal power generation.

The energy revolution has been ongoing for several years at three different levels:

- the technological revolution is accelerating, thanks to the advances made in photovoltaic energy, battery storage, electric mobility, and the use of hydrogen;
- added to this is the digital revolution: smart solutions have changed people's relationships with the city, home and car, and the Internet of Things is becoming standard in energy management;
- and finally, a cultural and societal transformation is playing out. Today's consumers are looking for a more thoughtful use of energy and they want to use customized low-carbon solutions to manage their consumption and even produce their own green energy.

ENGIE has been anticipating this change of paradigm for several years, and is now stepping up its shift in strategy, aiming to position itself as a leader in this new world of energy.

To deploy its industrial activities in line with the energy revolution, the Group is concentrating its new development in three directions: low-carbon activities, integrated solutions for its customers, and activities not exposed to commodity prices:

- ENGIE is thus prioritizing low-carbon options. The fight against climate change is an ambition driven by both societal and economic concerns.
- in an increasingly decentralized world, the Group aims to strengthen its activities downstream in the value chain.
- lastly, in a context of ongoing high volatility, the Group intends to turn towards activities that are less exposed to wholesale market prices, to enhance the consistency of its performance.

To achieve these objectives, the Group relies on its strong capital structure, robust cash-flow generation, and the three business segments in which it has forged leading historical positions:

- power generation from gas and renewable energy;
- global energy infrastructures, particularly in natural gas;
- energy supply and service solutions tailored to each type of customer (businesses, residentials, professionals, cities and territories).

In this context of transformation, ethics and the safety of people are core elements of the Group's strategy.

To become more agile and adapt to the trends in its environment, the Group has been implementing a far-reaching action plan since 2014, in terms of human resources, that places human beings at the heart of its transformation in three main areas:

- developing and advancing employees (training, responsibilities, internal mobility);
- animating the Group and spreading its values;
- enhancing performance to serve customers (innovation, managing complexity) and rolling out a new leadership model for managers.

In April 2016, a European Social Agreement was signed, which places forward jobs and skills planning and universal employability at the center of the Group's human resources policy. This agreement embodies the Group's social ambitions, and includes training and mobility targets for all companies in the European Union.

On the financial front, the Group prioritizes maintaining a sound financial structure in the long term (aiming to retain an "A" credit rating), which will mainly be achieved through strict investment criteria. ENGIE's financial objective is to offer its shareholders attractive returns while maintaining a solid financial structure and robust cash flow generation (see Section 6.1.1.2 "Outlook").

Within ENGIE, environmental and societal responsibility plays an integral part in drawing up business strategy, through the development of:

- sustainable business, which involves identifying environmental and societal issues and transforming them into opportunities for the Group's businesses;
- the management of non-financial risks, which involves managing the risks associated with the Group's activities and facilities that relate to the environment, local and international acceptability, health and safety, human resources management, ethics and governance.

ENGIE has formalized its environmental and societal responsibility commitments, mainly through the publication of its policy in 2014. In early May 2016, ENGIE announced its commitment to six new non-financial targets for 2020 (see Section 1.2.2 "CSR Indicators").

1.1.5 Transformation plan

To accelerate its shift in strategy, adapt its portfolio of activities to its long-term vision and deploy its development priorities, ENGIE announced in February 2016 an ambitious three-year transformation plan. At the end of 2017, this plan is well advanced.

The first pillar of the transformation plan involves redesigning and streamlining the portfolio, based on:

- a portfolio rotation program (€15 billion net debt impact targeted over 2016-2018). The Group has already announced €13.2 billion of disposals (i.e. 90% of the total program), of which €11.6 billion has been finalized (March 08, 2018);
- an investment program (€14.3 billion growth CAPEX over 2016-2018, including €1 billion CAPEX on innovation and digital). €13.9 billion were already invested at the end of December 2017, including €10.2 billion already spent.

The second pillar entails investment in innovation and digital transformation, to prepare for the future.

ENGIE's operational efficiency and competitiveness are central to the third pillar of the transformation plan. The new performance program, Lean 2018, was launched in January 2016 to bring about long-term improvements in the Group's performance. It initially aimed to achieve recurring cost savings with a net aggregate impact on EBITDA of €1 billion by 2018. Thanks to significant progress made, in March 2017, the Group decided to raise its objective for 2018 by 20%, i.e. €1.2 billion of net gains, and, in March 2018, it raised again this target by 8%, targeting now €1.3 billion.

To achieve their objectives, adjusted for their specific situations, the BUs can make use of three main groups of levers: operations, the support functions, and procurement.

The 2017 objectives were achieved, with a net impact on EBITDA of €417 million while the goal was set at €320 million.

The year was marked by the expansion of shared Service Centers (with the pooling of support functions) and work to optimize and streamline working methods. Particularly extensive transformations were implemented for the Corporate activities.

The fourth pillar involves transforming ENGIE internally to make the Group more agile and connected, to attract future talent and to create an environment that fosters career development.

1.1.6 Highlights

- To support its ambitious development strategy in renewable energies and energy efficiency, ENGIE issued on March 15 and on September 19, 2017 its second and third Green Bonds for respectively €1.5 billion and €1.25 billion. Furthermore, on January 10, 2018, ENGIE set a new hybrid bond record with the lowest coupon ever achieved by a corporate. ENGIE took advantage of the attractive market conditions to place its first Green Hybrid Bond (Deeply Subordinated Perpetual Bond) of an amount of €1 billion, with a coupon of 1.375% and a first Non-Call period of 5.25 years. The bond is intended to replace the outstanding notes of €600 million, 3.875%, Non-Call 2018 and of GBP 300 million, 4.625%, Non-Call 2019. With these issues, the total amount of bonds issued by ENGIE in Green Bond format since 2014 reaches €6.25 billion, confirming ENGIE's commitment to play a leading role in the energy transition whilst supporting the development of green finance.
- Early in September 2017, ENGIE accompanied the sale of shares launched by the French State as part of its share buyback program authorized by the General Meeting of May 12, 2017 and therefore undertook to acquire, concurrently with the placement among institutional investors through an accelerated book building process, 11.1 million of its own shares (i.e. 0.46% of its capital).
- ENGIE took note of the decision of October 6th, 2017 of the Conseil Constitutionnel in France to cancel the 3% tax on dividend payments and to refund taxes paid since 2013.
- ENGIE Board of Directors met on February 13, 2018 and decided to submit to the vote of the Shareholders' Meeting of May 18, 2018 the appointment of Mr. Jean-Pierre Clamadieu as member of the Board of Directors in replacement of Mr. Gérard Mestrallet. The Board acknowledged Mr. Gérard Mestrallet's resignation from his Director position, effective at the close of the Shareholders' Meeting. Subject to approval at the Shareholders' Meeting, the Board of Directors will appoint Mr. Jean-Pierre Clamadieu to the position of Chairman of the Board, in replacement of Gérard Mestrallet, Founder of ENGIE and Chairman of its Board of Directors. The Board also decided to appoint Mr. Gérard Mestrallet as Honorary Chairman in recognition of the 23 years he devoted to developing the Group.

Develop low CO_2 power generation activities

From January 1 to December 31, 2017:

- Construction in Indonesia of the first ENGIE geothermal power generation plant in the world;
- Fadhili independent power project awarded in Saudi Arabia;
- Announcement of the closing of asset disposals in the United States and in Asia;
- Nearly 78 MW of photovoltaic projects won in France, strengthening ENGIE´s leading position in photovoltaic solar in the country;
- Acquisition of the remaining 41% stake in La Compagnie du Vent, allowing ENGIE to become its 100% shareholder;
- In China, ENGIE enters the solar market by acquiring a 30% equity investment in Unisun, a solar photovoltaic (PV) company;
- ENGIE and EDPR bidding in the third offshore wind call for tenders in Dunkirk, France;
- Transfer to Toshiba of ENGIE's 40% stake in NuGen project in the UK;

- Mexican Ministry of Energy awards three geothermal exploration permits: a key step forward for ENGIE and Reykjavik Geothermal;
- As part of the second solar bidding session organized by the French Energy Regulatory Commission, ENGIE has been awarded 10 photovoltaic projects in France, representing nearly 100 MW of installed capacity;
- ENGIE will build and operate the Sainshand wind farm (55 MW) in Mongolia, its first renewable project in the country;
- EDPR and ENGIE consortium is awarded long-term CfD for a 950 MW offshore wind project in UK (Moray project);
- The Abraaj Group, a leading investor operating in growth markets, and ENGIE announced a partnership to build a wind platform in India;
- ENGIE inaugurates the Group's largest solar farm in France (82 MW), in Gréoux-les-Bains in the Alpes-de-Haute-Provence department;
- During an auction by the Brazilian Federal Government, ENGIE won concession contracts for a 30 year-period for two hydropower plants (832 MW installed capacity) for an amount of around €950 million;
- ENGIE has signed a contract to build, own and operate a 250 MW wind farm in Egypt;
- ENGIE announced the signing of an agreement with Energy Capital Partners for the sale of its thermal generation assets in the United Kingdom;
- Mirfa Independent Water and Power Plant commences full operation in Abu Dhabi;
- A world first: Inauguration of the Organic Photovoltaic Roof of the Mendès-France Secondary School in La Rochelle, France;
- ENGIE obtains four renewable projects for a total of 687.8 MW in Mexico;
- ENGIE to sell its shares in Loy Yang B coal power plant in Australia;
- ENGIE and Crédit Agricole Assurances increase their investments in on-shore wind and solar power in France.

Since January 1, 2018:

- ENGIE North America acquires Infinity Renewables and thus considerably expands its wind development portfolio in the U.S.

Develop global networks, mainly gas

From January 1 to December 31, 2017:

- SUEZ, ENGIE and CHRYSO join forces for the 1st industrial processing of liquefied biomethane issued from used waters in France;
- Signing of a financing agreement for Nord Stream 2;
- Ship-to-ship LNG bunkering service started in the port of Zeebrugge;
- ENGIE, Société d'Infrastructures Gazières ("SIG", held by CNP Assurances and Caisse des Dépôts) and GRTgaz have signed the acquisition of Elengy (a wholly-owned subsidiary of ENGIE operating LNG terminals) at 100% by GRTgaz (the French natural gas transmission operator, owned 75% by ENGIE and 25% by SIG);
- Gas4Sea partners – ENGIE, Mitsubishi Corporation and NYK – have been selected by multinational energy group Statoil to be its LNG marine fuel supplier in the port of Rotterdam, in the Netherlands, for four crude shuttle tankers;
- ENGIE continues to deliver on its transformation plan by reaching a new major milestone: ENGIE has received a firm and binding offer from Total for the sale of its upstream and midstream LNG activities, liquefaction, shipping and international LNG trading, for an aggregate value of 2.04 billion US dollars, including an earn-out of up to USD 550 million, payable under certain conditions;
- TEN, a subsidiary of ENGIE and Red Eléctrica International, put into service the first electricity interconnection between the north and the center of Chile;
- ENGIE wins a concession for power transmission lines in Brazil representing an estimated investment of around €500 million.

Since January 1, 2018:

- On February 22, the French Energy Regulation Commission (CRE) published three deliberations to implement the reform of gas storage in France.

Develop integrated client solutions

From January 1 to December 31, 2017:

- Collaboration with Schneider Electric to digitize the energy sector;
- Acquisition of Keepmoat Regeneration, which enables ENGIE to become the leading provider of regeneration services for local authorities in the United Kingdom;
- ENGIE signed up to the capital increase of SUEZ in the context of its acquisition of GE Waters & Process Technologies, to the extent of its stake in SUEZ, namely around €244 million;
- Acceleration of the installation of Natural Gas Vehicles (NGV) stations, with the opening of more than 20 new stations in France over the coming twelve months;
- Acquisition of EVBox, the largest European electric vehicle charging player;
- 100% of the projects presented in the context of the auction of the French CRE on photovoltaic self-consumption have been won by ENGIE;
- ENGIE has been chosen by the shipyard MV Werften for all the HVAC equipment of 2 new XXL cruise ships;
- ENGIE and Axium secure 50-year comprehensive energy management contract with the Ohio State University in the United States;
- ENGIE launches its home energy (BtoC) business in the United Kingdom;
- Acquisition of Icomera, specialist of onboard communications solutions for public transport;
- ENGIE announces the acquisition of a 40% stake in Tabreed and becomes worldwide leader of independent district cooling;
- ENGIE wins a major services contract over 5 years with Transport for London;
- Carrefour and ENGIE join forces to develop biomethane in France;
- The French Conseil d'Etat has decided to annul the Decree of May 16, 2013 about regulated tariffs for the sale of natural gas ; a transitional phase should be organized;
- The first hydrogen bus line in France will be deployed by the consortium GNVERT (subsidiary of ENGIE) and Van-Hool;
- ENGIE, via its subsidiary ENDEL ENGIE, has announced the acquisition of CNN MCO, a French company specializing in the maintenance, management, and upkeep of all types of naval vessels, strengthening its portfolio of BtoB services and solutions;

- ENGIE, through its subsidiary ENGIE AXIMA, has opened exclusive negotiations to buy MCI, French specialist in industrial and commercial refrigeration;
- ENGIE, the leading green electricity supplier in France, plans to double the number of green electricity customers by the end of 2018, to reach 2 million "green" customers;
- ENGIE accelerates its development in the off-grid energy market by joining forces with Fenix, a pioneer in Africa's Solar Home System market;
- ENGIE is accelerating its development in downstream gas activities and becomes Total's preferred green gases supplier;
- A major step in developing energy services in Southern Africa: ENGIE acquires Thermaire and Ampair, two key players in HVAC services;
- ENGIE continues to develop its services in Africa through the acquisition of SPIE Morocco.

Since January 1, 2018:

- ENGIE signs an agreement for the control of Electro Power Systems, pioneer in hybrid storage solutions;
- Acquisition of Afric Power and Tieri gives ENGIE strong local presence to accelerate its expansion in energy services in West and Central Africa;
- ENGIE acquires ACS, a power efficiency company in Brazil and thereby expands operations in this sector;
- ENGIE acquires Les Contrôles AC Inc., a digital control specialist in Canada;
- The international transport operator FlixBus awards Icomera, an ENGIE subsidiary, a contract to deliver an onboard new generation Internet connectivity platform for its interurban autobus fleet, in Europe and in the United States.

1.1.7 Competitive positioning

Electricity production and marketing, and gas marketing are business sectors that are largely open to competition in Europe. However, they are still regulated differently according to the country, particularly with regard to residential energy prices. Activities that constitute natural monopolies – such as the transmission and distribution of electricity and, to a large extent, of gas – are more tightly controlled by national regulators and European rules.

Elsewhere in the world, with few exceptions, private players often operate under long-term contracts issued on a tender basis.

ENGIE is a European and world leader in the areas of electricity and natural gas:

- ENGIE is one of the top gas sellers and importers in Europe;
- The Group is the leading gas infrastructure operator in Europe with a portfolio that includes a transmission network, distribution networks, and LNG storage and terminals;
- In renewable electricity, ENGIE is a key player in international tenders, particularly in Latin America and the Middle East, with strong positions in Brazil, Peru, Mexico and Chile. The Group is one of the leading power producers in Europe;
- Worldwide, ENGIE provides gas and electricity by means of 23 million contracts to end-customers, nearly half of which are located outside France.

This global and European leadership is fortified by the Group's deep French-Belgian roots:

- In France, ENGIE is the historic leader of gas marketing and the second-largest producer and supplier of electricity. In renewable energy, ENGIE is the second-largest hydropower operator in France and the leader in wind and solar energy combined;
- In Belgium, ENGIE, through its subsidiary Electrabel, is the leading producer and supplier of electricity and supplier of natural gas.

The Group is also one of the European leaders in BtoB energy services in France, Belgium, the Netherlands, Switzerland and Italy. ENGIE also holds strong positions in Germany, Spain and the United Kingdom in heating networks, as well as facility management. It is supported by its development bases in Central Europe, Asia, North America, Latin America, the Middle East, and Africa.

1.2 Key figures

1.2.1 Group financial data

In millions of euros	2013 reported	2013 restated [(a)]	2013 restated [(a)] pro forma [(b)]	2014 reported	2014 restated [(c)]	2015	2016	2016 restated [(g)]	2017
1. Revenues	**89,300**	**87,898**	**79,985**	**74,686**	**74,686**	**69,883**	**66,639**	**64, 840**	**65,029**
of which generated outside France	54,331	52,944	47,947	46,852	46,852	44,817	41,693	39,942	39,307
2. Income									
EBITDA [(a)]	14,775	14,223	13,017	12,138	12,133	11,262	10,689	9,491	9,316
• Current operating income	7,828	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
• Current operating income after share in net income of entities accounted for using the equity method	N/A	8,254	7,665	7,161	7,156	6,326	6,172	5,636	5,273
• Net income, Group share [(d)]	(9,289)	(9,198)	(9,646)	2,440	2,437	(4,617)	(415)	(415)	1,423
• Net recurring income, Group share [(d)]	3,440	3,449	3,449	3,125	2,725	2,588	2,477	2,477	2,662
• Net recurring income from continuing operations, Group share	3,440	3,449	3,449	3,125	2,725	2,588	2,477	2,430	2,372
3. Cash flow									
Cash flow from operating activities [(d)]	12,024	11,980	11,333	8,751	8,751	10,383	10,174	10,174	9,309
of which cash generated from operations before financial income and income tax	14,313	14,129	13,125	11,776	11,771	10,942	10,263	9,117	8,305
Cash flow from investment [(d)]	(5,611)	(5,103)	(4,368)	(3,939)	(3,939)	(6,230)	(3,655)	(3,655)	(5,157)
Cash flow from (used in) financing activities [(d)]	(6,982)	(7,027)	(7,041)	(4,973)	(4,973)	(3,295)	(6,034)	(6,034)	(4,725)
4. Balance sheet									
Shareholders' equity [(d)]	**47,955**	**47,971**	**47,971**	**49,257**	**49,548**	**43,078**	**39,578**	**39,578**	**36,639**
Total equity	53,490	53,659	53,659	55,959	55,981	48,750	45,447	45,447	42,577
Net debt[(d)]	29,840	28,800	28,800	27,511	27,511	27,727	24,807	24,807	22,548
Net debt excl. Internal debt E&P/EBITDA	2.02	2.02	2.21	2.27	2.27	2.46	2.32	2.43	2.25
Total assets [(d)]	159,611	155,932	155,932	165,305	165,304	160,658	158,499	158,499	150,332
5. Per-share data *(in euros)*									
• Average outstanding shares[(e)]	2,359,111,490	2,359,111,490	2,359,111,490	2,366,768,979	2,366,768,979	2,392,150,727	2,396,131,620	2,396,131,620	2,395,732,581
• Number of shares at period-end	2,412,824,089	2,412,824,089	2,412,824,089	2,435,285,011	2,435,285,011	2,435,285,011	2,435,285,011	2,435,285,011	2,435,285,011
• Earnings per share [(d)]	(3.94)	(3.90)	(4.09)	1.00	1.00	(1.99)	(0.23)	(0,23)	0,53
• Net recurring income Group share, per share [(d)(e)]	1.46	1.46	1.46	1.32	1.12	1.02	0.97	0.97	1.05
• Dividend paid [(f)]	1.50	1.50	1.50	1.00	1.00	1.00	1.00	1.00	0.70
6. Total average workforce	**223,012**	**223,012**	**223,012**	**236,185**	**236,185**	**241,913**	**241,509**	**239,710**	**238,216**
• Fully consolidated entities	178,577	178,870	139,134	150,589	150,589	155,494	153,950	152,175	151,667
• Proportionately consolidated entities	3,431	3,138	3,138	769	769	777	764	764	685
• Entities consolidated by the equity method	41,004	41,004	80,740	84,827	84,827	85,642	86,795	86,771	85,864

(a) December 31, 2013 data restated to reflect the retrospective application of consolidation standards. The calculation method for the EBITDA has been changed since December 31, 2014. 2013 EBITDA was calculated for comparison (see Note 2 of Section 6.2 "Consolidated financial statements" of the 2014 Registration Document)

(b) December 31, 2013 data restated to present SUEZ Environnement as if it were consolidated by the equity method as of January 1, 2013 (see Section 6.1.1.6 "Pro forma financial information" of the 2014 Registration Document).

(c) December 31, 2014 data restated to reflect the retrospective application of IFRIC 21 (see Note 1.1 of Section 6.2 "Consolidated financial statements" of the 2015 Registration Document).

(d) Data including E&P for 2016 and 2017.

(e) Earnings per share are caculed based on the average number of shares outstanding, net of treasury shares.

(f) 2017 dividend: proposed dividend, including an interim dividend of €0.35 paid in October 2017.

(g) December 31, 2016 data have been restated due to the classification of E&P as discontinued operations (see Note 30 of Section 6.2 "Consolidated financial statements" of the 2017 Registration Document).

1.2.2 CSR indicators

The Group's Corporate Social Responsibility performance is based on dated, quantified targets and an overall assessment organized around different monitoring resources (indicators, reporting, performance reviews and CSR rating indices).

The Board of Directors' Ethics, Environment and Sustainable Development Committee defines the scope of the policies undertaken, outlooks and action plans in the area of corporate societal responsibility. The Group's Executive Committee makes key decisions in this area (see Section 4 "Corporate governance"). The role of the CSR Executive Committee is to prepare annual action plans, monitor their implementation, gather feedback from the various entities and encourage exchange on major strategies.

A CSR report is submitted every year to the Executive Committee for approval and future direction, then to the Ethics, Environment and Sustainable Development Committee to provide a progress report on the policy's implementation and the achievement of Group CSR objectives.

In response to changes in the energy sector and to the gradual integration of environmental and societal aspects into stakeholder requirements, ENGIE set itself six new CSR goals in 2016 to be achieved by 2020:

- an 85% satisfaction rate among its BtoC customers;
- a 25% share of renewable energy in the Group's electricity production capacity portfolio;
- a 20% reduction in the CO_2 emissions ratio for energy production compared to 2012;
- 100% of the Group's industrial operations to be covered by an appropriate mechanism of dialogue and consultation with stakeholders, such mechanism being based on regular meetings with the NGOs and non-profits concerned, as well as on the development of long-term partnerships related to the Group's activities;
- a 25% proportion of women in the Group's workforce; and
- an internal workplace accident frequency rate of below 3.

The 2017 results of the indicators relating to the CSR objectives which are presented in the following table are all improving:

Theme	Indicators	Group target for 2020	Group results for 2016	Group results for 2017
Customer satisfaction	Satisfaction rate of B2C customers	>85%	81%	83%
Renewables	Share of renewable energy in the electricity production capacity mix*	>25%	19.5%	23.1%
GHG emissions	% reduction of the CO_2 equivalent missions ratio for energy production compared to 2012**	-20% (354.4***)	-11.3% (392.8***)	-18.1% (363.0***)
Stakeholder Dialogue	% of industrial activities covered by an appropriate mechanism for dialogue and consultation	100%	20%	48%
Gender diversity	% of women in Group workforce	>25%	21.9%	22.2%
Health and safety	Internal workplace accident frequency rate	<3	3.6	3.3

* *Consolidated at 100%*

** *Scope 1 specific CO_2 eq. emissions of entities controlled and operated by the Group (environmental reporting).*

*** *kg CO_2 eq./MWh.*

Regarding environmental targets, in 2017 ENGIE posted a 3.6% increase year-over-year of its installed renewable energy capacity and an 18.1% decrease of its specific CO_2 emissions compared to 2012 (see Section 3.5.4.1 "Climate change"). Installed coal-fired energy production capacity amounted to 7 GW, down 8.1 GW at the end of 2015 compared with the end of 2016 and represents no more than 6.8% of the Group's installed capacity (at 100%).

With regard to social and governance targets, ENGIE's employee accident frequency rate in 2017 was 3.3, a sharp improvement over 2016 (see Section 3.4.6 "Health and safety policy"), while the rate of gender diversity in its workforce was 22.2%, up slightly year-over-year. The Group achieved an overall satisfaction rate among its BtoC customers of 83%. The mechanism for structured dialogue with stakeholders was rolled out in 2017, significantly increasing the percentage of the Group's industrial activities in compliance with the standards related to this dialogue to 48%.

With regard to its investment plans, the Group uses criteria including ethics, CO2 emissions, social impact, human resources, environmental management of ecosystems, cooperation with stakeholders, local procurement, and health and safety. The Group also takes an internal carbon price into account when deciding on new projects.

The Group's social reporting (see Section 3.4), environmental reporting (see Section 3.5) and societal reporting (see Section 3.6) form the basis of a published group of indicators that are verified in part by an independent third party (see Section 3.8).

With regard to non-financial ratings, in 2017 ENGIE continued to be listed in the Dow Jones Sustainability (DJSI) World and Europe indices, established on the basis of ratings by the non-financial ratings agency RobecoSAM, with a score of 85/100, unchanged from 2016. The Group was awarded the "Silver Class" distinction in the 2018 *Yearbook*.

The Group continues to be listed in four indices: Euronext Vigeo Eiris World 120, Europe 120, Eurozone 120 and France 20.

In 2017, the Group was evaluated by the rating agency Sustainalytics. It obtained a score of 70/100 in improvement of 6 points compared to the previous rating of 2015 and positioning it in "Average Performer".

Lastly, as it does every year, ENGIE also completed the CDP (formerly Carbon Disclosure Project) questionnaire. In 2017, the Group maintained its position in the "A-list" of companies recognized for their leadership regarding strategies and initiatives to combat climate change.

In conclusion, the Group posts very good CSR ratings, with industry-leading performance for RobecoSAM, MSCI, CDP Climat, CDP Water and Ecovadis.

1.3 Description of the Group's activities

Under the Group's new organizational structure, which is presented in detail in Section 1.1.3 "Organization", ENGIE now comprises 24 BUs [(1)], mostly geographic. For financial reporting purposes, the Group has grouped operating segments in accordance with IFRS 8. Its segment information is organized around 10 reportable segments (see Section 6.2 "Consolidated financial statements"– Note 6).

In this section, the description of the Group's businesses and strategic economic assets is primarily structured around financial reporting requirements. The first 10 subsections correspond to the reportable segments, composed of one or more BUs, and to the discontinued operations of Exploration and Production International, while the 11th subsection describes the Group's five Métiers.

1.3.1 North America

The North America reportable segment corresponds to the North America BU. It includes power generation, energy services, and natural gas and electricity sales activities in the United States, Canada and Puerto Rico.

KEY FIGURES

In € millions	2017	2016	Total change *(%)*
Revenues	2,934	3,814	-23.1%
EBITDA	169	475	-64.3%

1.3.1.1 Role & Strategy

The North American market continues its fundamental energy transformation, driven by technology, policy developments, and evolving customer expectations. Three major trends are shaping both energy policies and the business environment: 1) shale gas and its impact on natural gas prices and the switch from coal to natural gas-fired generation; 2) new models in distributed and utility-scale generation aided by declining costs of renewables; and 3) digitalization and its role in driving higher expectations from customers around the responsiveness and personalized interaction of their service providers.

Considering these market developments, the North America BU has re-aligned its mission to "provide a cleaner, more innovative energy future." It will do so by:

- developing renewable energy sources for businesses and territories, via both utility-scale and community sharing programs;
- building on its BtoB stronghold, served by its large energy and sustainability capabilities. The BU will offer its customers a spectrum of solutions from grid-based and local power supply, real-time energy management, to project development and ongoing services support;
- creating the platform and the sales channels to grow a BtoC presence;
- building a BtoT set of offerings, notably through energy efficiency, energy supply, smart lighting solutions offers and ownership and operation of energy assets;
- maintaining operational excellence in central power generation and gas value chain, as responsible operators in the communities it serves.

(1) *There is also a 25th BU comprising the "Entreprises & Collectivités" BtoB activities of ENGIE SA (since 1/1/2017), the activities of the Solairedirect entity and the holding company and corporate activities, which include entities dedicated to the Group's centralized financing ang the equity-accounted contribution of SUEZ.*

1.3.1.2 Description of activities

The North America BU manages the Group's electricity, gas and energy services activities in the United States, Canada, and Puerto Rico. Operations are organized into four business segments: electricity retail, power generation, natural gas/LNG and energy services. The North America BU finalized in February 2017 the divestment of its merchant power plants by selling the remaining 8.7 GW thermal power assets to a consortium between Dynegy and ECP (Energy Capital Partners). As a result of this divestment, the North America BU operates a power generation fleet of 3.2 GW (100%-owned), mainly composed of gas-fired power plants, and including 800 MW produced through renewable sources. In April 2017, the North America BU announced a 50-year concession with Axium Infrastructure US to operate and optimize the Ohio State University's utility system for its 485-building campus in Columbus, Ohio (USA), a first in the BU's BtoT projects.

Also in April 2017, the City of Houston (Texas, USA) and ENGIE announced commercial operation of the 50 MW Solaire Holman solar farm located in west Texas. It is capable of supplying up to 10.5% of the City of Houston's electricity needs with solar power for the next 20 years under a power purchase agreement.

In September 2017, the North America BU announced its acquisition of six mechanical services companies from Talen Energy Group, based in Pennsylvania, New York, and New England (USA) and that together employ 750 people. This acquisition provides ENGIE North America a platform to deliver mechanical contracting services to commercial and industrial and public sector customers in the northeast USA.

On October 31, 2017, ENGIE Resources and Clean Energy Collective (CEC), a national community solar developer and solutions provider, announced a joint development agreement to accelerate regional scaling of the community solar market in the northeast United States to serve residential, commercial and public entities. This new portfolio of community solar projects will be in addition to the companies' previously announced community solar portfolio consisting of 17 solar facilities with a capacity of 22 MW in Massachusetts.

1.3.2 Latin America

The Latin America reportable segment includes the activities of two BUs: the Latin America BU (Argentina, Chile, Mexico and Peru) and the Brazil BU. The subsidiaries concerned are involved in the centralized power generation, power infrastructures, as well as energy services.

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

KEY FIGURES

In € millions	**2017**	**2016**	**Total change *(%)***
Revenues	4,511	4,075	+10.7%
EBITDA	1,711	1,696	+0.9%

1.3.2.1 Latin America (excluding Brazil)

1.3.2.1.1 Role & Strategy

The Latin America BU's role in the four countries where ENGIE currently operates (Chile, Peru, Mexico and Argentina) is to develop:

- energy supply solutions:
  - supply of power generated from renewable sources, (solar and onshore wind power), and thermal power plants;
  - supply of gas through (GNL and pipeline gas) supply agreements and gas infrastructure management, such as a regasification terminal and transmission and distribution networks;
- energy services.

The Latin America BU is involved in the development of new solutions, particularly through ENGIE Factory (an incubator and accelerator for energy-related startups) and by expanding the BtoB, BtoC and BtoT segments.

1.3.2.1.2 Description of activities

Peru

In Peru, ENGIE owns a 61.77% stake in ENGIE Energia Peru (formerly EnerSur). Following the commissioning of the 610 MW Nodo Energético open-cycle thermal power plant at the Ilo site in southern Peru in October 2016 and the commissioning of the 111 MW Chilca II combined cycle power plant in Lima region in December 2016, this entity has an installed capacity of 2,561 MW. ENGIE Energia Peru is the country's leading operator with a market share of around 20% in terms of installed capacity. In February 2016, the company was awarded a 20-year contract as part of a renewable energy auction to deliver power that will be generated by a 40 MW solar plant (currently under construction) located in southern Peru (Intipampa). ENGIE Energia Peru shares are traded on the Lima stock exchange.

In the services area, ENGIE operates through a wholly owned company under the name ENGIE Services Peru. The entity was established in 2015 and specializes in multi-technical building services.

In September 2017, ENGIE acquired 100% of Entelin, a company that offers distributed solar generation solutions in rural areas and that has 2,371 customers.

Chile

In Chile, ENGIE owns a 52.76% stake in ENGIE Energia Chile (formerly E-CL). This company, listed on the Santiago Stock Exchange, is the largest power generator in northern Chile, with an installed capacity of 1,971 MW, and it manages as well 2,290 km of transmission lines. In addition, ENGIE Energia Chile operates a port in Tocopilla, and its gas transmission subsidiary, Gasoducto NorAndino, owns a gas pipeline of approximately 1,000 km between Chile and Argentina.

To comply with the supply contract with distribution companies awarded in December 2014, ENGIE Energia Chile began the construction of a new 375 MW coal thermal power plant in the area of Mejillones, in addition to the TEN transmission line (2x500kV, 1,500 MW) between the cities of Mejillones and Copiapo, interconnecting Chile's two main grids. Following the sale of 50% of TEN to Red Electrica Internacional, finalized in 2016, the Group now owns a 50% stake in the project. The TEN transmission line has been put in operation in November 2017.

ENGIE also holds a 63% stake in GNL Mejillones, an LNG regasification terminal with a 5,5 Mm^3/day capacity. Since April 2011, ENGIE Gas Chile (previously Solgas, the wholly owned ENGIE subsidiary) has been selling natural gas to industrial customers and power plants located in northern Chile.

The Group has two main assets through its wholly owned subsidiary, Eolica Monte Redondo. These are the Monte Redondo 48 MW wind farm, and the 34.4 MW Laja hydropower plant, which began operating commercially in May 2015.

In the services area, ENGIE operates through a wholly owned company under the name ENGIE Services Chile, which mainly provides industrial maintenance, multitechnical services, HVAC engineering and installation and provides solutions in automation and instrumentation for a broad range of clients in the mining, retail and energy sector throughout Chile.

Mexico

In Mexico, ENGIE operates six local distribution companies providing natural gas to more than 445,000 customers through a 10,500 km network, and 3 gas transmission companies operating over 1,200 km of pipelines. ENGIE also manages two steam-electricity cogeneration plants with a total installed capacity of 344 MW. Output from these power plants is sold under long-term contracts to industrial customers. Following the introduction of energy reform, which primarily focused on renewable energy development, ENGIE was awarded 6 projects in the 2016 and 2017 national tenders for a total of 896.6 MW (4 solar parks and 2 wind farms).

Early 2017, ENGIE signed an equity stake in Enlight, a Mexican company dedicated to the installation and operation of intelligent solar roof panels for homes and businesses. With this agreement, both companies will push an ambitious business project to accelerate the massification of solar panel installation service on roofs, which aims to connect 40,000 new users over the next five years.

Argentina

In Argentina, ENGIE holds a 64.2% stake in Litoral Gas, a gas distribution company with more than 720.000 clients and a market share of 13% in terms of volume delivered in Santa Fe region province in the northeast of the province of Buenos Aires. In addition, it holds a 46.7% stake in Energy Consulting Services (ECS), an electricity and gas sales and consulting firm. ENGIE also holds an interest in Gasoducto NorAndino, an approximately 1,000 kilometers pipeline between Argentina and Chile, wholly owned by ENGIE Energia Chile.

1.3.2.2 Brazil

1.3.2.2.1 Role & Strategy

The vision of the BU is to transform people's relationship with energy aiming at a sustainable world. Its mission is to provide innovative and sustainable solutions in energy and services to people, companies and territories.

More specifically, the BU Brazil`s strategic directions are focused on:

- Centralized power generation - be at the forefront of the transition towards an increasingly renewable world of energy, investing in wind, leveraging sites to invest in centralized solar PV while maintaining core competencies in hydropower;
- Gas - be in the forefront of the re-structuring of the gas market in Brazil resulting in a more competitive market and benefit from new opportunities to come;
- Services - become relevant in energy-related Services in Brazil with a focus on large commercials and industrial sites and territories;
- Decentralized power generation – support development of "prosumer" in Brazil setting up a BtoC decentralized generation.

1.3.2.2.2 Description of activities

- Centralized Energy Generation: ENGIE Brasil Participações (EBP) is the holding company of ENGIE`s activities in Brazil, with the exception of Axima, Tractebel and ENGIE Brasil Serviços de Energia (EBSE) activities. Notwithstanding, EBSE is under the scope of the BU. EBP has electricity generation assets through two companies: ENGIE Brasil Energia (EBE) and Energia Sustentável do Brasil (ESBR), totaling an installed capacity of 9,368 MW in operation and 1,032 MW under construction. The total installed capacity includes: (i) Jaguara (424 MW) and Miranda (408 MW) hydro power plants, whose concessions were incorporated into the company's portfolio on December 29th, 2017; (ii) the entrance in commercial operation of Assú V (30 MW) photovoltaic power plant in 2017; (iii) the acquisition of Umburanas WPP projects (605 MW) which, in its phase 1, already has 360 MW under construction, while the remaining 245 MW are currently under development. The total capacity excludes Beberibe (26 MW) and Pedra do Sal (18 MW) wind power plants and Areia Branca (20 MW) small hydro power plant, which have been sold in 2017.

  EBE – The company has 7,868 MW of installed capacity and operates a generating complex of 9,589 MW, accounting for approximately 6% of Brazil's total capacity. Its assets are composed of 31 plants operated by the company: 81.2% of the installed capacity are hydroelectric power plants, 13.3% thermoelectric and 5.5% complementary plants (biomass, wind, small hydroelectric power plants and solar). EBE is under the control of EBP, which holds 68.71% of its capital. Its shares are listed on the Brazilian Stock Exchange and the company is managed in accordance with the strictest principles of corporate governance of Brazil`s Stock Exchange.

  EBP has also a total of 1,032 MW of projects under construction, through EBE: one coal-fired thermoelectric power plant (Pampa Sul – 345 MW) and two wind farms (Campo Largo Complex – Phase I – 327 MW and Uburanas - Phase I – 360 MW). All the three above-mentioned projects under construction are consolidated at EBE level.

ESBR – EBP holds a 40% stake in ESBR Participações S.A., company that holds 100% of ESBR. ESBR holds 100% of Jirau hydroelectric power plant (3,750 MW) which has been fully put into service in November 2016. ESBR has issued the first 1.7 million carbon credits, equivalent to 1.7 million tons of CO_2 emissions avoided, which were generated between July 2014 and February 2015. The hydroelectric power plant Jirau remains as the world's largest renewable energy project registered under the Clean Development Mechanism (CDM).

- Electricity Transmission: In December 2017, ENGIE, through EBE, marked its entrance in the Transmission Line business in Brazil. EBE won an auction for greenfield project comprised of approximately 1,000 Km of transmission lines and 5 substations in Paraná state, South region of Brazil.
- Solar Decentralized Generation: In Brazil, ENGIE develops Solar Decentralized Generation activities through ENGIE Geração Solar Distribuída (EGSD). ENGIE participation in EGSD occurs through EBE, that holds a 50% stake in the company. EGSD provides a complete photovoltaic solar energy solution for homes and businesses. Currently, the company has more than 1,500 panels installed in 15 states of the country.
- Integrated Solutions: ENGIE Brasil Soluções Integradas (EBSI) provides integrated solutions services. The company acts in the development and integration of telecommunications, security and safety systems for the oil & gas industry, infrastructures and smart cities. The company is a subsidiary of EBP.
- Energy Services: ENGIE Brasil Serviços de Energia (EBSE) projects and implements maintenance engineering and energy efficiency solutions tailor-made for its clients, using heating, ventilation and air-conditioning systems, thus allowing an increase in the equipment availability and a reduction in energy consumption.

1.3.3 Africa/Asia

The Africa/Asia reportable segment comprises the activities of four BUs: the Africa BU, the China BU, the Middle East, South and Central Asia, and Turkey BU (including India and Pakistan), and the Asia-Pacific BU (Australia, New Zealand, Thailand, Singapore, Indonesia and Laos). In all of these regions, the Group is active in electricity generation and sales, gas distribution and sales, energy services, and seawater desalination in the Arabian Peninsula.

The Asia-Pacific, China, Africa and the Middle East, South and Central Asia, and Turkey operating segments have been grouped together within the Africa/Asia reportable segment as all these regions have high power generation requirements and consequently represent significant growth prospects for the Group in the energy and energy services businesses. A substantial portion of their revenue is generated by electricity sales under long-term agreements.

KEY FIGURES

In € millions	2017	2016	Total change *(%)*
Revenues	3,984	3,804	+4.7%
EBITDA	1,323	1,162	+13.8%

1.3.3.1 Africa

1.3.3.1.1 Role & Strategy

The Africa BU is in charge of developing ENGIE activities in the African countries where it already operates and of entering a selection of new countries, which offer a promising balance between rewards and risks for the core activities of ENGIE. More specifically, the BU aims at developing:

- centralized power generation with a systematic focus on renewable energy (wind, solar photovoltaic and concentrated solar power, hydro, biomass, geothermal) and gas;
- gas infrastructure (regasification terminals, storage, transport) and import of LNG, mainly for power production;
- energy solutions for territories, from urban areas connected to the grid to remote rural areas with the deployment of off-grid solutions or innovative micro-grid solutions;
- sale of energy and energy efficiency services to businesses, as well as facility management, installations and maintenance;
- sale of energy to residential customers, including through solar home systems with mobile phone payment solutions.

1.3.3.1.2 Description of activities

In Morocco, the Tarfaya wind farm (301 MW) is operated by a 50/50 joint venture (TAREC) between ENGIE and Nareva Holding. The farm represents 40% of Morocco total wind capacity. It is operated under a 20-year "Build, Own, Operate and Transfer" (BOOT) contract. The Safi plant, currently under construction, will be included two state-of-the-art thermal power generation units (2×693 MW). After its commissioning scheduled for 2018, the electricity produced will be sold to the Office National de l'Électricité et de l'Eau Potable, under a 30-year power purchase agreement. This plant is the first in Africa to use ultra-supercritical clean coal technology. ENGIE holds 35% in the project company SAFIEC.

In Egypt, ENGIE has signed in 2017 a contract to build, own and operate (BOO) the 250 MW Gulf of SUEZ wind farm (Ras Ghareb). The energy will be sold under a 20-year power purchase agreement to the Egyptian Electricity Transmission Company. Construction is expected to started at the endin December of 2017 and will take approximately 24 months to complete.

In South Africa, West Coast I (Aurora Wind Power) is a 94 MW wind farm, commissioned in June 2015, with a 20-year contract. ENGIE holds 43% in Aurora Wind Power.

The Dedisa and Avon peaking power plants are two new open-cycle gas turbine plants (335 MW and 670 MW). Dedisa achieved first dispatch to the grid in October 2015; Avon started full commercial operation in July 2016, under a 15-year power purchase agreement that was signed with Eskom Holdings. ENGIE holds 38% in the two companies that own the plants.

Kathu is a 100 MW concentrated solar power (CSP) plant under construction in the Northern Cape province. The parabolic trough technology will be completed with a molten salt energy storage system able to provide 4.5 hours of battery life. The construction of the CSP plant has started mid-2016 and the commissioning is expected in 2018. The shareholders of Kathu Solar Park comprise a group of investors, including ENGIE (48.5%).

Next to large scale grid-connected power generation projects, ENGIE is also active on the off-grid market. In October 2016, ENGIE inaugurated its first "PowerCorner" pilot project, a 16 kW micro-grid unit – consisting of solar panels, batteries and a back-up diesel generator – in the remote village of Ketumbeine (Tanzania) and has constructed and developed more units in 2017.

In October 2017, ENGIE agreed on a transaction in which the Group will acquire 100% of Fenix International, an energy company offering Solar Home Systems in Africa. Fenix has its main activities in Uganda where it is the largest Solar Home System (SHS) player with more than 140,000 customers. Fenix will be the growth engine for ENGIE's SHS business in Africa and will enable the Group to become a leading profitable off-grid energy services company on the continent.

ENGIE's energy services activities are spread in Africa via a number of companies (but with a particularly strong presence in Algeria and Morocco with Cofely Maroc. In December 2017, ENGIE has announced the signing of an agreement with group SPIE in order to acquire SPIE Maroc's activities.

Cofely Maroc develops multi-technical maintenance, energy efficiency and facility management solutions to major multinational and local companies: Renault, Sanofi, Bombardier, Casa Marina, the Green Mosques Program, etc.

Cofely Maroc is furthermore responsible for the supervision and maintenance of equipment for the Tangier Med port.

In November 2017, ENGIE signed a Share Purchase Agreement with two South African HVAC and maintenance companies, Thermaire (Pty) Ltd and Ampair (Pty) Ltd, to acquire 100% of their shares. The completion of this transaction is subject to the approval of the relevant regulatory bodies.

1.3.3.2 China

1.3.3.2.1 Role & Strategy

Leveraging on the Group's know-how and solutions as well as on Chinese innovations, ENGIE China aims at becoming a benchmark player in China's energy transition.

In line with the ambitions set by the Chinese authorities and the Group strategic choices, ENGIE China develops green & decentralized solutions by focusing on 4 priorities while taking the benefit of a fast-evolving market:

- developing renewable power, with a first focus on solar power and a potential interest for (offshore) wind power and hydro in a longer term;
- developing green mobility activities, such as electric vehicle infrastructure and battery life management as a service;
- developing decentralized solutions, with a focus on district heating & cooling (DHC) activities;
- testing the opportunities of circular economy, with a first approach centered on biogas.

Above priorities are the first bricks of a more global approach, where renewables, decentralized solutions and circular economy form a comprehensive set of solutions for BtoB and BtoT customers.

1.3.3.2.2 Description of activities

Cooperating with its Chinese partners, ENGIE China has operation in 5 JVs, active mainly in distributed energy and solar development:

- UNISUN *(30% owned by ENGIE, which has invested in this company in 2017)*: a solar photovoltaic (PV) development company based in Ningbo city of Zhejiang Province. UNISUN develops both centralized and decentralized projects and has developed ~750 MW PV projects by the end of 2017 (incl. 600 MW PV projects in 2017 alone). Unisun also developed and wholly-owns UPER, a company specialized in solar assets' operation and maintenance on behalf of third parties. It is now the first actor of this sector in China with 1.4 GW of operated assets.
- SFES: a JV *(40% ENGIE, 60% Chongqing Gas Group)* which operates and develops DHC projects in Chongqing area (Danzishi, Armed hospital, Hechuan, etc.).
- YUECHI: a single project JV *(49% ENGIE, 51% Sichuan Energy Investment Company - SCEI)* created in 2014 to develop and operate a steam power cogeneration project in Sichuan Province.

- ETS: a service oriented JV *(50% ENGIE, 50% SCEI)*, based in Chengdu city - Sichuan Province – created in 2015, which provides O&M (Yuechi) and technical energy advisory services.
- BUGET: an engineering JV *(49% ENGIE, through Tractebel Engineering; 51% Beiran Enterprise Company)*, based in Beijing.

ENGIE China gives support to the "global" businesses of the Group which are willing to develop their business in China, such as the GEM and Tractebel BUs. GEM has recently decided to establish a subsidiary in China with the objective to focus on energy transition products: CO_2 and green electricity. The aim is to propose services and commodities to large industrial customers mainly.

1.3.3.3 Middle East, South and Central Asia, and Turkey (MESCAT)

1.3.3.3.1 Role & Strategy

The role of the MESCAT BU is to continue to develop strong positions in low-carbon centralized power generation (natural gas) and new activities: renewable energy-based power generation and integrated BtoB and BtoT solutions.

The BU's strategy is based on two key pillars:

- safeguarding and growing the value of the portfolio of existing activities;
- developing new activities in new geographic regions and across new business lines.

1.3.3.3.2 Description of activities

Centralized Energy Generation

Gulf Cooperation Council (GCC) Countries: in the GCC countries, the MESCAT BU acts as an asset developer, owner and operator, selling the electricity and water it produces directly under long-term public Power (and Water) Purchase Agreements (P(W)PAs).

It is the leading private power and water developer in the region with total generation capacity of 32 GW and 1,212 MIGD (5.5 million m^3 water/day) of desalination capacity in operation or under construction. It is common in the Middle East Independent Power (and Water) Producer (IP(W)P) business model for projects to be partly owned by the host governments/ off-takers alongside partners.

The regulatory frameworks in the different countries of the GCC are similar, with competitive tenders launched by the power authorities calling for private power producers to bid for concessions to build, own and operate plants. The output is then sold by the private producer to public utility under long-term contracts, the terms of which are stipulated at the tender stage.

The MESCAT BU has ownership interests and/or operates the following natural gas-fired power and water producing plants in the GCC:

- Saudi Arabia: Marafiq, Riyadh PP11, Tihama, Fadhili;
- Bahrain: Al Dur, Al Ezzel, Al Hidd;
- Qatar: Ras Laffan B, Ras Laffan C;
- United Arab Emirates: Fujairah F2, Al Taweelah A1, Shuweihat S1, Shuweihat S2, Umm Al Nar, Mirfa;
- Oman: Al Kamil, Barka 2, Barka 3, Sohar 1, Sohar 2, Al Rusail, Al Manah [(1)];
- Kuwait: Az Zour North.

A dedicated organization, ENGIE Power & Water Middle East, was created to manage the asset portfolio and the associated Operations & Maintenance facilities in the GCC and Pakistan.

South Asia: in Pakistan, in the Baluchistan province, ENGIE holds 100% of two combined cycle gas turbine (CCGT) plants: Uch 1 (551 MW) and Uch 2 (381 MW). Power is sold under long-term PPAs to the distribution companies. The end-consumer market is not liberalized.

In India, ENGIE currently has a solar park portfolio through the Solairedirect business (180 MW). ENGIE is active throughout the value chain: Solairedirect develops, owns, builds and operates solar power plants.

Turkey: the Turkish power market is currently going through a process of liberalization with the aim of becoming a fully-competitive retail market. Retail trading has been gradually introduced with daily settlements on the Balancing and Settlements Market since the end of 2010. ENGIE holds a 95% stake in Baymina Enerji, a CCGT of 763 MW, and a 33.3% stake in Uni-Mar Marmara, a CCGT of 480 MW. The electricity is sold to TETAS, the national electricity off-taker, under long-term PPAs.

Gas Value Chain

Turkey: ENGIE also owns 90% of Turkey's fifth-largest natural gas distributor, IZGAZ, which distributes and markets natural gas to more than 300,000 residential, commercial and industrial customers in the Kocaeli region.

ENGIE ETP, a Company established in 2010, has been involved in natural gas wholesale and retail businesses since 2011. It holds a spot LNG license to run the natural gas business in Turkey.

ENGIE officially opened the first floating LNG import terminal in Turkey. The Group was selected by Turkish construction companies Kolin and Kalyon to provide a "fast-track" solution for importing LNG based on an FSRU (floating storage and regasification unit). The Group chose the Neptune, one of its two FSRUs, for the project.

Services

GCC Countries: through its subsidiary COFELY BESIX Facility Management (CBFM), formed in 2008 as a joint venture with Belgian construction group BESIX, ENGIE is a leading facilities manager in the United Arab Emirates and Qatar. CBFM manages a number of customers such as Masdar City & Institute in Abu Dhabi, the Qatar Foundation in Doha, and Emirates SkyCargo and Emaar Properties in Dubai. In addition to technical facility management, the company also provides a variety of outsourced efficiency services and airport services.

(1) ENGIE has no ownership interest in Al Manah but operates this asset.

In June 2017, ENGIE acquired a 40% stake in Tabreed (National Central Cooling Company PJSC), the regional leader in district cooling networks. The company distributes the equivalent of one million tons of cooling produced by its 71 district cooling plants located in the Gulf countries. Tabreed has many prestigious customers, including the Sheikh Zayed Mosque in Abu Dhabi, the Dubai Metro, and the Al Maryah and Yas islands.

Turkey: ENGIE Turkey provides O&M services to industrial energy generation and energy distribution customers.

ENGIE started its electricity retail business in 2015, holding a supply license in the Turkish electricity market.

1.3.3.4 Asia-Pacific

1.3.3.4.1 Role & Strategy

The Asia-Pacific BU has strongholds in Australia, Indonesia, Philippines, Malaysia, Singapore and Thailand with a pipeline of projects in other countries of the region. The Asia-Pacific BU has undergone a large scale decarbonization with the divestment and closure of some of its coal-fired power plants, coupled with a strong ambition to grow in renewable generation, services, and new businesses around rural electrification, green mobility and smart cities.

1.3.3.4.2 Description of activities

Australia and New Zealand

In Australia, activity has traditionally focused on power generation and retail.

ENGIE operates about 1,000 MW (gross) of renewable (wind turbine) and gas-fired plants. The Hazelwood power plant was closed on March 31, 2017 following decommissioning activities carried out in the power station. In November 2017, ENGIE has entered into a Share Purchase Agreement to sell its shares in the 1,056 MW Loy Yang B power plant. Financial closing took place on January 15, 2018. Since that date, the ENGIE power portfolio in that country does not include any longer any coal assets.

As a result, the business has an increased focus on developing renewable assets. The BU has a pipeline of solar and wind projects under development and the 119 MW Willogoleche Wind Farm is expected to reach completion in mid-2018.

The portfolio also includes a growing energy retail business called "Simply Energy", serving electricity and gas accounts in the BtoB and BtoC segments (around 670,000 contracts).

ENGIE's services business in Australia and New Zealand provides multi-technical building services and installation with a focus on mechanical, fire protection, electrical communications and energy efficiency. ENGIE also has expertise in district energy and has developed a low carbon district heating and cooling network in Christchurch, New Zealand, as part of the earthquake recovery program.

Thailand, Laos & Myanmar

The Glow group, in which ENGIE holds a majority interest (69.1%), is listed on the Stock Exchange of Thailand. It is a major participant in the Thai energy market with a combined installed capacity in Thailand and Laos of 3,216 MW. The Glow group generates and supplies electricity to the Electricity Generating Authority of Thailand (EGAT) under Thailand's Small Power Producer (SPP) and IPP programs, in addition to supplying electricity, steam, industrial water and services to large industrial customers for the most part.

ENGIE also owns a 40% stake in PTT NGD, a distributor of natural gas to industrial customers in the Bangkok region.

Additionally, ENGIE is present since 2001 in the energy services sector, providing complete energy efficiency solutions to industrial and commercial services sectors, local communities, public authorities and infrastructures.

Indonesia

In cooperation with PT Supreme Energy, the BU is developing two geothermal projects in Sumatra. ENGIE has commenced construction on the 80 MW stage 1 Muara Laboh geothermal project and is working towards financial close in H1 2018 for the 90 MW stage 1 Rantau Dedap geothermal project.

ENGIE also has a number of other renewable projects in the pipeline, including decentralized solutions, with various local partners.

Mongolia

ENGIE builds and then will operate the Sainshand wind farm of 55 MW installed capacity in Mongolia, its first renewable project in the country, located in the Gobi Desert. The construction, which started in 2017, is overseen by ENGIE Tractebel and the commissioning of the plant is expected in the second half of 2018.

Singapore

ENGIE holds a 30% stake in Senoko Energy, the largest vertically-integrated player in terms of generation capacity in Singapore. Senoko Energy owns and operates a portfolio of power generation assets with a combined capacity of 3,300 MW and with a market share of around 20%. Senoko is also present in the BtoB electricity retail market with 20% share, and is positioning itself for the BtoC retail market opening in mid-2018.

The Asia-Pacific BU also has two key businesses in energy services:

- ENGIE Services Singapore (Cofely FMO) whose core business is integrated facility management and energy efficiency solutions with key expertise in critical facilities such as airports, healthcare, rail and education;
- ENGIE ITS (Cofely Data Centers) is a specialist in data centers with core capabilities in the design, building and maintenance of data centers;

Malaysia

In Malaysia, the Group has been active through ENGIE Services since 2012, following the acquisition of a 49% stake in Megajana, operating the district cooling plants of CyberJaya.

ENGIE Services Malaysia is an accredited Energy Services Company (ESCO) with key delivery capability and expertise in energy and environmental management.

Philippines

ENGIE Services has been present since 2010 providing complete energy efficiency solutions to industrial and commercial clients in Manila, Alabang-Batangas and Cebu regions. Last September 40 MWth district cooling plant started operating in Northgate – Filinvest City Alabang.

1.3.4 Benelux

The Benelux reportable segment corresponds to the Benelux BU which includes the Group's activities in Belgium, the Netherlands and Luxembourg, specifically power generation from the Group's nuclear power plants and renewable power generation facilities, natural gas and electricity sales activities, and energy services and installation activities.

KEY FIGURES

In € millions	2017	2016	Total change *(%)*
Revenues	8,865	9,044	-2.0%
EBITDA	551	755	-26.9%

1.3.4.1 Role & Strategy

The BU Benelux is the historical leading provider of electricity and gas in the Belgian market, a challenger in the Netherlands, and the leader in the services segment in the Benelux countries. The BU's mission is: "leading in global and sustainable solutions, that make the difference for our customers, in energy, services and technical installations". It therefore develops and implements energy and industrial solutions for the future in Belgium, Luxembourg and the Netherlands:

- reliable, competitively priced carbon-free power generation that complies with the highest standards in terms of safety and environmental protection;
- the supply of energy and energy services for energy efficiency in the home and mobility solutions anchored in the energy and digital revolution, which simplify the life of its retail customers;
- a broad range of know-how and expertise leveraged on behalf of industrial customers, cities and local authorities to implement sustainable solutions in the field of energy efficiency for buildings, development and optimization of energy systems and infrastructure, and the comfort and mobility of people.

1.3.4.2 Description of activities

The BU Benelux operates and maintains, in compliance with the strictest nuclear safety standards, the Doel and Tihange nuclear power plants in Belgium, representing a total installed capacity of 5,918 MWe (with total drawing rights of 897 MWe held by third parties). Moreover, the BU Benelux owns drawing rights of 1,118 MWe with EDF in France and 290 MWe with E.ON in Germany.

A stable legal and fiscal framework has been set for the nuclear power plants until 2025 defining amongst other things the economic parameters governing the lifetime extension of Tihange 1, Doel 1 and Doel 2 and the mechanism to calculate the level of nuclear contribution to be paid by Electrabel.

The Group assumes obligations resulting from the April 11, 2003 Belgian Law relating to the management of spent nuclear fuel and the decommissioning of nuclear power plants. As of December 31, 2016, the nuclear provisions in the Group's consolidated financial statements amounted to €10.0 billion (of which €4.5 billion related to the dismantling of the facilities and €5.5 billion to the management of the downstream part of the fuel cycle). These provisions are based on the basic features presented in the three-year statement approved by the Nuclear Provisions Commission (CPN) on December 12, 2016.

In 2017, the increase of nuclear provisions by €0.4 billion in the Group's consolidated financial statements results from the recurring discounting charge and the additional provision for quantities of irradiated fuel consumed during 2017.

The BU also operates renewable energy production assets, comprising onshore wind capacity of 318 MWe (+60 MWe in 2017) in Belgium and 56 MWe in the Netherlands, and solar capacity of 10 MWc in Belgium and of 11 MWc in the Netherlands. It is responsible for developing, building, operating and maintaining these assets. Its goal is to increase its installed capacity in line with the Group's strategy: in Belgium, the BU wants to reach 550 MWe of wind capacity by 2020. Within the framework of the ENGIE Offshore Wind strategy, the BU is involved since 2011 in the development of the offshore wind project MERMAID (approximately 260 MWe), to be constructed in front of the Belgian coast. In this context, MERMAID is currently negotiating a merger with the offshore wind farm project "Seastar" to create a bigger project, more than 500 MWe. This allows the BU Benelux to share the experience gathered in the development of Mermaid with other parts of the ENGIE Group. As regards Offshore High Voltage Substations (OHVS), the BU – through ENGIE Fabricom – is a market leader (19 substations constructed and 3 substations under construction or ordered).

In solar photovoltaic, the BU works together with its industrial customers to develop solar capacity of at least 60 MWc in Belgium. The BU has the same ambition in the Netherlands.

Through ENGIE Axima, ENGIE Cofely and ENGIE Fabricom, the BU Benelux operates in the tertiary, industrial, energy and transport sectors and provides public and private customers with various multi-technical services and solutions like:

- greater energy efficiency and limited environmental impact of buildings (energy efficiency audits, HVAC systems, multi-technical management and maintenance, energy performance contracts, etc.);
- production, operation and distribution of local and renewable energy sources (cogeneration plants, industrial utilities, etc.);

- integrated services (facility management, multi-site management, public-private partnerships, etc.);
- maintenance activities of networks (medium & low voltage power, low pressure gas, tele distribution, internet, telephony, wireless, water, public lighting, etc.);
- installation & industrial maintenance activities (3D printing, electrical & instrumentation, piping, mechanical, automation, fire protection, industrial cooling, process solutions, etc.);
- construction and maintenance activities to mobility infrastructures in the field of roads (lighting, signalling, traffic management, long term general maintenance, etc), waterways (bridges, locks, weirs, water flow management systems, etc.), airport, ports (vessel traffic monitoring, etc.) and rail & metro (stations, catenary, signalisation, passenger information systems, etc.).

In the retail market, the BU Benelux manages approximately 2.66 million electricity contracts (9.1 TWh) and 1.37 million natural gas contracts (19.9 TWh) in Belgium, and approximately 270 thousand electricity (1.2 TWh) and natural gas contracts (4.4 TWh) in the Netherlands. It also has a portfolio of business customers (industrial and tertiary) who buy electricity (13.2 TWh sold in Belgium and 8.5 TWh in the Netherlands) and natural gas (17 TWh in Belgium and 8.1 TWh in the Netherlands), as well as energy services. Lastly, the BU has developed a range of innovative products and services for all customer categories (including insulation, home boiler replacement, smart technologies, PV installation, home assistance services, etc.).

Lastly, in the area of electric mobility in Belgium, the BU has recently launched a single integrated ENGIE product offering, available for cross sales and serviced by the different entities. In 2017, the BU has sold and installed more than 500 charging stations for BtoB clients. For BtoC clients, it has developed new rates dedicated to electricity (called "DRIVE") for electric vehicle drivers. In January 2018, it has launched "WE-EV", a shared charging stations network for its BtoB clients.

1.3.5 France

The France reporting sector combines the activities of four BUs: France Renewable Energy (development, construction, financing, operation and maintenance of all renewable power generation assets in France, excluding Solairedirect), the France BtoB BU (energy sales and services for buildings and industry, cities and regions and major infrastructure), the France BtoC BU (sales of energy and related services to residential and small business customers), and the France Networks BU (which designs, finances, builds and operates decentralized energy production and distribution facilities, and power, heating and cooling networks).

The France Renewable Energy, France BtoB, France BtoC and France Networks operating segments include all French downstream energy business lines and renewable energy production, which is becoming increasingly decentralized. These are complementary businesses that are supported by a strong regional network and primarily aim to develop a combined offering for local customers consisting of energy services, decentralized production resources, and combined gas and electricity supply contracts.

KEY FIGURES

In € millions	2017	2016[1]	Total change *(%)*
Revenues	16,659	20,332	-18.1%
EBITDA	1,475	1,315	+12.2%

(1) Revenues and EBITDA 2016 including "Entreprises et Collectivités" activities of ENGIE SA, transferred to the Other reportable segment on January 1, 2017.

1.3.5.1 France Renewable Energy

1.3.5.1.1 Role & Strategy

The role of the France Renewable Energy BU is to develop, finance, operate and maintain ENGIE's renewable power generation assets in France which are based on hydro, wind, solar and marine power.

The BU also provides technical expertise and industrial support, including procurement, to the Group and in particular its European subsidiaries, through pooled teams of experts.

It carries out its tasks through ENGIE companies that report to the BU and are described in Section 1.3.5.1.2.

The ambition of the BU, which operates close to its local stakeholders, is to make the energy transition a concrete reality at the heart of ENGIE's business. The BU is active in all activities that are, or will be, promoting green growth in France's energy mix. This includes the most mature existing technologies (hydro, wind and solar) and new technologies (fixed and floating offshore wind, hydrogen, etc.). The BU aims to substantially boost its development in wind and solar while bolstering its positions in hydroelectricity:

- onshore wind: in a market expected to more than double by 2023, strengthen the Group's leadership to achieve almost 3 GW in installed capacity in this technology by 2021. The BU is now competitively positioned with a clear and secure regulatory framework (notified to the European Commission);
- solar power: in a clear and secure regulatory environment (notified to the European Commission), with a market that is expected to more than triple by 2023, significantly step up development to attain almost 2.2 GW in installed capacity in this technology in 2021;
- hydroelectricity: maintain a leadership role by seizing opportunities that will arise on hydraulic concessions while continuing to protect the Group's positions;

- marine energy: leverage the Group's expertise on the first projects in order to continue to accelerate and to develop this area (fixed and floating offshore wind farms).

1.3.5.1.2 Description of activities

The France Renewable Energy BU comprises a set of subsidiaries owned by ENGIE, either alone or in partnership:

- ENGIE Green (resulting from the merger of Futures Energies and Maia Eolis, in 2016 and LCV - La Compagnie du Vent – in 2017 and the integration of the development, operation and maintenance activities of Solairedirect in France as of January 1, 2018): onshore wind, solar and renewable marine energy;
- SHEM (Société Hydro-Électrique du Midi): hydroelectricity;
- CNR (Compagnie Nationale du Rhône), and its subsidiary CN'Air: hydroelectricity, onshore wind, solar power;
- Dieppe/Le Tréport, and l'Ile d'Yeu/Noirmoutier projects: offshore wind power (2 x 500 MW in potential installed capacity);
- Altiservice: management of three ski resorts in the Pyrénées, 100% powered by renewable energies.

1.3.5.2 France BtoB

1.3.5.2.1 Role & Strategy

In a national context where there is strong focus on energy and environmental efficiency, the France BtoB BU designs, builds and operates high-performance facilities, buildings and infrastructure for both the public sector (local authorities, towns or regions) and the private sector (industrial activities, tertiary sectors, multi-dwelling units).

The solutions deployed by the BU rely on the strong expertise of its four entities, a dense national presence, solid customer relationships, and a constant drive for innovation. As a result, the BU is able to anticipate and support new needs by combining digital innovation (Building Information Modeling, hypervision, data analysis, etc.), technological innovation (hydrogen, biogas and biomass, mini-cogeneration, micro-grids, etc.) and behavioral innovation (usage performance, self-consumption, appetite for local solutions and sharing, etc.).

To consolidate its position as France's leading integrator of energy and environmental efficiency solutions, the France BtoB BU is stepping up its strategy of organic growth and targeted acquisitions along three lines:

- expansion of its historical business lines in France (see ENGIE Axima's acquisition of MCI, a national cooling specialist, in 2017);
- reinforcement of its specialist activities so they become the undisputed leaders with the ability to be deployed in various international regions in support of the Group's other BUs (ENGIE Ineo's acquisition of Icomera, a specialist in on-board communication systems, and ENDEL ENGIE's acquisition of CNN-MCO, a specialist in ship maintenance, in 2017);
- development of innovative offers that combine new technologies and digital technology, as well as integrated offers (multi-site, multi-technical and multi-service).

1.3.5.2.2 Description of activities

The complementary expertise of its four historical entities means that the France BtoB BU is active throughout the entire energy services value chain, from design and build (or renovation) to maintenance and full operation, including performance commitments. These energy and environmental efficiency solutions and associated services are aimed at manufacturers, the tertiary sector (public or private), infrastructure managers, municipalities and local authorities, and multi-dwelling unit managers.

- ENGIE Axima specializes in HVAC engineering (heating, ventilation, air-conditioning, cooling and air treatment). It designs, builds or renovates decentralized power-generation and distribution facilities in commercial or industrial buildings. ENGIE Axima is also a major player in fire prevention.
- ENGIE Ineo specializes in electrical engineering and works with municipal and national customers to deploy or modernize their infrastructure networks (railroad tracks, power grids, video-surveillance systems, public lighting, telecommunications networks, urban transport, renewable energy, etc.).
- ENDEL ENGIE specializes in mechanical engineering and provides industrial customers with management and maintenance services for their production facilities or processes. The company is also a leading player in nuclear maintenance.
- ENGIE Cofely specializes in power engineering. It offers a range of energy and environmental performance solutions for the operation and management of industrial, commercial or multi-dwelling buildings. Through its energy savings performance contracts and usage performance contracts, the company ensures that the facilities it operates are optimally efficient while having a minimal environmental footprint. Lastly, ENGIE Cofely provides comprehensive integrated service solutions (such as facility management) to large corporations or government agencies.

1.3.5.3 France BtoC

1.3.5.3.1 Role & Strategy

The France BtoC teams handle energy sales and related services for residential and small business customers.

The France BtoC BU's goal is to become a leading player in the energy transition and remain a leader in energy supply.

Its strategic priorities are:

- growth of electricity and services sales;
- customer satisfaction;
- operational excellence; and
- innovation.

With regard to changes in the regulatory environment, the decision issued on July 19, 2017 by the French Council of State (*Conseil d'État*) has paved the way for an end to regulated gas tariffs. It is now up to public authorities to set the terms and conditions and associated timetable.

1.3.5.3.2 Description of activities

Energy: the BU is still the leading seller of natural gas in France, despite increasingly intense competition from new arrivals on the market. With regard to electricity, the BU accelerated its expansion in 2017 and confirmed its advantage over other alternative power suppliers with a portfolio of 3.8 million customers at the end of 2017, including 1.0 million customers in green electricity. The success of the 2016 launch of its green offers was confirmed in 2017, making ENGIE France's leading provider of green electricity.

Services: the BU is active in (i) the deployment of decentralized power generation solutions based on renewable energy (photovoltaic, heat pumps), (ii) energy efficiency services (energy diagnostics; energy consulting and coaching; facilities design, works, financing and maintenance), and (iii) home services (insurance, equipment maintenance, repairs). Among other things, the Group is a leader in residential boiler maintenance through its ENGIE Home Services subsidiary.

New offers were launched in 2017, illustrating the BU's capacity for innovation and expanding its service offering:

- my Power: self-production and consumption of electricity from solar energy,
- new green energy offers: *Mon Elec* (choosing green electricity and its production site), *Mon gaz vert* (natural gas offer with 10% renewable gas),
- *Le Génie des Travaux:* a multi-trade call-out service for emergencies and small-scale works, which was boosted by the acquisition in November 2017 of Mesdeppanneurs.fr.

1.3.5.4 France Networks

1.3.5.4.1 Role & Strategy

The France Networks BU partners with local authorities in cities and island territories to help accelerate their energy transition by providing innovative, integrated solutions in renewable energy and energy efficiency.

The BU has leadership positions in the design and management of large heating and cooling networks as well as in power generation and distribution. Its ambitious innovation policy is both internally and externally oriented so as to meet the needs of its customers and stakeholders and thus contribute to the development of the areas where it operates.

Thanks to their local roots, its employees work alongside their customers, whether public, private or retail, to achieve a greener energy mix.

The France Networks BU's strategic priorities are to:

- boost its portfolio of assets by safeguarding and building on its existing contracts and capturing new networks;
- strengthen its renewable energy production resources (solar, wind, hydropower, geothermal, biomass, biofuel, waste-to-energy, etc.);
- achieve the highest customer relationship standards.

In mainland France, the France Networks BU uses diversified, local and renewable energy sources to make accessible, to the greatest number of customers possible, an efficient, virtuous and sustainable method of heating and cooling in urban areas.

In the island territories, the France Networks BU is developing a comprehensive range of industrial and energy services to support the territories' sustainable development, along with a renewable electricity generation system.

1.3.5.4.2 Description of activities

The France Networks BU provides integrated, customized solutions tailored to the geographical characteristics, economic constraints, and local climate and ecological challenges in its host territories through six operating entities and their subsidiaries:

- CPCU, Paris heating network (France's leading district heating network);
- Climespace, Paris's cooling network (Europe's leading district cooling network);
- ENGIE Réseaux, responsible for France's large heating and cooling networks with recognized expertise in biomass and geothermal energy;
- SMEG and SMA in Monaco, active in gas and electricity distribution and supply, public lighting, heating and cooling production and distribution, waste cleaning and collection services, and waste-to-energy production;
- EEC, Alizés Énergies, Pacific Airport, Socometra, Somainko and Endel NC in New Caledonia, EEWF in Wallis and Futuna, Unelco and Vanuatu Services in Vanuatu: active in power production and distribution, energy services, installation and multi-technical management, and airport facilities management;
- EDT, Marama Nui, ENGIE Services Polynésie, and Poly-Diesel in French Polynesia: active in power production and distribution, installation and technical maintenance, facility management and energy services.

1.3.6 Europe (excluding France and Benelux)

The Europe reportable segment groups together the activities of two BUs: the United Kingdom BU (management of renewable power generation assets and district heating and cooling network assets, supply of energy services and solutions, etc.), and the North, South and Eastern Europe BU (sales of natural gas and electricity and related energy services and solutions, operation of renewable power generation assets, management of distribution networks).

The United Kingdom and North, South and Eastern Europe operating segments have been grouped together within the Europe reportable segment as both BUs have a similar business mix (energy services, production and sales of renewable energy) and operate in mature energy markets that are undergoing a process of transformation as part of the energy transition.

KEY FIGURES

In € millions	2017	2016	Total change *(%)*
Revenues	8,848	8,118	+9,0%
EBITDA	655	612	+7,0%

1.3.6.1 United Kingdom

1.3.6.1.1 Role & Strategy

The United Kingdom (UK) BU has a defined mission to improve the lives of communities and customers that it serves by leading the way in innovative services and sustainable energy solutions for its chosen markets. The BU is using its capabilities to lead the UK's transition towards a more secure and sustainable future, through a strategy based on investment in critical energy infrastructure, integration of its energy expertise with its broad services offer, and innovation in customer-led solutions and technologies.

1.3.6.1.2 Description of activities

There are four divisions in the UK BU:

- Energy infrastructure (power generation, renewables development and trading and portfolio management):

  The BU is a key power producer in the UK with over 2.2 GW of generation assets. These include the UK's main pumped storage plant (First Hydro) and a well-established renewable energy development business (wind and solar). The UK business also operates multiple customer sites with large-scale embedded generation with the ability to export to the grid. The trading function provides the market interface for ENGIE's generation portfolio in the UK, managing commodity price exposure within the wholesale energy market.

- Energy solutions (energy efficiency, energy supply & power purchase, localized energy generation, district heating & cooling):

  ENGIE works as an energy partner delivering sustainable energy and energy management solutions to meet each customer's current and future requirements. The business has extensive capabilities designed to service both public, BtoT and BtoB organizations – including businesses of all sizes, from small and medium enterprises to large multinationals. Unified solutions are also offered to enable customers to fully take control of their energy needs and address the challenges of an ever-changing energy environment. In May 2017, the UK BU officially launched its home energy business, enabling to also serve the BtoC market.

- Services (technical services, facilities management, business services):

  ENGIE is a leading provider of services designed to improve the performance and efficiency of buildings, industry, infrastructure and cities. Across the public, private and healthcare sectors, ENGIE works closely with customers to integrate solutions using its strengths in technical services, facility management and the outsourcing of business processes, often combining these with its energy expertise. Integrated services add value to customer operations while helping to reduce their costs and carbon footprint.

- Regeneration (building renovation, community development, property services, homebuilding):

  Following the acquisition of Keepmoat Regeneration, completed in May 2017, the UK BU is now the leading provider of regeneration services in the UK. The business is focused on the design, refurbishment and upgrade of buildings and places, helping local authorities to transform neighborhoods and communities.

  This transaction has enabled ENGIE to offer a complementary range of services to local governments, cities and businesses across the UK and strengthen its existing network of local authority partnerships.

1.3.6.2 North, South and Eastern Europe

1.3.6.2.1 Role & Strategy

The North, South & Eastern Europe Business Unit (BU) is active today in more than 10 countries namely Austria, Czech Republic, Germany, Greece, Hungary, Italy, Norway, Poland, Portugal, Romania, Slovakia, Spain and Switzerland.

The BU's ambition is to be at the forefront of the energy transition in Europe. Its business environment is characterized by a rapid succession of far-reaching changes, such as decentralization and digitization, although the maturity of these changes varies from country to country.

The BU implements its strategy through a country-based organization which allows to strengthen current positions while driving innovation, all to the benefit of its customers.

The BU's main priorities can be summarized as follows:

- strengthen in its current activities as a platform for growth;
- develop integrated and digitalized energy efficiency services;
- scale up positioning in centralized and decentralized renewable energies;
- become an energy architect for territories.

1.3.6.2.2 Description of activities

The North, South & Eastern Europe BU is active in three main business areas:

- Customer solutions: the BU provides energy efficiency services as well as energy supply to industrials and businesses, residential customers and cities. The BU offers, among others, services in integrated facilities management, decentralized energy such as cogeneration and urban infrastructure (heating networks, public lighting);
- Green energy generation: the BU designs, builds and operates renewable energy installations, particularly in wind but also biomass, hydro, and solar power;

- Energy infrastructure: the BU runs distribution networks, mainly natural gas, and storage infrastructure.

In Romania, the main activity is natural gas distribution via the Distrigaz Sud Retele subsidiary, which operates a 19,359 km distribution network. ENGIE Romania also supplies natural gas and electricity to 1.7 million customers (BtoC and BtoB) as well as energy services in particular to retail customers through ENGIE Servicii. ENGIE Romania operates two wind farms in Gemenele and Baleni, for an installed capacity of 98 MW. Lastly, the BU is active in natural gas storage through its Depomures subsidiary.

The deregulation of the wholesale domestic gas price for residential consumers was implemented on April 1, 2017 while the gas retail prices for this category will remain regulated until 2021. In power generation, the entering into force in the beginning of 2017 of a Government emergency Ordinance reshaped the support mechanism which should improve the situation of renewable energy producers.

In Italy, the BU is active in natural gas and electricity sales with more than 1.2 million contracts (BtoC and BtoB). The BU also supplies heating and cooling via cogeneration units and networks. It provides energy efficiency solutions to a variety of clients: residential, businesses and public authorities, the latest through the Consip process set up by the Ministry for the Economy and Finance. ENGIE also operates around 178 MW of wind and ground- and roof-mounted solar power assets, as well as biomass units. Italian authorities approved the end of regulated prices for gas and electricity which should be held in June 2019 and put in place a new capacity remuneration mechanism. They also published a new National Energy Strategy for 2030.

In Germany, the BU is particularly active through its entities specialized in the installation, operation and maintenance of energy efficiency solutions. The BU also supplies energy to business and retail customers, the latest mainly in connection with its stakes in four municipal utilities (also encompassing activities in heating networks, energy distribution, and decentralized energy production solutions). BU NECST also operates more than 200 MW of wind parks and of hydroelectric plants. Energy market reform is continuing, especially around the idea of a capacity market, the introduction of auctions for renewables, support for gas-fired cogeneration plants, instead of coal, and, in the longer term, the definition of a carbon-free industrial economy.

In Spain, the entities operate 66 MW of solar and hydropower through a partnership with Mitsui, and cogeneration units and heating networks in Barcelona. In June, a new step has been made with the tender won to install 50 MW of solar PV. BU NECST is also active in installation & maintenance services and supply of energy efficiency solutions. It supplies natural gas and electricity to BtoB customers.

In Hungary, For more than 20 years, ENGIE was shareholder of Égáz-Dégáz, a gas distribution company that owns and operates 23,000 km of the network in the Northwest and the Southeast of the Hungary. On January 11, 2018, the Group finalized the sale of Égáz-Dégáz to NKM, a company owned by the Hungarian state. This sale to NKM concerns 100% of Égáz-Dégáz. ENGIE remains active in Hungary through services companies.

In Portugal, the BU is mainly involved in renewable energy power generation, via TrustWind (a 50-50 joint venture with Marubeni), operating 489 MW of wind power. It also distributes heating and cooling to the city of Lisbon through its Climaespaço subsidiary, and provides O&M services and energy efficiency solutions.

In Poland, BU NECST is active in installation and integrated services and has a BtoB customer portfolio in electricity. The BU is also active in wind power generation, with an installed capacity of 138 MW, as well as in heating networks.

In the other European areas, BU NECST is mainly proposing solutions in energy services:

- in Austria, ENGIE is a leader in engineering, installation, maintenance and facility management as well as in building technologies and cooling systems. ENGIE is one of the largest private supplier of heat and the only integrated supplier of heat, cooling, power, gas and energy services, mainly supplying BtoB businesses;
- in Switzerland, the BU provides energy efficiency services and is active in installation and maintenance. ENGIE started this year to build a wood-fired combined heat and power plant in Sisseln on the premises of the chemical company DSM Nutritional Products, to which it will deliver heat;
- in Slovakia, BU NECST provides installation, operation and maintenance solutions and is an important private heating network operator. In December 2017, ENGIE sold its stake in the Pozagas gas storage;
- in the Czech Republic, the BU is active in installation and technical facility management, and also owns facilities for manufacturing switchboards up to 1,000V;
- in Greece, ENGIE Hellas subsidiary is active in energy efficiency solutions and technical services for buildings. The BU also supplies electricity and gas to retail, industrial and commercial customers.

1.3.7 Infrastructures Europe

The Infrastructures Europe reportable segment groups together the activities of four BUs: GRTgaz, GRDF, Elengy, and Storengy. These BUs develop, operate and maintain – primarily in France and Germany – natural gas transmission, storage, and distribution networks and facilities, along with LNG terminals. They also sell access rights to these infrastructures to third parties.

The GRTgaz, GRDF, Elengy and Storengy operating segments, which comprise the gas infrastructure businesses in Europe (distribution, transport, storage, and LNG terminals), have been grouped together within the Infrastructures Europe reportable segment as they are all regulated businesses (or businesses likely to be regulated) with similar risk profiles and margins.

KEY FIGURES

In € millions	2017	2016	Total change *(%)*
Revenues	3,488	3,267	+6.8%
EBITDA	3,384	3,459	-2.1%

1.3.7.1 GRTgaz

1.3.7.1.1 Role & Strategy

GRTgaz is an independent subsidiary of ENGIE. In addition to GRTgaz collaborators who own 0.3% of the capital of their company, GRTgaz shareholders are ENGIE and the Société d'Infrastructures Gazières (SIG), a consortium composed of CNP Assurances, CDC Infrastructures and Caisse des Dépôts. ENGIE and the SIG respectively own 75% and 25% of the remaining share of the capital.

GRTgaz develops, operates and maintains the main transmission network in France, manages the natural gas flows that flow through it, and markets network access services to gas suppliers. It manages gas transmission operations in Germany through its GRTgaz Deutschland subsidiary. In 2017, GRTgaz acquired ENGIE subsidiary Elengy, which operates LNG terminals in France.

GRTgaz's strategy is to ensure the company's development in the long term both in France and internationally. GRTgaz is intent on:

- being a leader in gas infrastructure in Europe, in particular by contributing to better integration of the European markets;
- being a driving force in the energy transition, particularly by promoting new uses of natural gas (industry/mobility), developing renewable natural gas by injecting biomethane into the transmission network, and conducting research on monetizing surplus renewable energy (power-to-gas);
- continuing to expand internationally in countries where natural gas consumption is growing fast, in close collaboration with other Group entities.

1.3.7.1.2 Description of activities

GRTgaz is a European leader in natural gas transmission and a global expert in gas transmission systems and networks. In France, it owns and operates more than 32,000 km of buried pipeline and 28 compression stations to take gas from suppliers to consumers (distributors or manufacturers directly connected to the transmission network). GRTgaz has a public service mandate to guarantee the continuous supply of gas to consumers. It also sells transmission services to network users. GRTgaz plays an active role in the energy transition, investing in innovative solutions to adapt its network accordingly and combine competitiveness and security of supply with environmental protection.

GRTgaz's business is conducted within a general framework designed to guarantee the independence of the grid manager.

France's Energy Code states that the construction and operation of natural gas transmission pipelines must be authorized by a competent administrative body, the conditions for which are set by Articles L. 555-7 et seq. and Articles R. 555-2 et seq. of the Environment Code. Authorizations are nominative and non-transferable. Entities that obtain natural gas transmission authorizations must comply with the terms and conditions of the authorizations.

Pursuant to its ruling of December 15, 2016, the French Energy Regulatory Commission (CRE) defined the methodology and set the tariffs for the use of transmission networks in France known as "ATRT 6," set to enter into force on April 1, 2017 for a period of four years.

The methodology is consistent with the principles used in the previous tariffs. The tariff structure is updated on April 1 each year so as to adjust the income authorized by the CRE based in particular on changes in inflation and the best available forecasts of energy loads and capacity subscriptions for the year in question. The blueprint for net operating expenses includes a productivity objective. There is an incentive for cost control in investment, along with a revision clause after two years enabling adjustment of the blueprint for net operating expenses, subject to certain conditions.

The new tariff set by the CRE provides GRTgaz with all the resources needed to respond to the challenges of energy transition and takes account of the changes in the gas market. The CRE is also strengthening the GRTgaz performance incentives and the incentive scheme for the creation of more selective interconnection capacity.

This new framework will result in a 3.1% reduction in the average unit tariff in 2017, excluding changes in the tariff structure and the inter-operator compensation mechanism. Over the ATRT6 period, the tariff decreases by an average of 0.4% per year. These changes are the result of various factors:

- on the one hand, the diminishing subscriptions for capacity expected for the ATRT6 tariff period, the commissioning of significant investment projects, particularly with regard to the creation of the single marketplace in France, and the increase in operating expenses resulting in particular from projects designed to prepare the future of gas transmission networks and to support energy transition;
- on the other hand, the reduction in energy prices, the reduction in the weighted average capital cost from 6.5% to 5.25% (actual, before tax) and the efficiency targets set for GRTgaz.

1.3.7.2 GRDF

1.3.7.2.1 Role & Strategy

In France, GRDF, independent subsidiary of ENGIE, develops, operates and maintains the distribution networks, delivers gas for suppliers and consumers, and connects biomethane producers to the network. GRDF is tasked with giving all natural gas suppliers equal access to its network.

Its strategy is revised every four years. In 2017, GRDF developed its activities according to the three objectives stated in its enterprise project, covering the period from 2015 to 2018:

- strive for operational excellence in the performance of its business lines to be recognized as a committed professional;
- make natural gas an energy of the future by demonstrating its relevance in the energy mix;
- build a responsible, more open and collaborative business model with all the business lines.

1.3.7.2.2 Description of activities

The distribution activity has specific features related to its classification as a local utility. Each municipality where natural gas supply is available grants a concession to an authorized distributor to operate the natural gas utility in its territory. Concessions are entered into or renewed based on standard specifications established jointly by the French national federation of concession-granting and state-controlled municipalities (FNCCR) and GRDF. Concession-granting bodies exercise control to ensure the proper execution of the obligations resulting from these specifications.

Distribution structures belong to the municipalities even when they are built and financed by the distributor, who has an exclusive right to use them. The Energy Code recognizes the entitlement of exclusive concession rights to historical concession-holders, i.e., GRDF and 22 local distribution companies (ELD), to exclusive service areas. As holders of a "distribution monopoly," they are the sole operators with whom municipalities may renew the concession. The grounds for terminating a concession contract early are strictly controlled (listed exhaustively) as is the date the concession can be terminated (cannot be in the first half of the contracted term). Termination also requires two years' notice and the concession-granting authority must pay compensation to the concessionaire for early termination.

Apart from the exclusive service areas of GRDF and the local distribution companies, the Energy Code allows all municipalities not supplied with natural gas to entrust their public gas distribution to the operator of their choice.

In addition to the special case of public service delegations recently acquired after a competitive bidding process, GRDF's activity is remunerated by a tariff set by the CRE. Following the CRE's decision of March 10, 2016, the new GRDF natural gas distribution tariff, "ATRD5," entered into force on July 1, 2016 for a period of four years. It applies to the GRDF exclusive service area. The structure of this tariff is consistent with the previous tariff. The CRE took into account all major projects that GRDF will take on during the period, allowing the company to continue its industrial safety and development initiatives while at the same time requiring it to increase its productivity.

This new tariff framework led to an increase of 2.76% effective July 1, 2016. This increase was followed by a tariff reduction of 2.05% effective July 1, 2017, due to lower than expected inflation and a slightly colder than normal 2016.

The Energy Code assigns a joint service, primarily responsible for construction, worksite project management, network operations and maintenance, and metering operations. GRDF and Enedis (formerly ERDF) are linked by an agreement defining their relationship within the Joint Department, the services it provides, and the distribution of the resulting costs. This agreement, signed for an indefinite period, may be terminated at any time, subject to 18 months' notice, during which period the parties undertake to renegotiate this agreement.

1.3.7.3 Elengy

1.3.7.3.1 Role & Strategy

LNG terminals are port facilities that allow liquid natural gas (LNG) to be received and regasified. New services have been proposed since 2012: reloading and transshipment of LNG tankers and LNG truck loading (road-transported LNG).

Elengy is the second-largest European LNG terminal operator (source: GIIGNL), with three LNG terminals in France. The facilities operated by Elengy had a total regasification capacity of 21.25 billion m^3 of gas per annum as of December 31, 2017.

Elengy's strategy is centered on the following key points:

- to optimize operation methods for each of the three sites in order to get best value from them regardless of their utilization rate;
- to create and offer new services at the terminals, similarly to what is being done in terms of reloading, transshipment between LNG tankers and the loading of tanker trucks;
- to find growth opportunities internationally by highlighting the asset management and operations expertise developed over the past 50 years.

In 2017, GRTgaz, ENGIE's independent subsidiary, acquired Elengy.

1.3.7.3.2 Description of activities

- Fos Tonkin Terminal: Brought into service in 1972, Fos Tonkin is located on the Mediterranean coast and receives LNG primarily from Algeria. Its regasification capacity stands at 3 billion m^3 of gas per year. Its jetty can accommodate vessels carrying up to 75,000 m^3 of LNG and its tank has a total capacity of 80,000 m^3.
- Montoir-de-Bretagne Terminal: Montoir-de-Bretagne, which was brought into service in 1980, is located on the Atlantic coast and receives LNG from various sources. It has a regasification capacity of 10 billion m^3 of gas per year, two jetties that can accommodate vessels transporting up to around 260,000 m^3 of LNG (Q-Max) and three tanks with a total capacity of 360,000 m^3 of LNG.
- Fos Cavaou Terminal: the Fos Cavaou terminal was brought into commercial service in 2010. It has a regasification capacity of 8.25 billion m^3 of gas per year, a jetty that can accommodate Q-Max-size tankers, and three tanks with a total capacity of 330,000 m^3 of LNG. The terminal is owned by a dedicated subsidiary, Fosmax LNG, in which Elengy has a 72.5% stake and Total Gaz Electricité Holding France SAS has a 27.5% stake. It is operated by Elengy.
- Access to LNG terminals (principles and tariffs): the LNG terminals are accessible to all LNG suppliers. The tariffs are regulated. The current tariffs were set by the CRE ruling of January 18, 2017 and have been in force since April 1, 2017.

They are significantly lower than the previous tariffs: 6.5% for Montoir, 18.2% for Fos Tonkin, and 18.6% for Fos Cavaou. These decreases are mainly due to the lower return on assets, reduced operating expenses, and higher productivity, all of which benefit the LNG terminal users.

The current tariffs introduce a change in the structure of the tariff offer. In particular, they create a basic service, i.e., the main offer of LNG terminal operators, that can be supplemented by the subscription of an option guaranteeing a uniform supply for 20 to 40 days. The current tariff package is simplified into three terms: (i) number of unload operations, (ii) quantities unloaded, and (iii) gas-in-kind.

1.3.7.4 Storengy

1.3.7.4.1 Role & Strategy

With Storengy, the Group is the leader in underground gas storage in Europe, with net storage capacity of 12.2 billion m^3. Against a backdrop of long-term adverse market conditions and major shakeups in the energy sector, Storengy must adapt its operations in the face of risks weighing on its core business and develop new ambitions made possible by the energy transition.

Its strategy is to:

- bring highly effective, innovative solutions to its customers by optimizing its operations in its traditional markets;
- be a driving force in the energy transition, leveraging its sites to best serve its territories;
- develop business in growth markets – renewable gas, natural gas storage (internationally), energy storage (thermal storage, hydrogen-based energy storage), geothermal power, by enhancing its core competencies (drilling, geosciences, surface processes, risk management, and so on).

1.3.7.4.2 Description of activities

France: As of December 31, 2017, Storengy was operating in France:

- 14 underground storage facilities (13 of them wholly owned). Nine of these storage facilities are in aquifers (total useful storage volume of 9 billion m^3), four are in salt caverns (total useful storage volume of 1 billion m^3), and one is in a depleted field (useful storage volume of 80 million m^3); three of these sites are in reduced operation according to precise regulatory procedures (corresponding to a total useful volume of 880 million m^3);
- 36 compressors with a total power of 186 MW, to withdraw and inject natural gas;
- surface facilities to process the gas withdrawn, before injection into the transmission network.

Legislative and regulatory environment in France

Underground storage facilities fall under the Mining Code and are operated pursuant to a concession granted by the French government following a public inquiry and competitive tenders. ENGIE holds mining rights that it farms out to its subsidiary Storengy, which operates them and thus holds the corresponding authorizations [(1)].

According to the Third Gas Directive, access to storage is organized according to a system known as "negotiated system." Storage prices are set by Storengy in a transparent, non-discriminatory manner. The French Energy Code and the decrees of August 21, 2006 and March 12, 2014 set the access conditions for storage facilities. The decrees specifically set out the conditions for granting and assigning storage capacity access rights and their distribution, and require the authorized supplier or agent to maintain sufficient stores in order that, on October 31 of every year, they have enough natural gas to supply their customers from November 1 to March 31. An annual decree sets out the storage rights in question and related obligations. Pricing conditions vary according to the tanks' technical capacity, the basic storage service and the type of optional additional services selected.

The French regulatory system governing access to France's storage facilities is evolving. Article 12 of Law No. 2017-1839 of December 30, 2017, which puts an end to the search for and exploitation of hydrocarbons, reformed the system for accessing gas storage facilities and their business model. This reform builds on work previously carried out with the administration and on the conclusions of the recent report by an inter-ministerial task force on underground gas storage [(2)] which called for the urgent establishment of a regulated storage access system. The measures provide for the sale of capacity through public auctions with a compensation system that would produce authorized income defined by the CRE. Article 12 of the law sets its entry into force retroactively on January 1, 2018. Following consultation initiated by public authorities, with the various actors (storage operators, natural gas suppliers in France) the CRE, in its deliberation of February 22, 2018, set the parameters of the regulation. These parameters apply from January 1, 2018.

Germany: Storengy Deutschland GmbH, a wholly owned subsidiary of Storengy, is one of the leaders in the German underground gas storage market, with 8% market share by volume. The company owns and operates six storage sites for a working capacity of nearly 1.7 billion m^3 (three salt sites: Harsefeld, Lesum and Peckensen; and three depleted sites: Fronhofen, Schmidhausen and Uelsen). It also holds a 19.7% stake in the depleted site at Breitbrunn (992 million m^3 in total).

In line with the optimization strategy aimed at pooling the sites' technical resources and generating economies of scale, 2017 was marked by the launch of a project to centralize technical dispatching over three years (2017-2019).

United Kingdom: Storengy UK Ltd, a wholly owned subsidiary of Storengy, is dedicated to the construction and marketing of storage capacity in saline cavities at Stublach, in Cheshire. The planned storage capacity at the site is 400 million m^3 of useful volume, divided into 20 cavities. The UK's Office of Gas and Electricity Markets (Ofgem) granted it a third-party access exemption for the entire project.

Half of the capacity (10 cavities) is already in operation and being sold. In 2017 Storengy UK marketed a specific "debrining" product for the five cavities that will be filled with natural gas in 2018, marking a further milestone in the development of storage at Stublach.

1.3.8 Global LNG and Global Energy Management

The Global LNG and Global Energy Management reportable segment includes the activities of two BUs: Global LNG (GLNG) and Global Energy Management (GEM).

The Global LNG BU manages a portfolio of long-term supply contracts, has stakes in LNG facilities, and operates a fleet of LNG tankers. The GEM BU manages and optimizes the Group's portfolios of physical and contractual assets (excluding gas transmission, distribution and storage infrastructures), particularly in the European market, on behalf of the BUs that hold power generation assets and of customer portfolios. It is also responsible for selling energy to national and pan-European key industrial accounts and for supplying energy to the BUs which sell it on to their customers. Lastly, it leverages its expertise in the energy-related financial markets to provide solutions to third parties.

(1) Farming out: in mining law, the name given to an agreement by which the holder of the operating rights (national government or concessionaire) leases the mine to a third party in return for a royalty.

(2) IGF, CGE, CGEDD joint mission - April 2017 public reporting on underground storage.

The Global LNG and GEM operating segments were grouped within the Global LNG and GEM reportable segment because they are both responsible for managing and optimizing the Group's gas supply contracts.

KEY FIGURES

In € millions	2017	2016	Total change *(%)*
Revenues	9,391	8,981	+4.6%
EBITDA	(82)	3	N/A

1.3.8.1 Global LNG (GLNG)

1.3.8.1.1 Role & Strategy

The GLNG BU has two core missions:

- to supply LNG to the various ENGIE entities and increase LNG sales to third parties, focusing on high-growth areas such as Asia and Latin America;
- to increase the value of the LNG purchase and sale contract portfolio by optimizing contracts and the LNG tanker fleet.

Given current market conditions, three strategic priorities have been defined:

- renegotiation of purchase and sales contracts that do not reflect current LNG market conditions;
- creation of new downstream markets, particularly through the supply of LNG to countries dependent on oil and/or coal for power generation;
- promotion and development of new LNG usages, such as for bunkering (fuel for ships) and to clients that are not connected to the gas grid (France, Belgium, United Kingdom and United States).

1.3.8.1.2 Description of activities

The GLNG BU has a recognized expertise over the entire LNG value chain, from the development of liquefaction projects to shipping, sales and also as an operator of FSRUs (floating storage and regasification units). Its activities can be divided into five categories:

- long-term developments: long-term supply and sale of LNG;
- short and medium-term operations: trading (purchasing/sale) of LNG and portfolio optimization;
- fleet management: management and improvement of the efficiency of the LNG fleet while supporting development projects;
- new LNG usages: promotion and development of LNG bunkering, ex-terminal sales and supply chains for customers not connected to the gas network;
- engineering: technical support for various Group and BU projects.

The GLNG BU works closely with the Group's downstream businesses.

	Annual long-term commitment(4)		ENGIE's stakes in liquefaction plants
	In millions of metric tons of LNG per annum (Mtpa)	TWh equivalent	
Algeria (long-term DES contract)(1)	4.6	70	-
Egypt	3.7	55	5% of Idku train 1
Nigeria (DES contract)(1)	0.2	3	-
Norway (12% stake connected to the Snøhvit deposit)	0.5	7	12% of the Melkøya plant (see EPI and CREAM)
Trinidad and Tobago(2)	2.0	30	-
Yemen	2.6	39	-
Shell (long-term DES contract)(1)	0.4	6	-
Total (2017)	14.0	212	
United States (Cameron LNG)	4(3)	60	16.6% of the Cameron LNG plant
Russia (Yamal LNG)	1(3)	15	

(1) Delivered ex-ship. The sellers unload LNG cargoes directly at the customer's regasification terminal.
(2) The contract with Trinidad and Tobago is handled contractually by the North America BU.
(3) GNL deliveries will start in 2018.
(4) Nominal contractual quantities.

In November 2017, ENGIE received a firm and irrevocable offer from Total for the sale of its upstream LNG, liquefaction, shipping and international trading activities. The planned sale is subject to compliance with the prerogatives of ENGIE's employee representative bodies.

1.3.8.2 Global Energy Management (GEM)

1.3.8.2.1 Role & Strategy

The GEM BU is responsible for the trading and asset management activities of the ENGIE Group's assets as well as for third parties.

As specialist in energy risk management services and markets, the GEM BU provides expertise to all Group BUs ensuring their competitiveness. The BU also manages its own commercial activities for external customers providing new products and solutions.

The GEM BU is active in the following four domains:

- supply and logistics management (gas, electricity, biomass, emissions, etc.);
- asset management through market positions;
- risk management and hedging;
- energy markets access.

1.3.8.2.2 Description of activities

The GEM BU's activities are as follows:

- supply and management of gas assets: management and structuring of gas supplies and related logistical support, optimization and enhancement of asset flexibilities in the market, management of capacity contracts (transmission and storage) and gas regulation;
- management and development of electricity assets: optimization and balancing of positions, enhancement of ancillary products, access to markets and proactive monitoring of regulations, management of electricity assets and development of asset management activities for third parties;
- trading and risk management activities: marketing of gas, electricity and energy services to major pan-European or national industrial accounts, internal sourcing for sales entities within the Group in the northwest Europe region and marketing of standard products structured around risk management and access to energy markets;
- renewable asset management and recovery services: development of market solutions to accelerate the energy transition, decentralized power generation (wind/solar) and demand response aggregation services.

The partnership between "*Entreprises & Collectivités*" (BtoB activities hold by ENGIE SA) and the GEM BU is reflected in the accelerated integration of the BtoB energy management teams, which began their joint operational activities in January 2018. As the partnership is operational in nature, the entity's financial results are reported separately from those of GEM under the "Other" segment.

The GEM BU's activities are impacted by structural changes in the environment, which prompted a search for the most efficient management model to extract the maximum value from assets under management while minimizing management costs. In 2017 the GEM BU therefore reviewed its management model and as a result is now managing assets individually and in real time vis-à-vis the markets and merging the teams in charge of portfolio management and trading in respect of natural gas. A risk framework tailored to this new type of management was implemented in October 2017 within the overall limits allocated by the Group for this type of activity.

Significant regulatory changes in 2017:

- the publication by the European Commission on October 28, 2017 of the new European Security of Gas Supply Regulation. This regulation, which supersedes the one in effect since October 2010, requires Member States to cooperate with each other in regional groups to assess supply risks and establish national emergency plans. This stricter regulation also provides for the introduction of the solidarity principle, whereby European countries must help each other to always guarantee gas supply to the most vulnerable consumers even in severe gas crisis situations;
- also of note is the entry into force on December 18, 2017 of the European "Electricity Balancing" guideline, which establishes balancing markets based on harmonized products traded between system operators.

1.3.9 Exploration and Production International

The discontinued operations of Exploration and Production International reportable segment corresponds to the Exploration & Production International BU. It comprises exploration, development and operation of the Group's natural gas and oil fields.

KEY FIGURES

In € millions	2017	2016	Total change *(%)*
Revenues	1,754	1,799	-2.5%
EBITDA	1,274	1,198	+6.3%

1.3.9.1 Role & Strategy

The role of the Exploration and Production International BU (ENGIE E&P) is to be a reliable operator in Northern Europe, North Africa and South-East Asia by:

- producing gas and oil in a safe, efficient and sustainable manner;
- leading best-in-class operations in offshore in Northern Europe, from exploration to decommissioning;
- targeting profitability and value creation;
- being economically resilient in an environment of lukewarm oil barrel prices;
- self-funding its activity;

ENGIE E&P continuously prioritizes Health Safety Environment (HSE) excellence.

Following the change of market environment, ENGIE E&P's response started with a geographic re-focus continued with drastic changes in terms of new investments, and significant reductions in operational costs in order to strengthen ENGIE E&P activity sustainably. In particular, the BU set up a new structure that has been fully operational since May 2, 2017.

ENGIE E&P focuses around its producing assets, and medium sized development projects with a short time-to-market.

Principal key indicators

Europe and North Africa are the core areas of the Group's exploration and production business.

As of December 31, 2017, the Group published the following results:

- operations in 10 countries;
- 268 exploration and/or production licenses held (of which 57% are operated by the Group);
- proven and probable (2P) reserves of 621.6 million barrels of oil equivalent (Mboe), of which 79% is natural gas and 21% liquid hydrocarbons;
- production of 56.5 Mboe, of which 69% is natural gas and 31% liquid hydrocarbons.

1.3.9.2 Description of activities

Legal framework of the Exploration & Production activities: the Group conducts its exploration and production activities through its subsidiary ENGIE E&P International SA, in which it holds a 70% stake (with the remaining 30% held indirectly by the China Investment Corporation), and the company's affiliates (wholly owned), which together constitute the Exploration & Production International BU.

On May 11, 2017, ENGIE announced it had received a firm and irrevocable offer from Neptune Energy to sell its 70% interest in the Exploration & Production International to Neptune Energy. After finalizing the information and consultation procedures, ENGIE and Neptune Energy signed the Share Purchase Agreement on September 22, 2017. The Agreement provides for the acquisition by Neptune Energy of ENGIE's 70% stake in Exploration & Production International. This transaction became effective on February 15, 2018 (cf. Note 18.2 of Section 6.2 "Consolidated financial statements").

Proven and probable (2P) reserves: to estimate its 2P reserves, the Group uses the "SPE PRMS" (Society of Petroleum Engineers – Petroleum Resources Management System) classification, based on the common definitions of the SPE and the World Petroleum Congress (WPC).

The tables below show all of the Group's proven and probable (2P) reserves (including developed and undeveloped reserves[1]) and their geographical distribution.

(1) *Developed reserves are those that can be produced from existing facilities. Undeveloped reserves are those needing new wells, new facilities or significant aditional investments, starting from existing facilities, such as a compression unit.*

Group's reserves in Mboe[1] (millions of barrels of oil equivalent)			2017
	Natural gas	Liquid hydrocarbons	Total
Reserves as of December 31, N-1	**528.9**	**143.6**	**672.4**
Revision + discoveries	10.9	15.0	25.8
Assets bought and sold	-10.3	-10.0	-20.2
Production sales	-38.8	-17.7	-56.5
Reserves as of December 31	**490.7**	**130.8**	**621.6**

Group's reserves by country [1] in Mboe	Natural gas	Liquid hydrocarbons	Total
Germany	27.7	45.8	73.5
Norway	166.3	74.9	241.2
United Kingdom	41.3	0.9	42.2
Netherlands	41.3	4.5	45.8
Other*	214.1	4.9	219.0
Evolution	-7%	-9%	-8%
TOTAL	**490.7**	**130.8**	**621.6**

* *"Other" covers Algeria, Egypt and Indonesia.*
(1) *As amounts are rounded by the database, there may be insignificant variances between line-items and totals.*

As of December 31, 2017, ENGIE E&P's 2P reserves of liquid hydrocarbons and natural gas ("entitlement" [1]) were 621.6 Mboe, compared with 672.4 Mboe in 2016. Gas accounts for 79% of these reserves, which represent a volume of 491 Mboe, or 78 billion m^3.

The 2P reserves replacement ratio for a given period is defined as the ratio of additions of 2P reserves for the period (discoveries, net acquisitions and revisions of reserves) to production for the period. The 2P reserves replacement ratio for ENGIE E&P is 20% over the 2015-2017 period.

Production: during the fiscal year ended on December 31, 2017, the production of gas and liquid hydrocarbons sold by ENGIE E&P amounted to 56.32 Mboe.

The table below sets out ENGIE E&P's production, including the share from companies consolidated by the equity method, by country:

Group production by countryin Mboe			2017
	Natural gas	Liquid hydrocarbons	Total
Germany	2.6	2.1	4.7
Norway	11.0	17.8	28.7
United Kingdom	6.4	0.2	6.6
Netherlands	10.6	1.2	11.8
Indonesia	2.7	0.1	2.8
Egypt	1.2	0.5	1.8
Change	61%	39%	
TOTAL	**34,5**	**21,9**	**56,4**

1.3.10 Other

The Other reportable segment includes the activities of the Generation Europe BU, which comprises the Group's thermal power generation activities in Europe, the Tractebel BU (engineering companies specializing in the areas of energy, water, and infrastructure), the GTT BU (specializing in the design of cryogenic membrane confinement systems for sea transportation, and onshore and offshore storage of LNG), the contribution of the "Entreprises et Collectivités" activities of ENGIE SA (since 1/1/2017) and the Group's holding and corporate activities, which include the entities centralizing the Group's financing requirements, Solairedirect's activities, and the equity-accounted contribution of SUEZ.

(1) *Unless otherwise specified, the references made to 2P reserves and production must be understood as ENGiE E&P's stake in these reserves and production (net of all license charges taken in kind by third parties in the form of crude oil or natural gas (entitlement)). These references include the total of these net 2P oil, gas, and other hydrocarbon reserves estimated as being extractable for the remaining duration of the licenses, concessions, and production-sharing agreements. ENGIE consolidates E&P International SA by the full consolidation method.*

KEY FIGURES

In € millions	2017	2016[(1)]	Total change *(%)*
Revenues	6,347	3,405	+86.4%
EBITDA	128	15	N/A

(1) Revenues and EBITDA 2016 excluding "Entreprises & Collectivités" activities of ENGIE SA, transferred to the Other reportable segment on January 1, 2017.

1.3.10.1 Generation Europe

1.3.10.1.1 Role & Strategy

The market environment in which the Generation Europe BU is active strongly evolves. An ever-increasing share of renewable energy sources (RES) combined with a stable or even decreasing demand for power intensifies competition on these mature markets.

Moreover, the rise of intermittent RES calls for more intervention by the European Transmission System Operators (TSO). In times of high volatility of RES, market participants need to react in order to stabilize the grid. Natural gas plants play a key role in today's energy markets, by offering enormous flexibility. The Generation Europe BU as provider of flexibility services (so-called ancillary services) can benefit from this ongoing development.

To guarantee security of supply over the longer term, governments have adopted mechanisms for additional capacity or reserves which remunerate electricity producers. This allows the power plants to remain operational and, for example, to produce power at times of weak power generation from renewable energy sources.

Against a backdrop of massive change in the markets, the Generation Europe BU wants to become a leading player in the energy transition as an ally of renewable energy. To fulfil this objective, the Generation Europe BU aims to:

- offer power energy competitively on mature commodity markets by bringing to market the most economically priced energy;
- capture value from increasing flexibility needs (ancillaries and capacity remuneration mechanisms);
- serve large industrial customers based on the Generation Europe BU know-how of energy markets and operations and maintenance (O&M) of large industrial sites, in collaboration with other BUs as needed;
- and be a sustainable complement to RES by decreasing its environmental footprint (e.g., the sale in March 2017 of the coal-fired power plant "Polaniec" in Poland which led to a reduction of ENGIE's CO_2 emissions by 6.2%).

After the divestment of the Polaniec power plant, the Generation Europe BU sold its gas-fired generation activities (1.8 GW) in the UK in October 2017 to US-based Private Equity firm Energy Capital Partners in order to further reshape its portfolio and contribute to ENGIE's transformation plan.

1.3.10.1.2 Description of activities

The Generation Europe BU is managing a portfolio of thermal generation assets with an installed capacity of 20.3 GW [(1)] in 8 European countries (Belgium, The Netherlands, Germany, France, Italy, Portugal, Spain, and Greece). The installed capacity split by technology is the following: gas (15.6 GW), coal (2.9 GW), hydropower and pump storage (1.3 GW), biomass & others (0.5 GW). Out of this 20.3 GW installed capacity, approximately 2.5 GW are (seasonally) mothballed according to market demand.

Next to its power generation business, the BU develops services towards large industrial customers around energy and O&M solutions.

1.3.10.2 Tractebel

1.3.10.2.1 Role & Strategy

Together with its clients, Tractebel's mission is to shape the world of tomorrow, by providing them with first-class engineering, consulting and project management services and being their partner in innovative solutions, energy transition and digital transformation. Moreover, Tractebel wants to play an active role in the world we live in by developing solutions to mitigate climate change and its effects and to bring electricity to everyone.

1.3.10.2.2 Description of activities

Tractebel provides a full range of services throughout the life cycle of its clients' projects. As one of the world's largest engineering consultancy companies and with more than 150 years of experience, Tractebel is able to offer its customers multidisciplinary solutions in energy, water and infrastructure. Its broad range of expertise extends across Europe, Africa, Asia and Latin America, allowing it to rise to its clients' most demanding challenges with high-quality engineering and consulting services, no matter where their projects are.

In 2017, ENGIE Laborelec joined Tractebel. Thanks to this step forward, Tractebel is able to deliver even more complete solutions to the energy market.

Drawing on the skills of 240 highly specialized engineers and technicians, ENGIE Laborelec is active across the whole electricity value chain. The company also conducts research on promising new energy technologies, including studies on carbon capture and storage, new renewable energy technologies, smart energy, sustainable personal transport, electrical storage, cities of tomorrow, and residential and tertiary building applications.

Tractebel offers:

- solutions for energy: energy markets & policies, energy transition implementation, renewables, energy system consulting, digital and decentralized energy solutions, hydropower, nuclear, thermal energy, transmission & distribution, gas & LNG;
- solutions for water: coasts & estuaries, reservoirs & dams, flood protection, water transfer, water treatment and supply, irrigation, dredging consultancy, offshore infrastructures;

(1) Net installed capacity at 100% as of December 31, 2017 independently of the actual detention rate and of the consolidation method.

- solutions for infrastructure: strategies & policies for cities and territories, urban design & master planning, transport & mobility, smart & complex buildings, energy efficiency, geo-engineering, environmental, sanitation & social programs.

1.3.10.3 Gaztransport & Technigaz (GTT)

1.3.10.3.1 Role & Strategy

The company specializes in systems of cryogenic, or very low temperature, membrane containment used for sea transportation and onshore and offshore storage of LNG and other liquefied gases. It was created in 1994 after the merger of Gaztransport and Technigaz, and benefits from more than 50 years of LNG experience.

The liquefied natural gas market includes several types of vessels: LNG tankers, floating storage and regasification units (FSRU), floating LNG units (FLNG), floating LNG production, storage and offloading units (LNG FPSO), and multi-gas transport vessels (e. g. ethane and LPG). GTT also provides solutions for LNG land storage tanks and the use of LNG as a fuel for shipping and the associated supply chain (bunkering), and offers a broad range of high value-added services aimed at the entire liquefied gas chain.

GTT aims to:

- provide the chain's various stakeholders with containment systems designed by the company for safe and reliable bulk transportation and storage of liquefied gas;
- provide engineering, consultancy, training, maintenance assistance and execution of technical studies at every stage of the liquefied gas chain; and
- adapt its technologies to promote new outlets for LNG, including helping to develop LNG as a shipping fuel and encouraging the transportation of LNG by sea or river in small or mid-sized vessels.

GTT is listed on Compartment A of Euronext Paris. GTT's shares are included in the SBF 120, CAC Mid 60, CAC Mid & Small and CAC All-Tradable indices. ENGIE has a 40.41% interest in GTT.

1.3.10.3.2 Description of activities

Over the past 50 years, GTT has developed tried and tested technologies for sea transportation and onshore and offshore storage of LNG and other liquefied gases. Used by LNG tankers, these technologies allow LNG to be transported in bulk by ship as the hull is protected by thermal insulation that maintains the LNG at cryogenic temperature (-163°C at atmospheric pressure). All of the so-called "membrane" insulation systems developed by GTT meet regulatory standards and are approved by the main marine classification societies.

The confinement systems designed by GTT are based on its membrane technology, Market NO, for LNG tankers and other floating units; GST for LNG land storage tanks. These systems make it possible to transport and store liquefied gas in bulk, safely and reliably. They are made of materials that are thinner and lighter than those used by the main competing systems. This optimizes storage space and reduces the construction and operating costs of the vessel or tank. GTT's membrane confinement systems are primarily used by shipyards, ship owners, gas companies, and terminal operators.

GTT's customers can access its technologies by implementing licensing agreements that give them access to protected rights to the technologies and to the know-how of GTT, which supports its customers in their construction projects, and throughout the life of vessels, floating units or land storage tanks.

GTT also provides its customers with engineering services irrespective of whether they enter into a licensing agreement.

GTT provides ad hoc services that include training, maintenance assistance, certification assistance and execution of technical studies.

1.3.10.4 ENGIE SA "Entreprises & Collectvités" activities

1.3.10.4.1 Role & Strategy

Entreprises & Collectivités (E&C) aims to be the preferred energy supplier for businesses, local authorities and condominiums (BtoB segment) in France, except for the so-called "Giants" customers, that are in the scope of the Global Energy Management BU, and for customers at the low end of the small business customer portfolio, that are in the scope of the France BtoC BU.

1.3.10.4.2 Description of activities

After a challenging 2016 in a radically restructured and highly competitive BtoB energy supply market, E&C implemented a transformation plan that made 2017 a turnaround year. This involved three key initiatives: an ambitious performance plan, a strong refocus on the core business of energy supply, and closer ties with the Global Energy Management BU teams in charge of wholesale supply on the markets. E&C also moved under the management scope of the BU's Chief Executive Officer while remaining independent.

E&C is structured into two major commercial segments: *Key Accounts*, covering the top end of the public and private portfolios, and *Enterprises*, covering diffuse and single-site customers such as condominiums and small- and medium-sized industries. It has three key differentiators: expertise (to guide its customers in a complex energy world), green energies (to help its customers move toward a low-carbon world) and customer satisfaction (to facilitate the management of its customers' energy needs on a daily basis).

1.3.10.5 Solairedirect

1.3.10.5.1 Role & Strategy

Solairedirect develops, finances, builds and operates ground-based photovoltaic power plants with capacity of more than 1 MW. Its objective is to industrialize these various stages in order to make the cost of photovoltaic production as competitive as possible. Solairedirect is positioned in markets where conditions are conducive to competitive solar power, thanks to high levels of irradiance, land and financing availability, and market depth (tenders).

In 2017, the Group decided to transfer the management of Solairdirect's development activities to the geographical BUs in order to benefit from the BUs' local presence.

Solairedirect will focus more on EPC (engineering, procurement and construction) activities in order to become an EPC platform for the Group's photovoltaic power plants, or on behalf of third parties.

1.3.10.5.2 Description of activities

Capitalizing on its experience in France and through its network of investors and leading financial institutions in the solar energy market, Solairedirect is positioned to take advantage of emerging opportunities offered by markets combining high levels of solar irradiance, easy access to financing and a market dynamic that favors the competitiveness of solar energy compared to other energy sources.

Following the Group's decision to change the distribution of solar-power development roles between Solairedirect and the geographical BUs, the operations described below are now shared between Solairedirect (EPC platform) and the BUs (development, financing, asset services, asset management).

Solairedirect operates in three main areas to capture maximum value at each life stage of a photovoltaic project:

- development and construction: development, design, supply and installation services for building solar parks, for its own projects or for third parties;
- asset services: operating and maintenance services to all the solar parks it builds, as well as administrative and financial services to the project companies it has set up to own these solar parks;

  These operating and maintenance services are usually provided under long-term contracts (20-25 years) for each solar park that it builds, thus providing investors with a comprehensive range of turnkey solutions for operating and maintaining solar parks throughout their life cycle. Under these agreements, the company receives a regular flow of income throughout the solar parks' life cycle, helping to establish lasting relationships with investors and local stakeholders;
- asset management: the company manages its portfolio of interests comprising investments in projects that have been built and may be sold during the post-construction phase (brownfields), and residual non-controlling interests in projects that have already led to a sale during the pre-construction phase (greenfields).

1.3.11 Description of the Métiers

The Métiers develop the medium-term strategy of their various business segments in conjunction with the Group Strategy Department. They are also tasked with accelerating the BUs' development by:

- mobilizing and sharing the Group's key skills which involves promoting best practices, identifying relevant expertise in the various BUs, circulating the most significant commercial references, and leading communities of practice;
- managing major programs for the future (energy storage, smart cities, energy renovation for buildings, green mobility, biogas, etc.) and key projects (hydrogen, e-commerce platform for connected homes, etc.);
- providing daily support to BU activities and speeding up the process for capturing new markets by developing a key accounts policy and seeking out and coordinating major technical and commercial partnerships;
- encouraging the process of continuous improvement to better operating performance;
- offering the Executive Management a second opinion on key decisions (e.g., investment and disinvestment), on whether or not to undertake an operating project, and on competitive analyses.

1.3.11.1 Métier Gas Chain

The Métier Gas Chain covers all activities in the gas value chain up to its supply to the Group's customers. The Métier's ambition is to promote natural gas as a driver of the energy transition worldwide, to introduce innovative solutions, and to develop new uses for natural gas.

The Métier's main activities are:

- the gas chain's "traditional" activity (across the value chain) in different contexts where sales activities may or may not be separated from infrastructure activities;
- new gas activities (new products and solutions such as biogas, small-scale LNG, transported LNG, hydrogen, etc.).

1.3.11.2 Métier Centralized Production of Electricity

The Métier Centralized Production of Electricity is active in renewable and thermal power projects and in power distribution projects.

The Métier's objectives are to:

- support the development and acquisition of centralized thermal power generation units;
- accelerate the increase in production from renewable resources;
- maximize the value of existing assets;
- develop the most innovative and competitive solutions;
- adapt thermal energy production in mature markets to the demands of the new markets (for instance to ensure stable supply) by strengthening operating flexibility and reducing operating costs.

1.3.11.3 Métier Decentralized Solutions for Cities and Territories

The Métier Decentralized Solutions for Cities and Territories aims to guide the Group's approach to the long-term challenges of massive urbanization and the digital revolution by:

- helping to transform new ideas into new products and services within each BU;

- promoting the sharing of best practices and knowledge management within the BUs;
- creating the Group's strategy for each activity within its particular scope.

1.3.11.4 Métier Solutions for Businesses

The Métier Solutions for Businesses comprises energy sales and services, two activities characterized by highly competitive markets that require Group entities to adapt to customers' changing needs and expectations.

The Métier promotes the creation of more local, flexible and innovative offerings, its main role being to:

- provide the BtoB entities with a strategic approach to the market through strategic analyses, and maintain competitive and technological intelligence to monitor changes in their environments;
- guide investments and disinvestments;
- leverage and share skills;
- support the business activities of current Group customers and prospects by promoting existing offerings or developing new ones, forming partnerships, and so on.

1.3.11.5 Métier Solutions for Residentials and Professionals

The goal of the Métier Solutions for Residentials and Professionals is to speed up and facilitate the energy transition in the residential and small business market by offering cutting-edge solutions.

To deliver on this objective and deal with the unprecedented changes that are shaking up the energy world, the Métier has set itself four key priorities:

- to increase ENGIE's presence by developing the customer portfolio and providing access to energy in emerging countries;
- to provide customers with more solutions, more quickly, via new activities and innovation;
- to open up new opportunities and support operational excellence by increasing customer satisfaction and improving commercial performance;
- to align skills with accountability and customer focus by facilitating the ability to develop new ideas.

1.4 Real estate, plant and equipment

The Group owns or leases a significant amount of industrial real estate around the world. Many Group activities involve operating very large plants that the Group only partially owns.

As of December 31, 2017, the Group operated electricity power plants, natural gas terminals and storage facilities in over 40 countries.

The tables below show the main facilities currently in operation, either wholly or partially owned by the Group. Leased properties are covered in Notes 21 and 22 of Section 6.1 "Consolidated Financial Statements".

POWER PLANTS (CAPACITY > 400 MW EXCL. UNITS UNDER CONSTRUCTION)

Country	Site/plant	Total capacity (1) *(MW)*	Type of plant
South Africa	Avon	670	Fuel-oil fired
Germany	Wilhelmshaven	726	Coal
	Zolling	538	Coal-, biomass-, fuel oil-fired
Saudi Arabia	Marafiq	2,744	Natural gas
	Ju'aymah	484	Natural gas
	Shedgum	484	Natural gas
	Uthmaniyah	484	Natural gas
	Riyadh PP11	1,729	Natural gas
Australia	Loy Yang	986	Lignite
	Pelican Point	478	Natural gas
Bahrain	Al Dur	1,234	Natural gas
	Al Ezzel	954	Natural gas
	Al Hidd	929	Natural gas
Belgium	Amercœur	451	Natural gas
	Coo	1,164	Hydraulic pumping
	Doel	2,910	Nuclear
	Herdersbrug	480	Natural gas
	Tihange	3,008	Nuclear
Brazil	Cana Brava	450	Hydroelectric
	Estreito	1,087	Hydroelectric
	Jaguara	424	Hydroelectric
	Jirau	3,750	Hydroelectric
	Miranda	408	Hydroelectric
	Ita	1,450	Hydroelectric
	Jorge Lacerda	773	Coal
	Machadinho	1,140	Hydroelectric
	Salto Osòrio	1,078	Hydroelectric
	Salto Santiago	1,420	Hydroelectric
Chile	Mejillones	884	Coal-fired and natural gas
	Tocopilla	891	Natural gas, coal- and fuel oil-fired
United Arab Emirates	Fujairah F2	2,000	Natural gas
	Mirfa	1,599	Natural gas
	Shuweihat 1	1,500	Natural gas
	Shuweihat 2	1,510	Natural gas
	Taweelah	1,592	Natural gas
	Umm Al Nar	1,532	Natural gas
Spain	Cartagena	1,199	Natural gas
	Castelnou	791	Natural gas
USA	Astoria 1	575	Natural gas
	Astoria 2	575	Natural gas

Country	Site/plant	Total capacity [(1)] *(MW)*	Type of plant
France	CombiGolfe	435	Natural gas
	CyCoFos	490	Natural gas and steelworks gas-fired plant
	DK6 (Dunkirk)	788	Natural gas and steelworks gas-fired plant
	Génissiat	423	Hydroelectric
	Montoir-de-Bretagne	435	Natural gas
Greece	Viotia	570	Natural gas
Italy	Torre Valdaliga	1,134	Natural gas
	Vado Ligure	782	Natural gas
Kuwait	Az Zour North	1,539	Natural gas
Oman	Al-Rusail	665	Natural gas
	Barka 2	678	Natural gas
	Barka 3	744	Natural gas
	Sohar	585	Natural gas
	Sohar 2	744	Natural gas
Pakistan	Uch 1	551	Natural gas
Netherlands	Eems	1,931	Natural gas
	Flevo	841	Natural gas
	Rotterdam	731	Coal
Peru	Chilca	917	Natural gas
	ILO Nodo	600	Fuel-oil fired
	ILO 31	564	Fuel-oil fired
Puerto Rico	Ecoelectrica	507	Natural gas
Portugal	Elecgas	840	Natural gas
	Pego	576	Coal
	Turbogas	990	Natural gas
Qatar	Ras Laffan B	1,025	Natural gas
	Ras Laffan C	2,730	Natural gas
United Kingdom	First Hydro	2,088	Hydraulic pumping
Singapore	Senoko	3,201	Natural gas and fuel oil-fired
Thailand	Gheco One	660	Coal
	Glow IPP	713	Natural gas
Turkey	Ankara	763	Natural gas
	Marmara	480	Natural gas

(1) Capacity of assets held by ENGIE, all of which are taken into account irrespective of the real ownership percentage.

UNDERGROUND NATURAL GAS STORAGE (> 550 MM^3 OF TOTAL USEFUL STORAGE VOLUME [(1)])

Country	Location	Gross useful volume (Mm^3) [(1)]
France	Gournay-sur-Aronde (Oise)	1,310
France	Germigny-sous-Coulombs (Seine-et-Marne)	820
France	Saint-Illiers-la-Ville (Yvelines)	690
France	Chémery (Loir-et-Cher)	3,710
France	Céré-la-Ronde (Indre-et-Loire)	570
France	Étrez (Ain)	690
France	Cerville (Meurthe-et-Moselle)	650
Germany	Uelsen	840

(1) Useful storage volume held by ENGIE, all of which is taken into account irrespective of the real ownership percentage.

METHANE TERMINALS

Country	Location	Total regasification capacity (Gm^3(n) per annum) (1)
France	Montoir-de-Bretagne	10
France	Tonkin (Fos-sur-Mer)	3
France	Cavaou (Fos-sur-Mer)	8.25
USA	Everett	6.3
Chile	Mejillones	2.0
Puerto Rico	Penuelas	0.8

(1) Capacity of assets held by ENGIE, all of which are taken into account irrespective of the real ownership percentage.

1.5 Innovation, research and technologies policy

1.5.1 Innovation

To be leader in the energy transition in Europe, the Group relies on innovation to meet its customers' new requirements.

The Innovation Department is intended to support changes on mature energy markets and the convergence between energy services and information technologies. Its aim is to position the Group at the forefront of these changes by developing additional growth vectors and new ways of doing business within the Group.

A number of tools and processes have been deployed to foster entrepreneurial creativity and ensure that innovation promotes the Group's long-term commercial development. The "innov@ENGIE" collaborative platform, designed for ENGIE employees, aims to boost the innovation dynamic in the Group and promote innovation among employees. On December 31, 2017, innov@ENGIE had over 16,000 members. On average, 5 to 10 new product or business ideas are submitted each week. At the end of 2017, a total of 670 ideas had been proposed.

To turn these ideas into products, an incubation process for employee projects was created. On December 31, 2017, 25 teams of Group employees were developing projects in external incubators, a result of partnerships set up in France, the Netherlands, Germany and Brazil. As a result, new offers have been launched in line with the Group's strategic development, including Power Corner (rural electrification in Africa), Nextflex (load shedding) and Pl'ease (a neighborhood concierge service).

This process enhances existing initiatives such as the Trophées de l'Innovation ("Innovation Awards"), an in-house competition held each year for innovative projects submitted by Group employees. In 2016-17, the ninth annual Innovation Awards attracted some 700 entries, another increase over the previous year.

To strengthen its links with the innovation ecosystem of its host regions, the Group partners with major innovation-themed events. In 2017, ENGIE notably participated in Consumer Electronics Show (CES) in Las Vegas and in the Viva Technology trade show in Paris. In June 2017, ENGIE's "Innovation Week" saw the organization of 180 events in 29 countries, which brought together Group employees, customers, startups and entrepreneurs, for a total of more than 10,000 participants.

ENGIE launched some 60 calls for projects aimed at startups. Almost 2,000 proposals were received in response to the technological or commercial needs of the Group's operating entities.

The ENGIE New Ventures investment fund, with a €115 million endowment, was created in May 2014 to back innovative startups. This fund was designed to take minority stakes in developing startups linked to the Group's activities, offering them dual leverage: financial, through investment, and operational.

At December 31, 2017, the ENGIE New Ventures portfolio had 15 investments. The most recent include Heliatek (Germany – organic photovoltaics), SymbioFCell (France – hydrogen fuel cell range-extenders for electric vehicles), and Gogoro (electric scooter service).

ENGIE New Business was established at the end of 2014 to support the Group's majority investments in innovative companies. In 2017, the Group used it to Engie New Business acquire EV Charged BV, the holding company of EV_Box, Europe's leader in electric vehicle recharging solutions.

1.5.2 Research & Technologies

In a time of energy transition, research and technological development activities lay the groundwork for the Group's future by strengthening its ability to identify, evaluate and test new technologies in order to validate safe and efficient solutions that will be integrated into tomorrow's offerings. R&D also helps the continuous improvement of operational performance.

These activities, which rely on partnerships with globally renowned organizations (e.g., laboratories, universities, manufacturers and startups), help to make the Group part of a powerful R&D and innovation ecosystem. This not only raises its profile in the industry but also boosts its growth in the markets.

In 2017, Group expenditure on research and technological development amounted to €181 million.

The Research and Technologies network, which includes all Group entities conducting research specific to their fields of activity, comprises nearly 1,000 employees.

To guide its research going forward, the Group relies in particular on:

- a Scientific Council, which is an advisory body made up of recognized international scientists who contribute their views on issues likely to impact the Group;

  and
- a technology intelligence system, whereby emerging technologies that may be of interest to the Group's future activities are regularly identified and assessed.

Research and technological development activities are organized into a network consisting of:

- research centers:
  - the ENGIE CRIGEN Lab, specializing in research and innovation in natural gas and new energies,
  - the ENGIE Laborelec Lab, specializing in electric power technology research,
  - the ENGIE Cylergie Lab, dedicated to energy efficiency services and smart energy management in conjunction with the other ENGIE Labs.

  These Labs are supplemented by international satellites connecting the Group to highly active local research ecosystems and supporting our development in South America, the Middle East and Asia;
- centers of expertise and engineering: the Center of Expertise in Economic Modeling and Studies (CEEME), the Nuclear Development Department and ENGIE Tractebel;
- BUs and subsidiaries that conduct additional research to support their activities, such as France BtoB business unit, GRTgaz, GRDF, Storengy, Compagnie Nationale du Rhône (CNR), Exploration Production International (EPI) and Gaz Transport & Technigaz (GTT).

In 2017, the Group consolidated its cross-disciplinary expertise, previously spread across various research and technological development entities around the world, into thematic Labs corresponding to the Group's major research areas.

Below is a list of some of the most notable research work carried out in 2017 by these Labs.

- New energy sources:
  - solar energy: development of a pilot program to produce electricity from organic solar films installed on large roofs (France); completion of two innovative bifacial solar pilot plants (Chile); testing of antifouling coatings integrated into photovoltaic modules; studies into floating solar panels; on-site performance testing of cleaning solutions for large-scale solar plants (Chile, India); design and technical-economic study of solutions for renewable electrification of telecom sites (Egypt),
  - new technologies for biogas production: start-up, on a semi-industrial scale, of the experimental "Gaya" platform, aimed at developing technologies and know-how that will reduce the cost of second-generation biogas production and lead to the development of a new sustainable industrial sector (Lyon, France); launch of a project to develop tools for the intelligent management of anaerobic digestion units and the region-wide integration of biogas projects,
  - wind and marine energy: evaluation of the various concepts of "Airborne Wind" technology and assessment of its potential in France; analysis of generation potential in the North Sea; support for a floating offshore wind project; technical support to the BUs on wind farm performance, injecting offshore wind power into the grid and selecting wind turbine de-icing technology; due diligence on the design of a marine current turbine,
  - hydrogen energy sector: continuation of research into electrolysis and high-temperature co-electrolysis (primarily with the Atomic Energy Commission); launch of collaborative demonstrator projects and studies on coupling with other technologies (methanation, concentrated solar) as part of the "Hydrogen Territory" call for projects under France's Investments for the Future Program (*Plan d'Investissement d'Avenir* - PIA); continuation of the GRHYD demonstrator project for power-to-gas technologies and the use of hydrogen/natural gas blends for sustainable cities with the first injection of hydrogen into the GRDF grid planned for 2018 (Dunkirk, France),
  - small-scale Liquefied Natural Gas (LNG): experimental study and modeling of the thermodynamic behavior of LNG in small-scale tanks for LNG-to-power and LNG fuel projects (vessels and trucks); development of a pilot project for the small-scale liquefaction of biomethane and natural gas (LiLiBox solution); development of an intelligent LNG gauge to optimize the use of LNG fuel tanks; testing of the Cargo-on-Board software to predict actual scale changes in the physical characteristics of LNG on two LNG tankers in the ENGIE fleet,
  - *Geothermal power*: development of a deep steam detection method to use for power generation (technology successfully tested in Indonesia); research into the conversion of former flooded mine shafts for heating and cooling production; development of a pilot program that uses geothermal probes in combination with thermal solar panels to produce heat (Chémery, France);
- New energy uses:
  - energy management in the homes of tomorrow: creation of an online platform to assess the thermal renovation potential of single-family homes (in collaboration with the Energyville R&D Center and KU Leuven); development of a peer-to-peer community energy platform demonstrator for 70 homes and analysis of value-sharing methods; cross-comparison of home energy management systems in the residential segment,
  - energy efficiency of sustainable buildings and cities: establishment of methods and tools for the development of sustainable urban planning; research into new building design and renovation methods for optimal energy, carbon footprint and waste management; co-development of a range of high-efficiency cogeneration technologies for buildings, such as Rankine organic cycle turbines, internal combustion engines, multi-energy heat pumps, and fuel cells; contribution to the definition of France's new "Energy PLUS Carbon LESS " label and new European standards; support for the BUs for tender submissions for real estate development projects,
  - future industry: continued development of solutions to reduce NOx emissions furnaces as well as research into high-temperature heat pumps and industrial waste heat recovery; filing of a patent for a low-NOx burner for industrial boilers; design and start-up of regasification water treatment plant using natural biopolymers (Elengy Terminal in Fos-sur-Mer, France); provision of digital simulation services for industrial thermal systems (industrial furnaces, water treatment plants),

- energy storage: battery assessment; research into characterizing indicators related to battery age; use of machine learning algorithms to predict capacity loss; research into second-life use of vehicle batteries for stationary system applications; support for the development of a pilot battery storage system for grid frequency regulation (Drogenbos, Belgium),
- smart grids and microgrids: continued collaborative projects on multi-agent systems and the secure network coupling (telecom and energy) for next-generation smart grid services, as well as pumped storage (pilot project in Tournai, Belgium); assistance with tender submissions for the installation of microgrids at industrial sites; continuation of the Renewable Energy Integration Demonstration-Singapore (REIDS) project for multi-fluid and multi-energy island microgrids in Singapore (installation of first facilities: wind turbines, hydrogen fueling station for mobility systems, battery storage); promotion of this showcase of sustainable energy solutions for the islands during Singapore International Energy Week (SIEW) 2017, a major energy event in Asia,
- green mobility: continuation of the Metal Organic Framework (MOF) compounds project for the development of on-board natural gas tanks; participation in standardization committees on natural gas stations for vehicles and the quality of biomethane for mobility systems; studies into the use of hydrogen in mobility systems; participation in a collaborative project on the impacts of heavy electric vehicles on the charging grid; involvement in the Anthropolis Chair aimed at identifying new uses in tomorrow's urban mobility; support for technological expertise in start-ups,
- CO_2 emissions and use: Testing of portable CO_2 quality measurement equipment at various capture and storage demonstration plants; characterization of CO_2 capture plant emissions and assessment of mitigation measures,
- indoor air quality: development of a protocol for monitoring air quality and comfort in a commercial building currently undergoing renovation; development of an offer that meets indoor air quality standards in schools and nurseries; collaboration with the French National Research and Safety Institute (INRS) on modeling air quality in public swimming pool facilities; application of "emission measurement" instrumentation to control biomass combustion; air quality audits in commercial buildings (or specific-use buildings); testing of new connected air quality sensors,
- lighting: characterization of defects and life expectancy of various types of light sources; creation of a shared database with the Procurement function; testing of Li-Fi, a wireless technology that uses light to transmit data,
- environmental and societal impacts: assessment of the solar and biogas sectors' environmental impact as a way to help shape and implement the Group's social and environmental policies; contribution to the development of services that are highly efficient, both economically and environmentally, within industrial ecosystems, as part of a collaborative project,

- Digital technology and support technologies:
  - IT and artificial intelligence: development of algorithms and support services for the implementation of multiple innovative solutions, including optimized predictive maintenance of wind turbines and public lighting, automatic detection of defects on different equipment types, and natural-language analysis for chatbot-type applications; support for the development of a security solution for urban public places (Marseille, France); participation in the Energy Web Foundation to assess the relevance of blockchain technology for the energy sector; contribution to the implementation of new IT solutions, such as a new digital platform for monitoring renewable energy generation sites,
  - sensors and nanotechnologies: technical validation of a highly innovative technology for the flexible odorization of biomethane and gases in industry; development of radio solutions to maintain mobile operators' digital connections in rural areas poorly covered by communication networks; prototyping and qualification of a low-cost instrumentation solution for measuring pressure and temperature flow on hard-to-reach natural gas networks; development of a hydrogen filtration and compression system using protonic technology; development of a range of services for guarding and monitoring flows in cities, and an offer on connected lighting for industry,
  - cyber security: development of guides on connected sensors for network operators in Belgium; participation in a European project to produce a guide for industrial control systems,
  - network modeling: work on the optimization of multi-fluid energy systems (energy-mobility, multi-fluid energy districts and energy communities); development of simulation and optimization tools for the integration of power-to-heat and power-to-gas flexibility in electrical systems,
  - 3D printing: launch of projects to study the characteristics, replicability and fatigue strength of 3D-printed metal parts so that they can be used safely in industry; production of parts for the BUs; opening of the Additive Manufacturing Powder Lab,
  - robots and drones; development of an aerial drone for cleaning of high-voltage line insulators (in partnership with ENGIE Fabricom); development of an autonomous rolling robot prototype to detect corrosion on external metal pipelines; development of a thermal camera solution for the inspection and automated detection of panel defects solar farms; use of aerial drones to gather external building data for the creation of a coupled indoor/outdoor Building Information Modeling (BIM) model; underwater inspections with a submarine drone.

The expertise developed by these thematic Labs in close collaboration with the BUs and leading external partners allows new technologies to be brought to maturity and for the best of them to be integrated into new high value-added offerings for our customers. Subjects considered potentially disruptive, such as hydrogen, benefit from a reorientation of available resources.

2 Risk factors

2.1	**Risk management process**	**46**
2.1.1	Enterprise risk management policy	46
2.1.2	Crisis management	46
2.1.3	Risk and insurance coverage	46
2.2	**Risks related to the external environment**	**48**
2.2.1	Economic and competitive environment	48
2.2.2	Regulatory and political environment	48
2.2.3	Impact of climate	51
2.2.4	Reputational risk	51
2.3	**Operational risks**	**52**
2.3.1	Purchases and sales	52
2.3.2	Management of assets and development	53
2.3.3	Legal risks	54
2.3.4	Ethical risks	54
2.3.5	Risks related to human resources	54
2.3.6	Risks related to health and safety and protection of Group assets	55
2.3.7	Risks related to information systems	55
2.4	**Industrial risks**	**56**
2.4.1	Industrial facilities and Seveso sites	56
2.4.2	Pollution of the surrounding environment	56
2.4.3	Nuclear power plants in Belgium	56
2.4.4	Explor ation & production of hydrocarbons	57
2.5	**Financial risks**	**58**
2.5.1	Commodities market risk	58
2.5.2	Counterparty risk	58
2.5.3	Foreign exchange risk	58
2.5.4	Interest rate risk	59
2.5.5	Liquidity risk	59
2.5.6	Impairment risk	59
2.5.7	Equity risk	59
2.5.8	Tax risk	60
2.5.9	Pension funding risk	60

The material risks to which the Group is exposed, based on its own assessment, are described below. Other, lesser risks or risks unknown to date could also affect the Group. If these risks were to materialize, they could have a significant negative impact on the Group's operations, financial position and earnings, image and outlook, and/or on the ENGIE share price.

2.1 Risk management process

2.1.1 Enterprise risk management policy

The Group has adopted a policy of Enterprise Risk Management (ERM), whose principles are consistent with professional standards (including ISO 31000, Federation of European Risk Management Associations). The policy sets out ENGIE's ambition to "manage its risks in order to ensure its performance".

The Group's Enterprise Risk Management Policy applies to the Group's business processes and controlled entities, while observing the rules of governance that apply to each entity.

This policy promotes risk-taking at a reasonable level from a legal perspective, acceptable to generally held opinion and economically viable. It stipulates that all managers are risk managers. Generally, the Management Committees of the Group's entities are the main bodies that determine the actions to be taken to manage risk, except where an ad hoc risk committee has been created, such as for market risk.

To achieve this aim, the Group has appointed the Risk Management Director as Chief Risk Officer. The Chief Risk Officer's role is to ensure that the Group has adequate expertise in all areas for effective risk management. Risk analysis and coordination of action plans are performed in collaboration with all the Group's functional lines.

Each year, the Group's ERM process begins with a risk review by the Executive Committee. Each priority risk identified is coordinated by a member of the Executive Committee. The ERM campaign is then launched across the Group, setting out guidelines for risk management throughout the year. Finally, the Audit Committee examines the risk review and issues an opinion on the effectiveness of the risk management system, before reporting to the Board of Directors (see Section 4.1.4 "Standing Committees of the Board of Directors").

Knowledge of risks resulting from feedback from operating entities and functional departments is supplemented by interviews with directors, analysis of publications by external analysts and review of major events. The current risk management system has been maintained and strengthened in the Group's organizational structure. To this end, a Chief Risk Officer has been appointed in each BU.

2.1.2 Crisis management

ENGIE may have to face crisis situations. The Group has defined a crisis management and communication policy, which sets out general operating principles and the roles of the various participants, and has set up a dedicated organization.

The Group is thus equipped with a warning, analysis and decision-making system to manage crises at the relevant organizational level.

The efficiency of the system and the way that it is structured (emergency plans, business continuity plans, etc.) are regularly assessed using internal controls and appropriate training exercises.

2.1.3 Risk and insurance coverage

The ENGIE Insurance Department is responsible for preparing, establishing and managing insurance programs in the areas of Group asset protection (against property damage and losses in earnings), personal protection, third-party claims (civil liability) and automobile insurance and prevention.

For each of these areas:

- the amounts insured depend on the financial risks resulting from potential claim scenarios and coverage conditions offered by the market (available capacities and tariff conditions);
- financing is optimized: low or moderate-level hazard risks are covered by self-insurance plans, through deductibles and retentions or through the use of the Group's reinsurance company, whose commitments on a cumulative basis represent a maximum estimated loss of approximately 0.17% of the Group's 2017 revenues.

However, the Group could, in certain cases, be required to pay out sizable compensation that the current insurance program does not cover or could incur very high costs that its insurance policies do not reimburse or reimburse inadequately. Although the Group has excellent insurance coverage, specifically with regard to civil liability and environmental risks, it could be liable beyond the maximum insured amount or for events not covered (primarily due to the common insurance exclusions).

2.1.3.1 Civil liability

A civil liability program for corporate officers and managers covers the representatives of ENGIE, its subsidiaries and Group representatives within its equity holdings.

A general civil liability program (including for environmental damage) has been taken out for all the entities in a total amount of €800 million. This program operates either at the first euro of liability or in excess of the underlying coverage taken out by some entities (usually with cover of $50 million).

2.1.3.2 Nuclear civil liability

As an operator of nuclear power plants in Doel and Tihange (Belgium), Electrabel's civil liability is governed by the Paris and Brussels Conventions, which aim to ensure that victims receive compensation and to encourage solidarity among signatory countries, and by the Belgian Law of July 22, 1985 (amended by the Laws of June 29, 2014 and December 7, 2016) and a royal decree dated December 7, 2017.

This liability falls exclusively on the operator of the facility where the nuclear accident occurs. In return for this strictly objective liability, the amount of the compensation is capped per accident and limited in time to a period of 10 years. This period was increased to 30 years by the amended Law of June 29, 2014, and reduced again to 10 years by the Law of December 7, 2016. The signatory states to the conventions also created a mechanism that provides additional compensation beyond the maximum amount.

The nuclear civil liability insurance program taken out by Electrabel complies with the Belgian national law requiring the operator to provide financial guaranties or to take out civil liability insurance up to €1.2 billion. Insufficient capacity in the insurance markets, however, resulted in a shortfall of up to €891 million, only for the liability extended by the Law of June 29, 2014 for a nuclear accident that allegedly occurred between January 1, 2016 and December 24, 2016, when the Law of December 7, 2016 came into force.

2.1.3.3 Property damage

The Group's entities have property insurance covering the facilities that they own, lease or manage on behalf of third parties, with the exception of transmission and distribution network pipelines and heating networks in France. The main programs provide cover based either on new replacement value or on contractual limits per loss event. In the latter case, the limits are set on the basis of major scenarios in accordance with insurance market rules and available offers (cost and capacity).

Insurance covering business interruption and additional operating costs is taken out based on each risk analysis and in consideration of existing assistance plans.

Construction projects are covered by "Erection All Risks" programs taken out by the owner or operator, project manager or prime contractor.

Exploration-production activity is covered by a specific insurance program tailored to the sector's risks and in accordance with its practices.

2.1.3.4 Marine liability

An insurance contract covers LNG transportation by LNG vessel, limited to €30 million per shipment. Marine insurance contracts cover liability as ship owner (limited to $6 billion, except for war risk limited to $500 million and pollution risk limited to $1 billion) or as charterer (limited to $750 million). Damage to ships is covered up to their agreed value.

2.1.3.5 Employee protection programs

The operating entities develop programs covering employees against the risk of accidents and medical expenses, in accordance with legislation in effect and pursuant to company agreements.

2.2 Risks related to the external environment

The Group is sensitive to the structural and economic risk factors that affect the energy sector. These risks are all analyzed and measured as part of strategic planning processes that allow the Group to anticipate certain changes in the external environment and prepare for them. The Group's research and innovation policy also helps to deal with strategic developments (see Section 1.5.1 "Innovation" and 1.5.2 "Research & Technologies").

2.2.1 Economic and competitive environment

The Group's activity is impacted by the level of energy demand and commodity prices, as well as by far-reaching changes in the energy sector (e.g. decentralization and carbon reduction of generation, renewable energy, new technologies, digitization, new competitor profiles, etc. (See Sections 1.1.4 and 1.1.7).

In Europe, electricity prices are still low, which weighs heavily on the results of the Group's power generation assets. Weak growth in natural gas demand could also result in overcapacity in the gas infrastructure. The abundance of current supply continues to weigh on natural gas prices.

With regard to service-related activities, competition remains strong and weighs on margins.

In its different businesses, the Group competes with players with increasingly diverse profiles, both in terms of size – with major international players and local emerging players – and sectors. The decentralization of systems due to the energy transition has lowered barriers to entry to some activities (photovoltaic power, services), allowing smaller players to compete with the Group.

The emergence of digital and smart energy technologies has impacted the gas and electricity value chain, as well as services in general, with new competitors from information technology and equipment manufacturers.

In response to these uncertainties and changes:

- in the short term, the Group is rationalizing its generation fleet, managing market risk (see Section 2.5.1 "Commodities market risk"), adapting its asset portfolio and keeping an active watch on the changes taking shape; the Group has also started to significantly reduce its merchant exposure;
- in the medium term, the Group is getting ready to offer a new energy market model and arguing strongly for a higher cost of CO_2 on the European market. It is also taking steps in France to propose a change in the natural gas market and in Belgium to create economically sustainable conditions in the nuclear market. Besides it is transforming its business model (see Sections 1.1.4 and 1.1.5).

2.2.2 Regulatory and political environment

The legal and regulatory landscape for the Group's businesses is changing in terms of both environmental and social issues and due to energy sector regulation.

2.2.2.1 Environmental and social legislation

The Group's businesses are subject to a host of laws and regulations that address environmental protection, promote energy systems with zero or low greenhouse gas emissions, reduce energy consumption, protect health and develop safety standards. The legislative bills and regulatory texts mentioned below, or others yet to come, could particularly impact the Group's strategy and results:

Internationally:

- following the adoption of the Paris Agreement (the universal agreement on climate) at the COP21 climate conference in Paris in December 2015, COP22 in Marrakesh in November 2016 and COP23 in Bonn in November 2017 were all key to defining the roadmap for Member States and determining the procedures for implementing the agreement which should be finalized in 2018. The common goal is to step up national policies to combat CO_2 emissions. The Group played an active role in this work.

In Europe:

- Europe's policy framework for climate and energy for 2030 (the "Energy Union" policy) aims to promote energy efficiency, reduce CO_2 emissions, and increase the percentage of renewable energies in the energy mix;
- changes in European and national regulations on CO_2 allowances and prices have affected the CO_2 market in Europe and have consequences for the relative competition between natural gas and coal power generation. At the European level, on November 9, Member States and the European Parliament obtained an agreement on the post-2020 reform of the European greenhouse gas (GHG) allowance trading system, which is one of the Group's key concerns. As the markets had anticipated this agreement, there should be no significant impact on carbon prices in the shorter term. In the medium term, fewer quotas on the market should create balance and result in bigger price increases;
- the revision of the policy document referring to the best available techniques for large combustion facilities could lead to substantial changes at some European sites. Similarly, the new directive for medium-sized combustion facilities, adopted in 2015, imposes new constraints;
- the adoption of the European regulation on personal data protection, which will enter into force in May 2018, strengthens sanctions in the event of default. The Group has launched the One Security project, and has teamed up with Thales to ensure that its business is

conducted in an environment of optimum safety; it has also rolled out a compliance program;

- the Digital Single Market, which has been a priority for the European Commission since 2015, aims "to tear down regulatory walls and finally move from 28 national markets to a single one". This should favor the development of the Group's digital activities but, depending on the direction of the legislation being defined, could lead to additional costs and constrain the Group's activities in terms of data circulation (e.g., access and ownership, etc.). The Group is monitoring the development of the proposals in order to anticipate the consequences.

In France:

- as part of the French law on the energy transition for green growth, the *Programmation Pluriannuelle de l'Énergie* (PPE, or Multi-Year Energy Program), published in October 2016, confirmed its two priorities of decreasing the CO_2 footprint and developing renewable energy sources. The Group continues to pay close attention to measures aimed at achieving these objectives, particularly support mechanisms for renewable energy, competitive tendering for hydropower concessions, and measures to combat fuel poverty;
- with regard to the "Carbon" objectives, the implementation of a floor price applicable to coal-fired power plants from January 2017 has been deferred. In the non-ETS (EU Emissions Trading System) sector, a carbon price has been established in the French Energy Transition Act to calculate national taxes on the consumption of energy products, including natural gas;
- the fourth obligation period under France's Energy Savings Certificates (ESC) scheme, which runs from January 1, 2018 to December 31, 2020, will significantly increase ENGIE's obligations compared to the previous period. The scarcity of ESCs, lower flat rates and more stringent requirements are expected to increase ESC prices in 2018, which could impact the Group's margins;
- the future 2018 thermal regulation, depending on how it addresses the CO_2 footprint of new buildings, could give a boost to electric heating, to the detriment of gas;
- the bill providing a framework for biodiversity regulation in France includes a provision to include the "Avoid, Reduce, Offset" principle in the environmental code. This principle has also been applied to the regulations of other countries.

The increasing implementation of "soft law" worldwide requires the Group to analyze its activities through an additional lens that includes even more input and expectations from stakeholders.

The Group is shifting its strategy and rationalizing its generation fleet and its project portfolio, so that it can take advantage of opportunities, and is working to limit all of these risks, principally as part of a proactive environmental and social policy (see Section 3.5 "Environmental information"). In 2015, the Group decided not to launch any new developments in coal. It closed its coal-fired plant in Hazelwood, Australia, at the end of March 2017 and in November 2017 signed a binding agreement to sell its stake in the Loy Yang B coal-fired plant, also in Australia, thus reducing the risks associated with coal operations.

2.2.2.2 Sector regulations

In Europe and in some other regions including the United States, Asia Pacific, Mexico and Brazil, public authority measures have been implemented in the energy sector through regulation and the extension of regulatory powers in the area of competition. They can occur through increased taxation of the profits made by energy companies, the withdrawal of funds established for the dismantling of nuclear power plants, by changes to the market operating rules and supply security, by the regulator's intervention in the deregulated sector to encourage the development of competition or else by the desire to hand back control of certain utilities to local authorities.

Some regulatory changes may alter the risk profile of the Group and impact its earnings and its business model:

In Europe:

- on February 25, 2015, the European Commission published the key elements of its "Energy Union" policy. Some developments are positive, mainly because they introduce greater visibility, such as the formalization of an energy and climate framework for 2030 based on a stronger carbon market, and the redesign of the electricity market model. Others might have a variable impact on the Group's activities, such as new rules on security of gas supply, the reworking of the Third Energy Package and the oversight of intergovernmental agreements. In the work under way on the new electricity market structure and its development, the Group is paying close attention to the framework that will enable coordinated development of national capacity markets and to new guidelines that could restrict the development of heating networks. In addition, the "clean, competitive and connected mobility package" published on November 8, 2017, will impact the development of gas-based sustainable mobility solutions (LNG, NGV and hydrogen);
- the implementation of common rules for the European internal electricity and gas market (including the electricity and gas network codes) are intended to complete the creation of a real internal energy market. These changes may require the adjustment of the Group's operations;
- in February 2013, the European Commission adopted a Council Directive proposal to levy a tax on financial transactions whose entry into force is subject to the outcome of negotiations under way. The implementing provisions and exemptions, specifically the criteria for categorizing businesses as financial institutions, have yet to be agreed by the Member States participating in enhanced cooperation;
- the guidelines for state aid for energy and the environment, published in 2014, have impacted the Group's activities, particularly support mechanisms for renewable energy sources (to gradually integrate them into the market) and energy efficiency, infrastructure financing, environmental tax exemptions and fee waivers linked to the financing of renewables (preferential rates for industrial partners), and capacity payment mechanisms;
- to date, Brexit has had no noticeable impact on the Group's activities. However, the outcome of discussions between the British government and the European Commission remains uncertain, and there is a risk that Britain will lose European financing for its current and future energy projects (including in the context of its withdrawal from the Euratom Treaty [1] and that customs barriers will be introduced;

(1) *Treaty establishing the European Atomic European Community.*

- In France, natural gas underground storage regulations entered into force on January 1, 2018 for a period of two years. Any change in the gas infrastructure scope deemed necessary for security of supply (determined as part of the Multi-Year Energy Program) could impact the Group's income;
- in Belgium, the government is working on an "energy pact" that will define the country's key strategic objectives for its energy and sustainable development policy over the long term. As a key player in power generation and gas and electricity sales, the Group could be subject in the medium term to new regulations, such as those defining the energy mix to be achieved by 2050 targeted at power generation, and/or new obligations imposed on gas and electricity suppliers in order to achieve the goals of the energy pact. The energy pact could, however, provide opportunities for the Group, including in the service area.

In the rest of the world:

- in Brazil, the Group is exposed to changes in the regulation of electricity markets;
- in the United States, the Countering America's Adversaries Through Sanctions Act (CAATSA), adopted on August 2, 2017, has imposed additional sanctions on Iran, North Korea and Russia, and targets, among other things, the export of Russian gas to Europe and the Nord Stream II project. The entities and/or people to which the act applies could be subject to sanctions, particularly on US soil or in countries targeted by the US embargo. The Group is harnessing all its spheres of influence to reduce this risk. Furthermore, changes in energy market regulations could impact the Group's activities and development in this region;
- in Mexico and the Asia-Pacific region, deregulation of the energy markets or tariff changes could jeopardize the maintenance or renewal of certain generated-power sales agreements or affect their profitability, leading to greater uncertainty over results.

Through its presence in EU and Member State institutions, the Group tries to anticipate any legislation likely to affect it, and formulates proposals for decision-makers. The Group also partially diversifies regulatory and legislative risk by conducting its business in a number of different countries. However, some regulatory developments offer new opportunities for the Group's activities.

2.2.2.3 Controlled, administered or regulated tariffs

In France, a portion of the Group's sales are made in the context of regulated tariffs. French laws and rules, European regulation and decisions by regulators (in particular, the French Energy Regulation Commission (CRE) for decisions on tariffs for access to certain infrastructures) may affect the Group's sales, profits or profitability, in the event of the pass-through of procurement, infrastructure and commercial costs to natural gas selling prices or the partial pass-through of costs on gas infrastructure access tariffs or electricity sales from renewable energy.

Also in France, the opening of the electricity market to suppliers other than the traditional operator, in addition to the opening for very large customers, is still limited and could be jeopardized by the emergence of price reductions arising from regulated tariffs that remain and compete with commercial offers.

The decision by the French Council of State (*Conseil d'État*) on July 19, 2017, which paves the way to ending regulated tariffs for the sale of gas to individuals without the same deletion measure applied to the electricity regulated sale tariffs, may penalize the Group's market share in France.

Price control mechanisms also exist in other countries, specifically Belgium, Italy, Romania, Brazil and Mexico, for energy generation, distribution, and sales, which may potentially impact the Group's results.

2.2.2.4 Social acceptability

To engage in its activities, the Group must hold various permits and authorizations. Dealing with the regulatory authorities concerned to obtain or renew these can involve long and costly procedures. The Group may face opposition from the local population or associations during the installation or operation of certain equipment, or in relation to protests against energy prices.

The Group therefore implements widespread consultation upstream of its projects, forges partnerships with civil society and ensures the positive economic impact of its activities, in line with community expectations (see Section 3.6 "Socetial information").

France's law of March 27, 2017 on the "Duty of Vigilance of Parent Companies and Ordering Companies" extends the scope of the Group's legal responsibilities and thus the list of potential areas that could be subject to non-compliance, which could impact the Group's reputation (see Section 4.5 "Vigilance plan").

2.2.2.5 Country risk

The Group is present, operates or procures natural gas and a variety of industrial components in a growing number of countries. The Group is therefore exposed to risks including changes in regulation, sovereign default, convertibility, expropriation, corruption, acts of war or terrorism, and the extra-territorial effects of some legislation. Moreover, the Group might be unable to defend its rights in certain countries due to a lack of independence of local courts in the event of a dispute with national governments or other local public entities.

The diversity of the Group's locations mitigates country risk to some extent. Attention thresholds by country or group of countries enable the Group's exposure to be monitored. The Group also manages these risks within partnerships or contractual negotiations adapted to each location. It chooses its locations by applying a formal investment procedure that appraises risk. The inclusion of international arbitration clauses in major contracts is applied as widely as possible. Regular monitoring of economic and non-economic indicators relating to corruption, human rights, and inequality is done in each country to assess the Group's exposure to country risk.

2.2.3 Impact of climate

Information presented in this section and in Section 3.5.4.1 "Climate change" reflects the financial risks associated with the effects of climate change and the measures taken by the company to mitigate them by implementing a low carbon strategy in all the components of its activity.

In the short term, climate phenomena (e.g., temperature variation, flooding, wind, drought) affect energy generation and demand. They have a direct effect on the Group's results.

To adapt its offer to fluctuations in annual demand, ENGIE optimizes its portfolio of assets, gas resources (by modulating its supplies and managing its underground storage), and its power generation fleet.

In the longer term, climate change could have a bigger impact on the Group's activities, for example through changes in regional or seasonal energy demand, the obligation to reduce CO^2 eq. emissions, conflicts over water use, and the preservation of natural carbon sinks, etc.

To manage this risk, ENGIE acts on different levels:

- the Group is firmly committed to combating climate change by investing in low-carbon technologies, reducing its greenhouse gas emissions and adapting its operations accordingly. The Group promotes international carbon pricing in order to accelerate the transition to a low-carbon society, while guaranteeing a level playing field for all players;
- the Group has set new targets for greenhouse gas emissions and renewable energy by 2020 (see Section 3.5 "Environmental information"). The expansion of its renewable energy fleet and the development of service offerings are the main drivers of ENGIE's energy transition strategy. For the longer term, ENGIE made the decision at the end of 2017 to pursue a trajectory compatible with the goal of limiting temperature rise to 2°C;
- the Group is gradually developing adaptation plans to prepare for an increase in extreme weather events (see Section 3.5 "Environmental information");
- since anticipating the implementation of Article 173 of the French Energy Transition Law regarding greater transparency on climate risks, the Group has followed the work of the TCFD (Task Force on Climate-related Financial Disclosures) and is now reviewing the implementation of its recommendations.

2.2.4 Reputational risk

The energy sector is the subject of various public debates due to the profound changes that it is undergoing.

The Group is exposed to reputational risk, both directly and indirectly, especially when the Group's values, ethics, operational excellence or legitimacy as a utility are called into question.

In 2015, the Group changed its name from GDF SUEZ to ENGIE in order to gain visibility commensurate with its commitment to the energy transition. The flagship brand "ENGIE" (name and logotype) is registered in over one hundred countries. As a vital part of the Group's intangible corporate assets, the brand is constantly monitored to protect it against any fraudulent use that could harm the Group's image.

Through its policies, organization, procedures and governance, the Group endeavors to prevent operational risks (see Sections 2.3, "Operational risks" and Section 2.4 "Industrial risks") and smear campaigns that could affect its reputation.

The Group takes its environmental and societal responsibilities seriously, deciding, among other things, to close the Hazelwood coal-fired power plant in Australia at the end of March 2017 and managing nuclear activities without compromise in terms of safety.

2.3 Operational risks

2.3.1 Purchases and sales

2.3.1.1 Purchase and sale of natural gas

The Group has established a procurement portfolio composed in part of long-term contracts, including some with a take-or-pay clause which, under certain conditions, stipulates that minimum quantities will be taken during a period.

In case of major gas supply interruption (for example, due to an interruption of Russian deliveries or an interruption of transit in Ukraine) or an interruption of LNG supply (for example, from Yemen or Egypt), or difficulty in renewing certain contracts under favorable economic conditions, the replacement cost for gas, including transportation, could be higher and affect the Group's margins. To mitigate this risk, the Group has a number of tools for flexibility and modulation (flexibility in long-term contracts, storage and regasification capacity, and purchasing in the marketplaces) as well as a diversified portfolio.

Prices of long-term purchase contracts (partially indexed to the price indices of oil products) may be decorrelated from selling prices or prices in the gas markets. This spread might have a significant impact on the Group's results. Long-term contracts include price adjustment clauses, so that the economic balance between producer and buyer can be altered. The Group's buy/sell margin may therefore change according to price adjustments in LNG or gaseous gas contracts and the state of the gas market in general.

Negotiations in recent years have led to the integration of market indices in long-term contracts and/or to the reduction of the difference between the contract price and market price. They have also led to increased frequency of price revisions.

2.3.1.2 Purchase and sale of electricity

The Group is an electricity producer with a major presence in Europe, where the profitability of its assets is linked mainly to prices in electricity markets. The economic climate or decisions by some states regarding the electricity sector may lead to volatility in electricity prices, which may have an impact on Group earnings.

The Group may also have to buy power to supply its customers, for example to cover any temporary non-availability of its fleet. These purchases are optimized but could generate extra supply costs.

The Group monitors changes in its risk exposure and makes decisions accordingly (see Section 2.5.1 "Commodities market risk").

2.3.1.3 Operational risks related to the purchase and sale of energy

In its portfolio optimization activities for physical assets (power plants), long-term contracts and customers, as well as in managing the associated financial positions, the Group is exposed to operating risks such as fraud, execution error, and process and system failure. Operations are monitored via appropriate processes, and risks are taken into account as part of the Group's internal control program, "INCOME". In addition, a specific system for increased monitoring of operating risks has been set up in some of the Group's entities.

2.3.1.4 Purchase risks and supply chain risks (excluding energy)

The raison d'être of ENGIE's Purchasing function is to allow the Group to grow its business while maintaining the integrity of its supplier ecosystem.

This has meant setting up a number of processes, including the management of risks related to key suppliers (known as "preferred" suppliers). For each purchasing category cross-managed by a Group Category Manager, a complete risk analysis is performed (technical, industrial, financial, ethical, health and safety, environmental, etc.) and suppliers are selected and qualified based on their exposure to those risks and to country risk (production sites).

More generally, the Purchasing chain's main risks, which are managed at the Group level, are:

- operational or contractual breaches by our suppliers;
- the loss of sensitive Group data entrusted to our suppliers;
- failure to comply with the commitments of a socially responsible company (SRC), particularly in the areas of health and safety, human rights and the environment (all of which are part of the duty of vigilance prevention plan);
- late payment by ENGIE of supplier invoices.

Lastly, risk management for industrial projects covers the purchasing chain, suppliers, and subcontractors (see Section 2.3.2.2 "Risks related to development and major projects").

2.3.2 Management of assets and development

2.3.2.1 Optimization of the asset and investment portfolio

For its external expansion, notably by means of acquisitions, the Group may issue equity securities, or borrow. Acquisitions present risks related to integration difficulties and failure to achieve expected benefits and synergies. Risks related to the valuation of assets or liabilities or non-achievement of expected results could arise at the end of the acquisition process, resulting in provisions for asset impairment. The Group also sells assets for which it may retain certain liability guarantees.

The processes implemented by the Group for analyzing, auditing (especially during due diligences) and structuring risk during a planned acquisition are designed to provide a more accurate assessment of the uncertainties that arise in such cases and to propose mechanisms to protect against the risks identified. The resulting risk allocation depends on the quality of the information transmitted to the Group and is limited by the legal and regulatory framework applicable under local corporate law, and the outcome of the negotiation process.

2.3.2.2 Risks related to development and major projects

The Group bases its growth on various major industrial construction projects, such as gas and electricity plants and dams, where it usually acts as owner and/or operator. The profitability of these assets – whose service life is several decades – depends greatly on cost control and construction times, the operational performance of the industrial asset, external phenomena (e.g. natural disasters and strike actions), regulatory and fiscal changes and changes in the competitive environment and energy markets over the medium and long terms, which could reduce the profitability of certain assets or result in lost revenues or asset impairment.

The Group is also responsible for the facility design and construction phases of some projects. Although these projects are always subject to in-depth studies and the Group has acknowledged expertise, construction deadlines may not always be met resulting in penalties, construction costs may be higher than anticipated, the facilities' performance may not comply with the specifications and subsequent accidents may trigger the Group's civil liability, professional indemnity or criminal liability. This could have a negative impact on the Group's image, financial position, or earnings.

The Group has strengthened operational monitoring and oversight of projects and is monitoring the portfolio of projects at Group level, which provides the warnings needed to launch corrective actions. A policy governing supervision of construction projects and joint project management methods have reinforced existing mechanisms within the entities executing industrial projects. In addition, training focused on managing project risks has been developed for all project managers and developers.

Furthermore, the implementation of contract management measures enables part of these risks to be managed, including by compensation mechanisms. Insurance underwriting allows for insurance claims to be indemnified and also improves prevention.

2.3.2.3 Risks linked to nuclear development

The Group pulled out of NuGen, which planned to build a nuclear power plant in the United Kingdom, selling its entire stake to Toshiba. It continues to provide technical and commercial support to Mitsubishi Heavy Industries (MHI) for a feasibility study on a project in Turkey (MHI-AREVA's ATMEA1 technology).

The Group has established governance principles for the development, construction, operation and decommissioning of nuclear power plants based on its experience as an operator and service provider. It is also active in employee recruitment, training and retention, both for facilities in operation and nuclear services entities, and is involved in developing new services.

2.3.2.4 Risks relating to partnerships and minority investments

Partnerships and acquisitions of minority interests are one of the ways in which the Group can share the economic and financial risks inherent to some projects, by limiting its capital employed and allowing it to adapt more appropriately to the specific context of local markets (see Note 3 to Section 6.2 "Consolidated financial statements"). As much as possible, the Group protects itself against the risks resulting from joint control or lack of control with the signing of shareholders' agreements on governance and information reporting, and with the role of the director representing the Group.

However, changes to the project, the economic situation, the partner's strategy or even the local political and economic environment may, in some cases, lead to the failure of a partnership or changes in its control or governance, or to a disinvestment.

These situations may lead the Group to develop contractual arrangements for deadlock resolution or, in the event of conflict with the partner(s), to seek a solution before the relevant bodies.

2.3.3 Legal risks

The Group faces legal risks in all its businesses and markets. These risks arise from the legal and regulatory framework, from operations, from partnerships, from purchases of companies, and from contracts signed with customers and suppliers (see respective sections of this Chapter 2).

In the course of its operations, the Group is engaged in a certain number of legal disputes and arbitration procedures, and is also subject to investigations and procedures. The main investigations and procedures are described in Note 26 of Section 6.2. "Consolidated financial statements". With the exception of these procedures, and to the Company's knowledge, no other governmental, legal or arbitration procedure (including a suspended or threatened procedure [1] exists that is likely to have, or has had, material impact on the financial position or profitability of the Group in the past 12 months.

2.3.4 Ethical risks

Any breach of the ethical principles of the Group could expose it to reputational and legal risks (see Note 27 of Section 6.2 "Consolidated financial statements").

Ethics and compliance policies and procedures are established to avoid, as far as possible, the occurrence of such risks. The Ethics and Compliance Division promotes their implementation within the Group, through the managerial line and the Ethics and Compliance network. These policies and procedures help ensure compliance with the new Sapin II and Duty of Vigilance laws.

Ethical risks are analyzed annually and action plans are implemented if necessary. Moreover, risks relating to corruption and human rights are specifically assessed as part of the Group's risk analysis process (see Section 4.4 "Ethics and compliance").

In addition, the policy on the analysis of ethical risks relating to investment projects and major projects, and human rights guidelines applicable to the whole Group require the entities to analyze respectively corruption risks and human rights risks for every new project.

2.3.5 Risks related to human resources

The dual energy and digital revolution strongly impacts the Group's strategy, activities, and organization, as well as its businesses, jobs, and, consequently, the skills required for its activities.

In response, ENGIE has launched an ambitious and rapid transformation plan to reinvent its business models. This requires the development of new activities and the acquisition of new skills, but also a cultural "revolution" in its existing activities (more innovation, digital technology, etc.).

In this context, the Group could encounter difficulties in ensuring that it has the right skills to support its development and to unite employees around its enterprise project.

2.3.5.1 Workforce competencies

Developing the employability of its workforce is one of the Group's main HR priorities.

Building on the European Social Agreement, which it signed on April 8, 2016, ENGIE is providing support for the transformation at the HR level in three key ways:

- by anticipating skills requirements and managing changes in the Group's businesses through the *ENGIE Skills* forward-planning initiative;
- by increasing staff mobility and boosting the internal job market through the creation of *ENGIE Mobility*, a structure designed to broaden the career prospects of all individuals while redeploying resources to match customer needs;
- by training staff and their managers through ENGIE University, the Group's center of expertise for employee training and personal development, and ENGIE Schools, a grouping of the BU's trade-specific schools, the main goal being to develop pathways to business lines that are expanding. The above Agreement of April 8, 2016 provides for an annual training budget of €100 million over three years.

2.3.5.2 Employee commitment

The scale and rapidity of the Group's transformation require supporting managers and employees to give meaning to the changes and promote buy-in.

In September 2017, for the second consecutive year, the Group rolled out its "ENGIE & Me" engagement survey to measure employee buy-in and adapt its action plan.

The Group has implemented its new "ENGIE leadership model" to promote managerial behavior that fosters innovation and employee development (see Section 3.4.1.4 "Targeted development policies"). This is supported by a "co-leader" training program for its 30,000 managers. It is also particularly attentive to the prevention of psychosocial risks.

In addition, the Group introduced the "Leadership Deal" for executives on corporate and BU management committees. The aim is for each executive to become more ambitious and targeted in their commitment and thus have a tangible impact on the Group's transformation plan and performance over the long term.

By communicating regularly about innovation, new business models, and other topics related to the transformation, the Group aims to strengthen internal support and encourage dialogue with employees.

(1) This term refers to investigations or audits underway.

2.3.6 Risks related to health and safety and protection of Group assets

2.3.6.1 Health and safety at work

The Group is committed to eradicating fatal accidents and reducing occupational accidents and illnesses. The Group health and safety policy was agreed with the union federations at European level and subsequently worldwide. A new action plan has been drawn up for 2016-2020 (see Section 3.4.6 "Health and safety policy").

In 2017, a new program of specific action points called "No Life at Risk" was drawn up to give fresh impetus to the policies and practices already in place. The program supplements the basic actions already being pursued and aims to develop the safety culture, vigilance and commitment of all to protecting their own lives and those of others. It involves everyone working on behalf of the Group.

2.3.6.2 Employee safety

The international scope of the Group means that some employees and other parties such as subcontractors may be exposed to health and safety risks, the threat of which warrants a specific organization entrusted to the Safety Department which has established a "country watch". In all its host countries, the Group continually assesses the risks related to terrorism, armed conflict, political or social unrest, organized or ordinary crime and, more generally, the occurrence of "unconventional" situations.

Geographic areas are subject to classification according to specific prevention and protection measures. To accomplish this mission, the Group relies on State services as well as specialized providers. Should a specific situation occur, the crisis unit can be mobilized to provide exceptional resources, for instance in the event of an evacuation.

2.3.6.3 Protection of tangible and intangible corporate assets

The Group's sites and industrial or tertiary facilities, which make up its tangible assets, may be exposed to malicious acts. Information, whether digital, physical or even verbal in form, constitutes the Group's intangible assets and may also be exposed to the malicious acts.

To combat this type of risk, the Group implements a policy for the protection of tangible and intangible Group assets, covering technical (including IT), legal, managerial and organizational areas. Sensitive sites where tangible corporate assets are located are subject to protective measures tailored to the local situation and revised according to the actual threat status.

The Group continually acts to protect its intangible assets, particularly against cyber-attacks, in order to deal with any reported incidents and to prevent any internal or external action aimed at capturing and using sensitive information. An Information Security Committee, with members from all Group functional departments under the authority of the Executive Vice-President in charge of Digital and Information Systems, coordinates and manages the Group's security policies. It reports to the Executive Committee.

2.3.7 Risks related to information systems

The Group is continually exposed to new threats from the introduction of new technologies, particularly the multiplication of connected objects, the development of industrial control systems, the spread of mobility tools, and the development of new uses (e.g. social networking). Cyber-attacks and hacking attempts are increasingly targeted and carried out by specialists, and can target the company as well as its customers or partners. More generally, IT system failure could result in information losses or leaks, delays and/or extra costs that could be detrimental to the Group's activities or its reputation.

In response, the Group continually adjusts its prevention and security measures for all of its information systems and data. Large-scale attacks are managed by the Incident Management Committee (IMC), which reports to the Safety Department. In connection with its internal control policy and security policy, these organizational, functional, technical and legal security measures are subject to continuous controls (alert monitoring, infrastructure supervision, etc.), testing operations (intrusion tests, social engineering tests, cyber-crises management tests, etc.), and campaigns to raise awareness. The Group also invests in its systems' architecture to improve their security and performance. A Global Safety Operations Center (GSOC) has been set up and is operated with the assistance of Thales. The Group has also strengthened the security of access to cloud platforms.

2.4 Industrial risks

The areas of activity in which the Group operates entail major industrial risks capable of causing harm to persons and property, and exposing it to claims for civil, criminal and environmental liability. These risks may concern facilities that belong to the Group or are managed by the Group on behalf of third parties (manufacturers or local authorities), or facilities where the Group's employees work. The industrial safety of the facilities that the Group operates is one of its major concerns. The handling of these risks is subject to in-depth monitoring and specific targeted investments, and audits of the facilities in question are performed regularly.

2.4.1 Industrial facilities and Seveso sites

The Group operates and builds systems for gas transmission, distribution and storage systems, exploration-production facilities, LNG tankers, regasification and gas liquefaction facilities, bio-methanization plants, electrical power plants, and hydro facilities and provides services in an industrial environment. Some of these facilities are classified as high-threshold Seveso sites.

Risks can stem, for example, from operating incidents, design flaws or from external events beyond the Group's control (including third-party actions and natural disasters). Industrial accidents can cause injuries, loss of life or major property and/or environmental damage, as well as activity interruptions and operating losses.

The Group carries out its industrial activities in compliance with a framework of safety regulations, including the "Seveso III" (1) European directive. These industrial risks are controlled by implementing a safety management system at these sites based on the principle of continuous improvement, which is intended to reduce the level of residual risk by responding to the highest risks on a priority basis. Moreover, industrial security is part of the Group's internal control program. The Group conducts periodic audit and control missions to ensure that these measures are effectively implemented.

A specific action plan for protecting industrial control systems linked to industrial processes has been implemented and is updated according to changes in threat. It aims to prevent the risk of activity interruption or accidents due to cyber-attacks.

For the most part, these risks are covered by insurance policies. In the event of a major claim, these policies could prove insufficient (see Section 2.1.3 "Risk and insurance coverage").

A Group Industrial Security Committee meets twice a year, and more often if there is a specific issue that needs addressing, mainly to encourage the inter-BU and inter-Métier exchange of information on risks and accidents and the sharing of best practices in the Group's various activities.

2.4.2 Pollution of the surrounding environment

Facilities that the Group owns or manages on behalf of third parties may entail risks of damage to the natural environment (air, water, soil, the habitat and biodiversity), and may pose health risks to consumers, neighboring residents, employees and subcontractors. These health and environmental risks are governed by strict national and international regulations. Non-compliance with these environmental standards or a process failure can have a significant negative impact on the Group's image, its business, financial situation, earnings and outlook, and lead to the engagement of its liability as a legal entity. Any amounts set aside, insured or guaranteed may be insufficient. Complaints and convictions relating to the environment are given in Section 3.5.4.9, "Active prevention of environmental risks".

Health and environmental risks are regularly monitored by the Group, by external auditors and by governmental authorities, both for operational sites and closed facilities, such as former gas plants.

2.4.3 Nuclear power plants in Belgium

Electrabel, a Group subsidiary, owns and operates seven nuclear reactors of the pressurized water type at two nuclear electricity production sites at Doel and Tihange in Belgium. Since the commissioning of the first reactor in 1974, these sites have been without any major nuclear safety incidents that could have resulted in danger to employees, subcontractors, the general population or the environment. However, they could present civil liability risks for Electrabel, specifically in the event of a nuclear accident or the discharging of large quantities of radioactive material into the environment.

All persons working at Group nuclear power plants have appropriate qualifications and are aware of their personal responsibility with regard to nuclear safety, in particular control room operators. During operations, compliance with safety rules and conditions at the facilities are subject to inspection by the Belgian Federal Agency for Nuclear Control (FANC), assisted by Bel-V, its technical support subsidiary. Independent checks are also carried out by Electrabel's nuclear safety department, which reports directly to the Chief Executive Officer, independently of the nuclear operating sites' line management. In addition, both nuclear sites are OHSAS 18001, ISO 14001 and EMAS-certified.

(1) Directive 96/82/EC ("Seveso II"), amended and superseded by Directive 2012/18/EU ("Seveso III").

Electrabel takes account of feedback from accidents or incidents to continuously improve the safety and security of its facilities. Electrabel has pursued the BEST action plan implemented after the Fukushima accident in 2011, particularly in response to more severe natural disasters and to the risk of cyber-attack. Compliance with the seismic standards recommended by the European Nuclear Security Regulators Association could be transposed into Belgian law and lead to additional investment, hurting Electrabel's bottom line. After the sabotage of a turbine at the Doel plant in 2014, Electrabel stepped up its existing action plan to reduce the risk of internal threats at all its nuclear sites. In 2015, Electrabel established the "Rigor and Responsibility" action plan, designed to reinforce the safety culture at its nuclear sites. This was in response to a statement drafted by the FANC on August 3, 2015 which noted that the safety culture at the Tihange plant had declined. This plan was reinforced following a second statement by the FANC in June 2016 and included the appointment of new managers. Dubbed CORE (COmmon REsponsibility), the plan covers central support services as well as the two nuclear sites. Moreover, the terrorist risk is addressed with the competent authorities of the Belgian State.

In late November 2015, the FANC authorized the restart of Doel 3 and Tihange 2, after a positive assessment of the case with the help of the Oak Ridge National Laboratory (ORNL-USA). The two reactors had been shut down after the detection of hydrogen-induced flaws in the vessel walls, created in the manufacturing process. Both plants were recommissioned at the end of 2015. An inspection after one year of operation showed no changes in the flaws in the vessel walls of Doel 3. The Tihange 2 vessel was inspected during the unit outage in April 2017 and no changes in the flaws were observed. The FANC upheld its conclusions in 2017.

The Belgium government approved the possibility of continuing power generation from the Doel 1 and Doel 2 plants beyond 40 years. The parliament voted to confirm this decision at the end of June 2015 and, in December 2015, as part of the fourth ten-year review, the FANC approved operation for up to 50 years on the basis of an active modernization program that will run until 2019. Legal proceedings brought by environmental organizations before the Constitutional Court against the Belgian state regarding the lack of any environmental impact analysis or public consultation in connection with the adoption of the law passed in June 2015 are still ongoing, and there is a risk that this law may be annulled (See Note "Disputes and investigations" in Section 1.2.1).

The last part of the agreement signed by ENGIE with the Belgian government (relating to nuclear taxation) was finally consolidated by a law passed at the end of 2016. In addition, the 10-year extension from 2015 for Tihange 1 took effect on October 1, 2015, with a program of associated works that will continue until 2019 (see Note 8 of Section 6.2 "Consolidated financial statements"). Electrabel is holding discussions with the Belgian authorities about the nuclear power outlook post-2025.

The operation of nuclear power plants is regulated in part by radioactive waste authorizations. The Group therefore reduces its discharges of radioactive liquid and gaseous effluents as much as possible, while controlling the volume of low and medium radioactive waste. In Belgium, all nuclear waste management is the responsibility of the National Agency for Radioactive Waste and Enriched Fissile Material (ONDRAF). Following the discovery in 2013 of a gel-like substance on the surface of barrels of medium radioactive waste (originating in the Doel plant and stored at Belgoprocess), waste conditioning processes at the Doel and Tihange sites have been subject to additional checks by ONDRAF. As a result, the accreditations for a number of processes were either not renewed or were withdrawn. Performance tests are now under way to meet all the ONDRAF requirements and regain the accreditations. In this regard, progress has been made in two waste categories but there are still a number of issues in the other categories that need to be resolved with ONDRAF. The situation regarding the storage capacity and availability of waste treatment facilities remains complex. Temporary solutions have had to be developed to increase storage capacity at the 2 production sites.

ONDRAF proposes, as a national policy, that highly radioactive waste and/or long-lived fission products be stored in deep geological repositories and not in long-term storage facilities. The final site will not be chosen until after a decision-making process spanning several decades. This will include a number of intermediate stages such as choosing the host rock formation and setting reversibility, recoverability and monitoring conditions. This national policy proposal has yet to be approved by the Belgian government.

ONDRAF proposes, as a national policy, that highly radioactive waste and/or long-lived fission products be stored in deep geological repositories and not in long-term storage facilities. The final site will not be chosen until after a decision-making process spanning several decades. This will include a number of intermediate stages such as choosing the host rock formation and setting reversibility, recoverability and monitoring conditions. This national policy proposal has yet to be approved by the Belgian government.

Spent nuclear fuel is currently stored at power generation sites pending reprocessing or geological storage. At present there are two possible scenarios for its management:

- either a portion of spent fuel is reprocessed and the rest is discharged directly into deep geological repositories;
- or all of the spent fuel is discharged into deep geological repositories.

It is up to Synatom to propose a solution that is likely to be approved by the Belgian government.

Costs associated with the management of spent fuel and the dismantling of facilities are included in the costs of electricity production from nuclear sources and are the subject of provisions. The assumptions and sensitivities regarding the assessment of these amounts are detailed in Note 18.2 of Section 6.2 "Consolidated financial statements".

2.4.4 Explor ation & production of hydrocarbons

The exploration and production of hydrocarbons are activities subject to significant risks such as geological hazards and risks of industrial accidents.

Geological hazards are related to difficulties in investigating subsoil, the physical characteristics of oil or gas fields and those of hydrocarbons. In fact, estimates of discovered reserves must be large enough and have a positive economic analysis in order for said reserves to be exploited. During production, reserves may turn out to be lower than expected and this may adversely affect the economics of their use.

Risks of industrial accidents are related to hydrocarbon leaks, fire, explosion and the loss of control of wells.

In order to reduce the impact of these risks, the Group:

- conducts its activities by sharing risks as part of consortia in which it may be an operator or simply a partner. As far as possible, the Group teams up with companies that are known for their expertise, rules and high level of commitment to safety and accident prevention;
- carries out its operations under the rules of a safety management system (see also Section 2.4.1) based on the ISO 14001 and OHSAS 18001 international standards, and takes into account good practices in the E&P industry, particularly those of the International Association of Oil and Gas Producers (IOGP);
- has its hydrocarbon reserves regularly assessed by an independent third party;
- insures its facilities against structural damages, losses of production and civil liability lawsuits, including pollution, in accordance with industry practice.

The Group's exposure is reduced by the sale of a portion of its E&P business, particularly its offshore operations.

2.5 Financial risks

2.5.1 Commodities market risk

The Group is chiefly exposed to two kinds of commodity market risk: price risk relating directly to fluctuating market prices, and volume risk (weather risk and/or risk depending on economic activity). The Group is exposed to these risks, particularly in relation to gas, electricity, coal, oil and oil products, other fuels, CO2, and other green products (see Section 6.1.1.2 "Outlook").

With the exception of trading activities, market risks are assessed by means of their impact on EBITDA. Accordingly, the main risk indicators for managing the energy portfolios include sensitivity to unit price changes, the EBITDA at Risk, portfolio hedging ratios and stress tests based on predefined unfavorable scenarios. For trading activities, and in accordance with market standards, risk indicators include sensitivities, Value at Risk (VaR) and stress tests (see Note 16.1.1 of Section 6.2 "Consolidated financial statements").

The Group has implemented a specific governance process to control market and counterparty risks based on (i) the general principle of separation of risk management and operational activities, (ii) a Group-level Energy Market Risks Committee that is responsible for validating risk policies and monitoring consolidated exposure, (iii) following market and counterparty risk mandates, and (iv) a specific risk control functional line coordinated by the Finance Department.

Most of its electricity generation activity outside Europe is secured by long-term PPAs, often with local authorities, in which variations in operating expenses, in particular fuels, are transferred as "pass-throughs" into electricity sale prices. This substantially limits exposure to price fluctuation risks, even if the transfer is imperfect in some contracts.

The Group also uses derivatives to offer hedging instruments to its clients and to hedge its own positions.

2.5.2 Counterparty risk

Due to its financial and operational activities, the Group is exposed to the risk of default by its counterparties (customers, suppliers, partners, intermediaries, and banks).

The impact of this may be felt in terms of payment (non-payment for services or deliveries made), delivery (non-delivery of paid supplies or services) or assets (loss of financial investments).

These risks are managed via framework agreements that use standard mechanisms such as third-party guarantees, netting agreements and margin calls or by using dedicated hedging instruments. Operational activities may also involve prepayments or suitable recovery procedures (especially for retail customers).

2.5.3 Foreign exchange risk

The Group is exposed to foreign exchange risks defined as the impact on the balance sheet and the income statement of exchange rate fluctuations as it performs its operational and financial activities. These are broken down into (i) a transactional risk related to current operations, (ii) a specific transactional risk related to investment, merger-acquisition or disposal projects, (iii) a translational risk related to assets outside the Eurozone, and (iv) a risk related to consolidation in euros of the subsidiaries' accounts where the functional currency is not the euro. The three main exposures to translational and consolidation risks correspond, in order of importance, to assets in US dollars, Brazilian real and British pounds.

For an analysis of foreign exchange risk sensitivity, see Note 16.1.3.2 of Section 6.2 "Consolidated financial statements".

As part of the Group's foreign exchange risk policy, recurring transactional risk is subject to systematic hedging as soon as this risk is material and almost certain to materialize. During the examination of investment projects, the specific transactional risk is subject to a case-by-case hedging strategy. Finally, translational risk is covered by partial hedging strategies subject to a reasonable hedging cost and sufficient market liquidity related to the risk of currency depreciation.

2.5.4 Interest rate risk

The Group is exposed to interest rate fluctuations. The Group's objective is to control its borrowing costs by limiting the impact of interest rate changes on its income statement. To do this, the Group seeks to achieve a balance between fixed, variable and protected variable ("capped variable") rates. This distribution may change within the limits set by management according to the market situation.

The breakdown by type of interest rate of the outstanding financial debt and sensitivity analysis for interest rate risk are presented respectively in Note 16.1.4.1 and Note 16.1.4.2 of Section 6.2 "Consolidated financial statements".

In order to manage the interest rate structure for its net debt, the Group uses hedging instruments, particularly interest rate swaps and options. Managed centrally, rate positions are reviewed periodically and when any new financing is raised. This management is subject to a risk mandate: any substantial change in the rate structure requires prior approval from the Finance Department.

2.5.5 Liquidity risk

Liquidity is based on the regular renewal of various financing tools available to the Group such as credit lines, bond financing or other financing tools, to ensure their availability and their adequacy in relation to financing requirements. These facilities are pre-agreed and appropriate for the scale of its operations and for the timing of contractual debt repayments. Note 15.2.1 of Section 6.2 "Consolidated financial statements" explains the distribution of the various forms of financing used.

ENGIE pools the majority of the cash flow requirements and surpluses of the Group's majority-owned subsidiaries, as well as most of their medium- and long-term external financing requirements. Financing vehicles (long-term and short-term) provide centralization, as do the Group's dedicated cash-pooling vehicles in France, Belgium and Luxembourg.

2.5.6 Impairment risk

Assumptions and estimates are made to calculate the recoverable value of goodwill and tangible and intangible fixed assets. They particularly refer to market outlook and changes in the regulatory framework, which are used for the measurement of cash flows, whose sensitivity varies depending on the activity, and the determination of the discount rate. Any variances with these assumptions could have a significant effect on the amount of the recoverable value and could lead to changes in the impairment to be recognized (see Note 1.3.1.2 of Section 6.2 "Consolidated financial statements").

2.5.7 Equity risk

As of December 31, 2017, the Group holds a number of non-consolidated interests in listed companies (see Note 15.1.1 of Section 6.2 "Consolidated financial statements"), the value of which fluctuates according to trends in the world stock markets and/or the position of the relevant companies.

In addition, the Group holds interests in listed companies consolidated using the equity method, including SUEZ (see Note 3 in Section 6.2 "Consolidated financial statements"), for which a significant or extended fall in the price below the value on the balance sheet is an indication of impairment.

2.5.8 Tax risk

Given their tightening budget constraints and pressure from the media, national governments are increasingly introducing anti-abuse measures, both general and special, with a broad and subjective scope, and are giving their supervisory authorities increased powers of investigation. This has created a climate of tax insecurity that may have an impact on the Group's results. Similarly, the European Commission is becoming increasingly involved in both state aid (especially the querying of prior agreements issued by authorities that were designed to confirm the complex tax treatment of certain transactions and consequently give companies legal security) and draft directives in the area of combating tax avoidance (see ATAD [1]) and European harmonization (see CCCTB [2]). This has created uncertainty and may impact the Group's results over various time periods (see Note 26 of Section 6.2 "Consolidated financial statements").

2.5.9 Pension funding risk

A significant portion of the Group pensions commitments and the assets associated with these plans are concentrated in France and Belgium. Other defined-benefit pension plans are mainly located in Europe, Brazil and Australia.

In recent years, the Group has terminated a number of defined-benefit plans and replaced them with defined-contribution plans. The defined-benefit plans still in operation notably include, in France, the special Electricity and Gas Industry (EGI) plan, which is a statutory plan.

Note 19 of Section 6.2 "Consolidated financial statements" details the items measured and recognized.

The calculation of commitments is estimated with actuarial methods using methodologies, assumptions and models to assess liabilities or determine asset allocations and associated risks that could have a significant impact on hedging levels and financing requirements.

In France, commitments within the scope of the EGI are estimated using actuarial assumptions and rules respectively governing benefits paid out by statutory plans and amounts that remain the Group's responsibility. These assumptions and rules may be subject to changes that increase the Group's commitments and therefore require an increase in the relative relevant provisions.

Substantial commitments exist in the form of other post-employment benefits and other long-term benefits, in addition to pension liabilities. These mainly comprise energy-related benefits provided to retired employees within the scope of the EGI.

Hedging levels and financing requirements for the Group's pension plans vary according to the performance of financial markets and asset allocations, as well as interest and inflation rates and changes in the applicable legal and regulatory framework.

For some plans outside the scope of the EGI, ENGIE may be required to fully or partly finance any difference between the market value of these assets and the hedging levels projected for these plans, or any insufficiency in the return on the assets in respect of the guaranteed minimum average rates.

(1) *ATAD: Anti-Tax Avoidance Directive.*

(2) *CCCTB: Common Consolidated Corporate Tax Base.*

3

Social and environmental information, corporate social commitments

3.1 Corporate Social Responsibility 62

3.2 Business model 62

3.3 Risk analysis 63

3.4 Social information 63

3.4.1 Human resources development and mobility policies 63

3.4.2 Attracting and hiring talent 64

3.4.3 Social commitment: Building a company committed to corporate citizenship, diversity and solidarity 64

3.4.4 Employee savings plans and shareholding 66

3.4.5 Social relations 67

3.4.6 Health and safety policy 67

3.4.7 Social data 68

3.5 Environmental information 88

3.5.1 Legal and regulatory framework 88

3.5.2 The environmental management system 88

3.5.3 Environmental responsibility, performance control and measurement systems 89

3.5.4 Group actions 91

3.6 Societal information 97

3.6.1 Socio-economic development in local communities 97

3.6.2 Dialogue with stakeholders and partnerships 97

3.6.3 Community philanthropy, solidarity and combating energy poverty 98

3.7 Purchasing and Suppliers 99

3.8 Independent verifier's report on consolidated social, environmental and societal information presented in the management report 100

3.9 Statutory auditors' reasonable assurance report on selected social, environmental and governance information 103

3.1 Corporate Social Responsibility

Rethinking the global energy landscape has today become a necessity in the face of climate change. The urgent need to reduce environmental impacts means that we have to establish a lower-carbon, more decentralized, more digitized and more pared-back energy system.

The Group aims to make energy and services a source of harmonious progress and development. Energy that is accessible to the greatest number of people, that is safer, consumed better, and more respectful of people and their environment.

The CSR policy, updated in 2017, available on the Group's website, sets the Group’s priorities and commitments with the aim of combining the skills of all, creating shared value and helping to achieve the UN Sustainable Development Goals. Its ambition is to help the Group open new avenues by making the environment central to its actions, giving meaning to its actions, promoting another way of consuming and acting as a responsible community.

The CSR Department relies on a network of Chief Sustainable Officers by BU in order to deploy this policy, broken down into CSR objectives, and to manage this issue on a daily basis. Concomitant with the launch of the new policy, an internal network of global CSR ambassadors was launched to further engage employees on these topics.

At its Annual General Meeting, the Group publishes an integrated report on its overall financial, environmental, social and societal performance. This report available on the Group's website is discussed upstream with major stakeholders of the Group. This report includes a materiality matrix indicating the Group's main stakes according to the Group and its stakeholders.

The CSR Department meets many stakeholders on a regular basis (NGOs, investors including socially responsible investors, clients, ...) and organizes panels to work on the sustainability of offers, projects and services related to operational of the group.

3.2 Business model

The acceleration of the energy transition is shifting the sector’s value towards more environmentally-friendly activities and services that are closer to the end customer.

It has also created a need to provide responses tailored to each region, incorporating a good understanding of local situations and resources.

ENGIE is involved in raising awareness of, and co-constructing, the energy transition with its stakeholders.

The Group is committed to placing customers at the heart of its business model, moving away from its historical status as an energy supplier towards that of a provider of integrated solutions and, more broadly, innovative services in the areas of comfort and energy management/production.

In the changing world of energy, the Group has implemented a three-year transformation plan (2016-2018).

The Group has decided to concentrate its new development on three growth drivers: low-carbon activities, integrated solutions for its customers, and activities not exposed to commodities prices.

The Group has set the following objectives for the end of 2018: low-carbon activities will account for over 90% of the Group’s EBITDA; and the contribution to EBITDA of customer solutions will increase by more than 50%. Details of its financial targets are provided in Section 1.1.4 “Strategic priorities”.

To align its business model with ambitious environmental, social and societal challenges, in 2016 the Group set six CSR objectives for 2020.

Details of the results of these indicators at the end of 2017 are provided in Section 1.2.2 “CSR indicators”. In addition, to ensure the sustainability of its investments, a matrix of ten CSR criteria is analyzed for investment files.

The CSR Department contributes to the consideration of environmental and societal aspects in Group offers and projects related to BUs and Businesses.

The Group wishes to usefully respond to societal issues and co-build its offers and projects with its stakeholders to maximize global value creation.

As a result of its leadership and expertise, the Group plays a role in societal issues such as access to energy, the development of renewable energies, sustainable consumption, gender diversity and energy poverty.

3.3 Risk analysis

The main non-financial risks associated with the activity, products and business relationships are presented in Section 2 "Risk factors".

Pursuant to the law of March 27, 2017, ENGIE has drawn up a plan to monitor risks associated with human rights in the broadest sense, including health and safety, responsible purchasing and the environment. This monitoring plan covers all ENGIE's activities and its subsidiaries world-wide, as well as those of its main suppliers.

The monitoring plan is described in Section 4.6 "Vigilance plan".

The CSR Department monitors environmental and societal controversies and regularly reports on them to the Board of Directors' Management and Committee on Ethics, Environment and Sustainable Development. It is in contact with NGOs to dialogue on these topics and pilot stakeholder engagement training to reduce their occurrence in the future.

3.4 Social information

The revolution in the energy world and ENGIE's strategic choices impact the Group's skills needs significantly. It requires a fundamental transformation of the Group's culture, especially the human resources aspect.

In 2017, ENGIE structured its actions around three key priorities:

- develop talent to adapt skills to current and future needs;
- promote the engagement of each employee, and contribute to the emergence of a Group mobilized and united by a common ambition;
- challenge HR policies, processes and practices to increase the Group's effectiveness and create the conditions for change.

All HR actions are also focused on two cross-cutting aspects: the Group's commitment to the health and safety of everyone, and its desire to mark its actions and conduct with a social imprint.

3.4.1 Human resources development and mobility policies

In 2017, ENGIE rolled out a new HR system to adapt skills to the Group's current and future challenges, with the aim of accelerating the shift towards growth-oriented activities and organizing the internal transfer of skills, promoting mobility and giving employees the opportunity to develop within the Group, and creating a network conducive to transferring and sharing skills.

3.4.1.1 Forward planning of jobs and skills to prepare for the future

To prepare employees for tomorrow's challenges, the ENGIE Skills program was continued in 2017. It comprises five priority actions:

- accelerate the shift towards future-oriented activities;
- organize the internal transfer of skills;
- create a technical network;
- organize the management of external skills;
- fostering an entrepreneurial spirit among employees.

3.4.1.2 Internal mobility to support the Group's transformation

The ENGIE Mobility program, created in 2016 to promote internal mobility, was deployed Group-wide throughout 2017: nine entities were advised on their transformation projects; 500 employees benefited from support for their mobility plans; and more than 70 meetings or events (such as jobs forums) were organized around mobility in the regions.

3.4.1.3 Developing employee skills and employability through training

To meet the challenges of the energy transition, the Group has reaffirmed its commitment to developing the skills of its employees and managers by creating a network of professional development schools (21 in the Group).

In 2017, ENGIE University accelerated the deployment of leadership, energy revolution, customer focus and digital programs with managers and the talented individuals it is developing. A pop-up campus was launched, bringing together 20 different training courses in one place. 1,000 trainees took part, with a satisfaction rate of 95%.

The Group continued to implement a digital culture among its employees and managers. Nearly 15,000 employees took part in the “learning cruise” offered during the summer of 2017.

In 2017, approximately 7,000 employees had signed up to use the SynerFORM tool for optimized, shared learning in France.

In a context of individual change and collective transformation, the Group HR Department designed a whole range of solutions to meet the needs of employees: coaching, mentoring, training, entrepreneurship development, financial support, end-of-career paid leave, etc.

In 2017, 67.7% of ENGIE’s employees received training.

3.4.1.4 Targeted development policies

In 2017, the Group developed new ways of managing talent to:

- better integrate the new skills required by the ENGIE organization, the decentralization of management, international expansion, and the Group’s diversity challenges;
- strengthen the development of leaders at all levels of the Group;
- decentralize management of jobs and talent in the Business Units.

A new “Leadership Model,” in line with the Group’s strategy and its transformation, was rolled out to managers. In 2017, 10,500 managers took part in the specialized training course, “Co.Leader.”

To offer appropriate career development tools to senior managers, experts and managers, ENGIE deploys targeted policies through:

- coaching and mentoring: 500 mentoring pairs have been set up in three years;
- personalized career coaching for senior managers and education about digital technologies through the Digital Reverse Mentoring program;
- development programs based on 360° feedback, i.e. evaluations by line managers, peers and subordinates.

At the end of 2017, the Group had 510 senior managers, 23% of them women (compared with 21% at the end of 2016). Since the beginning of the year, 38.5% of newly appointed senior managers have been women.

The “Leadership Deal” compensation policy and the methodology for weighing positions were also redefined.

3.4.1.5 HR cross-functionality and innovation to boost the Group’s performance

The Group’s success depends on the establishment of new, more cross-functional and open modes of working and leadership at each level of management.

The HR Department uses new technologies and digital tools to bring about a common culture and to boost performance. The following initiatives are highlighted:

- simplification of HR processes through “One HR” the shared HR management system to share and facilitate data analysis to help with employee development;
- transparency and the promotion of shared objectives, such as ENGIE Goals, an application aimed at the ENGIE 50 and the BU management committees which enables them to monitor and share their individual and collective goals;
- the “nolife@risk” health and safety project, deployed Group-wide;
- the development of dynamic work spaces to encourage cross-functionality and teamwork;
- the “ENGIE & Me” engagement survey, which was circulated to employees for the second time, with a response rate of 50%, up 14 points compared with 2016.

3.4.2 Attracting and hiring talent

In 2017, the Group strengthened its image among young people and influencers as an international Group, serving tomorrow’s renewable, carbon-free, and digital energy world.

The “Matching Energy” platform, which introduces the people who make up the Group, has been expanded and now includes more than 90 Group ambassadors.

More than 50 events have been created, combining internal and external communities to reflect on topics related to the new world of energy (talks by senior managers on campuses, brainstorming between ENGIE’s experts and researchers from the Ecole des Mines and Sciences Po, training at Junior Entreprises, etc.).

ENGIE’s participation and promotion in high-profile activities continued with “Paris Pionnières” (incubation of three female employees in an entrepreneurship program, promotion of girls in science through “Science factor,” a crowd-funding operation with Arts et Métiers ParisTech to stimulate innovation, etc.

3.4.3 Social commitment: Building a company committed to corporate citizenship, diversity and solidarity (1)

For many years, the Group has implemented a corporate social responsibility (CSR) policy that is proactive, ambitious and innovative to combat discrimination and promote equal opportunity and treatment. ENGIE’s CSR policy is structured around four key priorities: diversity, inclusion, solidarity and social bonds, and workplace wellbeing. Social innovation underpins all of these areas.

Diversity

ENGIE’s diversity policy has been recognized by the four-year renewal of the Diversity label in October 2017 for all Group production and service activities in France. ENGIE is also a founding partner of the Management and Diversity Chair at Paris-Dauphine University and a founding member of the Equality Diversity Foundation under the aegis of the non-profit association Fondation Agir Contre l’Exclusion (FACE). In 2017, ENGIE produced a guide for the HR network and managers called “How to diagnose a situation of alleged discrimination and how to respond”,

(1) For a full description of the Group’s Corporate Social Responsibility policy, see Section 3.6 “Societal information”

drawn up in collaboration with the Ethics network. Lastly, ENGIE signed the *L'Autre Cercle* LGBT Charter on December 6, 2017 to combat discrimination based on sexual orientation.

Professional and gender equality

Internally, wage equality between women and men is one of the key points to which the Group is committed, in addition to achieving the quantified goal of 25% women in its workforce by 2020. At the end of 2017, the proportion of women in the Group was 22.2%. Externally, to promote gender equality within the business lines, ENGIE strives to raise awareness among young people so that they become familiar with the Group's technical careers. To this end, it has partnered with programs such as "*Elles Bougent*" and "Girls Day and Boys Day" in Belgium and the Netherlands.

Lastly, on November 22, 2017, an agreement was signed on professional equality in the Group (see Section 3.4.5.2).

Young employees, seniors and intergenerational policy

Employability, particularly that of young people, is a key priority, with a target, in France, of 5% of the workforce in alternating work-study programs and a conversion rate of 50% into technical jobs at the end of the training period. With a higher number of young workers involved in 2017 (4,452), work-study programs are particularly favored by the Group, which wants to create a path to excellence that leads to employment via high-quality training. In 2017, ENGIE pursued its insertion initiatives on "*Engagement Jeunes,*" the intercompany job exchange platform for people on work-study programs seeking their first job, and the Erasmus Pro experiment to encourage the long-term mobility of people on work-study programs (*Label AJE, Association Jeunesse et Entreprises* since the end of 2015). In 2017, ENGIE continued its action to promote the employability of young people in Europe by renewing its membership in the Pact For Youth and the Alliance for Youth (the largest private pan-European movement, made up of 200 companies).

Knowledge and skills transfer is also boosted by planning for pre-retirement periods, encouraging younger workers to take part in tutoring programs such as "*Les maîtres de l'énergie*" (Energy Experts), and mentoring and reverse mentoring programs, i.e., where employees receive personalized support from other employees who are either more senior or have more expertise in a specific area.

Religious diversity

One of the 27 legal criteria of the principle of non-discrimination is the adherence, or not, to a religion. ENGIE is committed to ensuring that no employee or applicant is treated unfavorably because of their religious beliefs. To support managers with this issue, in 2015 the Group prepared some points of reference on "religious diversity in the company."

Employees with disabilities

The Group pursues measures to encourage the hiring, career development, training and retention of people with disabilities. For several years, it has had a disabilities network which promotes discussion and skills-building initiatives in the field, and develops joint large-scale initiatives.

The various Group entities implemented awareness actions in 2017. These included the production of a document by the BtoB Business Unit in April 2017 entitled "Diversity – our ambition, our commitments". INEO designed a brochure called "*Dis-moi tout sur le handicap*" ("Tell me everything about disability") edited by the PHARE mission and COFELY, and a brochure on disability called: "Handicap…ou pas CAP d'en parler" ("Let's talk about disability"), which explains how people can ensure that their disability is recognized, who to speak to about it and what support is available.

For ENGIE in France, the overall employment rate of people with disabilities was 4.61% in 2017, while the direct employment rate was 4% and rising. In total, ENGIE employs more than 2,700 individuals with disabilities in France, up 33% in five years.

ENGIE conducts specialized sourcing in France to identify people with disabilities who have skills and abilities the Group needs (Handy'recruteurs campaigns). Procurement from the "sheltered and adapted employment sector" represents €7.9 million (before VAT), up 46% in five years.

In 2017, ENGIE SA implemented a number of measures, particularly in responsible purchasing and co-contracting. Negotiations were reopened to reach an agreement for the three-year period 2018-2020.

Inclusion, job-seeking support and social solidarity

The Group is committed to the social and professional inclusion of people in severe difficulty or in a situation of exclusion. Its actions include:

- sponsorship of talented students from disadvantaged neighborhoods (scholarships and mentoring by a committed Group employee, post-baccalaureate and beyond);
- assistance with job creation via ENGIE's employment foundation, *Fondation Agir Pour l'Emploi* (FAPE), which operates under the auspices of the Fondation de France. The Foundation's resources come from donations by Group employees and retirees, which are fully matched by their companies. Since its establishment in 2013, FAPE (in France and Belgium) has awarded more than €1.1 million in grants for 93 projects aimed at access to employment, job creation and inclusion of the most vulnerable individuals across the region;
- the Group renewed the *Parcours Emploi – Mobilité – Sport* (PEMS) program, which helps young people between the ages of 18 and 25 from disadvantaged city neighborhoods to obtain work-study contracts;
- the Group renewed its commitment to France's Ministry of Urban Affairs, Youth and Sport by signing an addendum to the Businesses & Neighborhoods Charter on economic and social development in working-class neighborhoods.

Quality of life in the workplace

With 11 million people in France – 50% of them with jobs – providing assistance to someone dependent on them or disabled, caregiving has become an issue for society, impacting businesses. To address this problem, since 2016 ENGIE has implemented a help-for-caregivers program aimed at Group employees in France. The service provides information, support, advice and assistance, centralizing all the answers needed by the caregiver. It is part of the Group's Quality of Life in the Workplace policy. The BUs have also been requested to supplement this offer with programs developed by existing healthcare entities.

ENGIE supports the International Social Observatory (ISO) and the work of its international delegations in Europe, China, South America and Africa.

LGBT

As part of its initiatives to boost diversity and combat discrimination, ENGIE signed the *L'Autre Cercle*'s LGBT Commitment Charter on December 6, 2017. This event demonstrates the Group's commitment to keeping pace with societal developments and its desire to reflect all the customers that it serves.

3.4.4 Employee savings plans and shareholding

3.4.4.1 Group employee savings plans policy

These plans are available to employees of companies that are fully consolidated or whose share capital is majority-owned, directly or indirectly, by ENGIE S.A.

Savings plans

In France, since the end of 2009, ENGIE Group employees[1] have had access to a Group Savings Plan (a Plan d'Épargne Groupe – PEG), which includes employee shareholding funds as well as a large range of diversified savings options.

Outside France, measures have also been put in place in some countries to allow employees to save, under terms adapted to local laws.

Retirement savings plans

In France, since 2010, all Group employees may, at their own pace, build funds for retirement by paying into the ENGIE Group Collective Retirement Plan (Plan d'Épargne pour la Retraite Collectif – PERCO).

Outside France, products exist in some countries that allow employees to supplement their pensions by making voluntary contributions on favorable terms.

Solidarity funds

In France, the ENGIE "Rassembleurs d'Énergies Flexible" Fund has supplemented the range of Group Savings Plan and Retirement Savings Plan investment products since the beginning of 2012 and enables employees to take part in a social initiative in tune with their businesses.

3.4.4.2 Profit-sharing and incentive plans

Due to the existence of separate legal companies, a common collective profit-sharing and incentive plan is not possible for the Group.

At the ENGIE S.A. level, an incentive agreement was signed with all representative trade unions on June 26, 2017 for the 2017-2019 period. The amount paid out in 2017 for 2016 profit-sharing was €19,092,774. The employee profit-sharing agreement for ENGIE was signed on June 26, 2009. Application of the statutory profit-sharing formula for 2015 resulted in no payment being made to employees in 2017.

3.4.4.3 Employee shareholding

At the end of 2017, employees held 2.68% of the share capital (including 1.99% held through employer-sponsored mutual funds). Pursuant to Article L. 225-100-3 of the French Commercial Code, the Supervisory Boards of these employer-sponsored mutual funds exercise the voting rights attached to the securities registered among their assets and decide, if necessary, whether to contribute these securities to public tender or exchange offers.

The Supervisory Boards of the employee-sponsored mutual funds comprise shareholder representatives; half of them at most are company representatives designated under the procedures set out in the funds' rules. Although the Supervisory Board is composed in an equitable way, its chairman, who must be chosen from the shareholder representatives, holds the casting vote.

(1) *Companies that are fully consolidated (apart from GRTgaz) and companies whose share capital is majority-owned, directly or indirectly, by ENGIE S.A.*

3.4.5 Social relations

3.4.5.1 Employee representation in the Group

The representative bodies are places for consultation and collaboration between management and employee representatives.

The European Works Council (EWC)

With 42 full members representing the Group's 134,513 employees throughout Europe, the purpose of the EWC is to develop and strengthen European social dialogue, ensure balanced representation between the Group's countries and main business activities, and develop social dialogue within these activities. A secretariat with 13 members representing eight countries meets once every two months.

In 2017, the EWC held four full-session meetings, along with eight EWC secretariat meetings, and three strategy and research working groups meetings.

French Group Works Council

This body, which represents more than 72,500 employees in France, has 30 full members. Two meetings were held in 2017.

3.4.5.2 Group collective bargaining agreements

On November 22, 2017, Isabelle Kocher and three European trades union federations, IndustriAll Europe, EPSU and FETBB, signed a European agreement on professional gender equality. This agreement for an indefinite term reaffirms, by extending the 2012 agreement, that the promotion of equal opportunity, equal treatment and diversity of employees is an absolute priority for the Group.

ENGIE also remains true to the commitments made under the global agreement on fundamental rights, social dialogue and sustainable development signed in 2010. The renewal of the diversity label in 2017 in France (first obtained in 2014) and the signing of the International Labor Organization's (ILO) Disability Charter in 2016 are two concrete examples of the Group's commitment to diversity.

3.4.6 Health and safety policy

3.4.6.1 Results

In line with several years of steady progress, performance in terms of frequency and severity of accidents to Group employees continued to improve in 2017. The rates of accidents at work were as follows:

- frequency rate of 3.3 for accidents with lost time for Group employees, below the maximum target (FR < 3.6 at end-2017) over a reporting scope that broadened as of January 1, 2016 compared to previous years to include all activities under ENGIE's operational management, regardless of financial consolidation method. On a like-for-like basis, the figure was down by 60% compared with 2008 and by 8% compared with 2016;
- severity rate of 0.20, worsening slightly compared to last year (0.18).

The number of fatal accidents at work (Group employees, temporary workers and subcontractors), over this same operational management reporting scope, decreased compared to 2016, six in total, down from 13 in 2016. In the field of occupational health, the number of new cases of occupational illness fell to 76 in 2017, down from 100 in 2016 and 122 in 2015.

3.4.6.2 Targets and implemented progress actions

Targets set for the period 2016-2020 focus on eliminating serious and fatal accidents, including identifying and dealing with HIPOS ("High Potential of Severe Events"), controlling industrial risks, reducing workplace accidents, reducing absenteeism for medical reasons, and developing a health and safety culture and commitment for employees, managers and also subcontractors.

These areas of progress and their impact on the Group's occupational and industrial health and safety performance are monitored by the Board of Directors, the Ethics, Environment and Sustainable Development Committee, and the Executive Committee. The Group Health and Safety Agreement, signed in 2010, is monitored by a special committee which includes employee representatives.

Health and safety performance is reported via a quarterly specific memo from the Chief Executive Officer to senior management that highlights successes as well as areas of improvement, which must be taken care of. This information is also provided to all employees through the Group's various health and safety communications by the Health and Safety and Human Resources segments. In 2017, all analyses of fatal workplace accidents were presented to the Executive Committee and the Ethics, Environment and Sustainable Development Committee.

The management mechanism

The key principles of the Group's health and safety policy are set out in Group agreements signed by the Chairman and Chief Executive Officer, and by all employee representatives (on February 23, 2010 for the European agreement on occupational health and safety, and on May 13, 2014 for the global agreement on occupational health and safety).

The Group's Health and Safety Rules set out the minimum standards and requirements that apply within the Group. As part of its action plan to eradicate fatal accidents, the Group has defined nine "Life-Saving Rules", which constitute the last guardrail before a serious or fatal accident, if all the others have not worked. The Group's firm determination to eradicate fatal accidents led it to revise the Group rule on health and safety in projects and acquisitions and the rule on relationships between principals and contractors. In addition, the Subcontractor Observatory set up in 2016 continued its work to identify, test and implement the most effective levers of action to achieve the objectives that the Group has set itself in this area.

In 2017, a new action program was launched to reinforce the safety culture among everyone, with a focus on preventing serious and fatal accidents. The program is called “No Life at Risk”. The aim of this program is to give new momentum to the implementation of health and safety policies and practices.

Regular audits were conducted by the Group Health and Safety Department on the entities’ health and safety management systems by the Audit Department on specific issues and by the Insurance Department on the risk of fire and machine breakdown that could impact our industrial assets.

In 2017, the Group set up a supplementary practice to ensure that Group policies and rules are properly implemented and that best practices are shared, in the form of “Safety Inspections”. These inspections allow an in-depth examination of a particular aspect of the health and safety management policies implemented by the BUs, subsidiaries and entities.

In line with the ERM process, the level of control of health and safety risks was again evaluated by line managers and by the Group Health and Safety Department.

Periodic updates and annual reviews were carried out with each BU to assess the effectiveness of the actions implemented and, specifically in 2017, to assess their ability to identify and deal with HIPOS (“High Potential of Severe Events”), as part of the zero fatal accidents plan.

The incorporation of health and safety issues into the performance assessment was strengthened.

Training

Substantial investments were made in training in 2017: 32% of the total number of training hours delivered were devoted to quality, safety and the environment (QSE), and nearly 1,300 managers received Group training in health and safety leadership, set up by the Group Health and Safety Department in conjunction with ENGIE University, around 20% more than in 2016.

A digital learning platform was set up for all employees to develop and share a common safety culture. This allowed managers who received Health and Safety Leadership training to deepen their knowledge.

A special half-day awareness module in Health and Safety Leadership was developed for members of the BU management committees. This module was rolled out to the 24 BUs and at Group Corporate level.

Raising awareness and sharing practices

A range of measures are used to strengthen the health and safety culture of each Group employee and raise their commitment about their own health and safety and that of others.

The two highlights of the year are in April during World Day for Safety and Health at Work and during European Health and Safety Week. The Group’s 2017 annual health and safety awareness campaign focused in 2017 on a fundamental practice, to be implemented by each employee and subcontractor of the Group, stating the absolute necessity to “stop the work” if safety conditions are not met. Other awareness campaigns were rolled out by the BUs and the subsidiaries, with respect to the most significant risks generated by their activities.

Digital media were used extensively to coordinate the health and safety segment, including a SharePoint portal (a shared space for exchange), a health and safety video channel, organization of thematic monthly webinars, and sharing of feedback on fatal accidents. A weekly newsletter, Prevention News, covering most of the exchanges with the 24 BUs, was sent out to the entire health and safety segment. This document enables information on all accidents, significant hazardous situations and HIPOS (“High Potential of Severe Events”), reported by the BUs to be shared Group-wide.

Finally, the Group promotes sharing practical solutions through networks such as specialist clubs, communities of practices and topical discussion groups on Yammer, the Group’s social network.

3.4.6.3 Dialogue with social partners

In 2017, dialogue with employee representatives and trade unions continued both at the Group level, with global and European bodies, and at the local and business-line level, and mainly covered Group health and safety agreements. Monitoring committees for the various collective agreements signed at Group level met in 2017 to review the implementation of these commitments.

3.4.7 Social data

3.4.7.1 Note on methodology of social indicators

1 Tool

The social indicators are derived from Group social reporting (GSR). They are set out in a shared Group database (which may be viewed on request).

The collection, processing and reporting of data entered by the local legal entities, subsidiaries of the ENGIE Group, is carried out in the Magnitude financial consolidation application, in accordance with the IFRS financial scope.

The indicators published in this report relate to fully consolidated companies, whose capital and management are under the control of ENGIE.

The social indicators are fully consolidated, regardless of the percentage of the company’s capital owned.

2 Scope of reporting

A reporting percentage is attached to each indicator, according to the workforce covered. Some missing or inconsistent data are omitted from the report.

The Africa BU is reported on for the first time and only for data relating to the workforce and flows.

The data for the GTT BU have not been included. The workforce reported as at 12/31/Y is the 2016 workforce.

Lastly, regarding the UK BU, the data for Keepmoat only reflect events in the last quarter of 2017.

3 Consolidation methods

The indicators for this report are consolidated using clearly defined procedures and criteria.

Data on the organization's scope, employee turnover, working conditions, training and safety were consolidated by aggregation.

4 Internal control

The social data are successively consolidated and verified by each operational entity and by each BU, before reaching the Group HRD level.

5 Grenelle 2 Law

Social information pursuant to Article R. 225-105 of the French Commercial Code are detailed in Sections 3.1 and 3.2, and a correspondence table showing the sections of this registration document is provided in Appendix B. The table of indicators also refers to the information required by the implementation decree.

6 Additional information on some indicators

a) Employment

The Group data comprise figures from the 25 BUs, grouped into 10 operating segments.

Administrative employees are recognized under "senior technicians and supervisors."

Note that Belgium does not declare any "manual workers, clerical staff and technicians," according to practices in the energy segment (Electrabel), as contractually, unskilled or low-skilled workers have employee status. This might cause some underestimation of this category.

The French concept of cadres (managerial staff) is sometimes difficult to understand in other countries. This can lead to a slight underestimation of the number of managerial staff because some entities may take only their senior management into account.

b) Staff changes

As of 2017, indicators in this section are calculated on a current scope basis, i.e. the fully consolidated reporting entities included in the scope of consolidation at 12/31/Y.

The lay-offs indicator does not include contractual terminations.

c) Diversity and equal opportunity

The declared percentage of people with disabilities provides the best possible information on the inclusion of people with disabilities. We do not consider it relevant to provide a reporting percentage for this indicator, since some entities are unable to gather information due to local regulatory restrictions.

d) Career development

The professional training indicators provided in this document do not take e-learning into account.

When all data cannot be provided within the timelines, the most recent are provided as well as a forecast of the missing data for year-end.

e) Organization of working time

The working hours of personnel within the Group companies are organized within the legal framework for working time, which varies from country to country.

Days of absence per person are calculated according to the Group convention of eight hours of work per day.

f) Compensation

Group policy is to offer everyone compensation that is personalized, fair and competitive on the market, and which reflects the performance and level of responsibility of each person.

The compensation indicator is the ratio of the gross average salary in the "manual workers, clerical staff and technicians" category as a proportion of the national legal minimum wage. This ratio enables assessment of the relative average national salaries of full-time manual workers, clerical staff and technicians.

The average gross salary is obtained by dividing the annual gross salary by the average monthly full-time equivalent (FTE) workforce.

The restitution rate mainly depends on the existence and availability of a legal minimum wage. Overall, it is close to 80%. Note that this ratio is not calculated for Belgium, which has not declared any "manual workers, clerical staff and technicians." Legal minimum wage data for 2017 are provided by Eurostat.

Changes in payroll costs are also provided in Section 6.4.4. In addition, changes in personnel expenses can be found in Section 6.4.4 " Five-year financial summary".

3.4.7.2 Social data

	Grenelle 2 Law	GRI	Group 2017	Group 2016	Group 2015	E&P 2017	E&P 2016	E&P 2015
EMPLOYMENT								
Total workforce ■■	**1.A**	**LA1**	**155,128**	**153,090**	**154,935**	**1,426**	**1,702**	**1,860**
Workforce by geographic region ■■	**1.A**	**LA1**						
France	1.A	LA1	72,589	72,651	73,951	172	278	331
Belgium	1.A	LA1	16,658	16,697	16,950	0		
Other European countries	1.A	LA1	45,266	43,946	44,517	1,212	1,379	1,485
Total Europe	1.A	LA1	134,513	133,294	135,418	1,384	1,657	1,816
North America	1.A	LA1	4,903	4,350	4,150	0		
South America	1.A	LA1	6,147	6,256	6,590	0		
Asia - Middle East - Oceania	1.A	LA1	8,858	8,813	8,668	9	10	11
Africa	1.A	LA1	707	377	109	33	35	33
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Breakdown of workforce by SPC	**1.A**	**LA1**						
Managers ■■	1.A	LA1	37,191	35,587	36,245	489	608	657
Non-managers ■■	1.A	LA1	117,937	117,503	118,690	937	1,094	1,203
% Managers	1.A		24.0%	23.2%	23.4%	34.3%	35.7%	35.3%
% Non-managers	1.A		76.0%	76.8%	76.6%	65.7%	64.3%	64.7%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Breakdown of workforce by type of contract	**1.A**	**LA1**						
Permanent ■■	1.A	LA1	93.3%	93.4%	93.6%	98.2%	97.2%	96.2%
Other borrowings and debt ■■	1.A	LA1	6.7%	6.6%	6.4%	1.8%	2.8%	3.8%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Age pyramid of permanent employees ■■	**1.A**	**LA1**						
Under 25 years old	1.A	LA1	3.1%	3.1%	3.3%	0.3%	0.4%	0.8%
25-29 yrs old	1.A	LA1	9.5%	9.7%	10.1%	3.9%	5.4%	6.2%
30-34 yrs old	1.A	LA1	13.5%	13.7%	13.8%	10.1%	10.6%	12.6%
35-39 yrs old	1.A	LA1	14.6%	14.3%	14.0%	13.3%	15.1%	14.4%
40-44 yrs old	1.A	LA1	13.5%	13.6%	13.8%	14.3%	14.4%	15.4%
45-49 yrs old	1.A	LA1	14.7%	14.6%	14.6%	15.8%	14.9%	13.5%
50-54 yrs old	1.A	LA1	14.2%	14.1%	14.1%	15.5%	13.9%	12.9%
55-59 yrs old	1.A	LA1	11.5%	11.4%	11.2%	14.9%	15.0%	14.9%
60-64 yrs old	1.A	LA1	4.6%	4.6%	4.4%	10.6%	9.9%	8.6%
65 and +	1.A	LA1	0.9%	0.9%	0.8%	1.1%	0.6%	0.6%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Female workforce ■■	**1.F**	**LA13**	**34 378**	**33 529**	**33 529**	**305**	**394**	**457**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Diversity and equal opportunitY								
Proportion of women in workforce ■■	**1.F**	**LA13**	**22.2%**	**21.9%**	**21.6%**	**21.4%**	**23.2%**	**24.6%**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Proportion of women in management ■■	**1.F**	**LA13**	**22.9%**	**22.8%**	**22.0%**	**22.3%**	**22.5%**	**23.7%**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Proportion of apprentices in workforce	**1.F**	**LA1**	**2.9%**	**2.8%**	**2.6%**	**0.8%**	**1.4%**	**1.3%**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The 2015 and 2016 flows are calculated on a like-for-like basis.
■■ *Reasonable assurance for financial year (FY) 2017.*

	Group excl. E&P			North America		
	2017	2016	2015	2017	2016	2015
	153,702	151,388	153,075	3,770	3,635	3,402
	72,417	72,373	73,620	0		
	16,658	16,697	16,950	0		
	44,054	42,567	43,032	0	61	
	133,129	131,637	133,602	0	61	0
	4,903	4,350	4,150	3,770	3,574	3,402
	6,147	6,256	6,590	0		
	8,849	8,803	8,657	0		
	674	342	76	0		
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	36,702	34,979	35,588	893	1,050	919
	117,000	116,409	117,487	2,877	2,585	2,483
	23.9%	23.1%	23.2%	23.7%	28.9%	27.0%
	76.1%	76.9%	76.8%	76.3%	71.1%	73.0%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	93.2%	93.4%	93.5%	99.2%	90.3%	96.0%
	6.8%	6.6%	6.5%	0.8%	9.7%	4.0%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	3.1%	3.2%	3.4%	5.6%	4.1%	4.2%
	9.5%	9.8%	10.1%	13.4%	11.7%	10.7%
	13.5%	13.7%	13.8%	14.6%	14.0%	12.7%
	14.6%	14.3%	14.0%	14.7%	14.9%	14.9%
	13.5%	13.6%	13.7%	12.5%	13.8%	13.4%
	14,6%	14.6%	14.6%	11.9%	12.2%	12.6%
	14.1%	14.1%	14.1%	10.8%	11.0%	12.6%
	11,5%	11.3%	11.2%	9.2%	10.6%	10.7%
	4.6%	4.5%	4.3%	5.2%	5.8%	6.0%
	0,9%	0,9%	0,8%	2,1%	2,0%	2,4%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	34,073	**33,135**	**33,072**	**1,256**	**1,192**	**1,153**
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	22.2%	**21.9%**	**21.6%**	**33.3%**	**32.8%**	**33.9%**
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	22.9%	**22.8%**	**21.9%**	**30.8%**	**32.6%**	**30.3%**
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	2.9%	**2.8%**	**2.6%**	**0.0%**	**0.0%**	**0.0%**
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

			Group			E&P		
	Grenelle 2 Law	GRI	2017	2016	2015	2017	2016	2015
Proportion of disabled employees	1.F		2.0%	2.1%	2.1%	1.9%	1.8%	1.8%
Employees under 25 as a % of permanent hires	1.F		15.7%	17.6%	18.0%	22.7%	0.0%	5.1%
Employees over 50 as a % of permanent hires	1.F		14.3%	12.6%	12.1%	13.6%	14.3%	11.0%
Staff and job movement								
No. of permanent hires	1.A	LA2	14,339	12,058	10,974	22	14	137
No. of fixed-term hires	1.A	LA2	9,499	9,190	7,713	9	17	27
Hiring rate	1.A	LA2	15.6%	14.0%	12.4%	2.0%	1.8%	8.8%
% reporting			99.07%	100.00%	99.42%	100.00%	100.00%	100.00%
Permanent hiring rate	1.A	LA2	60.2%	56.7%	58.7%	71.0%	45.2%	83.5%
% reporting			99.07%	100.00%	99.42%	100.00%	100.00%	100.00%
Number of lay-offs	1.A		4,204	3,866	3,342	5	12	4
% reporting			99.07%	100.00%	99.42%	100,00%	100.00%	100.00%
Turnover	1.A	LA2	8.4%	7.8%	7.1%	7.3%	4.3%	2.5%
% reporting			99.07%	100.00%	99.42%	100.00%	100.00%	100.00%
Voluntary turnover	1.A	LA2	4.8%	4,4%	4.1%	1.9%	1.1%	1.7%
% reporting			99.07%	100.00%	99.42%	100.00%	100.00%	100.00%
Career development								
Proportion of workforce trained ■■	1.E	LA10	67.7%	65.6%	64.0%	61.0%	57.9%	70.5%
% reporting			97.57%	97.88%	97.43%	100.00%	100.00%	100.00%
Proportion of women in trained workforce	1.E	LA10	17.6%	16.8%	16.7%	23.6%	16.8%	23.3%
% reporting			97.57%	97.88%	97.43%	100.00%	100.00%	100,.0%
Proportion of managers and non-managers in trained workforce:	1.E	LA10						
Managers	1.E	LA10	24.6%	22.8%	24.0%	41.3%	24.0%	34.5%
Non-managers	1.E	LA10	75.4%	77.2%	76.0%	58.7%	76.0%	65.5%
% reporting			97.57%	97.88%	97.43%	100.00%	100.00%	100.00%
Total no. of training hours	1.E	LA10	3,082 644	3,039 026	2,971 607	24,648	33,129	51,863
% reporting			97.57%	97.88%	97.39%	100.00%	100.00%	100.00%
Hours of training by topic	1.E	LA10						
Business techniques			45.2%	44.2%	44.3%	26.8%	23.3%	41.6%
Quality, safety and environment			31.7%	30.2%	30.3%	55.9%	59.0%	25.2%
Languages			2.9%	3.4%	4.1%	1.1%	5.6%	10.1%
Management and personnel development			13.0%	13.8%	12.8%	2,6%	3.0%	11.1%
Other borrowings and debt			7.1%	8.5%	8.5%	13.7%	9.1%	12.1%
% reporting			97.57%	97.88%	97,39%	100.00%	100.00%	100.00%
No. of training hours per person trained	1.E	LA10	30	31	31	26	32	40
% reporting			97.57%	97.88%	96.76%	100.00%	100.00%	80.72%
No. of training hours per woman trained	1.F	LA10	27	28	27	21	28	38
% reporting			97.57%	97.88%	97.39%	100.00%	100.00%	100.00%
Training expenses per hour of training *(€)*	1.E	LA10	34	33	36	107	34	53
% reporting			97.57%	97.86%	96.76%	100.00%	100.00%	80.72%

The 2015 and 2016 flows are calculated on a like-for-like basis.

■■ *Reasonable assurance for financial year (FY) 2017.*

	Group excl. E&P			North America		
	2017	2016	2015	**2017**	2016	2015
	2.0%	**2.1%**	**2.1%**	**0.0%**	**0.0%**	**0.6%**
	15.7%	**17.7%**	**18.1%**	**10.2%**	**14.1%**	**16.1%**
	14.3%	**12.6%**	**12.1%**	**23.8%**	**17.1%**	**17.7%**
	14,317	**12,044**	**10,837**	**886**	**680**	**572**
	9,490	**9.173**	**7,686**	**31**	**356**	**154**
	15.7%	**14.1%**	**12.4%**	**40.3%**	**28.7%**	**21.0%**
	99.07%	100.00%	99.41%	61.59%	100.00%	100.00%
	60.1%	**56.8%**	**58.5%**	**96.6%**	**65.6%**	**78.8%**
	99.07%	100.00%	99.41%	61.59%	100.00%	100.00%
	4,199	**3,854**	**3,338**	**572**	**189**	**213**
	99.07%	100.00%	99.41%	61.59%	100.00%	100.00%
	8.4%	**7.9%**	**7.2%**	**21%**	**19.3%**	**17.6%**
	99.07%	100.00%	99.41%	61.59%	100.00%	100.00%
	4.8%	**4.5%**	**4.1%**	**8.5%**	**13.6%**	**11.4%**
	99.07%	100.00%	99.41%	61.59%	100.00%	100.00%
	67.8%	**65.7%**	**63.9%**	**98.4%**	**53.4%**	**68.6%**
	97.54%	97.86%	97.40%	17.95%	28.77%	19.97%
	17.6%	**16.8%**	**16.6%**	**5.5%**	**25.7%**	**14.8%**
	97.54%	97.86%	97.40%	17.95%	28.77%	19.97%
	24.5%	22.8%	23.8%	7.7%	22.4%	13.9%
	75.5%	77.2%	76.2%	92.3%	77.6%	86.1%
	97.54%	97.86%	97.40%	17.95%	28.77%	19.97%
	3,057 996	**3,005 897**	**2,919 744**	**10,541**	**9,797**	**7,457**
	97.54%	97.86%	97.36%	17.95%	28.77%	19.97%
	45.4%	44.4%	44.3%	50.1%	12.3%	16.0%
	31.5%	29.9%	30.4%	39.0%	21.1%	31.9%
	2.9%	3.3%	4.0%	0.0%	2.8%	0.0%
	13.1%	13.9%	12.9%	2.8%	3.8%	8.6%
	7.1%	8.5%	8.5%	8.0%	60.1%	43.5%
	97.54%	97.86%	97.36%	17.95%	28.77%	19.97%
	31	**31**	**31**	**16**	**17**	**16**
	97.54%	97.86%	97.36%	17.95%	28.77%	19.97%
	27	**28**	**26**	**29**	**13**	**20**
	97.54%	97.86%	97.36%	17.95%	28.97%	19.97%
	33	**33**	**35**	**12**	**31**	**37**
	97.54%	97.84%	96.95%	17.95%	27.83%	19.97%

			Group			E&P		
			2017	**2016**	**2015**	**2017**	**2016**	**2015**
Training expenses per person trained *(€)*	1.E	LA10	1,036	1,000	1,093	2,800	1,083	2,100
% reporting			97.57%	97.86%	96.76%	100.00%	100.00%	80.72%
WORKING CONDITIONS								
Days of absence per person	1.B	LA7	12	12	12	17	12	12
% reporting			98.32%	99.06%	100.00%	100.00%	100.00%	100.00%
Overtime	1.B	LA7	3.0%	3.2%	3.0%	1.9%	1.6%	1.8%
% reporting			98.62%	99.95%	100.00%	0.00%	100.00%	100.00%
Health and safety data								
Number of accidental deaths (employees)			**1**	**4**	**4**	**0**	**0**	**0**
% reporting			100%	100%		100%	100%	
Frequency rate			**3,30**	**3,55**	**3,6**	**1,12**	**0,35**	**0,67**
% reporting			99.08%	100%		100%	100%	
Severity rate (French benchmark)			**0,20**	**0,18**	**0,17**	**0,02**	**0,00**	**0,07**
% reporting			99.08%	90%		100%	100%	
Severity rate (ILO benchmark)			**0,13**	**0,13**	**0,11**	**0,02**	**0,00**	**0,05**
% reporting			99.08%	100%		100%	100%	
Number of new cases of occupational illness			**76**	**100**	**122**	**0**	**0**	**0**
% reporting			89%	100%	100%	100%	100%	100%
Compensation	**1.A**							
Average salary of manual workers, clerical staff and technicians compared with national minimum wage		Legal annual minimum wage in 2017 in €	2017	2016	2015	2017	2016	2015
France		17,763	NS	NS	NS			
Belgium		18,751						
Spain		9,908						
Netherlands		18,619				4.92	4.42	4.60
United Kingdom		16,763						
Luxembourg		23,983						
Romania		3,822						
Poland		5,679						
Czech Republic		5,039						
Hungary		4,952						
Slovakia		5,220						
Portugal		7,798						
Greece		8,205						
Germany		17,976				3.31	3.37	
Turkey		5,315						
United States		13,214						
% reporting						80.37%	81.43%	80.34%

The 2015 and 2016 flows are calculated on a like-for-like basis.
■■ *Reasonable assurance for financial year (FY) 2017.*

	Group excl. E&P			North America		
	2017	**2016**	**2015**	**2017**	**2016**	**2016**
	1,019	999	1,080	199	542	575
	97.54%	97.84%	96.95%	17.95%	27.83%	19.97%
	12	**12**	**12**	**6**	**7**	**5**
	98.30%	99.05%	100%	48.92%	62.76%	100%
	3.0%	**3.2%**	**3.1%**	**4.4%**	**4.6%**	**5.0%**
	98.61%	99.95%	100%	61.59%	100%	100%
	1	**4**	**4**	**0**	**0**	**1**
	100%	100%	100%	100%	100%	
	3.32	**3.50**	**3.60**	**0.69**	**1.70**	**2.97**
	100%	100%	100%	65%	100%	
	0.21	**0.19**	**0.17**	**0.08**	**0.09**	**0.24**
	100%	100%	100%	65%	100%	
	0.13	**0.13**	**0.11**	**0.01**	**0.04**	**0** **0.14**
	100%	100%	100%	65%	100%	
	76	**100**	**122**	**2**	**1**	**7**
	100%	100%	100%	100%	100%	100%
	2017	2016	2015	2017	2016	2015
	NS	NS	NS			
					1.44	
				2.39	4.55	4.55
				2.43%	1.86%	68.78%

	Grenelle 2 Law	GRI	Latin America 2017	Latin America 2016	Latin America 2015	Africa/Asia 2017	Africa/Asia 2016	Africa/Asia 2015
Employment								
Total workforce■■	**1.A**	**LA1**	**6,446**	**6,413**	**6,570**	**6,510**	**6,166**	**5,957**
Workforce by geographic region■■	**1.A**	**LA1**						
France	1.A	LA1	0			14		
Belgium	1.A	LA1	0			0		
Other European countries	1.A	LA1	0			0		
Total Europe	1.A	LA1	0	0	0	14	0	0
North America	1.A	LA1	844	740	723	0		
South America	1.A	LA1	5,602	5,673	5,847	0		
Asia - Middle East - Oceania	1.A	LA1	0			6,187	6,166	5,957
Africa	1.A	LA1	0			309		
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Breakdown of workforce by SPC	**1.A**	**LA1**						
Managers■■	1.A	LA1	1,016	973	1,202	1,335	1,152	1,163
Non-managers■■	1.A	LA1	5,430	5,440	5,368	5,175	5,014	4,794
% Managers	1.A		15.8%	15.2%	18.3%	20.5%	18.7%	19.5%
% Non-managers	1.A		84.2%	84.8%	81.7%	79.5%	81.3%	80.5%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Breakdown of workforce by type of contract	**1.A**	**LA1**						
Permanent■■	1.A	LA1	92.6%	94.3%	92.5%	87.2%	88.3%	89.0%
Other borrowings and debt■■	1.A	LA1	7.4%	5.7%	7.5%	12.8%	11.7%	11.0%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Age pyramid of permanent employees■■	**1.A**	**LA1**						
Under 25 years old	1.A	LA1	4.4%	6.2%	6.4%	3.5%	4.4%	4.0%
25-29 yrs old	1.A	LA1	14.5%	14.8%	14.3%	14.6%	14.2%	14.2%
30-34 yrs old	1.A	LA1	18.3%	17.9%	16.9%	18.5%	16.4%	15.5%
35-39 yrs old	1.A	LA1	18.3%	18.0%	19.6%	16.2%	15.3%	15.4%
40-44 yrs old	1.A	LA1	14.2%	13.6%	12.4%	14.6%	14.8%	16.6%
45-49 yrs old	1.A	LA1	11.0%	10.4%	10.8%	13.3%	12.9%	13.4%
50-54 yrs old	1.A	LA1	9.5%	9.5%	9.3%	8.9%	10.2%	10.1%
55-59 yrs old	1.A	LA1	5.7%	5.6%	6.0%	6.8%	7.4%	7.6%
60-64 yrs old	1.A	LA1	3.3%	3.0%	3.2%	3.0%	3.7%	2.7%
65 and +	1.A	LA1	0.8%	1.0%	1.2%	0.6%	0.9%	0.4%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Female workforce■■	**1.F**	**LA13**	**1,118**	**1,032**	**977**	**1,010**	**921**	**828**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Diversity and equal opportunity								
Proportion of women in workforce■■	**1.F**	**LA13**	**17.3%**	**16.1%**	**14.9%**	**15.5%**	**14.9%**	**13.9%**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Proportion of women in management■■	**1.F**	**LA13**	**17.3%**	**17.6%**	**14.5%**	**20.4%**	**18.7%**	**16.6%**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Proportion of apprentices in workforce	**1.F**	**LA1**	**2.1%**	**0.1%**	**0.4%**	**1.4%**	**2.4%**	**0.4%**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The 2015 and 2016 flows are calculated on a like-for-like basis.

■■ *Reasonable assurance for financial year (FY) 2017.*

	Benelux			France		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
	20,885	20,915	19,325	52,478	53,814	54,483
	92	95	101	49,685	50,968	51,962
	13,230	13,287	11,162	0		
	7,331	7,497	8,037	530	542	498
	20,653	20,879	19,300	50,215	51,510	52,460
	232	36	25	0		
	0			8	22	22
	0			1,890	1,940	1,925
	0			365	342	76
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	4,579	4,585	3,772	11,758	12,039	11,692
	16,306	16,330	15,553	40,720	41,775	42,791
	21.9%	21.9%	19.5%	22.4%	22.4%	21.5%
	78.1%	78.1%	80.5%	77.6%	77.6%	78.5%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	96.9%	97.0%	96.1%	91.9%	92.3%	92.5%
	3.1%	3.0%	3.9%	8.1%	7.7%	7.5%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	3.2%	3.2%	3.3%	3.0%	2.9%	3.3%
	8.2%	8.5%	8.5%	10.4%	10.8%	11.3%
	12.0%	13.0%	13.0%	14.5%	14.8%	15.1%
	14.1%	13.5%	13.2%	15.4%	14.9%	14.5%
	12.1%	12.3%	13.1%	13.4%	13.8%	13.9%
	14.9%	15.6%	16.1%	14.5%	14.7%	14.5%
	15.6%	15.0%	14.2%	14.5%	14.3%	14.1%
	12.7%	12.3%	11.9%	11.4%	11.1%	10.7%
	6.9%	6.3%	6.5%	2.8%	2.6%	2.5%
	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	2,858	2,905	2,639	8,551	9,205	9,212
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	13.7%	13.9%	13.7%	16.3%	17.1%	16.9%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	12.3%	12.1%	11.2%	21.1%	21.2%	20.7%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	0.4%	0.4%	0.5%	4.8%	4.6%	4.5%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

3

			Latin America			Africa/Asia		
			2017	2016	2015	2017	2016	2015
Proportion of disabled employees	**1.F**		**0.5%**	**1.2%**	**1.2%**	**0.2%**	**0.2%**	**0.2%**
Employees under 25 as a % of permanent hires	**1.F**		**13.9%**	**14.9%**	**20.6%**	**13.3%**	**25.3%**	**17.8%**
Employees over 50 as a % of permanent hires	**1.F**		**5.1%**	**7.2%**	**5.3%**	**9.5%**	**5.7%**	**8.6%**
Staff and job movement								
No. of permanent hires	**1.A**	**LA2**	**1,199**	**1,284**	**705**	**677**	**435**	**827**
No. of fixed-term hires	**1.A**	**LA2**	**1,464**	**1,309**	**297**	**311**	**236**	**306**
Hiring rate	**1.A**	**LA2**	**41.3%**	**40.1%**	**23.2%**	**15.2%**	**13.3%**	**19.4%**
% reporting			100.00%	100.00%	83.15%	100.00%	100.00%	100.00%
Permanent hiring rate	**1.A**	**LA2**	**45.0%**	**49.5%**	**70.4%**	**68.5%**	**64.8%**	**73.0%**
% reporting			100.00%	100.00%	83.15%	100.00%	100.00%	100.00%
Number of lay-offs	**1.A**		**869**	**893**	**473**	**372**	**46**	**43**
% reporting			100.00%	100.00%	83.15%	100.00%	100.00%	100.00%
Turnover	**1.A**	**LA2**	**21.7%**	**20.4%**	**18.3%**	**13.6%**	**9.5%**	**9.3%**
% reporting			100.00%	100.00%	83.15%	100.00%	100.00%	100.00%
Voluntary turnover	**1.A**	**LA2**	**7.5%**	**6.2%**	**7.3%**	**7.5%**	**8.4%**	**8.4%**
% reporting			100.00%	100.00%	83.15%	100.00%	100.00%	100.00%
Career development								
Proportion of workforce trained■■	**1.E**	**LA10**	**72.7%**	**75.3%**	**75.6%**	**73.1%**	**77.4%**	**84.5%**
% reporting			100.00%	100.00%	100.00%	95.06%	99.37%	97.87%
Proportion of women in trained workforce	**1.E**	**LA10**	**18.8%**	**14.5%**	**14.5%**	**16.2%**	**14.2%**	**12.9%**
% reporting			100.00%	100.00%	100.00%	95.06%	99.37%	97.87%
Proportion of managers and non-managers in trained workforce:	**1.E**	**LA10**						
Managers	1.E	LA10	19.0%	15.2%	20.5%	22.0%	18.9%	18.2%
Non-managers	1.E	LA10	81.0%	84.8%	79.5%	78.0%	81.1%	81.8%
% reporting			100.00%	100.00%	100.00%	95.06%	99.37%	97.87%
Total no. of training hours	**1.E**	**LA10**	**147,670**	**179,573**	**188,842**	**220,215**	**215,940**	**218,560**
% reporting			100.00%	100.00%	100.00%	95.06%	99.37%	97.87%
Hours of training by topic	**1.E**	**LA10**						
Business techniques			41.1%	41.3%	38.3%	59.3%	57.9%	51.1%
Quality, safety and environment			26.7%	29.9%	24.1%	25.6%	29.4%	31.6%
Languages			7.8%	8.7%	7.2%	1.5%	2.9%	4.1%
Management and personnel development			13.2%	9.1%	27.7%	7.2%	5.5%	7.6%
Other borrowings and debt			11.2%	10.9%	2.7%	6.4%	4.3%	5.5%
% reporting			100.00%	100.00%	100.00%	95.06%	99.37%	97.87%
No. of training hours per person trained	**1.E**	**LA10**	**31**	**37**	**38**	**49**	**46**	**45**
% reporting			100.00%	100.00%	100.00%	95.06%	99.37%	97.14%
No. of training hours per woman trained	**1.F**	**LA10**	**31**	**39**	**34**	**29**	**27**	**28**
% reporting			100.00%	100.00%	100.00%	95.06%	99.37%	97.87%
Training expenses per hour of training *(€)*	**1.E**	**LA10**	**14**	**22**	**23**	**14**	**15**	**39**
% reporting			100.00%	100.00%	100.00%	95.06%	99.37%	97.14%

The 2015 and 2016 flows are calculated on a like-for-like basis.
■■ *Reasonable assurance for financial year (FY) 2017.*

	Benelux			France		
	2017	2016	2015	2017	2016	2015
	0.4%	0.3%	0.4%	3.6%	3.8%	3.6%
	19.4%	20.9%	20.8%	18.8%	19.6%	21.3%
	16.8%	9.4%	9.3%	8.8%	8.0%	8.0%
	1.674	1.536	1.183	4.183	3.167	2.944
	517	511	596	4.423	4.480	4.221
	10.5%	9.7%	9.1%	16.5%	14.2%	13.2%
	100%	100%	100%	100%	100%	100%
	76.4%	75.0%	66.5%	48.6%	41.4%	41.1%
	100%	100%	100%	100%	100%	100%
	311	449	441	876	911	791
	100%	100%	100%	100%	100%	100%
	6.7%	7.2%	6.5%	6.5%	5.7%	5.0%
	100%	100%	100%	100%	100%	100%
	4.0%	3.7%	2.9%	3.7%	2.8%	2.4%
	100%	100%	100%	100%	100%	100%
	73.1%	74.7%	72.3%	70.5%	71.6%	66.9%
	100%	100%	99.72%	100%	99.88%	99.21%
	12.5%	12.5%	12.5%	12.6%	14.1%	14.0%
	100%	100%	99.72%	100%	99.88%	99.21%
	22.0%	21.5%	19.9%	22.8%	21.5%	21.7%
	78.0%	78.5%	80.1%	77.2%	78.5%	78.3%
	100%	100%	99.72%	100%	99.88%	99.21%
	521,534	507,468	398,791	1,018,716	1,018,873	948,319
	100%	100%	99.72%	100%	99.88%	99.21%
	57.0%	63.2%	65.7%	36.2%	32.6%	33.6%
	29.8%	27.5%	19.9%	43.3%	40.3%	42.7%
	0.7%	0.7%	1.0%	1.8%	1.7%	2.1%
	7.2%	6.4%	6.2%	11.9%	13.0%	11.6%
	5.3%	2.3%	7.3%	6.8%	12.4%	10.0%
	100%	100%	99.72%	100%	99.88%	99.21%
	34	32	28	28	26	26
	100%	100%	99.72%	100%	99.88%	99.15%
	27	22	21	25	23	22
	100.00%	100%	99.72%	100%	99.88%	99.21%
	26	27	32	31	29	32
	100%	100%	99.72%	100%	99.88%	99.15%

			Latin America			Africa/Asia		
			2017	**2016**	**2015**	**2017**	**2016**	**2015**
Training expenses per person trained *(€)*	**1.E**	**LA10**	449	822	869	676	670	1,766
% reporting			100.00%	100.00%	100.00%	95.06%	99.37%	97.14%
Working conditions								
Days of absence per person	**1.B**	**LA7**	9	9	8	8	8	8
% reporting			100.00%	100.00%	100.00%	95.06%	100.00%	100.00%
Overtime	**1.B**	**LA7**	3.9%	8.1%	5.4%	9.0%	10.0%	10.5%
% reporting			100.00%	100.00%	100.00%	95.06%	100.00%	100.00%
Health and safety data								
Number of accidental deaths (employees)			0	0	0	0	0	0
% reporting			100%	100%		100%	100%	
Frequency rate			1.44	3.54	1.22	0.80	1.61	0.78
% reporting			100%	100%		100%	100%	
Severity rate (French benchmark)			0.02	0.05	0.02	0.04	0.06	0.01
% reporting			100%	100%		100%	100%	
Severity rate (ILO benchmark)			0.02	0.05	0.01	0.01	0.03	0.01
% reporting			100%	100%		100%	100%	
Number of new cases of occupational illness			3	1	0	0	1	0
% reporting			100%	100%	100%	100%	100%	100%
Compensation	**1.A**							
Average salary of manual workers, clerical staff and technicians compared with national minimum wage		Legal annual minimum wage in 2017 in **€**	2017	2016	2015	2017	2016	2015
France		17,763			NS			
Belgium		18,751						
Spain		9,908						
Netherlands		18,619						
United Kingdom		16,763						
Luxembourg		23,983						
Romania		3,822						
Poland		5,679						
Czech Republic		5,039						
Hungary		4,952						
Slovakia		5,220						
Portugal		7,798						
Greece		8,205						
Germany		17,976						
Turkey		5,315				3.62	3.57	4.20
United States		13,214						
% reporting			0.00%			7.78%	7.64%	8.95%

The 2015 and 2016 flows are calculated on a like-for-like basis.

■■ *Reasonable assurance for financial year (FY) 2017.*

	Benelux			France		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
	905	865	907	857	758	823
	100%	100%	99.72%	100%	99.88%	99.15%
	15	**15**	**16**	**13**	**14**	**13**
	100%	100%	100%	100%	100%	100%
	2.6%	**2.6%**	**2.6%**	**1.6%**	**1.5%**	**1.5%**
	100%	100%	100%	100%	100%	100%
	0	**0**	**0**	**1**	**3**	**1**
	100%	100%		100%	99.5%	
	2.96	**3.15**	**3.51**	**5.38**	**5.79**	**5.75**
	100%	100%		100%	99.5%	
	0.20	**0.20**	**0.16**	**0.38**	**0.36**	**0.32**
	100%	100%		100%	100%	
	0.14	**0.16**	**0.16**	**0.22**	**0.24**	**0.21**
	100%	100%		100%	100%	
	2	**3**	**1**	**68**	**92**	**110**
	100%	100%	100%	100%	100%	100%
	2017	2016	2015	2017	2016	2015
	1.67	1.71	1.74	1.50	1.48	1.47
	1.88	1.86	2.03			
	1.94	1.94	1.85			
	3.05	2.42	2.23			
	1.71	1.74	1.77			
	98.93%	98.05%	97.15%	91.71%	92.02%	92.14%

	Grenelle 2 Law	GRI	Europe excl. France & Benelux 2017	2016	2015	Infrastructures Europe 2017	2016	2015
Employment								
Total workforce■■	**1.A**	**LA1**	33,813	31,554	31,258	17,032	16,942	17,062
Workforce by geographic region■■	**1.A**	**LA1**						
France	1.A	LA1	42	35		16,809	16,714	16,837
Belgium	1.A	LA1	0			0		
Other European countries	1.A	LA1	33,771	31,519	31,258	223	228	225
Total Europe	1.A	LA1	33,813	31,554	31,258	17,032	16,942	17,062
North America	1.A	LA1	0			0		
South America	1.A	LA1	0			0		
Asia - Middle East - Oceania	1.A	LA1	0			0		
Africa	1.A	LA1	0			0		
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Breakdown of workforce by SPC	**1.A**	**LA1**						
Managers■■	1.A	LA1	4,441	3,206	4,180	4,245	4,103	3,958
Non-managers■■	1.A	LA1	29,372	28,348	27,078	12,787	12,839	13,104
% Managers	1.A		13.1%	10.2%	13.4%	24.9%	24.2%	23.2%
% Non-managers	1.A		86.9%	89.8%	86.6%	75.1%	75.8%	76.8%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Breakdown of workforce by type of contract	**1.A**	**LA1**						
Permanent■■	1.A	LA1	92.2%	92.8%	92.8%	94.3%	94.1%	94.4%
Other borrowings and debt■■	1.A	LA1	7.8%	7.2%	7.2%	5.7%	5.9%	5.6%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Age pyramid of permanent employees■■	**1.A**	**LA1**						
Under 25 years old	1.A	LA1	3.1%	3.0%	3.2%	3.91%	4.14%	4.4%
25-29 yrs old	1.A	LA1	6.9%	6.7%	7.1%	11.39%	11.69%	12.0%
30-34 yrs old	1.A	LA1	9.3%	9.2%	9.4%	15.33%	14.75%	13.6%
35-39 yrs old	1.A	LA1	11.5%	11.6%	11.9%	14.85%	14.39%	13.5%
40-44 yrs old	1.A	LA1	13.0%	13.4%	13.6%	14.52%	14.56%	14.4%
45-49 yrs old	1.A	LA1	16.4%	16.6%	16.5%	14.03%	13.08%	12.8%
50-54 yrs old	1.A	LA1	15.6%	15.3%	15.1%	13.56%	14.66%	16.3%
55-59 yrs old	1.A	LA1	13.8%	13.3%	12.8%	10.56%	10.95%	11.5%
60-64 yrs old	1.A	LA1	7.8%	8.2%	7.7%	1.79%	1.73%	1.7%
65 and +	1.A	LA1	2.6%	2.7%	2.6%	0.07%	0.04%	0.0%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Female workforce■■	**1.F**	**LA13**	**10,555**	**10,075**	**9,944**	**4,406**	**4,236**	**4,169**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Diversity and equal opportunity								
Proportion of women in workforce■■	**1.F**	**LA13**	**31.2%**	**31.9%**	**31.8%**	**25.9%**	**25.0%**	**24.4%**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Proportion of women in management■■	**1.F**	**LA13**	**21.4%**	**23.3%**	**18.1%**	**31.4%**	**30.4%**	**30.3%**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Proportion of apprentices in workforce	**1.F**	**LA1**	**1.2%**	**0.9%**	**0.9%**	**5.4%**	**5.8%**	**5.5%**
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The 2015 and 2016 flows are calculated on a like-for-like basis.
■■ Reasonable assurance for financial year (FY) 2017.

	EMT & Global LNG			Other		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
	1,474	1,456	1,449	11,294	10,493	13,569
	774	801	727	5,001	3,760	3,993
	422	439	465	3,006	2,971	5,323
	183	216	257	2,016	2,504	2,757
	1,379	1,456	1,449	10,023	9,235	12,073
	57			0		
	0			537	561	721
	38			734	697	775
	0			0		
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	1,252	1,257	1,231	7,183	6,614	7,471
	222	199	218	4,111	3,879	6,098
	84.9%	86.3%	85.0%	63.6%	63.0%	55.1%
	15.1%	13.7%	15.0%	36.4%	37.0%	44.9%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	97.3%	98.3%	98.1%	95.3%	94.9%	95.9%
	2.7%	1.7%	1.9%	4.7%	5.1%	4.1%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	0.6%	0.5%	0.4%	1.1%	0.9%	1.4%
	5.3%	8.4%	11.9%	7.1%	7.6%	8.3%
	22.2%	26.2%	27.7%	14.8%	15.9%	16.8%
	27.7%	27.3%	26.0%	16.0%	15.4%	13.8%
	20.6%	16.1%	16.2%	14.8%	13.8%	12.8%
	11.8%	9.9%	8.2%	14.9%	14.1%	13.8%
	7.1%	7.4%	5.8%	13.7%	13.8%	14.3%
	4.1%	3.4%	3.2%	11.7%	12.3%	12.9%
	0.7%	0.8%	63.0%	5.0%	5.4%	5.2%
	0.0%	0.0%	0.0%	0.9%	0.9%	0.7%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	505	**514**	**512**	**3,814**	**3,055**	**3,638**
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	34.3%	**35.3%**	**35.3%**	**33.8%**	**29.1%**	**26.8%**
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	30.4%	30.8%	31.0%	27.4%	26.5%	26.0%
	100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
	1.1%	0.5%	0.8%	2.3%	2.0%	1.6%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

3

			Europe excl. France & Benelux			Infrastructures Europe		
			2017	2016	2015	2017	2016	2015
Proportion of disabled employees	**1.F**		0.8%	0.9%	0.8%	3.4%	3.5%	3.3%
Employees under 25 as a % of permanent hires	**1.F**		12.4%	13.8%	13.2%	29.4%	29.8%	23.2%
Employees over 50 as a % of permanent hires	**1.F**		22.8%	21.8%	20.2%	4.4%	2.9%	7.6%
Staff and job movement								
No. of permanent hires	1.A	LA2	4,144	3,502	2,921	742	799	920
No. of fixed-term hires	1.A	LA2	1,783	1,330	1,122	586	600	635
Hiring rate	1.A	LA2	18.4%	15.5%	12.9%	7.8%	8.2%	9.3%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Permanent hiring rate	1.A	LA2	69.9%	72.5%	72.3%	55.9%	57.1%	59.2%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Number of lay-offs	1.A		925	902	1,042	23	19	4
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Turnover	1.A	LA2	12.2%	11.9%	11.9%	0.7%	0.7%	2.0%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Voluntary turnover	1.A	LA2	8.7%	8.4%	7.8%	0.5%	0.6%	1.9%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Career development								
Proportion of workforce trained■■	1.E	LA10	53.0%	44.7%	41.2%	75.2%	72.9%	70.5%
% reporting			100.00%	100.00%	99.62%	100.00%	100.00%	100.00%
Proportion of women in trained workforce	1.E	LA10	21.8%	21.2%	20.0%	21.4%	21.2%	19.9%
% reporting			100.00%	100.00%	99.62%	100.00%	100.00%	100.00%
Proportion of managers and non-managers in trained workforce:	**1.E**	**LA10**						
Managers	1.E	LA10	18.8%	13.4%	17.3%	20.4%	21.8%	19.8%
Non-managers	1.E	LA10	81.2%	86.6%	82.7%	79.6%	78.2%	80.2%
% reporting			100.00%	100.00%	99.62%	100.00%	100.00%	100.00%
Total no. of training hours	1.E	LA10	407,738	389,697	337,038	531,107	496,411	445,408
% reporting			100.00%	100.00%	99.88%	100.00%	100.00%	100.00%
Hours of training by topic	**1.E**	**LA10**						
Business techniques			42.8%	43.7%	39.9%	51.5%	46.5%	46.4%
Quality, safety and environment			31.7%	27.3%	30.0%	18.6%	16.2%	22.8%
Languages			6.2%	7.2%	9.3%	1.5%	1.6%	1.7%
Management and personnel development			11.0%	15.5%	13.7%	23.1%	27.6%	18.7%
Other borrowings and debt			8.2%	6.3%	7.1%	5.3%	8.2%	10.4%
% reporting			100.00%	100.00%	99.88%	100.00%	100.00%	100.00%
No. of training hours per person trained	1.E	LA10	24	28	26	42	40	38
% reporting			100.00%	100.00%	98.69%	100.00%	100.00%	100.00%
No. of training hours per woman trained	1.F	LA10	22	29	26	38	42	36
% reporting			100.00%	100.00%	99.88%	100.00%	100.00%	100.00%
Training expenses per hour of training *(€)*	**1.E**	**LA10**	**33**	**33**	**22**	**57**	**57**	**65**
% reporting								

The 2015 and 2016 flows are calculated on a like-for-like basis.
■■ *Reasonable assurance for financial year (FY) 2017.*

	EMT & Global LNG			Other		
	2017	2016	2015	2017	2016	2015
	0.4%	0.5%	0.4%	1.5%	1.2%	1.1%
	2.6%	9.9%	1.3%	7.8%	10.9%	15.9%
	0.0%	7.0%	2.5%	12.0%	16.7%	13.3%
	78	71	79	734	570	686
	29	22	19	346	329	336
	7.5%	6.3%	6.8%	9.5%	8.4%	8.3%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	72.9%	76.3%	80.6%	68.0%	63.4%	67.1%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	16	6	3	235	439	328
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	4.1%	3.7%	3.9%	6.4%	8.1%	5.4%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	2.0%	2.7%	2.9%	3.9%	3.4%	2.3%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	54.6%	53.0%	57.9%	70.3%	58.4%	70.0%
	100.00%	100.00%	98.09%	96.72%	95.16%	96.58%
	43.0%	38.9%	39.0%	34.2%	26.9%	25.1%
	100.00%	100.00%	98.09%	96.72%	95.16%	96.58%
	81.6%	84.3%	81.5%	57.1%	59.5%	52.5%
	18.4%	15.7%	18.5%	42.9%	40.5%	47.5%
	100.00%	100.00%	98.09%	96.72%	95.16%	96.58%
	20,325	18,252	20,629	180,151	169,886	354,701
	100.00%	100.00%	98.09%	96.72%	95.16%	95.58%
	25.2%	35.5%	30.0%	40.2%	43.4%	50.9%
	3.9%	6.5%	3.5%	20.2%	23.4%	23.4%
	29.9%	19.8%	23.4%	7.5%	10.5%	7.4%
	35.6%	32.8%	35.6%	17.6%	12.6%	9.7%
	5.3%	5.4%	7.5%	14.5%	10.1%	8.6%
	100.00%	100.00%	98.09%	96.72%	95.16%	95.58%
	26	**23**	**25**	**23**	**28**	**38**
	100.00%	100.00%	98.09%	96.72%	95.16%	94.25%
	23	26	26	22	24	27
	100.00%	100.00%	98.09%	96.72%	95.16%	95.58%
	47	51	85	40	30	26
	100.00%	100.00%	98.09%	96.72%	95.16%	94.25%

			Europe excl. France & Benelux			Infrastructures Europe		
			2017	**2016**	**2015**	**2017**	**2016**	**2015**
Training expenses per person trained *(€)*	1.E	LA10	776	917	582	2,366	2,287	2,433
% reporting			100.00%	100.00%	98.69%	100.00%	100.00%	100.00%
Working conditions								
Days of absence per person	1.B	LA7	10	9	9	16	16	16
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Overtime	1.B	LA7	4.9%	4.9%	4.5%	2.5%	2.4%	2.5%
% reporting			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Health and safety data								
Number of accidental deaths (employees)			**0**	**1**	**1**		**0**	**1**
% reporting			100%	100%		100%	100%	
Frequency rate			**3.10**	**3.17**	**3.09**	**2.20**	**1.79**	**2.46**
% reporting			100%	100%		100%	100%	
Severity rate (French benchmark)			**0.16**	**0.09**	**0.06**	**0.11**	**0.09**	**0.10**
% reporting			100%	52%		100%	100%	
Severity rate (ILO benchmark)			**0.11**	**0.08**	**0.07**	**0.09**	**0.07**	**0.05**
% reporting			100%	100%		100%	100%	
Number of new cases of occupational illness			**0**	**0**	**0**	**1**	**1**	**3**
% reporting			50%	100%	100%	100%	100%	100%
Compensation	**1.A**							
Average salary of manual workers, clerical staff and technicians compared with national minimum wage		Legal annual minimum wage in 2017 in €	2017	2016	2015	2017	2016	2015
France		17,763		0.85		1.60	1.63	1.60
Belgium		18,751						
Spain		9,908	2.93	2.93	3.24			
Netherlands		18,619						
United Kingdom		16,763	1.42	1.53	1.34		2.93	3.17
Luxembourg		23,983						
Romania		3,822	2.84	3.24	3.69			
Poland		5,679	2.00	2.24	2.36			
Czech Republic		5,039	3.35	3.49	3.38			
Hungary		4,952	2.88	2.97	3.13			
Slovakia		5,220	2.19	2.20	2.19			
Portugal		7,798	2.52	2.67	2.67			
Greece		8,205	2.24	2.24	2.09			
Germany		17,976	2.56	2.52				
Turkey		5,315						
United States		13,214						
% reporting			85.88%	83.55%	60.17%	100.00%	100.00%	100.00%

The 2015 and 2016 flows are calculated on a like-for-like basis.
■■ *Reasonable assurance for financial year (FY) 2017.*

	EMT & Global LNG			Other		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
	1,212	1,187	2,129	935	852	997
	100.00%	100.00%	98.09%	96.72%	95.16%	94.25%
	14	10	11	12	11	12
	100.00%	100.00%	100.00%	96.72%	99.32%	99.00%
	0.4%	0.4%	0.6%	0.5%	0.6%	1.2%
	100.00%	100.00%	100.00%	96.72%	99.32%	100.00%
	0	**0**	**0**	**0**	**0**	**0**
	100%	100%		100%	100%	
	1.34	**0.00**	**0.89**	**1.87**	**1.15**	**1.05**
	100%	100%		100%	100%	
	0.01	**0.00**	**0.01**	**0.07**	**0.02**	**0.02**
	100%	100%		100%	100%	
	0.01	**0.00**	**0.01**	**0.06**	**0.02**	**0.02**
	100%	100%		100%	100%	
	0	**0**	**0**	**0**	**1**	**1**
	100%	100%	100%	100%	100%	100%
	2017	2016	2015	2017	2016	2015
		0.85	1.49	1.50	1.25	1.40
				3.70	3.68	3.92
				4.32	4.92	4.68
				1.86	1.74	2.58
						1.55
					4.07	2.02
				1.57	1.91	2.15
					3.39	
					0.24	
				1.56		
	0.00%	100.00%	100.00%	79.66%	84.08%	28.85%

3.5 Environmental information

ENGIE faces the main environmental challenges: climate change, the quality and availability of natural resources (air, water, soil and energy) and the protection of biodiversity and ecosystems. Although its activities sometimes have an impact on ecosystems and natural resources, the Group seeks to measure and reduce this within a process of environmental management of its activities.

ENGIE's challenges and ambitions in this area are reflected in the Group's environmental policy (available on the ENGIE website) and in the performance indicators deployed across all its activities. The stakes also include the risks identified in the environmental vigilance plan. A team in charge of analysis and coordination is specifically dedicated to environmental responsibility and reports to the Director of Environment. It has environmental coordinators in each BU who lead their own networks of coordinators, organize actions, supplement corporate expertise with their knowledge of operations, and implement environmental reporting.

The Corporate Social Responsibility Department produces an annual report which it sends to the Executive Committee and presents to the Board of Directors' Ethics, Environment and Sustainable Development Committee. This report is supplemented by BUs' own reports and letters of environmental compliance, as well as the results of environmental audits ordered by the Executive Committee.

3.5.1 Legal and regulatory framework

The Group actively monitors regulatory developments (set out in Section 2 "Risk factors"), stating its positions while they are being prepared and applying the new rules as soon as they are published. In particular, the Group has been calling for the harmonization of international regulations and greater integration between the various environmental and energy policies. In the run-up to COP21, the Group strongly pledged to support an ambitious international climate agreement to limit the global temperature rise to 2°C. It also pledged to support the more widespread application of regulations on carbon pricing, which would be a price signal for investment in low-carbon technologies and an incentive to reduce greenhouse gas emissions. To this end, the Group plays an active role in the CPLC (Carbon Pricing Leadership Coalition).

3.5.2 The environmental management system (1)

At the end of 2017, the entities that had implemented an Environmental Management System (EMS) accounted for 81.7% of relevant Group revenue in terms of environmental impact (2). The decision to make certified an EMS by a third party is assessed locally with regard to economic conditions and interest.

PERCENTAGE OF RELEVANT REVENUE COVERED

Indicator title	ENGIE 2017	ENGIE 2016	ENGIE 2015
By an EMAS certification ■■	4.7%	4.8%	12.6%
By an ISO 14001 certification (non-EMAS) ■■	61.8%	58.5%	50.7%
By other external EMS certifications	3.2%	3.1%	2.8%
TOTAL EXTERNAL CERTIFICATIONS	**69.7%**	**66.5%**	**66.1%**
By an internal certification (but not by a certified EMS)	11.9%	14.7%	14.6%
TOTAL INTERNAL AND EXTERNAL EMS	**81.6%**	**81.2%**	**80.7%**

■■ *Verified by the Statutory Auditors with "reasonable" assurances for 2017*

When the implementation of a certified or registered management system is not economically justified, entities are encouraged to define an internal management system ensuring concern for the environment in carrying out their activities. As a result, some Group entities have defined their own management system standard. When an internal or external EMS is implemented, employees take part in awareness and training sessions relating to the environmental issues they encounter at their sites so that they adopt the EMS and make it their own.

(1) *Section 4.5 "Vigilance plan" and Section 3.8 "Report of the Statutory Auditor designated as an independent third-party entity on the review of environmental, social and societal information published in the management report included in the registration document" and Section 3.9 "Statutory Auditors' reasonable assurance report on selected social, environmental and governance information".*

(2) *Relevant revenue excludes revenue generated by activities not considered pertinent in terms of environmental impact (services, trading, sales activities, etc.).*

3.5.3 Environmental responsibility, performance control and measurement systems

To monitor the implementation of its environmental policy, to control environmental risks and to encourage the communication of its environmental performance to stakeholders, ENGIE implement a reporting tool that goes beyond the requirements of the French law and which takes into account the Global Reporting Initiative (GRI) recommendations.

Environmental reporting is closely tied to operational performance reporting, thus becoming a management tool. The Group's General Management transmits this goal of making environmental concerns an integral part of management responsibilities.

A system of letters for environmental compliance ensures operational management involvement.

Methodological elements

ENGIE conducts its environmental reporting using a dedicated tool that allows data to be reported following a defined methodology. This tool, called EARTH, is an environmental reporting IT solution used to manage the network of environmental correspondents and coordinators; to handle the management and documentation of the scope of environmental reporting; to manage data entry, monitoring and consolidation of indicators; and to provide the documentation necessary for producing and collecting data (reporting procedures and instructions).

EARTH is deployed in each of the BUs and thus covers the entire ENGIE organization.

The legal entities included in the reporting scope are those whose operations are relevant in terms of environmental impact and that are consolidated fully or proportionately under the rules of financial consolidation (IFRS). Legal entities solely engaged in energy trading, financial activities or engineering are excluded. The selected entities report on the performance and impacts of the industrial facilities over which they have technical operational control, including facilities operated on behalf of third parties. Legal entities consolidated at equity are excluded.

Thus, in accordance with the rules of financial consolidation, 100% of the impact data collected is consolidated when the entities are fully consolidated. For entities proportionately consolidated, the environmental impact data are consolidated in proportion to the Group's consolidation rate provided that it has 100% technical operational control or that as a minimum this is shared with other shareholders.

The scope is determined on June 30 of the fiscal year. For disposals after that date, the entity is expected to complete the environmental questionnaire with the data available on the last day of the month prior to the disposal. Acquisitions made after June 30 are not taken into account, unless the BU has requested an exception, and subject to the data being available.

To calculate environmental management indicators such as the "share of relevant revenue covered by an environmental certification, an environmental crisis management plan, etc., the relevant revenue is estimated for each legal entity. To obtain the relevant revenue, operations regarded as "not relevant in terms of environmental impact" (e.g. trading, finance and engineering) are stripped out of the consolidated revenue figure of each legal entity.

The procedures of environmental data reporting encompass general procedures defined as standard guidelines to be implemented at the appropriate levels of the reporting process. Procedures and guidelines are rolled out Group-wide via a network of duly mandated environmental contacts and coordinators. These procedures and guidelines at Group and BU level describe in detail the environmental data collection, control, consolidation, validation and transmission phases at different levels of the organization, as well as the rules for defining the scope of consolidation. They include technical documents that provide methodological guidelines for the calculation of some specific indicators. Depending on its activities, each entity is assigned a profile that determines the indicators to answer. The list of the entities included in the scope of environmental reporting is approved by each BU.

The definitions of the indicators used to measure the environmental performance of Group businesses have been revised based on comments made by the Statutory Auditors. They also take into account the comments by line managers represented in dedicated work groups. All the documentation is available from the Group upon request (CSR Division).

Previously, ENGIE used to provide a "coverage rate" for each indicator published, corresponding to the response rate obtained from all the entities surveyed. Thansks to the implementation of the new EARTH reporting tool; the coverage raye is now 100% for all indicators.

The following points should be noted with regard to the data published in this report:

- the reliability of the scope of environmental reporting is a priority for ENGIE, which is evolving in an international context of business disposals and acquisitions. Before every reporting campaign, the financial scope for consolidation is compared against the information fed back by the BU's environmental managers in order to check which industrial entities contributing to EARTH report to which financial entities;
- ENGIE changed its reporting software this year. For technical reasons, some methodological adjustments had to be made which may have caused slight variations in the 2015 and 2016 data;
- uranium consumption was added to primary energy consumption in 2017, as well as to 2015 and 2016 data;
- for installations burning natural gas but which do not have automated measurement systems, default emission factors for SOx and particulate matter emissions have been set up (factors recommended by the EMEP, European Monitoring and Evaluation Programme);

- since 2017, ENGIE has been a signatory to the CEO Water Mandate thus demonstrating its commitment to the preservation of water resources. The water indicators are consistent with the GRI indicators and fall into four categories: withdrawal, discharge, consumption, reuse/recycling. Since 2015, the materiality of the water indicators published water indicators has been rewviewed and the Statutory Auditors, verify the inputs, outputs and consumption of fresh and unsweet water;
- as it is concerned about what becomes of the waste generated by its activities, the Group has indicators on the production and recovery of the waste generated by its activities. These are based on definitions of waste and recovery established by local regulations. To avoid erroneous data about stocks, only the tonnages taken away and weighed on site are reported as disposed of. The tonnages that must be reported are wet or dry, depending on the way they are disposed of: if the waste disposed of was wet, the reported tonnages are wet and the converse for dry waste. As an exception, if the waste is definitively stored on site, the associated dry tonnages must also be reported as disposed of. In the latter case, the waste is never recovered. Waste generated by the construction or dismantling of industrial facilities, by the repowering or upgrading of facilities, and by soil rehabilitation, are not covered by the indicators for waste generated by activities;
- CO_2 emissions from the combustion of fossil fuels were calculated based on the most recent emission factors published by the IPCC (IPCC Guidelines for National GHG Inventories, Vol. 2 Energy – 2006). The global warming potential (GWP) compares the warming capacity of the various greenhouse gases to CO_2. The GWP used to convert the Group's greenhouse gas (GHG) emissions to CO_2 equivalent are the latest GWP published by the IPCC (5th Assessment Report – 2014), considered on a 100-year scale;
- the biodiversity indicators used to monitor changes in the Group's objective (see Section 3.3.4.8) are based on the notions of "priority site" and "targeted action plan". A priority site is one that presents a potential risk for biodiversity due to the nature of its activities. It is located in or near a protected area, and has no artificial separation such as a motorway, an industrial zone, a city, etc. between it and the protected area. Subject to appropriate justification, a site that does not meet these objective criteria still has the option to declare itself a priority site. Since 2015, studies conducted by consulting firms on sites that were shown to have no impact on biodiversity have been taken into account. As a result, some priority sites were reclassified as non-priority sites. In addition, non-productive sites and temporary sites such as worksites are excluded from the reporting perimeter. The targeted action plan includes all voluntary and regulatory measures implemented to restore, preserve or encourage biodiversity locally;
- specific GHG emissions from energy generation in kg CO_2 eq/MWh are calculated for the BUs where this is a main activity: Europe Generation, North America, Latin America, Brazil, Asia Pacific, Middle East, South and Central Asia, and Turkey, Benelux, Northern, Southern and Eastern Europe, United Kingdom, BtoB, France Networks, and France Renewables;
- data related to LNG vessels' activity, including impacts and consumption, have been incorporated as operating sites and are therefore reported as such. The vessels included in the calculations are those in which ENGIE has majority ownership, or those operated by a subsidiary in which ENGIE has a majority stake, as well as long-term chartered vessels (> 1 year) and, since 2017, spot charterd vessels. This gives a list of 12 ships: Grace Cosmos, BW GDF SUEZ Everett, BW GDF SUEZ Boston, Provalys, Gaselys, BW GDF SUEZ Paris, BW GDF SUEZ Brussels, GDF SUEZ Neptune (SRV), GDF SUEZ Point Fortin, Grace Barleria, Global Energy, Cape Ann. Any ISO 14001 certification of vessels is also taken into account;
- for the sake of consistency, the factor for converting thermal energy produced (GWhth) into electric power (GWhe) is set at 0.44 for all Group businesses and at 0.25 for incinerators;
- significant environmental impacts resulting from subcontractors during services performed at one of the Group's facilities must be included in the Group's impacts except when a specific contractual clause provides that a subcontractor is liable for impacts generated at the site while providing the service. Data provided by subcontractors is not subject to systematic internal verification before being included in Group data and is the responsibility of the subcontractors alone. Regulations and legal obligations related to the environment may differ from one country to another, and certain data may thus be sometimes more difficult to gather;
- the energy efficiency indicator covers fossil fuel and biofule power plants and also includes heat supplied by third parties.

3.5.4 Group actions

3.5.4.1 Climate change

Direct emissions

Information presented in this section and in Section 2.2.3 "Impact of climate" reflects the financial risks associated with the effects of climate change and the measures taken by the company to mitigate them by implementing a low-carbon strategy in all areas of its activity as required by Article L. 225-37 of the French Commercial Code.

By developing a low carbon energy mix and through its energy efficiency activities, the Group has put energy transition and the fight against climate change at the heart of its strategic focus. ENGIE is further increasing its decarbonisation efforts: the emission rate at the end of 2017 was 363g CO2eq/kWh, down -7% compared to 2016, and -18.1% compared to 2012 - almost reaching its 2020 target of -20%. The Group's absolute direct CO_2eq emissions fell by more than 30 million tons in one year, from 120.5 to 89.2 million tons, a 26% reduction.

This excellent résult reflects the Group's desire to follow an emission trajectory compatible with the Paris Agreement's objective of not exceeding +2°C by 2050, which correspond to an 85% reduction in direct emissions by 2050 compared to 2012: total disengagement of coal, growth in green energy (renewable electricity and biogas).

In addition, the group supports TCFD's (Task Force on Climate-related Financial Disclosures) recommendations for greater transparency on the risks and opportunities related to the impacts of climate change, monitors issuer-investor work and prepares a plan to implement these recommendations. The Group publishes its Scope 1,2 and 3 (main items) emissions and answers the CDP (formerly Carbon Disclosure Project) questionnaire each year.

3

Indicator title	ENGIE 2017	ENGIE 2016	ENGIE 2015
Total direct GHG emissions – Scope 1 ■■	89,236,437 t CO2 eq	120,150,105 t CO_2 eq	133,757,296 t CO_2 eq
GHG emissions per business unit – energy generation	363 kg CO_2 eq./MWheq	392.8 kg CO_2 eq./MWheq	445.7 kg CO_2 eq./MWheq
GHG emissions per business unit – gas exploration, production	3.9 kg CO_2 eq./MWheq	4.2 kg CO_2 eq./MWheq	4.5 kg CO_2 eq./MWheq
GHG emissions per business unit – gas storage	0.8 kg CO_2 eq./MWheq	0.9 kg CO_2 eq./MWheq	0.9 kg CO_2 eq./MWheq
GHG emissions per business unit – gas transportation (excluding via LNG tanker)	1.7 kg CO_2 eq./MWheq	1.7 kg CO_2 eq./MWheq	1.3 kg CO_2 eq./MWheq
GHG emissions per business unit – LNG terminals	2.3 kg CO_2 eq./MWheq	2.6 kg CO_2 eq./MWheq	2.0 kg CO_2 eq./MWheq
GHG emissions per business unit – gas distribution	2.1 kg CO_2 eq./MWheq	2.0 kg CO_2 eq./MWheq	2.2 kg CO_2 eq./MWheq
GHG emissions per business unit – gas transportation by boat	12.6 kg CO_2 eq./MWheq	14.1 kg CO_2 eq./MWheq	12.2 kg CO_2 eq./MWheq

■■ *Verified by the Statutory Auditors with "reasonable" assurance for 2017.*

Adaptation, through anticipating, the negative impacts of climate change is key to making ENGIE's infrastructure and activities resilient to natural hazards (multiplication of extreme events such as floods and droughts, etc and other more progressive events such as sea level rise, temperature rise, etc). The risks generated by climate change are multiple: physical risks, risks of disruption to value chains, reputational risks, regulatory risks, etc. ENGIE is implementing practical measures to guard against this set of risks, including a plan to construct a wall to tackle the exceptional flood risk at the Tihange site in Belgium, and a vegetation project to prevent soil erosion in the event of storms in Mexico trenching of ditches and a basin to deal with the risk of flooding at the Capel Grange solar parf in England, etc The Group has also established methods to help its various sites to draw up adaptation action plans. The use of tools, such as Aqueduct software, helps the Group to identify local-scale risks and enables it to identify adaptation strategies tailored to the problems and features of each site. Adapting to climate brings multiple beneficial effects for ENGIE: anticipating risks enables it to manage its assets better, cut costs and expand its market to new products and services.

Indirect emissions

The Group's approach to GHG emissions accounting and reporting is based on the GHG Protocol Corporate Standards (for companies) and the ISO 14064 standard (supplemented by ISO 14069). These standards constitute an internationally recognized reference framework. For purposes of consistency, the so-called "Scope 3" emissions listed below exclude those of the water and waste management businesses of SUEZ.

ENGIE has analyzed the various categories of emissions in order to identify and quantify the most pertinent categories. The following categories have been identified and quantified to date.

Indicator title	ENGIE 2017	ENGIE 2016
Indirect emissions related to energy ("Scope 2")		
Indirect emissions related to power consumption[(1)]	2,602,395 t CO_2 eq	2,776,748 t CO_2 eq
Indirect emissions related to the consumption of steam, heating or cooling[(1)]	974,466 t CO_2 eq	1,078,385 t CO_2 eq
Other indirect GHG emissions ("Scope 3")		
Energy-related activities not included in direct emissions and energy indirect emissions (fuel extraction production, transport, distribution)	12,498,089 t CO_2 eq	16,507,068 t CO_2 eq
Investments (GHG emissions from power plants consolidated under the equity method)	27, 963,262 t CO_2 eq	32,046,546 t CO_2 eq
Use stage of the product (fuel sales to third parties)	135,847,355 t CO_2 eq	142,530,042 t CO_2 eq
Purchased products	9,847,667 t CO_2 eq	Not available
Capital equipment	3,301,942 t CO_2 eq	Not available

(1) The electricity and thermal energy consumption used to calculate this data is subject to verification by the statutory auditors with "reasonable" assurance for the financial year 2017 (see Section 3.5.4.3).

In addition to the above items, ENGIE has also launched an assessment of the following item.

Downstream transport and distribution

3.5.4.2 Renewable energy

The strengthening of the Group's capacity in renewable energy has continued, for both electricity and heat generation, and in the case of biogas for transportation. In addition to this commitment, ENGIE has placed a very innovative green power offering on the French market at no additional cost to the consumer. The Group is thus providing a solution to the challenge of changing behaviors in the face of frequently higher cost of green products.

In 2017, renewable energy accounted for close to 16.8 GW of installed electric equivalent, representing 24.5% of the total capacity directly operated by the Group.

Indicator title	ENGIE 2017	ENGIE 2016	ENGIE 2015
Renewable – Net installed power (electric and thermal) ■■	16,813 MWeq	16,795 MWeq	16,143 MWeq
Share of renewable resources in installed capacity	24.45%	21.4%	20.2%
Renewable – Electricity and heat produced ■■	58,972 GWheq	74,082 GWheq	70,391 GWheq
Energy produced – share of large hydropower	75.45%	78.05%	80.49%
Energy produced – share of small hydropower	1.35%	1.26%	1.66%
Energy produced – share of wind	9.89%	7.62%	5.37%
Energy produced – share of geothermal	0.14%	0.1%	0.09%
Energy produced – share of solar	1.14%	0.61%	0.43%
Energy produced – share of biomass and biogas	12.3%	12.36%	11.95%

■■ *Verified by the Statutory Auditors with "reasonable" assurance for 2017.*
These capacities correspond to the scope of the environmental reporting specified in Section 3.5.3 (excluding equity-accounted and non-controlled facilities).

3.5.4.3 Energy efficiency

For electricity-generating facilities, energy performance is directly connected to the site's efficiency which influences its profitability. Measures taken to improve the generation fleet, and which are compliant with environmental regulations and the constraints of the electricity market, have helped optimize energy efficiency and hence consumption of raw materials. For example, the replacement of older turbines or boilers with recent models has an immediate positive impact on a facility's energy efficiency.

Indicator title	ENGIE 2017	ENGIE 2016	ENGIE 2015
Primary energy consumption – total (excluding own consumption) ■■	444,547 GWh	573,500 GWh	554,352 GWh
Share of coal/lignite	24.52%	30.13%	36.29%
Share of natural gas	40.09%	39.74%	43.08%
Share of biomass and biogas	4.58%	5.67%	4.37%
Share of fuel oil (heavy and light)	0.99%	0.84%	0.98%
Share of uranium	26,95%	21,47%	13.18%
Share of other fuels	2.64%	1.95%	1.88%
Proportion of fuel in transport	0.25%	0.2%	0.22%
Electricity and thermal energy consumption (excluding own consumption) ■■	9,675 GWheq	9,901 GWheq	11,378 GWheq
Energy efficiency of fossil fuel plants (including biomass) ■■	43.6%	41.7%	52.3%

■■ *Verified by the Statutory Auditors with "reasonable" assurance for 2017.*

3.5.4.4 Nuclear energy

Maintaining a very high level of safety at the seven nuclear reactors operated by ENGIE is a key priority for the Group. ENGIE also attaches great importance to limiting the environmental impact of these facilities (e.g. waste).

Provisions for the downstream portion of the nuclear fuel cycle (operations relating to fuel after its use in a nuclear reactor) and for the costs of decommissioning nuclear power plants after they are shut down, are shown in Note 18.2.2. to Section 6.2 "Consolidated financial statements."

Indicator title	ENGIE 2017	ENGIE 2016	ENGIE 2015
Radioactive gas emissions			
Rare gases	34 TBq	58.84 TBq	54.51 TBq
Iodines	0.01 GBq	0.04 GBq	0.06 GBq
Aerosols	0.34 GBq	0.40 GBq	0.34 GBq
Radioactive nuclear waste (weak and average activity)	178 m^3	204 m^3	164 m^3
Radioactive liquid wastes			
Beta and Gamma emitters	20.56 GBq	17.66 GBq	12.83 GBq
Tritium	55.66 TBq	82.88 TBq	19.60 TBq

The risk factors relating to nuclear power are presented in Section 2.4.3 "Nuclear power plants in Belgium".

3.5.4.5 Water

As a committed player in water management, ENGIE is taking part in the current debate over corporate risk disclosure and water stewardship, alongside organizations such as the CEO Water Mandate of the UN Global Compact and OECD. These initiatives have led to a homogenization of the definition and implementation of water stewardship. The Group has two water-related objectives for 2020: one involves the implementation of concerted local action plans for sites in extreme water stress areas, and the other involves reducing freshwater withdrawals accross the Group.

Each year, as part of the optimization of its energy production, ENGIE assesses the risk of water stress for the Group's industrial sites using the Baseline Water Stress Index and the Aqueduct tool (World Resource Institute). In 2017, 35 sites were located in extreme water stress areas (6% of sites), and around half of these had already been implemented action plans. The impact of water stress is relative, however, as it depends on the site's activity and fresh water needs. Of the 35 sites, only nine have significant fresh water needs. For the others, the challenge is rather how to indirectly help to preserve water resources, for example by proposing water reuse to other entities in the drainage basin. As of 2013, the Group has calculated the water footprint in the life cycle analysis of 1 kWh of electricity, and of 1 kWh of gas in 2016. All of the Group's initiatives have resulted in a 62% reduction in freshwater withdrawals from its power generation business since 2012. Thanks to its commitment to water resources management, ENGIE has been awarded an A- rating by the CDP Water Disclosure.

Indicator title	ENGIE 2017	ENGIE 2016[(1)]	ENGIE 2015[(1)]
Fresh water			
Total withdrawal	2,794 Mm^3	5,110 Mm^3	5,503 Mm^3
Total discharge	2,681 Mm^3	4,971 Mm^3	5,371 Mm^3
Non-fresh water			
Total withdrawal	8,675 Mm^3	8,829 Mm^3	8,234 Mm^3
Total discharge	8,662 Mm^3	8,812 Mm^3	8,230 Mm^3
Total consumption	**124.9 Mm^3**	**156.2 Mm^3**	**135.9 Mm^3**

(1) The 2015 data were updated with revised data in 2016 after an improvement in the calculation method applied in the CPCU entity. This method may be further improved in the coming years, as it involves an overestimation of freshwater consumption at this entity.

3.5.4.6 Waste

In January 2014, ENGIE took the recommendations of an internal audit on waste management and incorporated them into its environmental policy. Its chief aim was to reduce the quantities of waste it produces and to increase its rate of waste recovery.

These efforts have led to a recovery rate of 82% for non-hazardous waste and 13.4% for hazardous waste in 2017. The Group's industrial sites actively seek local waste recovery solutions, even though some of these channels remain dependent on market opportunities governed by the laws of supply and demand.

Food waste and associated waste only relate to group catering for employees. In this area, ENGIE selects subcontractors that include measures against food waste in their specifications.

Indicator title	ENGIE 2017	ENGIE 2016	ENGIE 2015
Total quantity of non-hazardous waste and by-products discharged (including sludge)	2,804,117 t	4,682,305 t	5,724,707 t
Fly ash, refioms	1,718,969 t	2,715,145 t	3,256,838 t
Ash, bottom ash	541,007 t	1,403,843 t	1,691,403 t
Desulfurization by-products	191,522 t	352,129 t	410,887 t
Sludge	20,564 t	21,321 t	52,762 t
Driftwood	7,331 t	6,321 t	7,115 t
Drilling waste	9,525 t	617 t	9,328 t
Total quantity of non-hazardous waste and by-products recovered (including sludge)	2,263,892 t	4,088,134 t	5,109,566 t
Total quantity of hazardous waste and by-products discharged (including sludge and excluding radioactive waste) ■■	388,299 t	529,180 t	411,150 t
Total quantity of hazardous waste and by-products recovered (including sludge and excluding radioactive waste) ■■	52,207 t	53,263 t	54,664 t

■■ *Verified by the Statutory Auditors with "reasonable" assurance for 2017.*

3.5.4.7 Atmospheric pollutants

ENGIE uses a wide range of techniques to further reduce its emissions: reduction at the source using a tailored energy package; optimization of combustion and treatment of fumes; filters or water injection to reduce particle emissions; installation of low-NOx burners or urea injection (secondary treatment) to control nitrogen oxides; and choosing fuels with very low sulfur content to reduce sulfur dioxide emissions. A strong improvement was observed in 2017 thanks to the reorientation of ENGIE's production assets portfolio.

Indicator title	ENGIE 2017	ENGIE 2016	ENGIE 2015
NO_x emissions	92,120 t	136,895 t	143,253 t
SO_2 emissions	159,520 t	192,213 t	237,031 t
Particulate matter emissions	7,383 t	11 ,353 t	12,919 t

3.5.4.8 Management of biodiversity

In order to contribute to biodiversity protection and to mitigate its impact under the "prevent, reduce, offset" process, the Group has been committed since 2010 to integrating biodiversity into its strategy and activities. Restoring natural habitats (e.g. contribution of Glow in Thailand to the restoration of the Houay Mahad Hill Forest), reducing wind turbines on wildlife (e.g. Cheppes-la-Prairie windfarm in France), installing fish ladders at dams (e.g. of the Sauveterre-sur-le-Rhône fishway), ensuring that gas-grid easements contribute to ecological continuity, and applying differentiated landscaping to green spaces are examples of actions taken by the Group. In pursuit of its commitment to biodiversity, the Group relies on the skills and expertise of its two partners: the French committee of the IUCN (International Union for Conservation of Nature) and France Nature Environnement.

As part of a voluntary initiative, which was recognized at the end of 2012 by the French government's National Strategy for Biodiversity, the Group definded for each of its priority sites in Europe with a targeted action plan [1] designed to address the biodiversity protection issues identified at the site and/or by local stakeholders, based on the site's activity.

Since 2016, biodiversity action plans have been integrated into a more comprehensive approach to integrated and concerted environmental management at site level for the target sites, but the method of identifying sites for biodiversity remains unchanged. Building on the results of 2015, and to support the Group's change and transformation, ENGIE has extended its contribution to the French National Biodiversity Strategy for the period 2016-2018 by defining a new objective of local and sustainable anchoring aimed at placing biodiversity as an asset to integrate its activities in the territories in conjunction with its stakeholders and which will highlight the good practices carried out by the Group's business units, such as that on the ecological management of sites.

3.5.4.9 Active prevention of environmental risks

The management of industrial, health and environmental risks has two components: risk prevention and crisis management.

Indicator title	2017 data	2016 data	2015 data
% of relevant revenue covered by environmental risk prevention plan	83.2%	82.7%	79.9%
% of relevant revenue covered by environmental crises management plan	87.7%	85.8%	81.6%

There were 13 claims and one award for environmental or public health damages. However, they did not give rise to compensation. The Group actively monitors these data and implements actions to reduce them further. ENGIE has financial provisions of €19.2 million for risks associated with environment-related disputes. In 2017, environmental expenses (capital expenditure and recurring operating expenses related to environmental protection) came to nearly €603 million.

Indicator title	2017 data	2016 data	2015 data
Environment-related complaints	13	24	173
Environment-related fines	1	2	4
Amount of compensation	0 k€	4.5 k€	1.5 k€
Environmental expenses	603 305 k€	699,835 k€	634,722 k€

(1) *A targeted action plan must combine and detail all the measures taken to preserve or restore biodiversity locally (see the note methodology in Section 3.5.3 for more details).*

3.5.4.10 Nuisance

Any industrial activity is a source of noise. In order to reduce its impact, Group entities conduct regular soundproofing work (acoustic cladding, noise barriers, containment, and so on). For more recent projects, reducing this potential form of nuisance is directly integrated into the design.

For its renewable energy projects, particularly onshore wind and solar, ENGIE conducts impact studies and offers support measures to prevent, reduce or offset any noise or visual impact. Examples of such actions include defining and implementing turbine restrictions (stoppage or reduced power at key times and/or under certain wind conditions), conducting specific actions with builders to reduce the sound power of machines, seeking better harmonization with the landscape during the design and, after construction, initiating planting and vegetation schemes on sites or for neighbors if there is an obvious visual impact. By way of illustration, in France, ENGIE has partnered with the "Respect" project launched as part of the offshore wind project in the city of Tréport and on the islands of Yeu and Noirmoutier. The aim is to improve understanding of the biological impact related to the noise footprint of projects and reduce them by developing appropriate technology.

3.5.4.11 Land use

Protection of soil and groundwater is an integral part of the Group's environmental policy. The environmental consequences of soil pollution can be significant, as can be the costs of subsequent remedial measures. It is therefore important to prevent this risk and to hedge it with financial provisions. These amounted to €894 billion in 2017 and concerned site rehabilitation, decommissioning of non-nuclear installations and scheduled product elimination. In this area, ENGIE complies with the regulations in each of the countries in which the Group operates.

For example, a soil pollution survey was carried out at several power plant sites in Belgium. Risks were assessed in conjunction with the appropriate environmental authorities and a remediation program was implemented.

ENGIE owns a number of former gasworks. These sites may be affected by oil, heavy metals and other volatile substances that can adversely affect health. As a result, they must be repaired before reuse. In 1996, a ten-year plan was agreed via a memorandum between Gaz de France and the French government to rehabilitate these sites, which have been compatible with their use from a health perspective since 2007. When these former sites are sold, ENGIE is committed to ensuring that the buyer's project is compatible with the environmental and industrial liabilities of the site and that the risk to the environment and residents is effectively managed. At all its sites, the Group monitors the soil and underground water, in accordance with its operating permits, in order to prevent pollution.

Moreover, in order to more firmly anchor its presence in the regions, ENGIE has established a structured system of dialogue with its stakeholders, pursuant to the main international standards (AA1000, ISO 26000, the Global Compact principles, and OECD guidelines). This system is based on regular meetings with NGOs and non-profit associations, and on the development of long-term partnerships in connection with ENGIE's activities. The dialogue is defined at Group level and then rolled out to each BU according to specific local requirements in terms of issues, activities and regulations. As part of these new CSR objectives, ENGIE aims to cover 100% of its industrial activities with an appropriate mechanism of dialogue and consultation by 2020.

Gas pipelines account for the largest amount of land use by ENGIE. As the gas lines are buried, they do not break up natural habitats, but may nevertheless generate land-use conflicts. GRTgaz has therefore established amicable easement agreements in France with all the owners of the land crossed, following consultation periods (the signing rate for amicable agreements is regularly > 90% for projects). These agreements define land usage restrictions for the owners (prohibition on building in pipeline locations and planting vegetation higher than 2.70 m) in exchange for compensation. More specific work is being done with the agricultural industry to preserve land use for farmers as part of their professional activity.

For the development of new wind and photovoltaic renewable energy production sites, the choice of the site is paramount. The arable nature of the land is an essential element taken into account quite early in the project to avoid any subsequent conflict. In France, calls for tenders for photovoltaic power plants are made under the aegis of the Commission for Energy Regulation. Proposing a site on arable land causes valuable points to be lost in tenders and this is another reason for selecting other types of land. For wind farms, development on arable land is possible provided that an assessment is carried out before and after the project by an independent agricultural expert. This allows for fair compensation to be paid to farmers for the use of these lands.

3.6 Societal information

The responsible growth model developed by ENGIE is based on professional dialogue with all stakeholders to encourage co-construction and shared value creation.

3.6.1 Socio-economic development in local communities

For ENGIE, adapting its offerings to meet its customers' requirements and learning about them make innovation and partnerships a central part of its local activities.

Internationally, in agreement with local authorities, the Group is committed in the same way, as part of a professional and participatory approach, to developing social programs linked to its industrial projects and resulting from consultation. ENGIE supports small and medium-sized enterprises (SMEs) and start-ups through various programs implemented in local communities. The Group also supports social enterprise through the ENGIE Rassembleurs d'Énergies (formerly GDF Suez Rassembleurs d'Énergies) initiative, which aims to bring together and strengthen the Group's actions to encourage access to energy and fight against fuel poverty.

By the end of 2017, five years after it was created, the ENGIE Rassembleurs d'Énergies had invested in 16 companies active on four continents - Europe, Africa, Asia and Latin America - and in more than 15 countries. These companies cover a broad range of technologies that respond to the problem of energy access and the reduction of energy poverty: energy efficiency in social housing in Europe, access to electricity through individual or collective solar systems and access to clean cooking solutions in emerging countries. The companies in the portfolio currently provide power to more than 2.4 million recipients and employ more than 2,300 people worldwide.

ENGIE Rassembleurs d'Énergies has thus invested €21 million, including €5 million in 2017 alone.

To encourage the exchange of best internal practices, the Group has established a community of practices with regard to local societal responsibility, which brings together the Group's leading practitioners. Its aim is to create a toolbox containing all the methods that might be used throughout a project, from design to assessment and to make this available throughout the entire Group.

In addition, as part of ENGIE University, a cross-functional working group is studying the issue of strengthening the "License to Operate" in the area of stakeholders' engagement.

3.6.2 Dialogue with stakeholders and partnerships

ENGIE maintains an ongoing and proactive dialogue with all stakeholders around its industrial activities. Based on the existing approaches, the Group has started supporting its operating entities in deepening and structuring their practices from the implementation of dialogue strategies to their operational deployment. The support is based on a Group methodology which is adapted to the strategic, technical and geographical specificities of the operational activities. It refers to international standards such as ISO 26000, AA1000 or IFC and consists on the one hand in the sensitization / training of managers and collaborators to the dialogue with the stakeholders and on the other hand in a technical support for the realization / structuring of action plans adapted to the challenges of the territories and reflecting expectations of the stakeholders. The goal is to optimize performance and increase value creation by improving / integrating engagement with stakeholders throughout the business cycle.

The Group has also set itself the target that 100% of its industrial activities will be covered by 2020 by an appropriate mechanism for dialogue and consultation which aims at preventing conflicts and strengthening the sustainability of its activities. Of the 153 industrial activities (sites or groupings of sites) of the Group identified at the end of 2017 to be covered by such a mechanism, 48% had put it in place at the end of 2017 reflecting the effective implementation of the method on the field after a definition phase in 2015 and learning phase in 2016.

As guarantee of sustainability for the company and a creator of shared value, this culture of listening and dialogue is extended by lasting partnerships on social and environmental issues.

At the international level, ENGIE is a member of the United Nations Global Compact in the Global Compact Advanced category.

The Group is continuing its partnerships with the GRET (Groupe de Recherche et d'Échanges Technologiques) and with Emmaus France in the context of its contribution to energy access and its commitment to the fight against fuel poverty as well as with the ONE Foundation (Ocean Nature and Environment) in support of the company / NGO dialogue around its industrial projects.

3.6.3 Community philanthropy, solidarity and combating energy poverty

In all geographical regions where ENGIE operates, initiatives promoting community philanthropy, solidarity and combating energy poverty are implemented by the ENGIE Corporate Foundation or Group entities, in connection with local authorities, local associations, internal NGOs or the Group's corporate functional departments.

ENGIE, in particular through its Foundation, has launched several initiatives promoting solidarity and combating energy poverty.

In 2017, ENGIE helped more than 658,000 customers who receive the *Tarif Spécial de Solidarité* (special solidarity rate) for natural gas and more than 276,000 customers who receive the *Tarif de Première Nécessité* (basic needs rate) for electricity. Also in 2017, ENGIE continued to support the *Fonds de Solidarité pour le Logement* (Solidarity Housing Fund), providing €6 million in line with the Public Service Agreement. In 2017, nearly 80,000 of ENGIE's retail customers had benefited from these departmental council subsidies.

Since 2011, the Group has been acting alongside the public authorities as a partner in the national "Live Better" program. Under the agreement signed in December 2014, ENGIE extended its commitment to the program and will pay out €53 million in the period 2014-2017 to renovate 185,000 homes.

ENGIE has created a network of mediation partners with over 200 customer assistance centers throughout the country as of end-2017. Mediators at these associations, who are trained by ENGIE, talk to customers facing payment difficulties, help them to understand their bills, give them advice on their energy spending and can help them to set up structured payment plans or direct them towards social services to apply for assistance.

ENGIE Energy Solidarity partners are in touch with local communities, departments and associations. Some 100 ENGIE solidarity advisers are also dedicated to processing requests from social workers. In 2016, those advisers responded to 300 ,000 requests from social services.

The ISIGAZ (*Information Sécurité Intérieure Gaz*) program set up by GRDF provides information and education to low-income customers about the safety of their indoor natural gas appliances and ways to save energy. In 2017, the program was deployed to more than 16,500 households in some 20 French cities. Since the launch of ISIGAZ in 2006, a total of 318,000 families in around 100 cities have received such information.

With ENGIE Volunteers Program, ENGIE supports internal NGOS for missions in favor of access to energy for people in difficulties.

3.7 Purchasing and Suppliers

Suppliers and subcontractors represent key stakeholders in the Group's value chain.

The Group's Purchasing function has defined its objectives based on its 2018 ambition, in the following areas:

- to be a contributor to the Group's operational performance;
- to uphold the Group's values in respect of its suppliers;
- to be a contributor to the Group's CSR approach;
- to drive career development.

The Purchasing Policy sets out the Group's commitments and requirements in its relationships with its suppliers, and particularly:

- the search for competitive bids and sustainable and innovative solutions;
- the requirement for suppliers to make health and safety commitments;
- a commitment on the part of suppliers to ethical business relationships.

The Purchasing Policy is an internal document that defines Group-wide principles for the management of external expenditure and stipulates rules for how the purchasing function operates within its activities. It aims to reinforce the separation of tasks between buyers and purchasing advisers, while strengthening their cooperation when selecting the best offerings.

The requirements of these two reference documents of the purchasing function as well as those more general of the Group are included in our operational processes in order to allow their implementation, control and remediation. There are 3 of them: 1. Manage the supplier panel, 2. Manage the categories of purchases and 3. Buy / Supply.

These documents form the framework and support the missions of the Purchasing function, which are to:

- ensure that external supplies meet the requirements for quality and economic performance;
- uphold commitments and maintain balanced relations with suppliers;
- select and qualify suppliers using multiple criteria, including societal and environmental. These principles are also set forth in the function's three operational processes;
- effectively manage information sharing using optimized tools and processes, and in particular the consolidation of purchasing data in the Pyramid information center. This has been reinforced by a policy for purchasing information systems;
- professionalize staff and develop the expertise of the employees in the Procurement network. As part of the ongoing Procurement Passport training program launched in 2014 (which aims to teach participants about the Group's challenges and strategy, and to help them to better understand how the Purchasing organization is contributing to the Group's transformation), a new training cycle on ethics in supplier relationships began in 2015. The aim of the cycle is to train the managers of the function in 2016 and then to decline this training with buyers in BUs and other actors outside the purchasing function in relation to suppliers. The ethical principles defined in this training are based on those of our reference document of the Group in the matter namely: the Code of Conduct of the supplier relationship;
- implement purchasing portfolio management by category in order to develop the cross-functional nature of strategies within the Group. This approach is structured around 15 Global categories which are coordinated at Group level, 71 Coordinated categories, which are managed between several BUs, and 14 Local categories, which are coordinated within the BUs themselves;
- ensure that all agreements with suppliers are the subject of a written document (that includes a mandatory ethical, environmental and social responsibility clause) negotiated in advance and signed between the parties by the approved buyer, pursuant to the authorizations in force.

The Strategic Sourcing & Supply Department has set itself the goal of setting up by 2020 a CSR approach for supply chain management of the Group's controlled entities.

This approach is shared into 3 areas: (i) compliance with the payment deadlines of suppliers and subcontractors, (ii) support of the Health & Safety policy with subcontractors and (iii) integration into the processes, the continuous improvement of CSR and the training of the main actors in this process. This approach, which is used in operational processes, is based on the following key steps: (i) Analysis of risks and opportunities by category Purchasing prioritized by country; (ii) Associated mitigation plan (definition of qualification criteria and selection of preferential suppliers, assessment of the need for audit, due diligence, etc.); (iii) Integration of contractual clauses incorporating penalty systems in the event of non-compliance; (iiii) measurement of performance delivered by suppliers and associated improvement plans reviewed.

3

3.8 Independent verifier's report on consolidated social, environmental and societal information presented in the management report

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. 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 our quality as an independent verifier accredited by the COFRAC [(1)], under the number n° 3-1050, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31 December 2017, presented in the management report (hereafter referred to as the "CSR Information"), pursuant to the provisions of the article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105-1 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the company for environmental, health and safety, and human resources information (hereinafter the "Guidelines") for social and environmental reporting data, a summary of which appears in the Registration Document in the section "Methodological elements of the 2017 environmental reporting" and "Methodological memo on the social indicators", and available upon request at the Company's headquarters from the Group Environmental and Social Responsibility Department, the Group Health and Safety Department and the Group Human Resources Department.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11-3 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Guidelines.

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the Article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the Sapin II law n°2016-1691 of 9 December 2016 (anti-corruption).

Our verification work mobilized the skills of eleven people between September 2017 and March 2018 for an estimated duration of twenty weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness, in accordance with the international standard ISAE 3000 [(2)].

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the head of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code *(Code de commerce).*

In the absence of certain consolidated information, we verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code *(Code de commerce).*

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial Code *(Code de commerce)* with the limitations specified in the section "Methodological elements of the 2017 environmental reporting" and "Methodological memo on the social indicators".

Conclusion

Based on this work, and given the limitations mentioned above we confirm the presence in the management report of the required CSR information.

(1) *Scope available at www.cofrac.fr*

(2) *ISAE 3000 – Assurance engagements other than audits or reviews of historical information*

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook interviews with the individuals responsible for the CSR information preparation in the departments in charge of the data collection process and, if applicable, with the individuals responsible for internal control processes and risk management, in order to:

- assess the suitability of the Guidelines for reporting, in relation to their relevance, completeness, reliability, neutrality, and clarity, taking into consideration, if relevant, industry standards.
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important [(1)]:

- at the level of the consolidated entity and of the Business Units, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative entities that we selected [(2)], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented, on average, 22% of the headcount and between 29% and 91% of the quantitative environmental data.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

(1) *Social, health and safety information:*
- Quantitative information : Total workforce, Total workforce - Workforce by geographic region, Total workforce - Breakdown of workforce by SPC-Managerial staff and non-managers, Age pyramid of permanent employees, Number of female employees, Proportion of females in total workforce, Proportion of females in management positions, Proportion of trainees in the workforce, Proportion of disabled employees, Proportion of employees under 25 and over 50 in permanent contracts hiring, Number of hiring of permanent employees, Number of hiring of employees with fixed-term contracts, Hiring rate, Hiring rate in permanent contract, Number of dismissals, Turnover (total departures), Voluntary turnover, Proportion of workforce trained – gender and SPC, Total number of training hours, Total number of training hours by topic, Total number of training hours by employee, Days of absence per employees, Number of fatal accidents (employees), Frequency rate, Severity rate (based on the French guidelines), Severity rate (based on the ILO guidelines), Number of new cases of occupational diseases, Average salary of WET with regards the local minimum wage per country.
Environnement:
- Quantitative information : Percentage of relevant revenue covered by an EMAS certification, Percentage of relevant revenue covered by an ISO14001 (non-EMAS) certification, Renewable – Net installed capacity (electric and thermal), Renewable – Electricity and heat produced, Primary energy consumption – total (excluding own consumption), Electricity and thermal energy consumption (auto-consumption excluded), Energy efficiency of fossil fuel plants (including biomass), Total direct GHG emissions - scope 1, Total input – Fresh water, Total output – Fresh water, Total input – Non-Fresh water, Total output – Non-Fresh water, Total Consumption - Fresh & non fresh water, Total quantity of non-hazardous waste and by-products evacuated (including sludge), Total quantity of non-hazardous waste & by products evacuated & recovered (including sludge), Total quantity of hazardous waste & by products evacuated (including sludge and excluding radioactive waste), Total quantity of hazardous waste & by products evacuated & recovered (including sludge and excluding radioactive waste), NOx emissions, SO2 emissions, Particulate matter emissions.
Qualitative information: Analysis of the different categories of indirect greenhouse gas emissions.

(2) *Social, health and safety information: France Renewable Energy BU : Altiservice (BEE-France) ; France BtoB BU : Cofely ; France Networks BU : Electricité de Tahiti ; UK BU : ENGIE Services Limited, ENGIE FM Limited ; North, South and Eastern Europe BU : ENGIE Romania – M&S, COFELY España, ENGIE Services AG ; Other BU: PPE.*
Environmental information : Asia Pacific BU: GHECO1 (USD), Pelican Point Power Limited, Loy Yang B consolidated; Brazil BU: Jorge Lacerda, Estreito, Machadinho, Salto Osório, ITASA ; Latin America BU: Engie Generacion Monterrey, Central Termoelectrica Andina SA, Tocopilla CCGT (Unit 16), Tocopilla Conventional (Units 12 to 15), Inversiones Hornitos S.A., ILO 1 ; North America BU: Suez Denver Metro LLC, Pinetree Power-Fitchburg ; Middle East, South and Central Asia, and Turkey BU: UCH-II Power (Private) Limited, UCH Power (Private) Limited (full conso), National Prower Enerji AS ; North, South and Eastern Europe BU: CLIMAESPACO, ENGIE Deutschland Consolidation (<20 MWth) ; UK BU: COFELY UK (< 500 MWth), Dinorwig ; Generation Europe BU: Roselectra, Combigolfe, Awirs, Maxgreen, Voghera, ENGIE Kraftwerk Wilhelshaven GmbH & Co. KG, ENGIE Kraftwerk Farge GmbH & Co. KGaA, Dunkerque DK6, Rotterdam, Maxima Centrale (ex-FLEVO), Biomasseheizkraftwerk Zolling GmbH, Drogenbos, Knippegroen, Brussels Energy (Schaarbeek), Herdesbrug, Coo ; Benelux BU: Doel ; France Networks BU: Electricité de Tahiti – Consolidation (<300 MWth), Meudon, Compiègne, OOME, SESAS, Velidis, COGIF, SEFIR, Cristalia (Réseau de froid Levallois), SDCB SAS, GEOPICTA, GIE Soccram, Gennevilliers Energie, Plaine Commune Energie (incl E3123 Cogelyo IDF) ; France Renewable Energy BU: ENGIE Green France, CNR ; BU Elengy : Fosmax LNG (Fos Cavaou) ; Exploration and Production International BU: ENGIE E&P Deutschland GmbH ; France BtoB BU : ENGIE Cofely IDF – Consolidation (<100 MWth) ; France BtoC BU: France – M&S – SAH – Savelys ; Liquefied Natural Gas terminals BU: Global LNG.

We consider that the sample methods and the sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Guidelines.

Paris-La Défense, 15th March 2018

Independent Verifier

ERNST & YOUNG et Associés

Alexis Gazzo

Partner, Cleantech & Sustainability

Bruno Perrin

Partner

3.9 Statutory auditors' reasonable assurance report on selected social, environmental and governance information

This is a free translation into English of the original report issued in the French language and is provided solely for the convenience of English speaking readers

Pursuant to your request and in our capacity as Statutory Auditors of ENGIE SA, we performed a review in the aim of providing reasonable assurance on the environmental and social indicators selected by ENGIE SA and identified by the symbols ☐☐ in sections 3.2 and 3.3 of the Reference Document for fiscal year 2017 (the "Data") (1).

Responsibility of the Company

The Data has been prepared under the responsibility of ENGIE SA executive management, in accordance with the criteria used by the company (hereinafter the "Reporting Criteria") for social and environmental reporting data, a summary of which appears in the Registration Document in the section « "Methodological elements of the 2017 environmental reporting" and "Methodological memo on the social indicators", available upon request at the Company's headquarters from the Group Environmental and Social Responsibility Department, the Group Health and Safety Department and the Group Human Resources Department.

Independence and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as the provisions set forth in Article L.822-11 of the French Commercial Code (*Code de commerce*). Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with ethical rules, professional standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditors

Based on our work, our responsibility is to express reasonable assurance on the fact that the Data has been prepared, in all material aspects, in accordance with the Reporting Criteria. The conclusions expressed here below cover only this Data and not all of the information set forth in sections 3.2 and 3.3 of the Reference Document.

We have performed the procedures described below in accordance with the professional guidance issued by the national auditing body (Compagnie nationale des commissaires aux comptes) relating to this operation and ISAE 3000 (2).

- we have assessed the appropriateness of the Reporting Criteria with respect to its relevance, completeness, reliability, neutrality and clarity, by taking into consideration, when relevant, the sector's best practices;
- we have verified the set-up of a process to collect, compile, process, and check the completeness and consistency of the Data;
- we have interviewed the relevant staff from the Group Environmental and Social Responsibility Department, the Group Health and Safety Department and the Group Human Resources Department at the headquarters and Business Units (hereinafter "BUs") in order to analyze the deployment and application of the Reporting Criteria.

(1) *Social, health and safety information: Total workforce, Total workforce - Workforce by geographic region, Total workforce - Breakdown by SPC, Total workforce – Breakdown by type of contract, Age pyramid of permanent employees, Female workforce, Proportion of women in workforce, Proportion of women in management, Proportion of workforce trained, Frequency rate.*
Environmental information: Percentage of relevant revenue covered by an EMAS certification, Percentage of relevant revenue covered by an ISO14001 certification (non-EMAS), Primary energy consumption – total (excluding own consumption), Electricity and thermal energy consumption (excluding own consumption), Energy efficiency of fossil fuel plants (including biomass), Renewable – Net installed capacity (electric and thermal), Renewable – Electricity and heat produced, Total quantity of hazardous waste and by-products discharged (including sludge and excluding radioactive waste), Total quantity of hazardous waste and by-products recovered (including sludge and excluding radioactive waste), Total direct GHG emissions - scope 1.

(2) *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*

- we have set up analytical procedures on the Data and verified, using sampling techniques, the calculations as well as the consolidation of Data.
- we have tested the Data for a representative sample of entities that we selected [1] based on their activity, their contribution to the consolidated Data, their location and a risk analysis. We have conducted interviews to verify the proper application of procedures and conducted substantive tests, using sampling techniques, to verify the calculations performed and reconcile data with supporting evidence. The selected sample represented 50% of the workforce and between 30% and 80% of the environmental information.

We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express a reasonable assurance. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the Data cannot be totally eliminated.

We believe that these procedures enable us to express reasonable assurance on the Data.

Conclusion

In our opinion, the information selected by the Group and identified by the sign ■■ in sections 3.4 and 3.5 of the Reference Document have been prepared, in all material aspects, in accordance with the Reporting Criteria.

Neuilly-sur-Seine and Paris-La Défense, March 23th, 2018

The Statutory Auditors

Deloitte & Associés	Ernst & Young et Autres
Pascal Pincemin	Stéphane Pédron
Partner	Partner

(1) *Social, health and safety information: Asia Pacific BU: ENGIE Services Australia & New Zealand Pty Ltd, DESA Australia Pty Ltd, Western Australia Mechanical Services Pty Ltd ; Latin America BU: Termika Holding S.A. ; North America BU: ENGIE North America Inc., Ecova Inc; North, South and Eastern Europe BU: COFELY Espana SA, ENGIE Romania SA, ENGIE Services AG ; UK BU: ENGIE FM Ltd, ENGIE Services Ltd ; Benelux BU: COFELY Services S.A., ENGIE Services Nederland NV ; France BtoB BU: ENDEL, Ineo, Cofely ; France Renewable Energy BU: Altiservice S.A. ; France Networks BU: Electricité de Tahiti S.A. ; GRTgaz BU: GRTgaz S.A. ; Natural gas distribution BU : GrDF; Other BU: ENGIE S.A. (Entreprises et Collectivités).*
Environmental information : Asia Pacific BU: GHECO-One Co. Ltd, Pelican Point Power Ltd, Loy Yang B Ltd; Brazil BU: Jorge Lacerda, Estreito, Machadinho, Salto Osório, ITASA ; Latin America BU: Engie Generacion Monterrey S.R.L. de C.V., Central Termoelectrica Andina SA, Tocopilla CCGT (Unit 16), Tocopilla Conventional (Units 12 to 15), Inversiones Hornitos S.A., Ilo 1 ; North America BU: Suez Denver Metro LLC, Pinetree Power Fitchburg Inc; Middle East, South and Central Asia, and Turkey BU: UCH-II Power (Private) Ltd, UCH Power (Private) Ltd, National Prower Enerji AS ; North, South and Eastern Europe BU: Climaespaço, ENGIE Deutschland (<20 MWth) ; UK BU: Cofely UK (< 500 MWth),First Hydro Ltd ; Generation Europe BU: Roselectra, Combigolfe, Awirs, Maxgreen, Voghera, ENGIE Kraftwerk Wilhelshaven GmbH & Co. KG, ENGIE Kraftwerk Farge GmbH & Co. KGaA, Dunkerque DK6, Rotterdam, Maxima Centrale (ex-FLEVO), Biomasseheizkraftwerk Zolling GmbH,, Drogenbos, Knippegroen, Brussels Energy (Schaarbeek), Herdesbrug, Coo ; Benelux BU: Doel ; France Networks BU: Electricité de Tahiti (<300 MWth), Meudon, Compiègne, OOME, SESAS, Velidis, COGIF, SEFIR, Cristalia (Réseau de froid Levallois), SDCB SAS, GEOPICTA, GIE Soccram, Gennevilliers Energie, Plaine Commune Energie (incl E3123 Cogelyo IDF) ; France Renewable Energy BU: ENGIE Green France SAS, CNR S.A.; BU Elengy : Fosmax LNG SAS (Fos Cavaou) ; Exploration and Production International BU: ENGIE E&P Deutschland GmbH ; France BtoB BU : ENGIE Cofely IDF (<100 MWth) ; France BtoC BU: ENGIE Home Services SAS ; Liquefied Natural Gas terminals BU: Global LNG.

4

Corporate governance

4.1	**The Board of Directors' report on corporate governance**	**106**
4.1.1	Board of Directors: Composition – Terms of office – Information – Independence	106
4.1.2	Government Commissioner	120
4.1.3	Board of Directors: Powers – Operating procedures – Activities	120
4.1.4	Standing committees of the Board of Directors	123
4.1.5	Principles and rules for determining the compensation and benefits of corporate officers	126
4.1.6	Corporate Governance Code	126
4.1.7	Provisions in the bylaws regarding the participation of shareholders at Shareholders' Meetings	127
4.2	**Shareholders' Meeting of May 18, 2018 – Composition of the Board of Directors**	**128**
4.3	**General Management**	**129**
4.4	**Ethics and compliance**	**130**
4.4.1	Commitment at the highest Group level	130
4.4.2	Organization and structure	130
4.4.3	Risk assessment	130
4.4.4	Reference texts	131
4.4.5	Whistle-blowing and reporting of ethics incidents	131
4.4.6	Training and awareness	131
4.4.7	Control system	132
4.5	**Vigilance plan**	**133**
4.5.1	A Single Vigilance plan for the Entire Group	133
4.5.2	Group level Steering	133
4.5.3	Mapping the Group's Major Risks Related to the Duty of Vigilance	133
4.5.4	Risk Management Policies:	133
4.5.5	The System for Whistleblowing and Receiving Reports	134
4.6	**Compensation and benefits paid to members of corporate governance bodies**	**135**
4.6.1	Compensation of executive corporate officers	135
4.6.2	Compensation of executives who are not corporate officers (members of the Executive Committee)	147
4.6.3	Retirement provision	148
4.6.4	Compensation of executives who are not corporate officers and non-voting directors	148
4.6.5	Information on stock options and the award of bonus shares or performance shares	151
4.6.6	Stock options granted to, and exercised by, each executive corporate officer – Summary of current plans	154
4.6.7	Performance Shares awarded to and available for sale by each executive corporate officer – Summary of current plans	155
4.6.8	Stock options granted to the ten non-executive employees who received and exercised the most options	159
4.6.9	Bonus and Performance Shares granted to the ten employees who are not corporate officers who received the most bonus and Performance Shares	159
4.6.10	Summary of transactions disclosed by executive management and corporate officers in fiscal year 2017	159
4.7	**Internal control and risk management procedures put in place by the Company**	**160**
4.7.1	Internal control organization	160
4.7.2	Internal control system	161
4.7.3	Implementation of internal control	162
4.8	**Statutory Auditors' special report on regulated agreements and commitments, transactions with related parties and service contracts**	**165**
4.8.1	Statutory Auditors' special report on regulated agreements and commitments	165
4.8.2	Transactions with related parties	168
4.8.3	Service contracts binding members of corporate governance bodies	168

4.1 The Board of Directors' report on corporate governance

This Report, which was prepared by the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code, includes information regarding the composition of the Board of Directors and application of the principle of balanced representation of women and men within it, the conditions under which its work was prepared and organized, and any limitations imposed by the Board of Directors on the powers of the General Management. The Report outlines the statutory provisions applied to the calculation of compensation and benefits of any kind granted to the corporate officers.

Principles and rules for determining the compensation and benefits of corporate officers are described in Section 4.6 "Compensation and benefits paid to members of corporate governance bodies".

The Report was presented to the Audit Committee and the Appointments, Compensation and Governance Committee for the parts relevant to their areas of activity. It was then approved by the Board of Directors at its meeting of March 7, 2018. [1]

4.1.1 Board of Directors: Composition – Terms of office – Information – Independence

4.1.1.1 Composition of the Board of Directors

Pursuant to Article 13 of the Company by-laws and the provisions of Articles L. 225-17, L. 225-23 and L. 225-27 of the French Commercial Code, the Board of Directors of ENGIE is composed of a maximum of 22 members, including three Directors who represent the Group’s employees and one Director who represents employee shareholders.

The duration of the Directors’ terms of office is four years, as described in Section 7.1.2 “Corporate governance bodies”.

The Shareholders’ Meeting of May 12, 2017 elected Christophe Aubert as Director (replacing Caroline Simon whose term of office had expired).

At the date of this report, the Company is managed by a Board of Directors composed of 19 members, including:

- ten Directors elected by the Shareholders’ Meeting pursuant to the provisions of the French Commercial Code relating to public limited companies;
- four Directors elected by the Shareholders’ Meeting on the recommendation of the French State pursuant to Article 6 of Decree No. 2014-948 of August 20, 2014, in view of the French State’s interest in ENGIE’s share capital;
- one Director representing the French State appointed by ministerial order pursuant to Article 4 of the same decree;
- three Directors elected representing employees, pursuant to Articles L. 225-27 et seq. of the French Commercial Code; and
- one Director representing employee shareholders, pursuant to Article L. 225-23 of the French Commercial Code elected by the General Shareholder’s Meeting.

The Board of Directors includes 8 Independent Directors (see Sections 4.1.1.2 “Directors in office” and 4.1.1.7 “Independence of Directors in office — Conflicts of interest”), making the percentage of Independent Directors 53%. (NB: pursuant to the Afep-Medef Code, the number of Directors representing employees and employee shareholders is not taken into account in calculating the percentage of Independent Directors.)

The Board of Directors includes 9 women Directors out of a total of 19 members. Act 2011-103 of January 27, 2011 establishes a principle of balanced gender representation on boards of directors. In assessing the ratio of women to men on boards of directors, the law stipulates that Directors who are employee representatives — who are not elected by the Shareholders’ Meeting — are not taken into account. As the Board of Directors of ENGIE includes three Directors representing employees, the assessment is based on 16 Directors, 9 of whom are women (a ratio of 56%).

ENGIE also seeks to increase the diversity and international experience of its Board of Directors. Of its 19 Directors, four, or 21%, are not French.

(1) The changes in the composition of the Board of Directors submitted to the Shareholders’ Meeting of May 18, 2018 are listed in Section 4.2. “Shareholders’ Meeting of May 18, 2018 — Composition of the Board of Directors”.

4.1.1.2 Directors in office

DIRECTORS ELECTED BY THE SHAREHOLDERS' MEETING

	Nationality	Date of first appointment	Date of last appointment	End of current term	Address
Gérard Mestrallet (68 years old) Chairman of the Board	French	Jul. 16, 2008	May 3, 2016	2020	ENGIE 1 place Samuel de Champlain 92400 Courbevoie France
Isabelle Kocher (51 years old) Chief Executive Officer	French	Nov. 12, 2014	May 3, 2016	2020	ENGIE 1 place Samuel de Champlain 92400 Courbevoie France
Ann-Kristin Achleitner (1) (51 years old)	German	Sept. 19, 2012	Apr. 28, 2015	2019	Residenzstrasse 27 80333 Munich Germany
Edmond Alphandéry (1) (74 years old)	French	Jul. 16, 2008	Apr. 28, 2015	2019	Nomura Bank 7 place d'Iéna 75016 Paris France
Fabrice Brégier (1) (56 years old)	French	May 3, 2016	-	2020	ENGIE 1 place Samuel de Champlain 92400 Courbevoie France
Aldo Cardoso (1) (61 years old)	French	Nov. 20, 2004	Apr. 28, 2015	2019	ENGIE 1 place Samuel de Champlain 92400 Courbevoie France
Barbara Kux (1) (63 years old)	Swiss	Apr. 28, 2015	-	2019	ENGIE 1 place Samuel de Champlain 92400 Courbevoie France
Françoise Malrieu (1) (71 years old)	French	May 2, 2011	Apr. 28, 2015	2019	19 avenue Léopold II 75016 Paris France
Marie-José Nadeau (1) (64 years old)	Canadian	Apr. 28, 2015	-	2019	1515 Dr. Penfield, suite 1001 Montreal (Quebec) H3G 2R8 Canada
Lord Ricketts of Shortlands (1) (65 years old)	British	May 3, 2016 (2)	-	2020	15 Queensmead Road Bromley, Kent BR2 0ER United Kingdom

(1) Independent Director (see Section 4.1.1.7 "Independence of Directors in office — Conflicts of interest").
(2) With effect from August 1, 2016.

DIRECTORS ELECTED BY THE SHAREHOLDERS' MEETING ON THE RECOMMENDATION OF THE FRENCH STATE

	Nationality	Date of first appointment	Date of last appointment	End of current term	Address
Directors from the public sector					
Catherine Guillouard [1] (53 years old)	French	Apr. 28, 2015	-	2019	RATP 54 quai de la Rapée — LAC A8A — 75599 Paris Cedex 12 France
Stéphane Pallez (58 years old)	French	Apr. 19, 2012	Apr. 28, 2015	2019	Française des Jeux 126 rue Gallieni 92643 Boulogne-Billancourt Cedex France
Directors from the private sector					
Patrice Durand (64 years old)	French	Dec. 14, 2016	-	2019	22 avenue Théophile Gautier 75016 Paris France
Mari-Noëlle Jégo-Laveissière (49 years old)	French	Apr. 28, 2015	-	2019	Orange Gardens 44 avenue de la République 92320 Châtillon France

(1) Since her appointment on August 2, 2017 as Chairman and CEO of RATP.

DIRECTOR REPRESENTING THE FRENCH STATE, APPOINTED BY MINISTERIAL ORDER

	Nationality	Date of first appointment	Date of last appointment	End of current term	Address
Lucie Muniesa (43 years old)	French	Feb. 4, 2016	-	2019	Ministère de l'Économie et des Finances Agence des Participations de l'État Bâtiment Colbert — Télédoc 228 139, rue de Bercy 75572 Paris Cedex 12 France

DIRECTORS ELECTED TO REPRESENT EMPLOYEES

	Nationality	Date of first appointment	Date of last appointment	End of current term	Address
Alain Beullier (53 years old)	French	Jan. 21, 2009	2014	2018	Elengy Zone Portuaire — BP 35 44550 Montoir-de-Bretagne France
Philippe Lepage (53 years old)	French	Apr. 28, 2014	-	2018	Elengy Zone Portuaire — BP 35 44550 Montoir-de-Bretagne France
Olivier Marquer (43 years old)	French	Jun. 1, 2016 [1]	-	2018	ENGIE 1 place Samuel de Champlain 92400 Courbevoie France

(1) Date on which he replaced Anne-Marie Mourer for the remainder of her term.

DIRECTOR ELECTED BY THE SHAREHOLDERS' MEETING TO REPRESENT EMPLOYEE SHAREHOLDERS

	Nationality	Date of first appointment	Date of last appointment	End of current term	Address
Christophe Aubert (53 years old)	French	May 12, 2017	-	2021	ENGIE Cofely 18, rue Thomas Edison 33610 Canejan France

4.1.1.3 Information about Directors in office

Directors elected by the Shareholders' Meeting

Gérard Mestrallet, born April 1, 1949

Gérard Mestrallet is a graduate of the French engineering school, École Polytechnique, and of the École Nationale d'Administration. Having held various positions at the Treasury Department and on the staff of the Minister of Economy and Finance (Jacques Delors), Gérard Mestrallet joined Compagnie Financière de SUEZ in 1984 as a Special Advisor. In 1986 he was appointed Senior Executive Vice-President in charge of industrial affairs. In 1991 he was named Executive Director and Chairman of the Management Committee of Société Générale de Belgique. In 1995, he became Chairman and Chief Executive Officer of Compagnie de SUEZ. Gérard Mestrallet was appointed Chairman and Chief Executive Officer of GDF SUEZ (now ENGIE) when SUEZ merged with Gaz de France on July 22, 2008. He became Chairman of the Board of Directors of ENGIE in May 2016. He is also Chairman of Paris Europlace, Honorary Chairman of the International Council of the Mayor of Chongqing, a member of the International Councils of the Mayor of Shanghai and Beijing, a Director of Tongji University (Shanghai) and of Saudi Electricity Company (Saudi Arabia). He also holds an honorary doctorate from the University of Cranfield (UK).

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Chairman of the Board of Directors	Chairman of the Board of Directors of SUEZ (1) (France) Director of Société Générale (1) (France) Member of the Supervisory Board of Siemens AG (1) (Germany)	Chairman and CEO of ENGIE (1) (France) Chairman of the Board of Directors of ENGIE ES (2), Electrabel (2) and ENGIE Energy Management (2) (Belgium) Vice-Chairman of the Board of Directors of Aguas de Barcelona (Spain) Director of Saint-Gobain (1) (France), Pargesa Holding (1) (Switzerland) and International Power Ltd (2) (UK) Chairman of GDF SUEZ Rassembleurs d'Énergies SAS (2) (France)

(1) Listed company.
(2) ENGIE Group.

Isabelle Kocher, born December 9, 1966

Isabelle Kocher is a graduate of the École Normale Supérieure. She is also a Corps des Mines Engineer and a qualified lecturer in Physics. From 1997 to 1999, she was Budget Officer for telecommunications and defense at the French Ministry for the Economy. From 1999 to 2002, she served as Industrial Affairs Advisor to Prime Minister Lionel Jospin. In 2002, she joined the Suez Group, which later became ENGIE, where for 12 years she held various functional and operational positions: from 2002 to 2005, in the Strategy and Development Department; from 2005 to 2007, as Director of Performance and Organization; and from 2007 to 2011, as Deputy CEO and later Chief Executive Officer of Lyonnaise des Eaux. From 2011 to 2014, she was Executive Vice-President, Chief Financial Officer of the Group. On November 12, 2014, she became Director, Deputy CEO and Chief Operating Officer of the Group. She was appointed Chief Executive Officer of ENGIE on May 3, 2016.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Chief Executive Officer	Chairman of Electrabel (2) (Belgium) Director of Axa (1) and SUEZ (1) (France)	Deputy CEO of ENGIE (France) Vice-Chairman of Electrabel (2) (Belgium) Director of ENGIE ES (2) (France) and International Power (UK) (2)

(1) Listed company.
(2) ENGIE Group.

Ann-Kristin Achleitner, born March 16, 1966

A doctor of business administration, a doctor of law and authorized to direct research at the University of St. Gallen (HSG — Switzerland), Ann-Kristin Achleitner successively held the office of consultant for MS Management Service AG in St. Gallen (1991-1992) and Assistant Professor of finance and external audit at the University of St. Gallen (1992-1994). Since 1994 she has been a teacher of business administration (finance and accounting) at the University of St. Gallen. In 1994, she became a consultant at McKinsey & Company Inc. in Frankfurt (Germany), and in 1995 she took up the banking and finance chair and the office of Chairman of the Board at the Institut für Finanzmanagement, the European Business School at the International University Schloss Reichartshausen in Oestrich-Winkel (Germany). Since 2001, she has held the corporate finance chair at the Technical University of Munich, where she became Scientific Co-Director of the Enterprise and Finance Research Center in 2003. In 2009, she was also Associate Professor of corporate finance at the University of St. Gallen.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Chairman of the Ethics, Environment and Sustainable Development Committee	Member of the Government Commission on the German Corporate Governance Code Member of the Supervisory Board of Linde AG (1), Metro AG (until February 2017) (1) and MunichRe (1) (Germany) Member of the Board of Directors of Johannes B. Ortner-Stiftung (Germany) Economic Council of the Embassy of France in Berlin (Germany)	Member of the Board of Helmholtz-Validierungsfonds, of Helmholtz-Gemeinschaft Deutscher Forschunszentren and of Fraunhofer Gesellschaft Member of the Supervisory Board of Metro AG (since February 2017) (1) (Germany) Member of the Advisory Committee of the Social Entrepreneurship Akademie (SEA) Member of the Finance Committee for Social Enterprises within KfW-Bankengruppe on behalf of the German Federal Ministry of Family Affairs, Senior Citizens, Women and Youth (BMFSFJ)

(1) Listed company.

Edmond Alphandéry, born September 2, 1943

A graduate of the Institut d'Études Politiques de Paris and a qualified lecturer in economics, he is a Professor Emeritus at the University of Paris II. He served as Mayor of Longué-Jumelles and member of the Maine-et-Loire departmental council until 2008 and was Minister of the Economy from March 1993 to May 1995. He chaired the Supervisory Board of CNP from 1988 to 1993 and was the Chairman of Électricité de France from 1995 to 1998. From July 1998 to July 2012, he again served as Chairman of CNP Assurances. He was also Chairman of the CEPS (Center for European Policy Studies) from January 2014 to July 2016.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Chairman of the Strategy, Investment and Technology Committee Member of the Audit Committee	Senior Advisor of Nomura Securities (France) Member of the Board of Directors of the Stichting Continuïteit ST Foundation (Netherlands) Member of the Advisory Committee of Omnès Capital (France) Member of the Advisory Board of Montrose (UK) Vice-Chairman of the Club of Three (since August 2017) Member of the Advisory Board of Quadrille (France)	Chairman of Centre des Professions Financières Chairman of the Board of Directors of CNP Assurances (1) Chairman of CNP International Chairman of the CEPS (Center for European Policy Studies) (Belgium) Director of Neovacs (France), Caixa Seguros (Brazil) and CNP Vita (Italy) Non-voting director of Crédit Agricole CIB (France) Member of the Advisory Board of AT Kearney France

(1) Listed company.

Fabrice Brégier, born July 16, 1961

A graduate of the École Polytechnique, Chief Engineer at the Corps des Mines, Fabrice Brégier began his career at the DRIRE Alsace (Ministry of Industry and Trade), before being appointed Sub-Director of Economic, International and Financial Affairs with the Ministry of Agriculture (Directorate-General for Food) in 1989. After serving as an Advisor to several French Ministers, Mr. Brégier joined Matra Défense in 1993 where he was successively Chairman of Franco-German joint ventures and Director of Stand-Off activities at Matra BAe Dynamics. In 1998, he became CEO of Matra BAe Dynamics. In 2001, he was appointed CEO of MBDA, the leading European missile systems company. Early in 2003, Fabrice Brégier joined the Eurocopter Group, becoming Chairman and CEO in April, and was appointed Head of EADS' Eurocopter Division and member of the Executive Committee in 2005. He was appointed Airbus Chief Operating Officer (COO) in 2006, and member of the EADS Executive Committee. Fabrice Brégier was appointed President and CEO of Airbus in 2012.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Member of the Appointments, Compensation and Governance Committee	President and CEO of Airbus (1)	Deputy CEO and COO of Airbus (1)

(1) Listed company.

Aldo Cardoso, born March 7, 1956

A graduate of the École Supérieure de Commerce de Paris, Aldo Cardoso holds a Master's Degree in Business Law and is a Certified Public Accountant. From 1979 to 2003, he held several successive positions at Arthur Andersen, including Consultant, Partner (1989), President France (1994), member of the Board of Directors of Andersen Worldwide (1998), Chairman of the Board of Directors (non-executive) of Andersen Worldwide (2000) and Chief Executive Officer of Andersen Worldwide (2002-2003). Since 2003, he has served as a director of French and foreign companies.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Chairman of the Audit Committee (until December 13, 2017) Member of the Audit Committee Member of the Strategy, Investment and Technology Committee	Chairman of the Board of Directors of Bureau Veritas, (1) and Director of Imerys (1) and Worldline (1) (France)	Director of Accor (1), Gecina (1), Rhodia (1), GE Corporate Finance Bank SAS (France) and Mobistar (1) (Belgium) Non-voting Director of AXA Investment Managers (France)

(1) Listed company.

Barbara Kux, born February 26, 1954

Barbara Kux holds an MBA, with honors, from INSEAD Business School in Fontainebleau. In 1984, she joined McKinsey & Company as a management consultant, handling global assignments in strategy and business transformation for major international clients. Between 1989 and 1999, she was head of business development in emerging markets for ABB, and later for Nestlé. She served as a director of Ford Motor Company in Europe from 1999 to 2003. In 2003, Barbara Kux joined the Management Board of the Philips Group, taking charge of the group's sustainable development initiatives in 2005. From 2008 to 2013 she was a member of the Management Board of Siemens AG, serving as Head of Supply Chain Management and Chief Sustainability Officer. Since 2013, she has been a director of various international world-class companies. She is also a member of the INSEAD Advisory Board, where she teaches corporate governance as Director for Corporate Governance. In 2016, she was appointed by the European Commission as a member of the Expert Group — High-level Panel of the European Decarbonisation Pathways Initiative.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Member of the Ethics, Environment and Sustainable Development Committee	Vice-Chairman of Firmenich SA (Switzerland) Director of Pargesa Holding SA (1) (Switzerland) Member of the Supervisory Board of Henkel AG & Co. KGaA (1) (Germany) Member of the European Commission's High-Level Panel for European Decarbonisation Member of the Advisory Board of INSEAD	Member of the Managing Board of Siemens AG (1) (Germany) Director of Umicore (1) (Belgium) and Total SA (1) (France)

(1) Listed company.

Françoise Malrieu, born February 7, 1946

A graduate of HEC School of Management, Françoise Malrieu began her career in 1968 at BNP as a financial analyst. In 1979, she became Assistant to the Director of the Financial Analysis Department, before becoming Director of this department in 1983. She joined Lazard Frères et Cie in 1987 as Director of Financial Affairs. She was later appointed Manager in 1993, and then Managing Partner. In 2001, she joined Deutsche Bank France as Managing Director. She was appointed Chief Executive Officer of Société Financière de Grenelle in 2004. From 2006 to 2009, she was Senior Advisor at Aforge Finance, an independent consultancy active in mergers, acquisitions and restructuring. At the end of 2008, she helped to create the Société de Financement de l'Économie Française, where she was appointed Chairman of the Board of Directors and of the Audit Committee in 2009. She also serves in a variety of roles in the non-profit sector and is notably a director of Ares, Chairman of Arescoop and a Director of the Institut Français des Administrateurs (IFA).

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Chairman of the Appointments, Compensation and Governance Committee Member of the Ethics, Environment and Sustainable Development Committee Member of the Audit Committee	Director of La Poste, Lazard Frères Banque (France) Member of the Supervisory Board of Bayard Presse SA (France) Member of the Supervisory Board of Oberthur Technologies (France)	Chairman of the Board of Directors of the Société de Financement de l'Économie Française (SFEF) (France) Deputy Controller on the Taskforce to Control the Compensation of Financial Market Professionals Director of Aéroports de Paris (1) (France)

(1) Listed company.

Marie-José Nadeau, born May 28, 1953

Marie-José Nadeau holds a Bachelor of Law degree and a Master's degree in Public Law from the University of Ottawa. She interned at the Canadian Supreme Court. After practicing law in the federal government, she joined the Quebec government in 1986, occupying various key positions in the Ministries of Environment and Energy. In 1993 she joined Hydro-Québec where, for 22 years, she served as Secretary General and Executive Vice-President, Corporate Affairs. She retired at the beginning of January 2015 and devotes her time to non-executive activities. She was Chair of the World Energy Council until the end of 2016. She is also Vice-Chairman of the Council and a member of the Executive Committee of the Montreal Symphony Orchestra, and a Director of Metro Inc., the Canadian retailer. She is regularly invited to speak at a range of international forums specializing in the energy sector. She is a member of the Order of Canada.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Chairman of the Audit Committee (since December 14, 2017) Member of the Strategy, Investment and Technology Committee	Chair of the World Energy Council (United Kingdom) Director of Metro Inc. (1) Director of the Montreal Symphony Orchestra (Canada), Vice-Chairman of the Council Director on the Advisory Council of the Electric Power Research Institute (United States)	Secretary General and Executive Vice President, Corporate Affairs at Hydro-Québec (Canada) Director of the World Energy Council (UK) Director and Vice President of the Council of Concordia University (Canada) Director of Churchill Falls and Labrador Corporation Limited (Canada)

(1) Listed company.

Lord Ricketts of Shortlands, born September 30, 1952

Peter Ricketts is a graduate of Oxford University, with a Master of Arts (MA) in English Literature from Pembroke College, Honorary DLC from the University of Kent and Honorary LLD from the University of Bath. Peter Ricketts began his career in 1974 at the Foreign and Commonwealth Office (FCO). In 1975, he was assigned as a Political Attaché in Singapore, and then served as the UK's Permanent Representative to NATO in Brussels, before joining the FCO. At the FCO, he served as the Assistant Private Secretary to former Foreign Secretary Sir Geoffrey Howe in 1983, First Secretary at the British Embassy in Washington (United States) in 1985, Division Chief in Hong Kong in 1990, Advisor for European and Economic Affairs at the British Embassy in France in 1995, and Deputy Director of Policy in 1997. In 2000 he was appointed Chairman of the Joint Intelligence Committee, then in 2001 he was named Policy Director of the FCO. From 2003 to 2006 he was Permanent Representative of the United Kingdom to NATO. In 2006, he became Secretary General of the FCO, and in 2010 he was named National Security Advisor of the United Kingdom. Finally, from 2012 to January 2016, he was the United Kingdom's Ambassador to France and Monaco.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Member of the Appointments, Compensation and Governance Committee	None	None

Directors elected by the Shareholders' Meeting on the recommendation of the French State

Directors from the public sector

Catherine Guillouard, born January 23, 1965(1)

A graduate of Institut d'Études Politiques de Paris and of École Nationale d'Administration, Catherine Guillouard also holds a post-Master's specialization (DESS) in European Union Law. She started her career in 1993 at the Treasury Department of the French Finance Ministry, where she served as Deputy Director of the CFA Zone in Africa, and then in the Banking Affairs Department. She then held various positions at Air France, including as Deputy Vice-President of Corporate Control, Vice President of Flight Operations, Vice-President of Human Resources and Change Management, and, from 2005 to September 2007, as Senior Vice-President of Finance. In September 2007, she became Chief Financial Officer and Executive Committee member of Eutelsat. In April 2013, she became Director of Finance, Control and Legal Affairs at Rexel, and then Deputy CEO from May 2014 to February 2017. She was appointed Chairman and CEO of RATP by a French presidential decree on August 2, 2017.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Member of the Strategy, Investment and Technology Committee	Chairman and CEO of RATP (since August 2, 2017) (France) Deputy Chief Executive Officer of Rexel (since May 2014) (2) (France) Director of Airbus (2) (France)	Director of Technicolor (2) and Aéroports de Paris (2) (France)

(1) Catherine Guillouard is a public-sector director since her appointment as Chairman and CEO of RATP.
(2) Listed company.

Stéphane Pallez, born August 23, 1959

A graduate of Institut d'Études Politiques de Paris and of École Nationale d'Administration, Stéphane Pallez began her career at the French Treasury from 1984 to 2004, where she successively held the posts of civil servant (1984-1988), supplementary administrator representing France at the World Bank in Washington (1988-1990), Head of the "International Monetary Affairs and G7" Department (1990), Technical Advisor to the office of the Ministry of Economy and Finance (1991-1993), Head of the "Banking regulation and national banks" office (1993-1995), Sub-Director "Insurance" (1995-1998), Sub-Director in charge of State shareholdings, head of the transport, energy, high technology, banking and insurance sectors (1998-2000) and Head of the European and International Affairs Department at the Treasury (2000-2004). In 2004, she became Deputy Chief Financial Officer of France Telecom-Orange, before becoming Chairman and Chief Executive Officer of the Caisse Centrale de Réassurance on April 28, 2011. She has been Chairman and CEO of Française des Jeux since November 2014.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director	Chairman and CEO of Française des Jeux (France) Director of CNP Assurances [(1)] and Positive Planet (France) Member of the Supervisory Board of Eurazeo [(1)] (France)	Chairman and Chief Executive Officer of the Caisse Centrale de Réassurance (CCR)

(1) Listed company.

Directors from the private sector

Patrice Durand, born May 11, 1953

A graduate of the Ecole polytechnique and of the Ecole Nationale d'Administration, Patrice Durand began his career in 1978 as Sub-Prefect, Director of the office of the Prefect of Eure-et-Loir and then the Haute-Normandie region in 1979. From 1981 to 1994, he served successively as head of mission in the Directorate-General of Administration at the Ministry of the Interior, Deputy Secretary-General and Secretary-General of the Paris Club; Head of the Office of Energy, Transport, and Mines and Secretary of the Economic and Social Development Fund, Head of Capital Goods and Other Investments and Deputy Director of Treasury Management. In 1994, he became Executive Vice President, then in 1995, Deputy CEO in charge of economic and financial affairs at Air France. From 1999 onwards, he was a member of the Executive Committee, in charge, among other things, of the finances of the Central Risk Management, General Inspection, Legal Affairs, Asset Management, IT and Processing departments, before becoming Deputy CEO of the Crédit Lyonnais Group in 2002. In 2003, he was also appointed Director of Operations and Logistics and member of the Executive Committee of Crédit Agricole SA. In 2005, he joined Thales as Deputy CEO in charge of finance and administration. From 2012 to 2015, he was Deputy CEO in charge of finance and operations at the Ingenico Group. Since 2016, he has served as a director of French and foreign companies.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Member of the Strategy, Investment and Technology Committee (since March 1, 2017)	Director of Ingenico Holdings Asia (Hong Kong) and Fujian Landi Commercial Equipment Co. Ltd (China) Member of the Supervisory Board of GCS Holding BV (Netherlands), Global Collect Services BV (Netherlands)	Chairman of Sogeade (France) Director of Sogepa (France), Ingenico do Brasil Ltda (Brazil), Ingenico Holdings Asia II Limited (Hong Kong), Ingenico Mexico, SA de C.V (Mexico), Ingenico Corp., Ingenico Inc. (Latin America) and Ingenico Inc. (United States). Alternate Director of Fixed & Mobile Pte. Ltd (Singapore) Non-voting director of Nanjing ZTE-Ingenico Network Technology CO. Ltd (China) Chief Finance and Operations Officer Ingenico (France) [(1)]

(1) Listed company.

Mari-Noëlle Jégo-Laveissière, born March 13, 1968

A graduate of the École Normale Supérieure in Paris, Mari-Noëlle Jégo-Laveissière is also an engineer of the Corps des Mines. She began her career in 1996 in the Distribution Network Department of France Télécom's Paris Regional Department. She then held various management positions within the Orange Group from July 1, 2013, including in Marketing, Research and Development, and International Networks and Business. Since March 2014, Mari-Noëlle Jégo-Laveissière has held the position of Senior Executive of Innovation, Marketing and Technologies and member of the Executive Committee within the Orange Group.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Member of the Ethics, Environment and Sustainable Development Committee	Senior Executive of Innovation, Marketing and Technologies and member of the Executive Committee of the Orange Group (1) (France) Director of the Agence Nationale des Fréquences (France), Valéo (1) (France) and Orange Romania (Romania), Nordnet, Soft@Home and Viaccess (France)	Director of International and Backbone Network Factory for the Orange Group and Director of R&D for the Orange Group Director of Next.com, France Telecom R&D UK Ltd, France Telecom R&D Beijing Company Limited, France Telecom Japan Company Ltd, and Orange Distribution Non-voting member of the Supervisory Board of Cloudwatt Member of the Supervisory Committee at Orange Marine

(1) Listed company.

Director representing the French State, appointed by ministerial order

Lucie Muniesa, born February 22, 1975

Lucie Muniesa is a graduate of the École nationale de la statistique et de l'administration économique (ENSAE School of Economics and Statistics) and began her career at INSEE (French Institute for Statistics and Economic Studies), before being appointed Deputy Manager of the Office of Mergers and Aid in the French Department of Competition, Consumption and Repression of Fraud in 2002. In 2004, she joined the Agence des participations de l'Etat (APE – French public shareholding agency) as Deputy Manager of the "Energy, Chemicals and other Investments" and "La Poste – France Telecom" offices, before being appointed General Secretary of APE in 2007. In 2010, Lucie Muniesa joined Radio France as Financial Director and subsequently Deputy Director in charge of Finance, Procurement, Legal Affairs and Own Resources Development. In 2014, she was appointed Director and Deputy General Secretary of the French Ministry of Culture and Communication. In February 2016, Lucie Muniesa was appointed Deputy Director General of APE.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Member of the Audit Committee Member of the Strategy, Investment and Technology Committee Member of the Appointments, Compensation and Governance Committee	Director representing the French State at Safran (1), Orange (1), CDR (Consortium de Réalisation) and SAS Palais de Tokyo (since November 21, 2017) (France) Director of Dexia (1) (Belgium)	Director representing the French State of Palais de Tokyo, Française des Jeux, and the Park and Great Hall of the Villette public corporation Member representing the Ministry of Culture on the Board of Directors of the French National School of Fine Arts Alternate member representing the Ministry of Culture on the Board of Directors of the French National Center for Song, Variety and Jazz, the Paris National Opera and the Cité de la Musique – Paris Philharmonic public corporation Alternate qualified person on the Board of Directors of the French Mint in Paris

(1) Listed company.

Directors elected to represent employees

Alain Beullier, born March 26, 1964

Alain Beullier joined EDF GDF in 1984, holding various positions in the Customer Service and Sales Advisory departments in several EDF GDF services centers in the Paris region. Currently an employee of Elengy, responsible for monitoring environmental regulation, Alain Beullier was named Director representing the "Other Employees" category by employee vote on December 18, 2008. Alain Beullier holds a corporate director's certificate issued by Sciences Po Executive Education and the Institut Français des Administrateurs, class of 2016.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Sponsored by the Chemical Energy Federation – CFDT trade union Member of the Appointments, Compensation and Governance Committee	None	None

Philippe Lepage, born June 17, 1964

Recruited in 1982, Philippe Lepage was High-voltage Maintenance Technician from October 1982 to July 2002, and Chemical Production Supervisor from July 2002 to January 2009. Since January 2009, he has been Assistant Shift Supervisor at the LNG terminal at Montoir-de-Bretagne. Philippe Lepage was named Director representing the "Other Employees" category by employee vote on March 14, 2014.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Sponsored by the National Federation of Employee Unions in the Electricity, Nuclear and Gas Industries – CGT trade union Member of the Strategy, Investment and Technology Committee	Director representing employees and member of the Investment Committee at Elengy (France) (1)	None

(1) ENGIE Group.

Olivier Marquer, born June 28, 1974

With a degree in engineering and a Master's in gas engineering, Olivier Marquer joined the French Gas Research department in 2000 as project manager. From 2004 to 2016, he held various sales and marketing roles in the Key Accounts segment. In early 2016, he was appointed head of the gas and electricity pricing department for the Giant business within GEM.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director Sponsored by the Federation of the Gas and Electricity Industries – CFE-CGC trade union Member of the Ethics, Environment and Sustainable Development Committee	None	None

Director elected by the Shareholders' Meeting to represent employee shareholders

Christophe Aubert, born April 4, 1964

Christophe Aubert worked for a wide variety of companies, including Technicatome (CEA), Staefa Control System, Landis&Gyr (Siemens) and Industelec (EDF), before joining ENGIE Cofely in February 2002 as head of sales at a regional office in southwest France. In 2007 he joined the southwest regional sales management team as Head of Business Development Projects in the service and industrial markets.

Directorships and offices held at the Company	Directorships and offices held in any company in 2017	Other directorships and offices held in the last five years
Director (since May 12, 2017) Sponsored by the Federation Construction Bois – CFDT trade union Member of the Audit Committee (since June 28, 2017)	Member of the Supervisory Board of the Link France and 2015 ORS France funds Joint-manager of MAAC IMMO	

4.1.1.4 Assessment of the operating procedures of the Board of Directors and its committees

The assessment of the operating procedures of the Board of Directors and its committees in 2017 was led by the Appointments, Compensation and Governance Committee with the assistance of an outside consultant.

As is the case every two years, this was a lean assessment essentially to measure changes in relation to the recommendations resulting from the in-depth assessment carried out the previous year.

A draft questionnaire was approved by the Appointments, Compensation and Governance Committee. The questionnaire included both closed questions for statistical tracking of responses, and open questions allowing directors to clarify their responses, make observations and propose changes. This was followed by a personal interview conducted by the outside consultant with the Chairman of the Board, the Chief Executive Officer, the Committee chairs, the new director and the directors who so requested.

The questions related primarily to strategy and performance, knowledge of the Group's businesses, relationships with management, risk management and control, the organization and logistics of board meetings, the Board's strategy seminar, and committee operating procedures.

The work was reported to the Appointments, Compensation and Governance Committee at its meeting of March 1, 2018 and to the Board of Directors at its meeting of March 7, 2018.

The results of the assessment showed improvement had been made compared to the previous year. The collegiality of discussions and mutual listening remained very strong.

The most noteworthy improvements were found in:

- the content and depth of the project presentation files, allowing an even better understanding of market issues and strategic movements,
- the strategic seminar (also very informative),
- the monitoring of the BUs' results, and
- the work of the Committees.

In particular, there is still room for improvement in the analysis of the competitive landscape and the reasons for competitors' strategic movements, and information on human resources issues.

The Board of Directors noted, and is sharing, the recommendations resulting from the assessment work and will take necessary action on them.

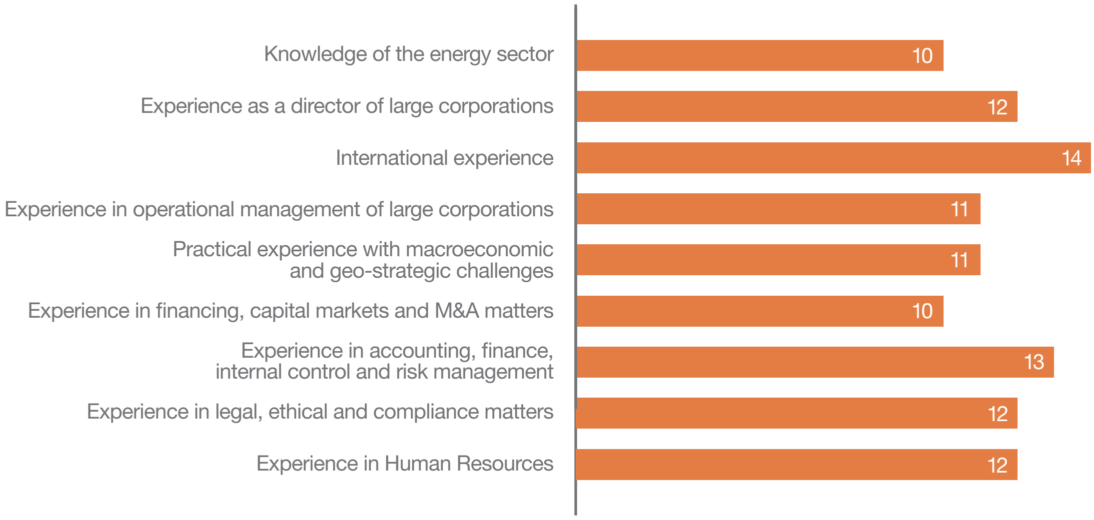
Lastly, as announced last year, the attendance rate of each Director is made public for the first time (see Section 4.1.3.4 below).

4.1.1.5 Diversity of expertise within the Board

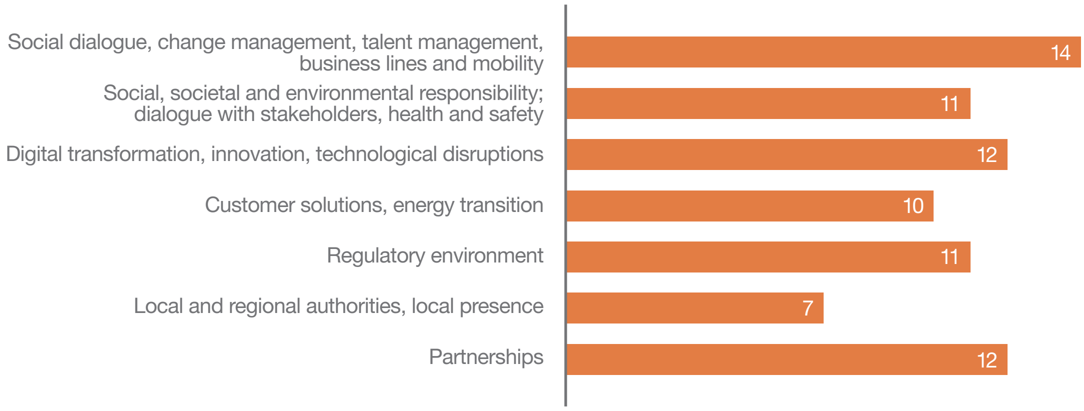
The Board of Directors decided to compile and publish a list of the skills of all its members to ensure it has a proper grasp of the various factors that need to be taken into consideration. This would then provide it with a holistic view of the areas to be addressed. A chart was produced based on the Board's annual assessment process, which was carried out in early 2017 under the supervision of the Appointments and Compensation Committee with the assistance of an outside consultant.

In early 2018, it was updated for the remplacement of Caroline Simon, director representing employee shareholders, by Christopher Aubert. A list was made of the general as well as the more targeted skill sets that match the strategic goals approved by the Board. The resulting chart (below) shows the broad-ranging yet balanced distribution of skills needed on the Board and brought by its 19 members.

General expertise



Key expertise related to the Group's ambitions and strategy



4.1.1.6 Number of ENGIE shares and stock options held by Directors in office

	Number of shares	Number of stock options
Gérard Mestrallet	96,047 (1)	0
Isabelle Kocher	7,116 (2)	0
Ann-Kristin Achleitner	50	N/A
Edmond Alphandéry	2,923	N/A
Christophe Aubert	60 (3)	N/A
Alain Beullier	51	N/A
Fabrice Brégier	50	N/A
Aldo Cardoso	1,038	N/A
Patrice Durand	750 (3)	N/A
Catherine Guillouard	0 (3)	N/A
Mari-Noëlle Jégo-Laveissière	0 (3)	N/A
Barbara Kux	50	N/A
Philippe Lepage	287	N/A
Françoise Malrieu	1,419	N/A
Olivier Marquer	50	N/A
Lucie Muniesa	0 (3)	N/A
Marie-José Nadeau	50	N/A
Stéphane Pallez	200 (3)	N/A
Lord Ricketts of Shortlands	250	N/A

(1) Includes vested performance shares that appear in 4.8.7.4 below and shares held upon simple exercise of options that appear in 4.8.10 below.
(2) Includes vested performance shares that appear in 4.8.7.5 below and shares held upon simple exercise of options that appear in 4.8.10 below.
(3) The statutory requirement to hold at least 50 shares in the company does not apply to Directors elected by the Shareholders' Meeting on the recommendation of the French State, or the Director representing employee shareholders.

4.1.1.7 Independence of Directors in office – Conflicts of interest

Independence

Article 1.1.2 of the Internal Regulations requires the Board to review the independence of each of its members, based on criteria determined by the Board. This review must be conducted annually, prior to the Shareholders' Meeting held to approve the financial statements for the previous fiscal year. The process for assessing the independence of each Director was performed by the Appointments, Compensation and Governance Committee at its meeting of March 1, 2018, and then by the Board of Directors at its meeting of March 7, 2018.

Both bodies examined the status of each Director on a case-by-case basis against the AFEP-MEDEF Code to which the Boards refer.

In addition to the two corporate officers, it is specified that the following Directors, who were appointed as a result of statutory obligations, cannot be deemed independent:

- Lucie Muniesa, Director representing the French State, appointed pursuant to Article 4 of the aforementioned Decree No. 2014-948 of August 20, 2014, as well as Patrice Durand, Catherine Guillouard, Mari-Noëlle Jégo-Laveissière and Stéphane Pallez, elected by the Shareholders Meeting on the recommendation of the French State pursuant to Article 6 of the same decree;
- Alain Beullier, Philippe Lepage and Olivier Marquer, Directors representing employees, pursuant to Articles L. 225-27 et seq. of the French Commercial Code, and Christophe Aubert, Director representing employee shareholders, pursuant to Article L. 225-23 of the same code.

Eight Directors are deemed to be independent (see Section 4.1.1.2 "Directors in office"), making the percentage of Independent Directors 53% (NB: pursuant to the AFEP-MEDEF Code, the number of Directors representing employees and employee shareholders is not taken into account in calculating the percentage of Independent Directors).

As mentioned in Section 4.1.1.7 of the 2016 Registration Document to which reference is made, a number of factors led the Board of Directors to consider that Aldo Cardoso could be qualified as independent.

However, in light of best market practices, the Board of Directors determined at its meeting of March 7, 2018 that Aldo Cardoso would lose his independent status at the Shareholders' Meeting called to approve the 2017 financial statements.

To prepare for this deadline, Aldo Cardoso stepped down from his duties as Chairman of the Audit Committee on December 13, 2017 and was replaced on that same date by independent director Marie-José Nadeau.

Conflicts of interest

The Chairman draws the attention of the Board to any conflicts of interest that he/she has identified, or of which he/she has been made aware, relating, if applicable, to the corporate officers or the members of the Board of Directors. He/she reviews any potential conflicts of interest and agreements disclosed pursuant to Article 1.12 of the Internal Regulations.

To ENGIE's knowledge, there are no potential conflicts of interest between the Directors' duties with regard to ENGIE and their private interests and/or other duties.

There are no family ties between the Directors and ENGIE's other main senior managers.

To ENGIE's knowledge, during the past five years, none of the Directors or senior managers of ENGIE has been convicted of fraud, served as manager in a bankruptcy, receivership or liquidation situation, been subject to indictment and/or official public sanction issued by a statutory or regulatory authority, or been prevented by a court from serving as a member of the management body or supervisory board of an issuer, nor from participating in the management or oversight of the business of an issuer.

In addition to the provisions of the French Commercial Code which govern regulated agreements, the Directors' Charter (see Section 4.1.3.2 – "Organization and operating procedures of the Board of Directors") stipulates that each Director must make every effort to avoid any conflict that may exist between his/her moral and material interests and those of the Company, must inform the Board of any conflict of interest in which he/she may be directly or indirectly involved and, where he/she cannot avoid the conflict of interest, must abstain from discussions and voting on any decision concerning such matters.

Furthermore, no loans or guarantees have been granted to, or on behalf of, members of the Company's boards or management.

4.1.2 Government Commissioner

The role of Government Commissioner is described in Section 7.1.2 "Corporate governance bodies."

This position is held by Laurent Michel, appointed by ministerial order dated November 13, 2014. Anne-Florie Coron was appointed Substitute Government Commissioner by ministerial order dated May 5, 2017, replacing Florence Tordjman.

4.1.3 Board of Directors: Powers – Operating procedures – Activities

4.1.3.1 Powers of the Board of Directors

Pursuant to legal and regulatory provisions and Article 15.1 of the Company bylaws, the Board of Directors determines the Company's business strategy and oversees its implementation. Subject to the powers expressly granted to the Shareholders' Meetings and within the limit of the Company's corporate purpose, the Board deals with all matters concerning the smooth running of the Company and, through its decisions, manages the Company's business. The Board ensures that shareholders and investors receive relevant, balanced and educational information about the Company's strategy and development model, the handling of significant non-financial issues and the Company's long-term prospects. The Board of Directors performs any checks and verifications it considers appropriate.

In addition to issues that fall under the authority of the Board pursuant to applicable laws and regulations, the Chief Executive Officer must obtain, pursuant to the Internal Regulations (Article 2.2), prior authorization from the Board for the following decisions:

- acquiring or divesting any of the Company's direct or indirect interests in any company formed, or to be formed, taking an interest in the formation of any company, joint venture, consortium or body or subscribing to any issue of shares, share equivalents or bonds in which the Company's or the Group's financial exposure exceeds €500 million for the transaction in question;
- becoming involved in any asset contribution or exchange transaction, with or without a cash balance, relative to goods, securities, stocks or bonds for an amount exceeding €500 million;
- resolving disputes by way of any agreement, settlement or arbitration decision for an amount exceeding €200 million;
- entering into any long-term energy purchasing plan on behalf of the Group that involves quantities, per transaction, in excess of:
  - 30 billion kWh of gas per year, including the terms of transmission;
  - 20 billion kWh of electricity per year, including the terms of transmission;
- entering into any significant transaction beyond the scope of the Company's stated strategy;
- entering into any real estate acquisition or disposal transaction for an amount exceeding €200 million;
- entering into any of the following transactions for an amount exceeding €1.5 billion:
  - granting or contracting any loans, borrowings, credit or cash advances by the Company, or authorizing any Group subsidiary or financing medium for this purpose;
  - acquiring or assigning any receivables, by any method.

Each year, the Board of Directors authorizes the Chief Executive Officer to issue guarantees and other securities for an amount that it determines.

In addition, the Chief Executive Officer must obtain the prior opinion of the Board to enter into significant agreements with the French government relating to the objectives and terms and conditions of implementation of public service assignments entrusted to the Company or its subsidiaries, within the limits set by law.

Lastly, at least once a year the Board reviews the budget and the Group's industrial and financial strategy. It also reviews any changes or developments in the markets, in the Group's competitive environment or in its main challenges, including in the area of Group social and environmental responsibility and the Company's policy on professional and pay equality.

4.1.3.2 Organization and operating procedures of the Board of Directors

The operating procedures of the Board of Directors are defined by Article 14 of the bylaws. The means of organizing its work are presented in Article 1 of the Board of Directors' Internal Regulations, which specifies the ways and means by which the Board can operate efficiently on behalf of the Company and its shareholders, as well as the responsibilities incumbent on each Director.

The Board of Directors meets as often as the Company's interests require and, in accordance with its Internal Regulations, at least six times a year, including at least once each quarter. Board of Directors' meetings may be held via any means of videoconference or telecommunication that allows Directors to be identified and ensures their effective participation in accordance with the conditions and procedures set out in the Internal Regulations.

Board meetings are also attended by the Government Commissioner and the representative of the Central Works Council, Mohamed Boutarfa, each with one advisory vote, as well as the Executive Vice-President, Chief Financial Officer, the Executive Vice-President General Secretary, and the Secretary of the Board of Directors.

Article 1.3.1 of the Internal Regulations stipulates that the Chairman organizes and directs the work of the Board, and reports on this to the Shareholders' Meeting. He/she chairs the Board's meetings, oversees deliberations and ensures compliance with the Internal Regulations. He/she may at any time suspend the meeting. The Chairman upholds the quality of dialogue and ensures that the Board's decisions are made on a collective basis. The Chairman makes sure that the Board spends enough time on discussions and allots time to each of the items on the agenda in proportion to the importance that each issue represents for the Company. The Directors ensure, collectively, that the time allotted to each of them to express their views is evenly balanced. The Chairman pays particular attention to ensuring that the issues raised according to the agenda receive an appropriate response.

If the Chairman is absent, he/she is replaced by one of the Vice-Chairmen or, failing this, by the Chief Executive Officer if he or she is a Director, or, failing this, by another Director chosen by the Board at the beginning of the meeting.

The Chairman ensures that the Board and its Committees function properly, assisting them and submitting questions to them for opinions, and ensures that the principles of good governance are applied. He/she also ensures that Directors have the information they need to carry out their duties, sufficiently in advance and in a clear and appropriate form.

The Board may assign information or consultation missions to the Chairman on specific subjects within the Board's purview.

The Chairman ensures that the Shareholders' Meetings that he/she chairs are properly organized, answers shareholders' questions and, more generally, ensures that good relations are maintained with shareholders.

The Chairman works in coordination with the CEO, who has sole responsibility for Group administration and operational management.

As well as exercising the powers conferred on him/her by law, he/she may be consulted by the CEO on any matter relating to the conduct of the business.

The Chairman may represent the Group at high level with national and international bodies and institutions in the interest of the Group. This takes place in close collaboration with the CEO.

The Chairman does his/her best in all circumstances to promote the Group's values and image.

The Chairman is kept regularly informed by the CEO about significant events in the life of the Group, particularly with regard to strategy, organization, investment and disinvestment. At the CEO's invitation, the Chairman may attend internal meetings with the Company's managers and teams to provide his/her point of view on strategic issues.

The Chairman keeps the members of the Board informed, as necessary, between two meetings.

Only the Chairman is authorized to speak and act on the Board's behalf.

The Chairman draws the attention of the Board to any conflicts of interest that he/she has identified, or of which he/she has been made aware, relating, if applicable, to the corporate officers or the members of the Board of Directors. He/she reviews any potential conflicts of interest and agreements disclosed pursuant to Article 1.12 of the Internal Regulations of the Board of Directors.

The Chairman helps to organize the periodic self-assessment of the Board conducted by the Appointments, Compensation and Governance Committee, as well as discussions on governance matters relating to the Board's operating procedures.

In consultation with the CEO, if necessary, the Chairman provides assistance by responding to the requests of shareholders not represented on the Board, and makes time to meet with them and listen to their comments and suggestions.

Once a year, the Board of Directors carries out a self-assessment under the guidance of the Appointments, Compensation and Governance Committee.

Once a year, without the presence of the CEO and those Directors who have an employment contract with a Group company, the Chairman convenes a meeting of directors to assess the CEO's performance. The Chairman informs the members of the Board about the convocation of these meetings. However, the Chairman may invite Employee Directors to take part in all or part of these meetings.

The Secretary of the Board of Directors provides administrative services to the Board and records the minutes of its meetings. Patrick van der Beken is the current Board Secretary.

Under Article 13.6 of the bylaws, all Directors must own at least fifty (50) shares in the Company, unless an exemption has been granted under the applicable law or regulations. This requirement does not apply to Directors coopted or elected by the Shareholders' Meeting on the recommendation of the French State, to the Director representing the French State, or to the Director representing employee shareholders (a table showing the number of shares and stock options personally owned by the corporate officers is provided in Section 4.1.1.6).

The Internal Regulations were amended on March 1, 2017.

These amendments related to the name and duties of the Appointments and Compensation Committee, which became the "Appointments, Compensation and Governance Committee" on March 1, 2017, to reflect the work plan approved by the Committee and presented to the Board. The duties of the Ethics, Environment and Sustainable Development Committee were updated. The composition of the Strategy, Investment and Technology Committee was reviewed.

Various amendments were made in 2017 to bring the Internal Regulations into compliance with the legislative and statutory changes pertaining to an audit committee and statutory auditors, market abuse, and the latest version of the AFEP-MEDEF Code, as revised in November 2016.

The appendices to the Internal Regulations include the Directors' Charter and the Code of Conduct, which set out the rights and duties of each Director.

The Directors' Charter sets out the rules relating to Directors' terms of office, compliance with the company's interests, the laws and bylaws, independence criteria, duty of expression, conflicts of interest, professionalism of the Director, involvement and effectiveness.

Directors undertake to devote the necessary time and attention to their duties. They must stay informed of the activities and the specifics of the Company, its issues and values, including by talking with principal officers. They must assiduously and diligently attend Board meetings.

The individual attendance rates of the Directors for meetings of the Board and its Committees are set out in Section 4.1.3.4.

The Code of Conduct sets out the rules governing trading in the Company's securities and the offense of insider trading applicable to Directors, corporate officers and all employees. It expresses the Company's desire to ensure prudent management of its securities, and to comply and ensure others' compliance with current regulations governing securities transactions carried out by corporate officers and employees.

The main provisions of the Company's bylaws and the Board's Internal Regulations are outlined in Section 7.1 "Specific statutory provisions and bylaws."

In addition to the foregoing, the Regulations for Employee Directors, approved by the Board of Directors at its meeting of December 9, 2009, lay down conditions under which Directors representing employees are to exercise their duties.

4.1.3.3 Activities of the Board of Directors

The Board of Directors of ENGIE met 14 times in 2017, with an average attendance rate of 90%.

At these meetings, the Board of Directors of ENGIE reviewed and resolved upon the following matters: the Group's business performance and strategy, preparation of the 2016 financial statements, financial information for the first and third quarters of 2017, the composition of the Board and its Committees, preparation of the 2017 interim financial statements, management planning documents, the 2017 interim dividend, the independence of Directors, evaluation of the Board's performance, convening the Annual Shareholders' Meeting, the nuclear situation in Belgium, the review and mapping of Group risks, the health and safety report, the statement pursuant to UK modern slavery regulation, professional and pay equality policy, renewal of the authorization to issue bonds and the authorization relating to sureties, guarantees and pledges, the procedure for the Statutory Auditors' non-auditing assignments, the allocation of performance shares, the offer reserved for employees (Link 2018), the budget and Medium-Term Plan (MTP), and the appraisal and compensation of the corporate officers.

The Board of Directors held a strategic planning seminar dedicated to the following topics: plans for the future and the Group's challenges in terms of growth and value creation, the strategy for Belgium, upstream and midstream LNG activities and coal divestment, growth drivers with a focus on customer solutions and other methods for accelerating growth.

4.1.3.4 Attendance by Directors at meetings of the Board of Directors and its Committees in 2017

	Board of directors	Audit Committee	Strategy, Investment and Technology Committee	Appointments, Compensation and Governance Committee	Ethics, Environment and Sustainable Development Committee
Gérard Mestrallet	100%				
Isabelle Kocher	100%				
Ann-Kristin Achleitner	86%				100%
Edmond Alphandéry	100%	100%	100%		
Christophe Aubert (1)	100%	67%			
Alain Beullier	93%			100%	
Fabrice Brégier	57%			83%	
Aldo Cardoso	79%	100%	93%		
Patrice Durand (2)	100%		100%		
Catherine Guillouard	71%		47%		
Mari-Noëlle Jégo-Laveissière	93%				50%
Barbara Kux	93%				75%
Philippe Lepage	79%		100%		
Françoise Malrieu	100%	100%		100%	100%
Olivier Marquer	100%				100%
Lucie Muniesa	100%	90%	80%	100%	
Marie-José Nadeau	100%	100%	100%		
Stéphane Pallez	57%				
Lord Ricketts of Shortlands	100%			100%	
Caroline Simon (3)	100%	100%			
OVERALL ATTENDANCE RATE	**90%**	**94%**	**89%**	**97%**	**85%**

(1) Since the Shareholders' Meeting of May 12, 2017, appointed member of the Audit Committee on June 28, 2017.
(2) Appointed member of the Strategy, Investment and Technology Committee (SITC) by the Board at its meeting of March 1, 2017.
(3) Until the Shareholders' Meeting of May 12, 2017.

4.1.4 Standing committees of the Board of Directors

Article 15.2 of the bylaws provides that to assist in its deliberations, the Board of Directors may create internal standing committees whose work will provide a basis for its decisions. Pursuant to Article 15.2 of the bylaws and Article 3 of the Board's Internal Regulations, these Committees are tasked with studying matters of concern to the Company that the Board or the Chairman has submitted for their opinion. They are also charged with preparing the Board's work and decisions on such matters and projects and reporting their conclusions to the Board in the form of reports, proposals, opinions, information or recommendations. The Committees perform their duties under the responsibility of the Board of Directors. No Committee may, on its own initiative, address any issue that falls outside the scope of its mission. Committees have no decision-making power. On the Chairman's recommendation, and having heard the opinion of the Appointments, Compensation and Governance Committee, the Board of Directors appoints the members and Chairman of each Committee, based on the skills, experience and availability of each Director.

In order to carry out their work, the Committees may interview members of Company and Group divisions and/or commission technical studies on matters within their competence at the Company's expense, provided that they have informed the Chairman of the Board about this, and that they report on it to the Board. If the Committees use the services of external consultants, they must ensure that the advice concerned is objective.

The Board of Directors is assisted by four Committees: the Audit Committee, the Strategy, Investment and Technology Committee, the Appointments, Compensation and Governance Committee and the Ethics, Environment and Sustainable Development Committee. The General Secretariat provides secretarial services to the Board Committees.

The Audit Committee

The Audit Committee has six members: Aldo Cardoso (Chairman until December 13, 2017), Marie-José Nadeau (Chairman since December 14, 2017), Edmond Alphandéry, Christophe Aubert (since June 28, 2017), Françoise Malrieu and Lucie Muniesa.

Operating procedures

Article 3.1 of the Board of Directors' Internal Regulations sets out the rules and operating procedures of the Audit Committee, pursuant to the applicable regulations and to the Afep-Medef Corporate Governance Code for listed companies.

The Audit Committee's responsibilities include the following:

- to monitor the process of preparing financial information and, if necessary, to make recommendations to ensure its integrity;
- to examine in advance, and provide an opinion on, the draft annual and interim financial statements; examination of the financial statements must be accompanied by a presentation by the Statutory Auditors and by the Chief Financial Officer;
- to interview, whenever it deems this to be necessary, the Statutory Auditors, General Management, Financial Management, Internal Audit and any other management personnel; if appropriate, these interviews may take place without the presence of members of General Management;
- to examine major financial press releases before they are released;
- to guide the selection procedure for the Statutory Auditors, and submit a recommendation to the Board on the appointment or reappointment of the Statutory Auditors pursuant to the applicable legislation, and to issue a recommendation to the Board if one or more Statutory Auditors are reappointed;
- to monitor the Statutory Auditors' performance of their assignments and to take account of the observations and conclusions of the Haut Conseil du Commissariat aux Comptes (the French auditors supervisory board) after the audits are conducted;
- to ensure that the Statutory Auditors comply with the conditions of independence and take the necessary measures pursuant to the applicable legislation;
- to approve the provision by the Statutory Auditors of services other than the auditing of the financial statements that are not on the list of prohibited services, and to oversee the application of rules for the capping of fees relating to these services;
- to review each year with the Statutory Auditors the auditing fees paid by the Company and its Group to the networks to which the Statutory Auditors belong, their auditing plans and results of audits, as well as subsequent recommendations and follow-up;
- to monitor the Group's internal control and auditing systems and procedures, with regard to procedures for preparing and processing accounting and financial data, without prejudice to its independence;
- to examine, with the internal audit managers, the plans and actions taken in the area of internal audit, the conclusions of these planned measures and actions and the subsequent recommendations and follow-up, without the presence of members of General Management, if appropriate;
- to monitor the Group's risk management systems and procedures, with regard to procedures for preparing and processing accounting and financial data, without prejudice to its independence;
- to regularly obtain updates on the Group's financial position, cash position and significant commitments and risks.

The Committee reports regularly to the Board on the performance of its duties. It also reports on the results of the audit assignment, how it contributed to the completeness of the financial information and the role it played in this process. It immediately notifies the Board of any problems encountered.

The Audit Committee met 10 times in 2017, with an average attendance rate of 94%. The Statutory Auditors attended all of these meetings.

Activities

In 2017, the Audit Committee specifically addressed the following: 2017 year-end estimates and forecasts and preparation of consolidated and parent company financial statements at December 31, 2016, financial information from the first and third quarters of 2017, interim and annual closing options and assumptions, preparation of the interim consolidated and parent company financial statements at June 30, 2017, the interim dividend for 2017, impairment tests on goodwill and assets, renewal of authorizations to issue bonds and guarantees, quarterly internal audit reports, the internal audit mission plan for 2017 and the independence of internal audit, the new internal audit charter, the review of the Group's internal audit, the follow-up of audit recommendations, the Board's report on corporate governance and internal control and risk management procedures, review of the financial resolutions presented to the Shareholders' Meeting, the update to the pre-approval procedure for the Statutory Auditors' non-auditing assignments, prior approval of the work entrusted to the Statutory Auditors outside their auditing assignments and follow-up of these assignments, and the independence of the Statutory Auditors and their schedule of work for 2017.

The Committee also addressed the following: reviewing and mapping of risks, the monitoring of major acquisitions, the priority risk for projects, relations with the AMF, the impact of IFRS 9, 15 and 16, the report on extractive industries, industrial safety risk (excluding nuclear power), the new pre-approval procedure for the Statutory Auditors' non-auditing assignments, the transparency of foreign operations, the 2017 cash flow plan, risks relating to information systems and the digital world, industrial and nuclear safety and security, the development of the GEM business model and its accounting consequences, and feedback on roadshows.

Strategy, Investment and Technology Committee

The Strategy, Investment and Technology Committee has seven members: Edmond Alphandéry (Chairman), Aldo Cardoso, Patrice Durand (since March 1, 2017), Catherine Guillouard, Philippe Lepage, Lucie Muniesa and Marie-José Nadeau.

Operating procedures

Article 3.2 of the Board's Internal Regulations sets out the rules and operating procedures for the Strategy, Investment and Technology Committee.

The delegation threshold for the Chief Executive Officer for investments and disinvestments is €500 million. The Committee must be notified of transactions of between €350 million and €500 million.

This Committee is charged with providing the Board of Directors with its opinion on the Company's main strategic aims, particularly with regard to strategy and the Public Service Contract, all projects relative to external and internal growth, disposals, strategic agreements, alliances and partnerships that are submitted to the Board. The Committee also addresses strategic decisions relating to technological developments, as well as matters concerning the construction and upgrading of industrial facilities and annual and multi-year works programs, purchasing policy and significant real estate projects.

The Chairman of the Board of Directors attends the meetings of the Strategy, Investment and Technology Committee.

The Strategy, Investment and Technology Committee met 15 times in 2017, with an average attendance rate of 89%.

Activities

In 2017, the Committee discussed the following subjects: priority regulatory and legislative risks, the geothermal power strategy, the report on remaining coal assets, the challenges for the China, France Renewable Energy, Mescat, NECST and NORAM BUs, the planned disposal of the LNG upstream and midstream activity, the implementation of the transformation plan (including Lean 2018), competitive intelligence on renewable energy players, the review of the electricity markets, and the preparation and follow-up for the Board's annual strategic planning seminar.

The Committee also reviewed a series of investment and disinvestment projects requiring approval by the Board of Directors.

Two joint meetings of the Strategy, Investment and Technology Committee and the Audit Committee reviewed work on the budget and the MTP.

The Appointments, Compensation and Governance Committee

The Appointments, Compensation and Governance Committee has five members: Françoise Malrieu (Chairman), Alain Beullier, Fabrice Brégier, Lucie Muniesa and Lord Ricketts of Shortlands.

Operating procedures

Article 3.3 of the Internal Regulations of ENGIE's Board of Directors sets out the rules and operating procedures for the Appointments, Compensation and Governance Committee. The Committee's role is to review and make recommendations to the Board of Directors on all nominations for the position of Director that have to be submitted to the Shareholders' Meeting for approval, as well as for the position of Committee member or Chairman. It makes recommendations to the Board with regard to the replacement of the Company's Chairman and its Chief Executive Officer, leads the process regarding the annual evaluation of the Board's work, liaises with the Chairman in assessing the proper operation of governance bodies, reviews the planned succession of the Company's senior executives in an advisory capacity, and stays informed about the Executive Management's plans regarding the appointment and compensation of Executive Committee members. It also reviews and makes recommendations to the Board of Directors on the compensation, pension and welfare plans, benefits in kind and various pecuniary rights, including, if applicable, performance share allocations, awarded to the Chairman and to the Chief Executive Officer, as well as to any members of the Board that hold employment contracts with the Company. It reviews all nominations of the Chairman and the Chief Executive Officer for any corporate office in a listed company other than the Group, in order to inform the Board's opinion on this candidature.

It gives an opinion on maintaining the benefit of bonus share allocations for members of the Executive Committee when these are normally lost by their holders when they leave the Group.

The Chairman and the Chief Executive Officer attend meetings of the Appointments, Compensation and Governance Committee, unless the meetings address matters that concern them.

The Appointments, Compensation and Governance Committee met six times in 2017, with an average attendance rate of 97%.

Activities

In 2017, the Appointments, Compensation and Governance Committee examined, among other things, the independence and qualification of the Directors, the composition of the Strategy, Investment and Technology Committee, the terms and conditions of the next performance share plans, the Link plan for a capital increase reserved for employees, the variable compensation of executive corporate officers for 2016, the compensation of executive corporate officers for 2017, the planned changes in the variable compensation policy for executives, the success rate of the 2013 performance share and unit plan, the plan under Section 4.6 "Compensation and benefits paid to members of corporate governance bodies" in the 2016 Registration Document, the review of the Chairman's proposals on the appointment of members of the Board's committees and their chairmen, changes to the Board's Internal Regulations, matters relating to succession plans, the compensation policy for senior managers, the adoption of a performance share plan for 2017, the percentage of independent directors, and the election of employee directors. It also led the process for evaluating the Board's work and operating procedures in 2017.

Ethics, Environment and Sustainable Development Committee

The Ethics, Environment and Sustainable Development Committee has five members: Ann-Kristin Achleitner (Chairman), Mari-Noëlle Jégo-Laveissière, Barbara Kux, Françoise Malrieu and Olivier Marquer.

Operating procedures

Article 3.4 of the Internal Regulations of the Board of Directors defines the rules and operating procedures for the Ethics, Environment and Sustainable Development Committee. It ensures the Group has the right level of commitment with regard to ethics, non-financial compliance, and corporate, societal and environmental responsibility.

The Committee met four times in 2017, with an average attendance rate of 85%.

Activities

In the area of ethics, as is the case every year, the Committee was presented with the ethical incidents report and the Group's ethics report. It also reviewed the vigilance plan.

The Committee addressed matters including personal data protection and prepared a progress update on the European Regulation compliance program and the drafting of a new policy on whistleblowers.

In the area of environmental and societal responsibility, the integrated report was submitted to the Committee. It also reported on the various non-financial ratings, the updated CSR policy, "Green Bonds", the 2oC trajectory, and the challenges of adapting to climate change.

On the topic of employer social responsibility, the Committee reviewed risks related to HR issues under the transformation plan, the professional and pay equality policy, the social implications of the sale of ENGIE's stake in Exploration & Production International, changes in the health and safety culture, the health and safety report, and fatal accidents.

4.1.5 Principles and rules for determining the compensation and benefits of corporate officers

Compensation and benefits of any kind awarded to corporate officers are determined by the Board of Directors on the proposal of the Appointments, Compensation and Governance Committee, taking into account practices with comparable companies in France and in Europe as well as the level of achievement of quantifiable and qualitative targets set for each.

The principles and rules for determining such compensation and benefits are presented in Section 4.6 "Compensation and benefits paid to members of corporate governance bodies".

4.1.6 Corporate Governance Code

ENGIE maintains its commitment to implementing corporate governance guidelines and for this purpose refers to the Afep-Medef Corporate Governance Code for listed companies.

The following table sets out the Company's explanations for the non-application of some recommendations of the Afep-Medef Code.

Article of Afep-Medef Code	Explanation
Article 21 (termination of the employment contract in the event of appointment to corporate office)	Isabelle Kocher's employment contract has been suspended since January 1, 2015. The AFEP-MEDEF Code recommends that when an employee becomes an executive corporate officer, their employment contract with the Company should be terminated. While this recommendation does not apply to deputy CEOs, it does apply to chief executive officers. Having appointed Isabelle Kocher Chief Executive Officer at its meeting of May 3, 2016, the Board of Directors determined that it was appropriate to keep her employment contract suspended. The Board decided that the rights accrued by Isabelle Kocher in respect of the supplementary collective pension plans for executive officers up until December 31, 2014, which is the period prior to the suspension of her employment contract, would remain frozen and preserved, which implied keeping her employment contract suspended. ENGIE's internal promotion policy assigns corporate officer positions to experienced executives with in-depth knowledge of the industry and markets in which ENGIE operates and who have had successful career paths within the Group. For these executives, the loss of rights associated with their employment contract and length of service would be a hindrance and counterproductive.

4.1.7 Provisions in the bylaws regarding the participation of shareholders at Shareholders' Meetings

The Company bylaws stipulate that all shareholders are entitled to attend Shareholders' Meetings on condition that their shares are fully paid up. Each share entitles the holder to one vote and representation at Shareholders' Meetings, in accordance with current law and the bylaws. Ownership of one share entails automatic acceptance of these bylaws and of all decisions of the Shareholders' Meetings of the Company. Unless otherwise provided for by law, each shareholder has as many voting rights and may cast as many votes at meetings as he or she holds shares, which are fully paid up. Since April 2, 2016, in accordance with Article L. 225-123 of the French Commercial Code, all registered and fully paid-up shares registered in the name of the same beneficiary for at least two years have been automatically entitled to a double voting right (see Section 5.1.1.3 "Voting rights"). The terms for the participation of shareholders at Shareholders' Meetings are detailed in Section 7.1.5 "Shareholders' Meetings".

Provisions relating to procedures for shareholders' attendance at Shareholders' Meetings and shareholders' voting rights are set out in Section 7.1.3 "Rights, privileges and restrictions attached to shares" and in the bylaws (Articles 10, 11, 12 and 20).

The information stipulated by Article L. 225-37-5 of the French Commercial Code relating to factors likely to have an impact in the event of a public offer is published in Sections 3.2 "Social information", 4.6 "Compensation and benefits paid to members of corporate governance bodies", 5.1 "Information on the share capital", 5.2 "Shareholding" and 7.1 "Specific statutory provisions and bylaws".

4.2 Shareholders' Meeting of May 18, 2018 – Composition of the Board of Directors

At its meeting of March 7, 2018, the Board of Directors resolved to convene a Combined Ordinary and Extraordinary Shareholders' Meeting on May 18, 2018. The agenda will include the appointment of two directors.

The Board noted the resignations of Gérard Mestrallet and Stéphane Pallez as directors effective as from the close of said Shareholders' Meeting. On the recommendation of the Appointments, Compensation and Governance Committee, the Board proposed the appointments of Jean-Pierre Clamadieu and Ross McInnes as independent directors. They would be appointed for a four-year term expiring at the close of the Ordinary Shareholders' Meeting convened in 2022 to approve the financial statements for the year ending December 31, 2021.

At its meeting after the close of the Shareholders' Meeting of May 18, 2018, the Board of Directors will appoint Jean-Pierre Clamadieu as its Chairman, subject to his election as director by the Shareholders' Meeting.

To this end, the Board reviewed Jean-Pierre Clamadieu's independence and availability, after consulting with the Appointments, Compensation and Governance Committee. As a reminder, Jean-Pierre Clamadieu is a board member, executive committee chairman, and chief executive officer of Solvay and a board member of AXA. He has resigned from his directorship of Faurecia. Lastly, the Airbus Board of Directors will be nominating him as a board member at its annual general meeting.

Turning to the issue of independence, the Board specifically examined the flow of business with Solvay. The Board noted that if ENGIE's 2017 revenue from business with Solvay is compared with ENGIE's 2017 total revenue, it remains well below 1% of ENGIE's consolidated revenue. The results are similar when comparing Solvay's 2017 revenue from business with ENGIE with Solvay's consolidated revenue. This flow of business between the two groups dates back many years and has been ongoing with no notable changes. It is therefore unlikely to hinder Jean-Pierre Clamadieu's independence. The Board also noted that, given Solvay's structure and the amounts involved in the contracts between Solvay and ENGIE, no review of those contracts was performed either by the Board of Directors or by Solvay's executive committee. Jean-Pierre Clamadieu has stated that if, during the course of his future duties at ENGIE, and for as long as he continues to hold offices at Solvay, a project should arise of any kind whatsoever that was related to the Solvay Group, he would refrain from participating in any debate or deliberation. The same commitment will be made within the Solvay Group. With regard to the other companies in which Jean-Pierre Clamadieu holds or is likely to hold a directorship, the flow of business with ENGIE represents a negligible portion of the respective revenue. In light of these factors, the Board deemed that if elected to the Board by the General Shareholders' Meeting, Jean-Pierre Clamadieu would qualify as an independent director.

As for the number of offices held by Jean-Pierre Clamadieu in listed companies, assuming he is appointed to the Airbus board, he would temporarily hold four offices, one of which is an executive office in a European company that is not subject to the AFEP-MEDEF Code. This situation is, in fact, temporary since Jean-Pierre Clamadieu's executive functions at Solvay are expected to expire at the end of 2018. Moreover, ENGIE's Board of Directors has determined that Jean-Pierre Clamadieu will devote the necessary time to his duties as Chairman of the Board of Directors.

It should be noted that in accordance with Article 13.3 of ENGIE's articles of association, the Board of Directors includes three directors representing employees. The terms of office of the three employee-directors, Alain Beullier, Philippe Lepage and Olivier Marquer, expire at the close of the Shareholders' Meeting of May 18, 2018. At the conclusion of the elections that closed on March 15, 2018, Christophe Agogue, Alain Beullier and Philippe Lepage were elected as directors representing employees for a four-year term, to take effect at the close of the Shareholders' Meeting of May 18, 2018.

At the close of the Shareholders' Meeting of May 18, 2018, the Board of Directors would be composed of 19 members as follows:

- nine independent directors, representing a proportion of 60% of the Board (percentage calculated pursuant to the AFEP-MEDEF Code which stipulates that directors representing employees and employee shareholders are not taken into account when calculating the proportion of independent directors);
- eight women, representing a proportion of 50% of the Board (percentage calculated pursuant to the law which stipulates that the number of directors representing employees who are not elected by the Shareholders' Meeting is not taken into account in calculating the proportion of women and men);
- four non-French directors and one director with dual Australian-French nationality.

4.3 General Management

On May 3, 2016, on the recommendation of the Appointments and Compensation Committee, the Board of Directors decided to separate the duties of Chairman of the Board of Directors and Chief Executive Officer.

It then appointed Gérard Mestrallet as Chairman of the Board and Isabelle Kocher as Chief Executive Officer. Invested with the broadest powers to act in all circumstances on behalf of the Company, Isabelle Kocher exercises her functions within the limits of the corporate purpose and subject to the powers that the law expressly attributes to Shareholders' Meetings and the Board of Directors. According to the internal rules, the respective powers and duties of the Chairman of the Board and the Chief Executive Officer are determined by the Board of Directors and the Internal Regulations of the Board (see Section 4.1.3.1 "Powers of the Board of Directors").

Two executive bodies - the Executive Committee and the Operational Management Committee - are responsible for formulating ENGIE's strategy and monitoring its implementation.

The Executive Committee, which is in charge of Group management, comprises the Executive Vice-Presidents under the management of the Chief Executive Officer. It formulates strategic decisions according to the guidelines defined by the Board of Directors. It develops ENGIE's long-term outlook and ensures that the short-term objectives are achieved. It makes all major decisions particularly concerning investment, reviews performance, and monitors the pace of the Group transformation. It meets, in principle, every week.

The composition of the Executive Committee is based on the principle of bringing together the functional and operational responsibilities shared between its various members, with a cross-disciplinary approach that breaks down silos and establishes collective responsibility.

At the date of this document, the Executive Committee has the following 12 members, representing five nationalities:

- the Chief Executive Officer: Isabelle Kocher;
- the Executive Vice-Presidents:
  - Paulo Almirante, in charge of Corporate Societal Responsibility *and the oversight of the following BUs: Europe Generation; Brazil; Northern, Southern and Eastern Europe; Middle East, South and Central Asia, and Turkey;*
  - Franck Bruel, *in charge of the oversight of the France BtoB BU;*
  - Ana Busto, in charge of Brand and Communications;
  - Pierre Chareyre, Chairman of the Energy Market Risks Committee and in charge of *the oversight of the Global Energy Management, LNG, Exploration & Production International, and Latin America BUs;*
  - Pierre Deheunynck, in charge of Group Human Resources, Group Safety and Real Estate and the oversight of the Group's "Global Business Services" shared services center;
  - Judith Hartmann, in charge of Finance and *the oversight of the UK and North America BUs;*
  - Didier Holleaux, in charge of Strategic Sourcing & Procurement, Industrial Projects and Nuclear Development, *and oversight of the Elengy, GRDF, GRTgaz, Storengy, Asia-Pacific, China, and GTT BUs;*
  - Shankar Krishnamoorthy, in charge of the Group Métiers, the Group Strategy Department, the Risks Management Department, the Business Development Oversight *and oversight of the Tractebel BU;*
  - Yves Le Gélard, in charge of Group Digital and Information Systems;
  - Thierry Lepercq, in charge of Research & Technology and Innovation;
  - Pierre Mongin, Group General Secretary, also in charge of the coordination of Nuclear Safety *and the supervision of the Africa, Benelux, France Networks, France Renewable Energy and France BtoC BUs.*

The Operational Management Committee (ENGIE 50), which is in charge of operational activities, brings together the Excutives Vice-Presidents, the CEOs of the 24 BUs, the directors of the five Métiers and the directors of the main functional departments. It is chaired by the Chief Executive Officer. The Operational Management Committee implements ENGIE's strategic decisions; it is also in charge of taking the Group's transformation closer to the regions. It meets, in principle, every month.

4.4 Ethics and compliance

ENGIE implements an ethics and compliance program structured around the following pillars:

4.4.1 Commitment at the highest Group level

The Group's senior executives, particularly the Chief Executive Officer, the General Secretary and all other members of the Executive Committee, drive and oversee the ethics and compliance policy and ensure that it is properly applied.

A strong message of "zero tolerance" with respect to ethics – especially in the fight against corruption and fraud – runs throughout the Group's ethics and compliance framework. This message is regularly communicated by the Chief Executive Officer and passed on by managers at all Group levels.

ENGIE's principles of action are based on international standards, in particular those aimed at combating corruption and fraud and protecting human rights.

The Group has taken a proactive stance in the fight against corruption by joining the United Nations Global Compact – the tenth principle of which relates to combating corruption – the Extractive Industries Transparency Initiative (EITI), and the French section of the Transparency International NGO.

4.4.2 Organization and structure

The organization of ethics and compliance is overseen by the Board of Directors via its Ethics, Environment and Sustainable Development Committee ("EESDC").

The Compliance Committee assesses the handling of ethical incidents and monitors the process for updating the Group's ethics and compliance framework. Chaired by the Group's General Secretary, the Committee consists of the internal Audit Director, the Group Legal Director, and the Group Ethics and Compliance Director.

Within the General Secretariat, the Group Ethics and Compliance Department manages the integration of ethics into the Group's strategy, management and practices. It proposes ethics and compliance policies and procedures for the Group and works with all organizational levels to help implement them. It leads an ethics officers network that is actively involved in implementing the Group's ethics commitments at all organizational levels.

Several other Group functions include compliance in their activities. For example, the Group Legal Department has a Center of Expertise in competition law and a Group Personal Data Delegate, both of which rely on a network of coordinators throughout the Group BUs.

4.4.3 Risk assessment

The assessment of ethical risk is included in the Group's risk analysis process (ERM) (See Section 2.3.4.) Five ethical risks have been identified: corruption; human rights violation; failure to take account of competition law and/or embargoes; fraud; and lack of ethics management. The Group's risk analysis process also includes the risk related to the handling of personal data.

The process for assessing risks of corruption and human rights violations uses a common analysis methodology for all BUs (a self-diagnostic scorecard on corruption risk, and a check list regarding human rights violation risk).

4.4.4 Reference texts

ENGIE's ethics and compliance policy aims to develop an ethics culture and practice based on:

- the Ethics Charter [1], which sets the general framework for the professional conduct of every employee and specifies ENGIE's four fundamental ethics principles. It also describes the Group's ethics and compliance organization;
- the Practical Guide to Ethics [1] to implement ethics on a daily basis. It includes the Group's decision to refrain from any financing of political activities, including in countries where such funding is authorized and regulated by law.

These two documents apply to all Group employees and are shared with external stakeholders.

The "Integrity" referential is a collection of policies and procedures for preventing fraud, corruption and influence peddling (covering business consultants, gifts and invitations, ethics due diligence on stakeholders, conflicts of interest, etc.).

The "Human Rights" referential and policy comprise ENGIE's commitments to respect internationally-recognized human rights and specifies the operational processes for analyzing and managing risks so that the Group can be vigilant about the impact of its activities on the human rights of all individuals. In 2017, the Group redefined its Human Rights referential and policy. The referential and policy are the cornerstones of the human rights component of the Group's vigilance plan.

The "Ethics Compliance" referential sets out how the Group is organized to help implement the Group ethics and compliance program and to measure compliance (see Sections 4.4.5 and 4.4.7). It also includes the Group's procedures for complying with rules on embargoes, competition law and personal data protection. Anticipating the implementation on May 25, 2018 of European Regulation 2016/679 on personal data protection, in 2017 the Group updated its personal data protection policy, increased the responsibilities of the BUs' data privacy managers, and launched the deployment of a dedicated compliance program.

Codes of conduct are used to apply ENGIE's ethics commitments to business practices and operations. The codes of conduct include, for example, the "Ethics of Business Relationships: Governing Principles", the "Code of Conduct in Supplier Relations," and the "Code of Conduct on Lobbying." Finally, with regard to interest representation, the Group has set up a simple reporting procedure and tool so that all of the entities concerned can comply with their legal obligations, particularly with regard to the reporting obligation to France's High Authority for Transparency in Public Life, pursuant to the law on "transparency, the fight against corruption and the modernization of economic life" (Sapin 2 law).

4.4.5 Whistle-blowing and reporting of ethics incidents

The *ethics@engie.com* email address is one of the systems set up by the Group for reporting ethics incidents. It allows any employee, as well as any person outside the Group, to report suspicions of or actual breaches of ethics rules.

In 2017 the Group set a new policy on whistle-blowers that incorporates the French legal requirements of the Sapin 2 law and the duty of vigilance law.

Ethical failures are monitored using the INFORM'ethics reporting tool deployed in the BUs as well as at NewCorp and GBS. It covers six areas of ethics incidents: accounting and financial integrity, conflicts of interest, social responsibility and human rights, business ethics, confidential information, and the protection of intangible assets.

The above two systems have been declared to the CNIL (the French National Data Protection Commission).

4.4.6 Training and awareness

The Group conducts a series of awareness campaigns and training programs, including a mandatory awareness seminar on fraud and corruption risk for senior executives. At the end of 2017, 93% of those executives had gone through the course, which is also mandatory for the BUs' Executive Committee members. In addition, there is a mandatory training program for the ethics and compliance network, a mandatory training for purchasers from the purchasing line (see also Section 3.7), training courses in competition law, training for data protection managers, and training in human rights.

E-learning courses on a variety of ethics and compliance topics are available to all employees.

The Group also provides all BUs, entities, métiers and NewCorp functions with training modules that can be tailored to employees based on their exposure to ethical risks.

(1) These documents are available online at www.engie.com.

4.4.7 Control system

The monitoring of the implementation of the Group's ethics and compliance policy is based on an annual compliance procedure and a dashboard of some 15 indicators (including the distribution of ethics documentation, training, and the implementation of ethics policies). At each organizational level, ethics officers produce an annual report on the work and progress accomplished by their entity in this area. This report is submitted to the relevant supervising entity and accompanied by a compliance letter from the manager certifying his or her commitment to the application of the ethics and compliance program within the organization for which he or she is responsible. The consolidated annual compliance report resulting from this process is submitted to the Group's Executive Committee and to the Ethics, Environment and Sustainable Development Committee.

Key controls aimed at ensuring compliance with the Group's ethics and compliance reference texts are incorporated into the INCOME internal control program.

Internal and external audits are performed to assess policy implementation and, where applicable, define areas for improvement.

In 2015 the Group was awarded anti-corruption certification by Mazars, an accounting and auditing firm, and ADIT, a business intelligence firm.

4.5 Vigilance plan

This vigilance plan [1] summarizes all of the measures taken by ENGIE SA to prevent serious violations of human rights, fundamental freedoms, and the health and safety of people and the environment for the ENGIE group.

The Group adheres to international standards on human rights, including the health and safety of people and the environment, which it considers to be the fundamental minimum to comply with wherever it operates. It is committed, as a responsible economic operator, to act with utmost care, in all circumstances, with regard to the impact of its activities on individuals and the environment.

4.5.1 A Single Vigilance plan for the Entire Group

The Group's vigilance plan is based on the various policies the Group has been implementing for several years with respect to human rights, health and safety, and the environment.

Managed and monitored from the highest Group level (4.5.2), it is comprised of a map of major risks for the Group that covers the three areas requiring vigilance (4.5.3), the various risk management policies (4.5.4), and a wistleblowing system (4.5.5).

4.5.2 Group level Steering

The Group's vigilance plan was presented on 22 January 2018 to the Group's EXCOM, which assigned the plan's steering to the Ethics & Compliance Department, under the responsibility of the Secretary General and in close collaboration with the Corporate Social Responsibility, Health & Safety, and Strategic Sourcing and Supply departments. A plan monitoring committee was set up, and a report on the plan's effective implementation was presented to the Board of Directors' Committee for Ethics, the Environment, and Sustainable Development.

4.5.3 Mapping the Group's Major Risks Related to the Duty of Vigilance

The map of the Group's risks is based on a risk analysis related to its activities (direct or subcontracted) and the specifics of the geographical areas in which it operates, in accordance with existing policies in the area of health and safety, human rights, and the environment. The following issues were hence identified as constituting major Group risks:

- to protect the health and safety of the Group's employees and providers, and the people living near industrial assets operated by the Group;
- to respect the fundamental rights of workers, *i.e.*, the prohibition on forced labor and child labor, non-discrimination, and respect for the freedom of association and the collective-bargaining principle;
- not to harm the living conditions of the local communities living around sites;
- to ensure the safety of the Group's permanent and temporary employees and subcontractors in accordance with human rights;
- to respect human rights and the environment in conducting its energy procurement activities;
- to minimize the environmental impact of its activities.

4.5.4 Risk Management Policies:

The Group exercises vigilance by implementing four policies in particular. Each policy sets out procedures to periodically identify and assess risks, remedial measures and goals, and systems for monitoring and evaluating such measures' effectiveness.

- The human rights policy [2] details the Group's commitments, in particular in the area of workers' fundamental rights, the living conditions of local communities, and employee safety.

Group entities must ensure that such commitments are respected in their commercial relations by instituting procedures at the appropriate operational level to periodically identify and manage risks related to human rights (annual review of activities, assessment of new projects, due diligence regarding commercial partners, inclusion of human rights related criteria in the purchasing process) and, if applicable, effectively implement local grievance mechanisms.

(1) *This vigilance plan complies with the provisions of French law no. 2017-399 of March 27, 2017 related to the duty of vigilance of parent companies and principals.*

(2) *For more information on this policy, see Section 4.4 Ethics and Compliance*

The requirements of this human rights policy are fully incorporated into the Group's centralized ethics compliance process [1]. As a parent company, ENGIE SA makes sure this policy is effectively implemented. If necessary, it provides for control measures by means of internal control procedures backed up by both scheduled and unscheduled internal or external audits.

The health & safety policy [2] is set out in specific agreements with the employee representatives, in specific "Group Rules" on health & safety, and in five-year action plans setting goals to achieve and the main actions to be taken. The current plan covers 2016-2020. To supplement the system in the area of contractor and subcontractor health & safety, the Group has developed a dedicated approach that includes, in particular, a specific Group Rule and a subcontractors' observatory that evaluates and coordinates the implementation of dedicated actions in this area.

The Group Rules on health & safety are set at the operational level by the Business Units (BUs) and Group subsidiaries, and are supplemented by best practice guides specific to the risks inherent in each of the various businesses. There is an annual review of how well risks caused by the activities have been identified and assessed, and the action plans to deal with them have been followed. A specific analysis of significant events, incidents, accidents, and potentially very serious events provide lessons on how to avoid a recurrence. Actions to raise awareness, train, and share practices [3] have been developed at various Group levels to reinforce habits of paying attention and being vigilant.

The ENGIE Group has adopted control systems to ensure actions are implemented and goals are achieved, in particular through health & safety discussions at each EXCOM meeting, internal controls and audits of subsidiaries' and entities' health & safety management systems, annual performance reviews with the Group's various BUs, promoting health & safety, and sharing best practices. A comprehensive health & safety assessment is presented to the Board of Directors' EXCOM and Ethics, Environment, and Sustainable Development committees every year.

- The Group's CSR Policy [4] guides the environmental and social vigilance program. Environmental and social risks are analyzed periodically at every level of the company. CSR analysis criteria make it possible to identify risks and take them into account before starting projects.

The environmental risk analysis covers the following aspects in particular: climate change, biodiversity, air, water, and soil. In collaboration with the local stakeholders, each industrial site identified as being "at risk" draws up an action plan that includes all of these environmental aspects. The social risks analyzed are the activities' impact on local communities, and the social consequences of closing any facilities.

- The Group's CSR policy aims to institute action plans at various levels to avoid, reduce, and if necessary, offset the environmental and social impacts of the Group's activities. This policy is deployed in each BU, subsidiary, and site. Its implementation is monitored through goals and actions plans that are reviewed every year. This review process enables us to make sure our obligations, with respect to environmental and social vigilance, are properly satisfied.
- The Purchasing Management System (excluding energy) [5] (Policy and Process) incorporates the requirements related to human rights, health and safety, ethics, and the environment. The prevention plan under the duty of vigilance results from the Purchasing Process by following the following key steps:
  - analysis of risks and opportunities by Purchasing category and by country (prioritization);
  - related mitigation plan (qualification and selection criteria concerning preferred suppliers, need for an audit, due diligence, etc.);
  - inclusion of contractual clauses (with a system of penalties for non-compliance with CSR);
  - measurement of the performance delivered by the suppliers and related improvement plans.

4.5.5 The System for Whistleblowing and Receiving Reports

The Group has enhanced its whistleblowing system and set a new whistleblower policy. [6] This system is open to everyone, and the procedure for collecting reports is handled by a trusted third party. It covers all of the ethics commitments set out in the Group's ethics charter and makes it possible to report issues related to human rights, health & safety, and the environment, regardless of which stakeholder is involved.

(1) *See Section 4.4.7 Control System.*

(2) *For more details about this policy, see Section 3.4.6 Health & Safety Policy.*

(3) *See the paragraph on raising awareness and sharing practices in Section 3.4.6.2.*

(4) *For more information on this policy, see Section 3.5 Environmental Information and 3.6 Societal Information.*

(5) *See Section 3.7.4 Purchasing, Suppliers.*

(6) *See Section4.4.5 Whistleblowing and Reporting Ethics Incidents.*

4.6 Compensation and benefits paid to members of corporate governance bodies

4.6.1 Compensation of executive corporate officers

Compensation of executive corporate officers is determined by the Board of Directors based on the recommendations of the Appointments, Compensation and Governance Committee. It is subject to a presentation and binding votes ("Say on Pay") at the Annual Shareholders' Meeting in accordance with articles L. 225-37-2 and L. 225-100 of the French Commercial Code.

The compensation policy is reviewed annually by the Appointments, Compensation and Governance Committee and is based in particular on specific studies carried out by an external firm specializing in this area.

In its recommendations to the Board of Directors, the Appointments, Compensation and Governance Committee seeks to propose a compensation policy in line with the practices of comparable major international groups for similar positions, based on a benchmark established by a specialized external firm that includes companies listed on the CAC 40, Eurostoxx 50, excluding companies in the financial sector, and Eurostoxx Utilities indices.

Stringent quantifiable and qualitative performance criteria are set both for the variable portion of compensation and for long-term incentive plans, helping to maintain a link between the Group's performance and the compensation of its directors in the short, medium and long term.

Compensation of the executive corporate officers includes:

- a fixed portion (see Section 4.6.1.1)*;* this fixed amount remains unchanged unless the Board of Directors, on the recommendation of the Appointments, Compensation and Governance Committee, decides otherwise;
- a variable portion, balanced relative to total compensation, the purpose of which is to reflect the executive's personal contribution to the Group's development and results (see Section 4.6.1.2);
- a deferred variable portion in the form of Performance Units (see Section 4.6.1.3), subject to performance conditions.

The compensation policies applicable as from May 18, 2018 for the Chairman of the Board of Directors and as from January 1, 2018 for the Chief Executive Officer can be found in Section 4.6.1.9.

4.6.1.1 Fixed compensation

Fixed compensation in 2017

Gérard Mestrallet, Chairman of the Board of Directors since May 3, 2016, received no compensation in respect of his office for the period in question.

The fixed compensation of Isabelle Kocher, Chief Executive Officer was set at €1,000,000 for a full year, to which was added a benefit in kind of €6,012 for the period in question.

Fixed compensation in 2018

Please refer to Section 4.6.1.9.

4.6.1.2 Variable compensation

Variable compensation in 2016 for the period from January 1 to May 3, 2016

At its meetings of December 16, 2015 and February 24, 2016, the Board of Directors decided that the variable compensation of Gérard Mestrallet and Isabelle Kocher, for the period from January 1, 2016 to May 3, 2016, would be subject to the same criteria as in 2015 *mutatis mutandis*, and acknowledged that the waiver criteria that prevailed in 2015 would remain unchanged, and would be prorated over this period. Accordingly, the quantifiable compensation criteria, their weighting and percentages of the target bonus and maximum variable compensation were carried over and prorated.

Variable compensation for the period in question is structured into two components: a quantifiable component (60%) and a qualitative component (40%).

For the quantifiable component, the criteria used were net recurring income, Group share per share (50%), and free cash flow, ROCE, and net debt (each counting for one-sixth of the overall total) (50%). The quantifiable targets for 2016 were included in the Group's projected budget as presented to the Board of Directors on February 24, 2016.

For the qualitative component, the criteria used were as follows:

- for Gérard Mestrallet: implementation of the Group strategy, including actions to drive forward a European energy policy; continued execution of new corporate social and environmental responsibility initiatives for the Group and implementation of the new targets for 2016-2020; development of R&D and "Innovation & New Business" policies; contribution to the success of Isabelle Kocher as Chief Operating Officer; implementation of the new organizational structure, in effect since January 1, 2016 in accordance with the Group's strategy, with a particular focus on making it more team-oriented and collaborative;
- for Isabelle Kocher: quality of execution of her Chief Operating Officer functions; implementation of the new organizational structure, in effect since January 1, 2016 in accordance with the Group's strategy, with particular focus on making it more team-oriented and collaborative.

For the period in question, Gérard Mestrallet's target bonus was set at 130% of his fixed compensation and capped at 150%. Isabelle Kocher's target bonus was set at 122% of her fixed compensation and capped at 141%.

4

At its meeting of March 1, 2017, the Board of Directors, on the recommendation of the Appointments, Compensation and Governance Committee:

- noted that the success rate of the quantifiable criteria was 94.71% [(1)];
- set the success rate of the qualitative criteria at 98% for Gérard Mestrallet and 97.50% for Isabelle Kocher.

Based on the respective weightings of the quantifiable (60%) and qualitative (40%) criteria, the overall success rate for Gérard Mestrallet was determined to be 96.03%, and for Isabelle Kocher, 95.83%.

On a full-year basis, the variable components for 2016 therefore amounted to €1,747,746 for Gérard Mestrallet and €1,054,130 for Isabelle Kocher.

Prorated, the amounts due for the period from January 1, 2016 to May 3, 2016 inclusive were €592,133 for Gérard Mestrallet and €357,137 for Isabelle Kocher.

After Gérard Mestrallet's waiver of €455,344 and Isabelle Kocher's waiver of €141,787, the variable compensation amounts due for the period from January 1, 2016 to May 3, 2016 inclusive were €136,789 for Gérard Mestrallet and €215,350 for Isabelle Kocher.

Variable compensation in 2016 for the period from May 3 to December 31, 2016

Gérard Mestrallet, Chairman of the Board of Directors as from May 3, 2016, received no compensation in respect of his office for the period in question.

For the variable compensation of Isabelle Kocher, Chief Executive Officer, for the period in question, the Board of Directors approved a target bonus (on an annual basis, to be prorated) of €700,000, corresponding to 70% of the base compensation, capped at €840,000, which is 120% of the target bonus. The structure of this variable compensation is broken down into two components: a quantifiable component (60%) and a qualitative component (40%).

For the quantifiable component, the criteria used were identical to those prevailing in the first part of the year, namely net recurring income, Group share per share (50%), and free cash flow, ROCE, and net debt (each counting for one-sixth of the overall total) (50%). The quantifiable targets for 2016 were based on the Group's projected budget as presented to the Board of Directors on February 24, 2016.

For the qualitative component, the criteria used were as follows with each objective being weighted equally:

- Internal reorganization. Following the elimination on January 1, 2016 of the business lines and creation of 24 BUs, and a study on streamlining the functional lines, as from May 4, 2016 and with the new governance, drive forward the transition so as to create the best conditions for achieving the Group's targets in 2016 and, more generally, overall efficiency through the Lean 2018 program. Isabelle Kocher will pay particular attention to the cohesiveness of the entire company by focusing on internal communications with management and employees;
- Strategic repositioning in the context of the energy transition. Implement the three-year action plan approved by the Board, in particular disposals and investments under the profitability conditions defined by the Group; limit the impact of activities that are over-exposed to market prices; develop regulated and contracted activities; speed up the reorientation of under-performing activities; affirm the role of solar in the Group's new energy mix;
- Innovation and digitalization. With regard to finding new, innovative activities, ensure key programs are set up to prepare for tomorrow's businesses, complemented by a policy for incubating and acquiring innovative startups in the Group's business lines; develop and deploy digital solutions;

  and
- Corporate, societal and environmental responsibility. Implement initiatives that allow the Group to develop in line with its new non-financial targets for 2016-2020. As part of a continuous improvement process, pay special attention to non-financial ratings, the Group's reputation, and the implementation of non-financial initiatives by ensuring the full buy-in of all BUs.

At its meeting of March 1, 2017, the Board of Directors, on the recommendation of the Appointments, Compensation and Governance Committee:

- noted that the success rate of the criteria was 94.71% [(2)];
- set the success rate of the quantifiable criteria at 98.75% for Isabelle Kocher.

Based on the respective weightings of the quantifiable (60%) and qualitative (40%) criteria, the overall success rate for Isabelle Kocher was determined to be 96.33%.

On a full-year basis, the variable components for 2016 would therefore be €674,282 for Isabelle Kocher.

Prorated, the variable component due for the period from May 4 to December 31, 2016 (i.e. 242 days out of 366) was €445,837.

Variable compensation in 2017

Gérard Mestrallet, Chairman of the Board of Directors, received no compensation in respect of his office.

With regard to Isabelle Kocher, the target bonus that will be paid in 2018 for fiscal 2017 also remains unchanged at €700,000, corresponding to 70% of fixed compensation and capped at €840,000, which is 120% of the target bonus. Variable compensation in 2017 is broken down into two components: a quantifiable component (60%) and a qualitative component (40%).

For the quantifiable component, the criteria used are net recurring income, Group Share per share (50%) and free cash flow, ROCE and net debt (each counting for one-sixth of the overall total) (50%). The quantifiable targets for 2017 were based on the Group's projected budget as presented to the Board of Directors on March 1, 2017.

(1) For the quantitative component (representing 60% of the variable compensation), the results achieved were: Net recurring income, Group share per share (1/2): 90%; ROCE (1/6): 101.61%; Free cash flow (1/6): 120%; Net debt (1/6): 76.66%.

(2) For the quantitative component (representing 60% of the variable compensation), the results achieved were: Net recurring income, Group share per share (1/2): 90%; ROCE (1/6): 101.61%; Free cash flow (1/6): 120%; Net debt (1/6): 76.66%.

For the qualitative component, the criteria used were as follows:

- **Leading the transformation plan** (60%)
  a) Step up the deployment of the Group's strategy,
  b) Innovation: Leverage additional growth drivers in the medium term,
  c) Digital: speed up the Group's digital transformation (digital operations),
  d) Performance: Continue to improve the operational efficiency of industrial assets, accelerate the deployment of Lean 2018, and continue restructuring at Corporate level,
  e) Adaptation of the Group and leadership.
- **Risk preparedness and management** (10%): Refine the methodology and resources used to anticipate, identify and address risks affecting or likely to affect the Group's activities.
- **Managing difficult cases** (10%).
- **Communications** (10%): Position ENGIE as a Group in tune with the expectations of its customers and stakeholders. Pay particular attention to market, investor and external stakeholders' understanding of the Group's strategy.
- **Corparte, societal and environnemental responsibility** (10%): Ensure that the Group develops in line with the 2016-2020 non-financial targets, with particular attention paid to health and safety. As part of a continuous improvement process, closely monitor on the Group's non-financial ratings and reputation.

At its meeting of March 7, 2018, the Board of Directors, on the recommendation of the Appointments, Compensation and Governance Committee:

- noted that the success rate of the quantifiable criteria was 105.31% [(1)];
- set the success rate of the qualitative criteria at 111.50%.

Based on the respective weightings of the quantifiable (60%) and qualitative (40%) criteria, the overall success rate was determined to be 107.79%.

The variable component for 2017 was €754,530. It will only be paid to Isabelle Kocher if approved by the shareholders at the Shareholders' Meeting of May 18, 2018.

Variable compensation in 2018

Please refer to Section 4.6.1.9.

4.6.1.3 Long-term incentive compensation (Performance Units)

The Appointments, Compensation and Governance Committee, following the recommendations of the AFEP-MEDEF Code which seeks to promote the long-term engagement of corporate leaders, recommended to the Board of Directors that the executive corporate officers receive compensation involving a long-term incentive, provided that it is reasonable and subject to strict performance conditions, as well as comparable to that of other beneficiaries. On December 6, 2011, the Board of Directors decided that the long-term incentive may not exceed 40% of the total compensation of the executive corporate officers.

The Appointments, Compensation and Governance Committee proposed a long-term incentive plan to the Board of Directors for 2017 in the form of Performance Units (PUs) with the same characteristics as the plans for the previous years.

Performance Units for 2017

Gérard Mestrallet did not receive any Performance Units for 2017.

On the recommendation of the Appointments, Compensation and Governance Committee, the Board of Directors, at its meeting of March 1, 2017, voted to award 120,000 Performance Units to Isabelle Kocher for 2017.

These PUs are subject to the following conditions and criteria:

- Performance Units are fully vested after three years (March 2021), after which the beneficiary may freely exercise them, with fractional shares permitted;

(1) *For the quantitative component (representing 60% of the variable compensation), the results achieved were: Net recurring income, Group share per share (1/2): 107.94%; ROCE (1/6): 91.50%; Free cash flow (1/6): 116.51%; Net debt (1/6): 100.02%.*

- final vesting depends on a threefold performance condition, with each criterion weighing one-third of the total [(1)]:
- upon exercise, Performance Units are valued based on the first weighted average daily price published after the request is submitted. This method reduces the effects of volatility inherent in a closing or opening price;
- obligation to reinvest in ENGIE shares two-thirds of the net amount paid until the shareholding target (equal to two years' fixed compensation for executive corporate officers) has been met;
- the lock-up periods associated with performance shares shall apply;
- in the event of departure from the Group, the same conditions as those applied to other performance share plans shall apply. This creates a regime identical to that of other beneficiaries of long-term incentives in the Group:
  - maintenance of rights in the event of death, retirement, [(2)] disability (2nd or 3rd category under article L. 341-4 of the French Social Security Code),
  - in case of death, the performance conditions would be deemed fully satisfied and the estate would have a period of six months from the date of death to exercise the Performance Units, after which the Performance Units shall become null and void;
- in case of termination of office or employment contract for any other reason, the rights will lapse, unless otherwise decided by the Board of Directors.

Performance Units awarded for 2017 were valued at €6.09 per unit.

Performance Units for 2018

Gérard Mestrallet did not receive any Performance Units for 2018.

On the recommendation of the Appointments, Compensation and Governance Committee, the Board of Directors, at its meeting of March 7, 2018, voted to award 120,000 Performance Units to Isabelle Kocher for 2018.

These Performance Units are subject to the following conditions and criteria:

- the award takes effect on March 7, 2018 and the Performance Units will be fully vested on March 15, 2022, after which Isabelle Kocher has three years to exercise them, with fractional shares permitted;
- final vesting depends on a threefold performance condition, with each criterion weighing one-third of the total [(3)]:
- upon exercise, Performance Units are valued based on the first weighted average daily price published after the request is submitted. This method reduces the effects of volatility inherent in a closing or opening price;
- obligation to reinvest in ENGIE shares 2/3 of the income from the exercise of the Performance Units net of tax and social security withholding until the shareholding target (equal to two years' fixed compensation for executive corporate officers) has been met;

(1) The sum of the success rate of (a), (b) and (c) is divided by three to obtain an overall success rate. Performance conditions:
(a) internal condition related to net recurring income, Group share for 2019 and 2020 vs. the target net recurring income, Group share set in the medium-term business plan reviewed by the Board of Directors (pro forma);
(b) internal condition related to ROCE for 2019 and 2020 vs. the target ROCE set in the medium-term business plan reviewed by the Board of Directors (pro forma);
(c) external condition related to the TSR (total shareholder return) of the ENGIE stock compared with the TSR of a reference panel. The reference panel is composed of EDF, E.ON, Innogy, RWE, ENEL, Iberdrola, Gas Natural and Uniper (hereinafter referred to as the "Panel"), each of these companies being assigned an identical weighting, with the exception of E.ON and Uniper, on the one hand, and RWE and Innogy, on the other hand, which are accounted as single companies (50% each) for weighting purposes.
To smooth the possible effects of volatility (gain or loss), the TSR will be calculated by taking the average of the ENGIE TSR and that of the Panel companies over two months, ending at least a month before the expected delivery date of the relevant performance shares.
A single performance slope is applied to each of the following three criteria:
ENGIE performance <= 80% of the target level: 0% success rate;
ENGIE performance >= 100% of the target level: 100% success rate;
proportional and linear progression for intermediate results.
The arithmetic mean of the three success rates in a), b) and c) above represents the percentage of shares that will vest.

(2) The sum of the success rate of (a), (b) and (c) is divided by three to obtain an overall success rate.

(3) The sum of the success rate of (a), (b) and (c) is divided by three to obtain an overall success rate. Performance conditions:
(a) an internal condition related to net recurring income, Group share for 2020 and 2021 vs. the target net recurring income, Group share set in the medium-term business plan reviewed by the Board of Directors (pro forma);
(b) internal condition related to ROCE for 2020 and 2021 vs. the target ROCE set in the medium-term business plan reviewed by the Board of Directors (pro forma);
(c) external condition related to the TSR (total shareholder return) of the ENGIE stock compared with the TSR of a reference panel. The reference panel is composed of EDF, EDP, E.ON, Innogy, RWE, ENEL, Iberdrola, Gas Natural, Spie and Uniper (hereinafter referred to as the "Panel"), with each company weighted equally, with the exception of E.ON, Innogy, RWE and Uniper, which count for 50% for weighting purposes.
To smooth the possible effects of volatility (gain or loss), the TSR will be calculated by taking the average of the ENGIE TSR and that of the Panel companies over two months, ending at least a month before the expected delivery date of the relevant performance shares.
A single performance slope is applied to each of the following three criteria:
ENGIE performance <= 80% of the target level: 0% success rate;
ENGIE performance >= 100% of the target level: 100% success rate;
proportional and linear progression for intermediate results.
The arithmetic mean of the three success rates in a), b) and c) above represents the percentage of shares that will vest.

- the lock-up periods associated with performance shares shall apply;
- in the event of departure from the Group, the same conditions as those applied to other performance share plans shall apply. This would create a regime identical to that of other beneficiaries of long-term incentives in the Group:
  - maintenance of rights in the event of death, retirement, [(1)] disability (2nd or 3rd category under article L. 341-4 of the French Social Security Code),
  - in the event of death, the performance conditions would be deemed fully satisfied and the estate would have a period of six months from the date of death to exercise the Performance Units, after which the Performance Units shall become null and void;
- in case of termination of office or employment contract for any other reason, the rights will lapse, unless otherwise decided by the Board of Directors.

Performance Units awarded for 2018 were valued at €6.58 per unit.

4.6.1.4 Retirement plans

Gérard Mestrallet is not covered by an individual retirement benefit plan. In addition to mandatory pension plans, he benefits from supplementary collective defined-benefit (article 39) and defined-contribution (article 83) pension plans given to former employees of the ex-SUEZ group, which he joined in 1984. Gérard Mestrallet was reappointed as Chairman and Chief Executive Officer on April 23, 2012. As a result, in accordance with the AFEP-MEDEF Code of Corporate Governance, he voluntarily terminated his employment contract, which had been suspended since his appointment as an executive corporate officer. He requested the liquidation of his pension rights under the general retirement plan with CNAV, the supplementary mandatory plans with ARRCO and AGIRC, and the supplementary collective pension plans which are described in detail in the Company's Registration Documents and were approved by the Shareholders' Meeting under the "Say on Pay" rules. These collective plans are described in the following paragraphs. For the duration of his service as Chairman and Chief Executive Officer, Gérard Mestrallet had waived the right to collect any annuity payments resulting from supplementary collective pension plans. No rights were vested during the period. The annuity that Gérard Mestrallet will receive from the collective pension plans after May 4, 2016, the date on which he stepped down from his duties as Chief Executive Officer, amounts to €831,641 per year before tax and social security deductions, which represents 28% of his compensation in 2012 (the reference year for calculating his pension benefits).

In addition to mandatory pension plans, until December 31, 2014, Isabelle Kocher benefited from the supplementary collective pension plans of the former SUEZ group (which she joined in 2002), consisting of a defined-contribution plan and a defined-benefit plan.

The defined-contribution plan (article 83) is based on gross annual compensation and the following contribution rates: 5% bracket A (equivalent to the annual social security ceiling), 8% bracket B (between one and four times the annual social security ceiling), 8% bracket C (between four and eight times the annual social security ceiling).

The defined-benefit plan (article 39) is governed by article L. 137-11 of the French Social Security Code. It is run by ENGIE Management Company, a wholly owned French subsidiary of ENGIE. The beneficiaries of this plan are the executives and corporate officers of ENGIE Management Company who are registered with the French social security system and meet the following three conditions: (i) they received gross compensation above the ceiling for bracket B contributions to the AGIRC executive supplementary pension plan, i.e. over four times the annual social security ceiling, (ii) they were working for a Group company when they retired, and (iii) they were entitled to at least one basic pension plan. The calculation basis for the annuity amount is the gross compensation received during the year in question, capped at 50 times the social security ceiling. The amount of compensation is that used as the basis for social security contributions as defined in article L. 242-1 paragraph 1 of the French Social Security Code.

This plan provides for the payment of an annuity equal to the sum of the annual pension components calculated on 2% of the portion of gross annual compensation between four and eight times the social security ceiling (designated bracket C) and 4% of the portion of gross annual compensation between eight and fifty times the social security ceiling (designated bracket D), minus the above defined-contribution plan calculated on bracket C of the compensation. For a career of a minimum of 10 years in the plan, the total annuity cannot be less than 20% of bracket C of average compensation for the last five years plus 30% of bracket D for the same compensation, nor more than 30% of bracket C plus 40% of bracket D. If the career is less than 10 years, the corresponding rights are calculated on a pro rata basis of actual time worked.

The rights under the defined-benefit plan are "not guaranteed" since they depend on the employee working in the Group at the time his or her pension is claimed in accordance with a mandatory plan for pension insurance.

ENGIE Management Company is responsible for financing this plan and pays premiums to a third-party insurance company which it has contracted to manage the pensions, calculate the actuarial provisions for the annuities, and manage the payments. The corresponding social security costs borne by the Company amount to 24%.

In accordance with the decisions of the Board of Directors on March 10, 2016, Isabelle Kocher's rights to the supplementary collective defined-contribution and defined-benefit pension plans were frozen on suspension of her employment contract, i.e. December 31, 2014.

The rights accumulated from 2002 to 2014 under the collective defined-benefit plan would result, subject to the condition of continuous service in the Group, in an annual annuity, estimated at year-end 2015, at the end of her career aged 65, of €145,456, before tax and social security deductions.

At its meeting on March 10, 2016, the Board of Directors also decided to set up a new supplementary pension plan for Isabelle Kocher whereby the company no longer guarantees the amount of pension but pays an annual contribution, half of which comprises contributions paid to a third-party organization under an optional defined-contribution retirement plan (article 82) and half is a cash sum, given the immediate taxation on payments made into this new mechanism. The matching contribution corresponds to a ratio of 25% of the sum of the fixed compensation and the actual variable compensation accrued for the given year. It also depends on the Company's performance, since the calculation base already includes the variable portion linked to the Group's results. In setting the conditions of this mechanism, the Board of Directors wished to ensure that Isabelle Kocher would not suffer a loss compared to her existing position nor gain an additional benefit. Accordingly, the Board of Directors decided to pay a contribution of €366,091 for the 2015 fiscal year. This contribution is subject to social contributions without any ceiling according to the applicable rules.

(1) Including an end of office due to the age limit set by the Company's bylaws.

4

Without prejudice to her rights accrued under the collective plans corresponding to her employment prior to the suspension of her employment contract, which have been frozen and preserved, this system will give Isabelle Kocher a dedicated pension plan, reflecting the significance of her position as chief executive officer. It is intended that this policy will be applied to all executive officers who are promoted to corporate executive officer at the head of the Group when their employment contract is suspended.

At its meeting of May 3, 2016, the Board of Directors voted to carry forward the decisions made at its meeting of March 10, 2016 regarding Isabelle Kocher when she was Chief Operating Officer. Consequently, the benefits accrued by Isabelle Kocher in respect of the supplementary collective pension plans for corporate offers for the period prior to the suspension of her employment contract on December 31, 2014 will remain frozen and preserved, which implies keeping her employment contract suspended. The arrangement for the matching pension plan contribution and conditions related thereto were also confirmed. For 2016, the matching contribution was €406,762. For 2017, the matching contribution was €438,632. It will only be paid to Isabelle Kocher if approved by the shareholders at the Shareholders' Meeting of May 18, 2018.

4.6.1.5 Employment contract, special retirement plans, severance pay and non-compete clause

	Employment contract	Supplementary pension plan	Compensation or benefits due or likely to be due on termination or change of function	Compensation due under a non-compete clause
Gérard Mestrallet *Chairman*	No	See 4.6.1.4	No	No
Isabelle Kocher *Chief Executive Officer*	Yes (suspended)	See 4.6.1.4	See below	No

Isabelle Kocher's employment contract has been suspended since January 1, 2015. This suspended employment contract does not provide specifically for non-compete or severance compensation. As part of the Company's human resources policies, all employees of ENGIE Management Company receive severance compensation when their employment contract is terminated. Compensation due under said policies amounts to 3/5 of the monthly salary per year of service in the company or Group and is capped at 18 months' salary. "Monthly salary" is understood to mean one-twelfth of the fixed compensation of the current year plus the last paid variable component. Isabelle Kocher's length of service at the time of her appointment as Chief Executive Officer on May 3, 2016 was 13 years and seven months. Note that there is no system of hiring bonuses or golden parachutes in place for executive corporate officers at ENGIE and that no consideration is provided in respect of non-compete clauses.

4.6.1.6 Summary of compensation of each executive corporate officer

	2017		2016	
(in euros)	Amount due in 2017	Amount paid in 2017	Amount due in 2016	Amount paid in 2016
Gérard Mestrallet Chairman (since May 3, 2016) Chairman and Chief Executive Officer (until May 3, 2016)				
Fixed compensation	0	0	477,957	477,957
Variable compensation	0	0	136,789	235,687
Matching contribution to retirement plan	0	0	0	0
Extraordinary compensation	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind	0	0	2,097	2,097
TOTAL	**0**	**0**	**616,843**	**715,741**

Gérard Mestrallet, Chairman of the Board of Directors, received no compensation in respect of his office. His retirement benefits are discussed in Section 4.6.1.4.

(in euros)	2017		2016	
	Amount due in 2017	Amount paid in 2017	Amount due in 2016	Amount paid in 2016
Isabelle Kocher Chief Executive Officer (since May 3, 2016) Chief Operating Officer (until May 3, 2016)				
Fixed compensation	1,000,000	1,000,000	965,860	965,860
Variable compensation	754,530	661,187	661,187	562,656
Matching contribution to retirement plan	438,632	406,762	406,762	366,091
Extraordinary compensation	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind	6,012	6,012	6,012	6,012
TOTAL	**2,199,174**	**2,073,961**	**2,039,821**	**1,900,619**

4.6.1.7 Summary of compensation for each executive corporate officer

(in euros)	2017	2016
Gérard Mestrallet Chairman (since May 3, 2016) Chairman and Chief Executive Officer (until May 3, 2016)		
Compensation due for the fiscal year (detailed in the preceding table)	0	616,843
Valuation of options granted for the fiscal year	0	0
Valuation of Performance Shares granted for the fiscal year	0	0
Valuation of Performance Units granted for the fiscal year	0	386,500
TOTAL	**0**	**1,003,343**

Gérard Mestrallet, Chairman of the Board of Directors, received no compensation in respect of his office.

(in euros)	2017	2016
Isabelle Kocher Chief Executive Officer Chief Operating Officer (until May 3, 2016)		
Compensation due for the fiscal year (detailed in the preceding table)	2,199,174	2,039,821
Valuation of options granted for the fiscal year	0	0
Valuation of Performance Shares granted for the fiscal year	0	0
Valuation of Performance Units granted for the fiscal year	730,800	770,812
TOTAL	**2,929,974**	**2,810,633**

The valuation of Performance Units, based on a model provided by an external specialist firm, is based on an approach used for all of its client companies to obtain comparable valuations. It uses the parameters and assumptions consistent with the principles of IFRS, but takes into account all possible performance conditions (external and internal), not limited to "market" performance conditions as in IFRS 2. This valuation also takes into account the share price, the annual expected dividend yield, historical share price volatility, the risk-free interest rate, a three-year maturity, a three-year vesting period and an estimated life of four and a half years. The valuation used was €11.15 for the 2014 award, €9.69 for the 2015 award, €7.73 for the 2016 award, €6.09 for the 2017 award, and €6.58 for the 2018 award.

This valuation is theoretical, to the extent that the final vesting of Performance Units (several years after the grant date) depends on the achievement of strict and demanding performance conditions. Thus, 87,000 Performance Shares granted to Gérard Mestrallet for 2010 were at the time of grant valued at €1,706,070; in reality, only 12,711 Performance Shares were vested by Gérard Mestrallet in March 2014, for a value of €240,937.

4.6.1.8 Compensation components due or awarded for 2017 to each executive corporate officer of the Company, subject to shareholder approval

In accordance with article L. 225-100 para. 2 of the French Commercial Code, the Shareholders' Meeting of May 18, 2018 will vote on the fixed, variable and extraordinary components of total compensation and benefits in kind paid or awarded to Isabelle Kocher, Chief Executive Officer, for 2017.

Under article R. 225-29-1 of the French Commercial Code, the components of total compensation and benefits of any kind are as follows:

- attendance fees;
- annual fixed compensation;
- annual variable compensation;
- variable multi-year compensation;
- stock option awards;
- bonus share awards;
- extraordinary compensation;
- compensation or benefits due or likely to be due on commencement of function;
- the commitments mentioned in the first and sixth paragraph of article L. 225-42-1 of the French Commercial Code;
- compensation components and benefits of any kind due or likely to be due to one of the persons mentioned in the first paragraph of article L. 225-37-2 of the French Commercial Code, by virtue of the agreements entered into, directly or through an intermediary, because of the person's office, with the company in which the office is held, any company controlled by it within the meaning of article L. 233-16 of the French Commercial Code, any company that controls it, within the meaning of that same article, or any company placed under the same control as it, within the meaning of that article;
- any other compensation component that can be awarded by virtue of the office;
- benefits of any kind.

The variable or extraordinary compensation components, the payment of which was subject to approval by an ordinary general shareholders' meeting, may only be paid after the compensation components of the person concerned have been approved by a general shareholders' meeting.

As a reminder, Gérard Mestrallet, Chairman of the Board, received no compensation in respect of his office in 2017.

COMPENSATION COMPONENTS DUE OR AWARDED FOR 2017 TO ISABELLE KOCHER, CHIEF EXECUTIVE OFFICER

Compensation components	Amount	Details
Fixed compensation	€1,000,000	The fixed remuneration of Isabelle Kocher was set at €1,000,000.
Annual variable compensation	€754,530	The structure of Isabelle Kocher's variable compensation for 2017 to be paid in 2018 is broken down into two components: a quantifiable component (60%) and a qualitative component (40%). For the quantifiable component, the criteria used are net recurring income, Group Share per share (50%) and free cash flow, ROCE and net debt (each counting for one-sixth of the overall total) (50%). The quantifiable targets for 2017 were based on the Group's projected budget as presented to the Board of Directors on March 1, 2017. For the qualitative component, the criteria used were as follows: – Leading of the transformation plan (60%) a) Speed up the Group's strategy deployment b) Innovation: prepare additional medium-term growth drivers c) Digital: speed up the Group's digital transformation (digital operations) d) Performance: continue to improve the operating efficiency of industrial assets, speed up the deployment of Lean 2018, and continue corporate restructuring e) Adaptation of the Group and leadership – Risk preparedness and management (10%): refine the methodology and resources implemented to prepare for, identify and deal with risks affecting or likely to affect the Groups activities. – Managing difficult cases (10%) – Communications (10%): Position ENGIE as a Group in tune with the expectations of its customers and stakeholders. Be particularly attentive to the understanding of the Group's strategy by the market, investors, and key external stakeholders. – CSR (10%): ensure that the Group develops in line with the 2016-2020 non-financial goals, with particular attention to health and safety. As part of a process of ongoing improvement, keep a close watch on the Group's non-financial ratings and reputation. At its meeting of March 7, 2018, the Board of Directors, on the recommendation of the Appointments, Compensation and Governance Committee: • noted that the success rate of the quantitative criteria was 105.31% (1); • set the success rate of the qualitative criteria at 111.50%. Based on the respective weightings of the quantitative (60%) and qualitative (40%) criteria, the overall success rate was determined to be 107.79%. The variable component for 2017 was €754,530. It will only be paid to Isabelle Kocher if approved by the shareholders at the Shareholders' Meeting of May 18, 2018.
Matching contribution to retirement plan	€438,632	At its meeting of May 3, 2016, the Board of Directors voted to maintain the matching contribution arrangement from which Isabelle Kocher benefited when she was Chief Operating Officer. Under this supplementary pension plan system, the Company does not guarantee the amount of pension but pays an annual matching contribution, half of which comprises contributions paid to a third-party organization under an optional defined-contribution retirement plan (article 82) and half is a cash sum, given the immediate taxation on commencement of this new mechanism. The matching contribution corresponds to a ratio of 25% of the sum of the fixed compensation and the actual variable compensation accrued for the period in question. It also depends on the Company's performance, since the calculation base already includes the variable portion linked to the Group's results. For 2017, this matching contribution is €438,632, subject to shareholder approval.
Multi-year variable compensation	None	Isabelle Kocher receives no variable multi-year compensation.
Directors' fees	None	Isabelle Kocher receives no directors' fees.
Extraordinary compensation	None	Isabelle Kocher receives no extraordinary compensation.
Allocation of stock options, performance shares and any other long-term compensation	Valuation (2): €730,880	On the recommendation of the Appointments, Compensation and Governance Committee, the Board of Directors, at its meeting of March 1, 2017, voted to award 120,000 Performance Units to Isabelle Kocher for 2017. On December 6, 2011, the Board of Directors decided that the value of this element of compensation should not exceed 40% of the total compensation.

(1) For the quantitative component (representing 60% of the variable compensation), the results achieved were: Net recurring income, Group share per share (1/2): 107.94%; ROCE (1/6): 91.50%; Free cash flow (1/6): 116.51%; Net debt (1/6): 100.02%.

(2) See note about this theoretical valuation in Section 4.6.1.7.

Compensation components	Amount	Details
Compensation associated with the commencement or termination of duties	None	Isabelle Kocher's employment contract has been suspended since January 1, 2015. The AFEP-MEDEF Code recommends that when an employee becomes an executive corporate officer, their employment contract with the company should be terminated. While this recommendation does not apply to deputy CEOs, it does apply to chief executive officers. When Isabelle Kocher was appointed Chief Executive Officer after serving as Chief Operating Officer, the Board of Directors nevertheless deemed it appropriate to maintain the suspension of her employment contract. The Board decided that the rights accrued by Isabelle Kocher in respect of the supplementary collective pension plans for executive officers up until December 31, 2014, which is the period prior to the suspension of her employment contract, would remain frozen and preserved, which implied keeping her employment contract suspended. ENGIE's internal promotion policy assigns corporate officer positions to experienced executives with in-depth knowledge of the industry and markets in which ENGIE operates and who have had successful career paths within the Group. For these executives, the loss of rights associated with their employment contract and length of service would be a hindrance and counterproductive. The suspended employment contract of Isabelle Kocher does not provide for specific consideration under a non-compete or golden parachute clause. As part of the Company's human resources policies, all employees of ENGIE Management Company receive severance compensation when their employment contract is terminated. Compensation due under said policies amounts to 3/5 of the monthly salary per year of service in the company or Group and is capped at 18 months' salary. "Monthly salary" is understood to mean one-twelfth of the annual fixed compensation of the current year plus the last paid variable component. Isabelle Kocher's length of service at the time of her appointment as Chief Executive Officer on May 3, 2016 was 13 years and seven months. Note that there is no system of hiring bonuses or golden parachutes in place for executive corporate officers at ENGIE and that no consideration is provided in respect of non-compete clauses.

Compensation components	Amount	Details
Supplementary pension plan	None	In addition to mandatory pension plans, until December 31, 2014, Isabelle Kocher benefited from the supplementary collective pension plans of the former SUEZ group (which she joined in 2002), consisting of a defined-contribution plan and a defined-benefit plan. The defined-contribution plan (article 83) is based on gross annual compensation and the following contribution rates: 5% bracket A (equivalent to the annual social security ceiling), 8% bracket B (between one and four times the social security ceiling), 8% bracket C (between four and eight times the social security ceiling). The defined-benefit plan (article 39) is governed by article L. 137-11 of the French Social Security Code. It is run by ENGIE Management Company, a wholly owned French subsidiary of ENGIE. The beneficiaries of this plan are the executives and corporate officers of ENGIE Management Company who are registered with the French social security system and meet the following three conditions: (i) they received gross compensation above the ceiling for bracket B contributions to the AGIRC executive supplementary pension plan, i.e. over four times the annual social security ceiling, (ii) they were working for a Group company when they retired, and (iii) they were entitled to at least one basic pension plan. The calculation basis for the annuity amount is the gross compensation received during the year in question, capped at 50 times the social security ceiling. The amount of compensation is that used as the basis for social security contributions as defined in article L. 242-1 paragraph 1 of the French Social Security Code. This plan provides for the payment of an annuity equal to the sum of the annual pension components calculated on 2% of the portion of gross annual compensation between four and eight times the social security ceiling (designated bracket C) and 4% of the portion of gross annual compensation between eight and fifty times the social security ceiling (designated bracket D), minus the above defined-contribution plan calculated on bracket C of the compensation. For a career of a minimum of 10 years in the plan, the total annuity cannot be less than 20% of bracket C of average compensation for the last five years plus 30% of bracket D for the same compensation, nor more than 30% of bracket C plus 40% of bracket D. If the career is less than 10 years, the corresponding rights are calculated on a pro rata basis of actual time worked. The rights under the defined-benefit plan are “not guaranteed” since they depend on the employee working in the Group at the time his or her pension is claimed in accordance with a mandatory plan for pension insurance. ENGIE Management Company is responsible for financing these plans and pays premiums to a third-party insurance company which it has contracted to manage the pensions, calculate the actuarial provisions for the annuities, and manage the payments. The corresponding social security costs borne by the Company amount to 24%. In accordance with the decisions of the Board of Directors on March 10 and May 3, 2016, Isabelle Kocher’s entitlement to the supplementary collective defined-contribution and defined-benefit pension plans were frozen on suspension of her employment contract, i.e. December 31, 2014. The rights accumulated from 2002 to 2014 under the collective defined-benefit plan would result, subject to the condition of continuous service in the Group, in an annual annuity, estimated at year-end 2015, at the end of her career aged 65, of €145,456, before tax and social security deductions.
Benefits in kind	€6,012	Isabelle Kocher benefits from the use of a company vehicle.

4.6.1.9 Principles and criteria for determining, structuring and awarding the fixed, variable and extraordinary components of total compensation and benefits in kind attributable to the executive corporate officers commensurate with their office

Compensation of the Chairman of the Board for 2018

As recommended by the Appointments, Compensation and Governance Committee, the Board of Directors, at its meeting of March 7, 2018, approved the principles and criteria for determining, structuring and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind attributable to the Chairman of the Board of Directors in respect of his mandate for the 2018 financial year. This policy is applicable as of May 18, 2018 at the close of the Annual Shareholders' Meeting to be held in accordance with article L. 225-37-2 of the French Commercial Code.

The compensation of the Chairman of the Board of Directors includes a fixed annual salary. It does not include any annual or multi-year variable compensation or long-term incentive plans.

The fixed compensation is set at €350,000.

In accordance with current policy, executive officers do not receive directors' fees for their participation in the work of the Board and its committees.

The Chairman of the Board of Directors will be eligible for a health care / protection plan.

He benefits from the use of a company vehicle.

Compensation of the Chief Executive Officer for 2018

As recommended by the Appointments, Compensation and Governance Committee, the Board of Directors, at its meeting of March 7, 2018, decided to maintain unchanged the various components of the following compensation policy for the Chief Executive Officer. This policy will be submitted for shareholder approval at the Ordinary Shareholders' Meeting to be held on May 18, 2018 in accordance with Article L. 225-37-2 of the French Commercial Code.

The policy, which is reviewed annually by the Appointments, Compensation and Governance Committee, is based in particular on specific studies carried out by an external firm specializing in this area.

In its recommendations to the Board of Directors, the Appointments, Compensation and Governance Committee seeks to propose a compensation policy in line with the practices of comparable major international groups for similar positions, based on a benchmark established by a specialized external firm that includes companies listed on the CAC 40, Eurostoxx 50 (excluding companies in the financial sector) and Eurostoxx Utilities indices.

Specific, stringent quantifiable and qualitative performance criteria are set both for the variable portion of compensation and for long-term incentive plans, helping to maintain a link between the Group's performance and the compensation of the Chief Executive Officer in the short, medium and long term.

The Chief Executive Officer's compensation includes a fixed component, a variable annual component and a long-term incentive component.

The fixed component is reviewed annually. It does not change unless the Board of Directors, on the recommendation of the Appointments, Compensation and Governance Committee, votes otherwise, in particular with regard to the market context, any changes in ENGIE's profile, and movements in Group employee compensation.

The annual variable component is designed to reflect the executive's personal contribution to the Group's development and results. It is balanced in relation to the fixed component and determined as a percentage of fixed compensation. It also includes criteria aligned with the assessment, conducted annually, of the Chief Executive Officer's performance and with the Company's strategy. Sixty percent of its criteria are quantifiable, to reward economic performance, and 40% are qualitative. The qualitative criteria include at least one corporate, societal and environmental responsibility target. The quantifiable and qualitative targets have sub-weightings.

The long-term incentive component takes the form of performance units that are subject to performance conditions comparable to those of performance-based share plans for which Company executive corporate officers are not eligible. The performance conditions are quantifiable only and include at least one external condition relating to the relative change in total shareholder return and an internal condition relating to value creation. This long-term incentive component is designed to encourage executives to make a long-term commitment as well as to increase their loyalty and align their interests with the Company's corporate interests and the interests of shareholders. This particular component may not account for more than 40% of the executive's total compensation at the initial award. When performance units are exercised, the Chief Executive Officer is required to reinvest a portion of income for the year in Company shares until said Officer's share portfolio is equal to two years' fixed compensation.

The payment of the variable and extraordinary compensation components for 2018 is contingent on the approval of shareholders at their 2019 Ordinary Shareholders' Meeting. This applies to the annual variable compensation and the matching contribution to the retirement plan of the Chief Executive Officer, the payment of which shall only occur following the positive vote at the aforementioned Shareholders' Meeting.

Lastly, the Chief Executive Officer shall continue to benefit from a supplementary pension plan system in which the Company does not guarantee the amount of pension but pays an annual matching contribution, half of which comprises contributions paid to a third-party organization under an optional defined-contribution retirement plan (Article 82) and half is a cash sum, given the immediate taxation on commencement of this mechanism. The contribution will correspond to a ratio of 25% of the sum of the fixed compensation and the actual variable compensation accrued for the given year. It will also depend on the Company's performance, since the calculation base already includes the variable portion linked to the Group's results. The Chief Executive Officer shall also continue to be eligible for collective pension and health care plan protection for executive officers in order to be compensated under terms that are in line with market conditions.

The Chief Executive Officer is a member of the Board of Directors but does not receive any directors' fees in this regard.

Pursuant to these principles, the Chief Executive Officer's fixed compensation in 2018 remains unchanged at €1,000,000.

The target bonus that will be paid in 2019 for fiscal 2018 also remains unchanged at €700,000 corresponding to 70% of fixed compensation, capped at €840,000, which is 120% of the target bonus. Variable compensation in 2018 is broken down into two components: a quantifiable component (60%) and a qualitative component (40%). For the quantifiable component, the criteria used are net recurring income, Group share per share (50%) and free cash flow, ROCE and net debt (each counting for one-sixth of the overall total) (50%). The quantifiable targets for 2017 were based on the Group's projected budget as presented to the Board of Directors on March 7, 2018. At its meeting of March 7, 2018, the Board also approved and weighted the qualitative targets for 2018. Since these may contain sensitive information regarding the Group's strategy, they will not be made public until 2019.

Lastly, the Board of Directors approved a long-term incentive component in the form of 120,000 performance units to be awarded in respect of fiscal 2018. Performance units will be fully vested on March 15, 2022, after which the Chief Executive Officer has three years to exercise them, with fractional shares permitted. The vesting of these performance units in 2022 will depend on the achievement of a threefold performance condition, each criterion weighing one third of the total: an internal condition related to net recurring income, Group share for 2020 and 2021, an internal condition related to ROCE for 2020 and 2021, and an external condition related to the total shareholder return of ENGIE stock compared with that of a reference panel. The internal conditions are matched against targets set in the Medium-Term Plan (MTP).

The reference panel consists of EDF, EDP, E.ON, Innogy, RWE, ENEL, Iberdrola, Gas Natural, Spie and Uniper (the "Panel"), with each company weighted equally, with the exception of E.ON, Innogy, RWE and Uniper, which count for 50% for weighting purposes. Spie and EDP have been added since 2017 to reflect the Group's transformation, which relies heavily on the energy service business lines and renewable energy, and more generally the current energy landscape.

The scoring of performance conditions for the performance units will be as follows: for a result equal to or less than 80% of target, the success rate will be equal to zero. For a result equal to or greater than 100% of target, the success rate will be equal to 100%. The increase between the two limits will be linear.

The Chief Executive Officer will furthermore continue to benefit from a supplementary defined-contribution pension plan under the terms mentioned above, as well as from collective pension and health care plan protection for executive officers.

It should also be noted that Isabelle Kocher's employment contract has been suspended since January 1, 2015. The AFEP-MEDEF Code recommends that when an employee becomes an executive corporate officer, their employment contract with the company should be terminated. While this recommendation does not apply to deputy CEOs, it does apply to chief executive officers. When Isabelle Kocher was appointed Chief Executive Officer after serving as Chief Operating Officer, the Board of Directors nevertheless deemed it appropriate to maintain the suspension of her employment contract. The Board decided that the rights accrued by Isabelle Kocher in respect of the supplementary collective pension plans for executive officers up until December 31, 2014, which is the period prior to the suspension of her employment contract, would remain frozen and preserved, which implied keeping her employment contract suspended. ENGIE's internal promotion policy assigns corporate officer positions to experienced executives with in-depth knowledge of the industry and markets in which ENGIE operates and who have had successful career paths within the Group. For these executives, the loss of rights associated with their employment contract and length of service would be a hindrance and counterproductive.

The suspended employment contract of Isabelle Kocher does not provide for specific consideration under a no-compete or golden parachute clause. As part of the Company's human resources policies, all employees of ENGIE Management Company receive severance compensation when their employment contract is terminated. Compensation due under said policies amounts to 3/5 of the monthly salary per year of service in the company or Group and is capped at 18 months' salary. "Monthly salary" is understood to mean one-twelfth of the annual fixed compensation of the current year plus the last paid variable component. Isabelle Kocher's length of service at the time of her appointment as Chief Executive Officer on May 3, 2016 was 13 years and seven months.

Note that there is no system of hiring bonuses or golden parachutes in place for executive corporate officers at ENGIE.

Lastly, Isabelle Kocher benefits from the use of a company vehicle.

4.6.2 Compensation of executives who are not corporate officers (members of the Executive Committee) (1)

Compensation of non-executive corporate officers (members of the Executive Committee) is composed of a fixed portion and a variable portion.

Changes in the fixed portion of compensation are linked to changes in specific situations, expansion or significant change in responsibilities and to repositioning made necessary in view of internal equity or a clear discrepancy vis-à-vis the external market.

The main purpose of the variable portion is to reward the contributions of executives to the Group's results.

The amounts below include the variable portions paid in 2017 for 2016 and paid in 2016 for 2015.

65% of the variable portion paid in 2018 for fiscal 2017 was calculated based on economic criteria (net recurring income, Group share, ROCE and net debt), and 35% on qualitative criteria, which focused on the success of the Group's transformation.

(1) Until May 3, 2016 there was both a Management Committee and an Executive Committee. On May 4, 2016, the Management Committee was eliminated and the Executive Committee was reformed to include the management team. Compensation is calculated excluding severance pay and taking into account actual time worked during 2016.

SUMMARY TABLE OF GROSS COMPENSATION, INCLUDING BENEFITS IN KIND, FOR EXECUTIVES WHO ARE NOT CORPORATE OFFICERS (EXECUTIVE COMMITTEE MEMBERS)

(in euros)	2017	2016
Fixed	5,371,720	4,973,691
Variable	4,255,522	4,798,609
TOTAL	**9,627,242**	**9,772,300**
Number of members	11	11

4.6.3 Retirement provision

The total amount of pension obligations for members of the Executive Committee was €29.3 million at December 31, 2017. Note that this is an estimated amount, as these obligations are, in principle, not made at an individual level.

The Group has a policy of funding pension obligations via planned assets without these being specifically dedicated to the pension obligations of a specific population.

4.6.4 Compensation of executives who are not corporate officers and non-voting directors

4.6.4.1 Directors and non-voting directors appointed by the Shareholders' Meeting

On the recommendation of the Board of Directors, the Shareholders' Meeting sets the total annual amount of directors' fees to be distributed by the Board among its members.

On the recommendation of the Appointments and Compensation Committee, the Board of Directors, at its meeting of December 11, 2013, established the rules for distributing the total annual amount of directors' fees set by the Gaz de France Shareholders' Meeting of July 16, 2008 at €1.4 million, in line with an individual distribution system of directors' fees, combining a fixed portion with a predominant variable portion based on the attendance of Directors at Board and Committee meetings, in accordance with the recommendation in article 20.1 of the AFEP-MEDEF Code. The same system applies to non-voting directors' fees, which are deducted from the budget for directors' fees.

The distribution rules are indicated below (the executive corporate officers receive no directors' fees for their participation in meetings of the Board of Directors).

DISTRIBUTION OF DIRECTORS' FEES TO NON-EXECUTIVE DIRECTORS AND NON-VOTING DIRECTORS APPOINTED BY THE SHAREHOLDERS' MEETING

Director	
• Fixed fee	€15,000 per year
• Variable fee, dependent on attendance	€50,000 if 100% attendance
Audit Committee	
Chairman:	
• Fixed fee	€15,000 per year
• Variable fee, dependent on attendance	€40,000 if 100% attendance
Committee member:	
• Fixed fee	€5,000 per year
• Variable fee, dependent on attendance	€20,000 if 100% attendance
Strategy, Investment and Technology Committee	
Chairman:	
• Fixed fee	€10,000 per year
• Variable fee, dependent on attendance	€25,000 if 100% attendance
Committee member:	
• Fixed fee	€5,000 per year
• Variable fee, dependent on attendance	€15,000 if 100% attendance
Ethics, Environment and Sustainable Development Committee	
Chairman:	
• Fixed fee	€5,000 per year
• Variable fee, dependent on attendance	€20,000 if 100% attendance
Committee member:	
• Fixed fee	€5,000 per year
• Variable fee, dependent on attendance	€15,000 if 100% attendance
Appointments, Compensation and Governance Committee	
Chairman:	
• Fixed fee	€5,000 per year
• Variable fee, dependent on attendance	€20,000 if 100% attendance
Committee member:	
• Fixed fee	€5,000 per year
• Variable fee, dependent on attendance	€15,000 if 100% attendance
Non-voting Director	
• Fixed fee	€20,000 per year
• Variable fee, dependent on attendance	€2,571 per meeting, limited to seven meetings The maximum individual variable amount is capped at €17,997 per year

On the basis of the above, the executives who are not corporate officers received compensation shown in the below table for fiscal 2017. (Note that unless otherwise indicated, no other compensation was paid to these officers by the Company or by its subsidiaries for the said fiscal year.)

TOTAL COMPENSATION PAID TO NON-EXECUTIVE DIRECTORS AND NON-VOTING DIRECTORS APPOINTED BY THE SHAREHOLDERS' MEETING

In euros	Fiscal 2017 (1)	Fiscal 2016 (1)
Ann-Kristin Achleitner	83,000 (2)	74,833 (2)
Edmond Alphandéry	125,000 (3)	125,000 (3)
Jean-Louis Beffa	-	37,499 (3) (4)
Fabrice Brégier	60,950 (3)	37,666 (3) (5)
Aldo Cardoso	128,450 (2)	140,000 (2)
Patrice Durand	24,500 (3)	375 (3) (6)
Catherine Guillouard	14,508 (3)	16,230 (3) (8)
Mari-Noëlle Jégo-Laveissière	22,200 (3)	18,750 (3) (8)
Barbara Kux	77,750 (2)	77,500 (2)
Françoise Malrieu	135,000 (3)	134,584 (3)
Marie-José Nadeau	110,000 (2)	103,333 (2)
Lord Ricketts of Shortlands	85,000 (2)	35,416 (2) (7)
Lord Simon of Highbury	-	30,479 (2) (4)
TOTAL	**866,358**	**831,665**

(1) Directors' fees due for a given fiscal year are paid during the fiscal year concerned.
(2) Before deduction of withholding tax levied on directors' fees paid to Directors residing outside France.
(3) Before deduction of withholding tax relating to tax and social contributions.
(4) Director until May 3, 2016.
(5) Director elected by the Shareholders' Meeting of May 3, 2016.
(6) Director co-opted from the private sector on December 14, 2016 on the proposal of the French State.
(7) Director elected by the Shareholders' Meeting of May 3, 2016, with effect from August 1, 2016.
(8) Director elected from the private sector by the Shareholders' Meeting on the proposal of the French State.

4.6.4.2 Director representing the French State and the Directors elected by the Shareholders' Meeting on the proposal of the French State

The Director representing the French State and the two Directors from the public sector appointed by the Shareholders' Meeting on the proposal of the French State, Lucie Muniesa, Catherine Guillouard (since her appointment on August 2, 2017 as Chairman and Chief Executive Officer of RATP), and Stéphane Pallez respectively, have not personally received any compensation (directors' fees or other) from the Company or from companies controlled thereby in consideration for their service as directors. The Directors from the private sector, appointed by the Shareholders' Meeting on the proposal of the French State, namely Catherine Guillouard (until her appointment on August 2, 2017 as Chairman & Chief Executive Officer of RATP), Mari-Noëlle Jégo-Laveissière, and Patrice Durand received 30% of the directors' fees corresponding to their office, pursuant to the Order of December 28, 2014 taken in application of Article 6 of Decree No. 2014-948 of August 20, 2014 relating to corporate governance and capital transactions (see table above).

Note that, in respect of the foregoing, the balance of the directors' fees corresponding to these offices (€337,255) was paid directly to the Public Treasury in compliance with regulations.

4.6.4.3 Directors representing employees and employee shareholders

Directors representing employees and employee shareholders on the ENGIE Board of Directors received no compensation (directors' fees or other) from the Company or from companies controlled by the Company in consideration of their service as Directors.

These are: Alain Beullier, Christophe Aubert (since May 12, 2017), Philippe Lepage, Olivier Marquer and Caroline Simon (until May 12, 2017).

4.6.5 Information on stock options and the award of bonus shares or performance shares

4.6.5.1 Availability of performance shares and shares resulting from the exercise of stock options

French Act No. 2006-1770 of December 30, 2006 for the development of profit-sharing and employee shareholding and covering various economic and social provisions (the "Balladur Act"), transposed in article L. 225-197-1 of the French Commercial Code, imposes restrictions on the free availability of performance shares granted to executive corporate officers and shares resulting from the exercise of options under share allocation plans implemented on or after January 1, 2007.

In accordance with these provisions, a system was established specifying the obligation to hold as registered shares a certain percentage (set by the Board of Directors) of vested Performance Shares and shares resulting from exercised options. The objective is that after a certain point, the executive corporate officers and, more generally, Executive Committee members would hold a portfolio of ENGIE shares corresponding to a fraction of their compensation.

At its meeting of March 1, 2017, the Board of Directors decided, on the recommendation of the Appointments, Compensation and Governance Committee, to update the existing system as follows:

- fixed target: build a share portfolio equivalent to two years' fixed compensation for executive corporate officers, and to one and a half years for other members of the Executive Committee. This objective is set in terms of the number of shares for each person concerned, and is calculated based on the fixed annual compensation prevailing at January 1 of the year in question and on the average share price over the previous year;
- until the target is met: continue to hold two-thirds of the vested performance shares and reinvest two-thirds of the net capital gains resulting from the exercise/sale of options, or continue to hold the corresponding number of shares arising solely from the exercise of options.

The Board of Directors adapted this mechanism to Performance Units benefiting the executive corporate officers *(see Section 4.6.1.3 above)* by requiring them to reinvest in ENGIE shares two-thirds of the income from the exercise of the PUs net of tax and social security withholding until the shareholding target (equal to two years' fixed compensation) referred to above is met.

4.6.5.2 Programmed management of stock options

ENGIE has had no stock option plans since 11 November 2017. Up until that date, the following mechanism was in place.

At its meeting of November 12, 2008, the ENGIE Board of Directors decided to continue the programmed management of stock options granted to the executives of the former SUEZ SA. This mechanism largely anticipated the AMF's recommendations of November 3, 2010 regarding the prevention of insider trading by management. The principle of such programmed management is that the interested parties give an irrevocable power of attorney to a financial institution to exercise the ENGIE stock options, in their name and on their behalf, at the dates and under the conditions previously established by annual instruction, and to sell the corresponding shares on the market, with or without determining a reserve unit price. This annual instruction includes the number and quarterly allocation of transactions to be executed, plan by plan, over the following 12 months. Within each quarterly period, the financial proxy acts freely at the dates and for the volumes that it judges appropriate within the framework and the limits of the annual instruction, to exercise options and sell shares. The annual instruction is sent to the financial proxy every year within 15 days following the date of publication of the annual financial statements and on condition that the interested parties are not in possession of inside information at that date. Once this instruction has been given, it is irrevocable, and the interested party undertakes not to exercise the options other than through the delegated power of attorney. The ban on exercising options and selling shares during the black-out periods preceding the publication of the annual and half-yearly financial statements and quarterly information is maintained.

The Board of Directors of ENGIE also decided that this system is mandatory for the executive corporate officers and for the members of the Executive Committee.

4.6.5.3 Stock option plans and bonus share or Performance Share plans implemented during fiscal year 2017

Authorization of the Shareholders' Meeting of May 03, 2016

The thirtieth resolution of the ENGIE Ordinary and Extraordinary Shareholders' Meeting of May 3, 2016 authorized the Board of Directors to award bonus shares to certain employees and/or corporate officers of the Company and/or of companies belonging to the Group (with the exception of corporate officers of the Company) up to the limit of 0.5% of the share capital on the date of the decision to allocate shares. It should also be noted that the Shareholders' Meeting was not asked to grant an authorization for stock options.

Performance Share Plan for 2016 (Board meeting of March 1, 2017)

Under the authorization given by the Shareholders' Meeting of May 3, 2016, the Board of Directors, at its meeting of March 1, 2017, decided to implement a Performance Share Plan for certain employees in the Trading business, in accordance with the order of November 3, 2009 and with European Directives CRDIII and CRDIV regarding the compensation of financial market professionals, and with the order of December 13, 2010. The main features of this plan and other plans granted for 2016 are listed on pages 155 et seq. of the 2016 Registration Document filed with the AMF on March 23, 2017.

Authorization of the Shareholders' Meeting of May 12, 2017

The seventeenth resolution of the ENGIE Ordinary and Extraordinary Shareholders' Meeting of May 12, 2017 authorized the Board of Directors to award bonus shares to employees and/or corporate officers of companies belonging to the Group (with the exception of corporate officers of the Company) up to the limit of 0.75% of the share capital on the date of the decision to allocate shares, with an annual cap of 0.25% of said share capital. [1] It should also be noted that the Shareholders' Meeting was not asked to grant an authorization for stock options.

Performance Share plans for 2017 (Board meetings of December 13, 2017 and March 7, 2018)

Under the authorization granted by the Shareholders' Meeting of May 12, 2017, the Board of Directors, at its meeting of December 13, 2017, decided to implement Performance Share Plans for certain employees of ENGIE and its subsidiaries (excluding executive corporate officers of ENGIE). As part of the Group's transformation, the Board of Directors decided to maintain the current number of beneficiaries in order to secure the buy-in of key Group players in the success of this transformation. The plan is based on existing shares with no dilutive effect for shareholders.

The main features of this plan, which involves 5,278,045 shares for 7,310 people, are as follows:

Vesting period	From December 13, 2017 to March 14, 2021 (2022 for senior executives outside France and Belgium)
Continuous service condition *(Current employment contract with a Group company at these dates, except in cases of retirement, death, disability or exceptional decision)*	Until March 14, 2021 (2022 for senior executives outside France and Belgium)
Vesting date	March 15, 2021 (2022 for senior executives outside France and Belgium)
Lock-up period *(mandatory for acquired shares, except in the case of death or disability)*	No holding period except for senior executives in France and Belgium for whom the holding period runs from March 15, 2021 to March 14, 2022 (no holding if vesting occurs in 2022)
Transferability date	On or after March 15, 2021, and for senior executives, on or after March 15, 2022
Performance conditions	With the exception of beneficiaries in the context of innovation programs and the like, a threefold condition for all: a) One-third based on the net recurring income, Group share for 2019 and 2020 compared to the budgeted net recurring income, Group share for those years (pro forma); and b) One-third based on ROCE for 2019 and 2020 compared to the budgeted ROCE for the same years (pro forma); and c) One-third based on ENGIE's TSR compared with the TSR of a panel of companies composed of EDF, Enel, E.ON, Uniper, Gas Natural, Iberdrola, RWE and Innogy [2] for the period December 2020 to January 2021 versus November to December 2017 [3]. A single performance slope is applied to each of the three criteria: • ENGIE performance <= 75% of the target level: 0% success rate • ENGIE performance >= 100% of the target level: 100% success rate • Proportional and linear progression for intermediate results The arithmetic mean of the three success rates in a), b) and c) above represents the percentage of *shares that will vest*. This condition applies to all performance shares awarded to senior executives. For the other beneficiaries, the first bracket of 150 shares is exempt from any performance condition.

(1) A ceiling of 0.75% in common with the sixteenth resolution, applying both to free share allocations to all of the Group's employees, and an allocation (equivalent to a matching contribution) to employees taking part in a Group international employee shareholding plan.

(2) Each company in the reference panel receives an identical weighting, it being specified that E.ON and Uniper, on the one hand, and RWE and Innogy on the other, count as single companies (50% each) for weighting purposes.

(3) To smooth the possible effects of volatility (gain or loss), TSR will be calculated by taking the average of ENGIE's TSR and the TSR of the panel companies over two months, namely December 2020 to January 2021, versus November to December 2017.

In addition, under the authorization given by the Shareholders' Meeting of May 12, 2017, the Board of Directors, at its meeting of March 7, 2018, decided to implement a Performance Share Plan for certain employees in the Trading business, in accordance with the order of November 3, 2009 and with European Directives CRDIII and CRDIV regarding the compensation of financial market professionals, and with the order of December 13, 2010.

The allocation concerned 72 people within the Trading business, for a total of 135,583 ENGIE Performance Shares; its features are similar to those of the plan of March 1, 2017 (continuous service and performance conditions). The Board of Directors set the following schedule and general conditions for the plan:

Vesting period	03/07/2018 to 03/14/2020 for around half the shares 03/07/2018 to 03/14/2021 for the remaining shares
Continuous service condition *(Current employment contract with a Group company at these dates, except in cases of retirement, death, disability or exceptional decision).*	03/14/2020 for around half the shares 03/14/2021 for the remaining shares
Vesting date	03/15/2020 for around half the shares 03/15/2021 for the remaining shares
Holding period	No holding period
Transferability date	From 03/15/2020 for around half the shares From 03/15/2021 for the remaining shares
Performance conditions	• Based on the Trading business's profit before tax for fiscal year 2019 for around half the shares • Based on the Trading business's profit before tax for fiscal year 2020 for the remaining shares

4.6.6 Stock options granted to, and exercised by, each executive corporate officer – Summary of current plans

4.6.6.1 ENGIE stock options granted to executive corporate officers by ENGIE and all ENGIE Group companies in fiscal year 2017

None.

4.6.6.2 ENGIE stock options exercised by the executive corporate officers of ENGIE in fiscal year 2017

None, including the Suez stock options held by Isabelle Kocher (see Section 4.6.6.5).

4.6.6.3 Summary of current ENGIE stock option plans

	Plan of 11/10/2009
Date of authorizing General Shareholders' Meeting	05/04/2009
Start date for exercise of options (1)	11/10/2013
Expiration date	11/09/2017
Total number of shares purchasable at 12/31/2017	0
Total number of shares purchasable by executive corporate officers:	
• Gérard Mestrallet	0 (1)
• Isabelle Kocher	0
Exercise conditions	(4)
Purchase price (in euros)	29.44
Number of options exercised (2)	0
Number of options canceled (3)	4,775,429
Balance at 12/31/2017	0

(1) *Stock options may also be exercised early in the event of retirement or death.*
(2) *Exercised from January 1 to December 31, 2017.*
(3) *Canceled from January 1 to December 31, 2017.*
(4) *For other Group executive officers, 50% of the options are subject to "simple" conditions. These conditions were tested in November 2013 to establish a target price of €20.13. This target price was achieved at market closing on May 22, 2014; the options subject to this condition could be exercised*

4.6.6.4 Summary of current ENGIE stock option plans

None

4.6.6.5 Summary of stock options held by Isabelle Kocher at December 31, 2017

None

Note that the executive corporate officers have made a formal undertaking not to make use of hedging instruments in respect of options or Performance Shares.

(1) *Gérard Mestrallet waived his stock options for fiscal year 2009.*

4.6.7 Performance Shares awarded to and available for sale by each executive corporate officer – Summary of current plans

4.6.7.1 ENGIE Performance Shares awarded to each ENGIE executive corporate officer by ENGIE and all other companies of the ENGIE Group in 2017

Gérard Mestrallet Chairman of the Board	None
Isabelle Kocher Chief Executive Officer	None

4.6.7.2 ENGIE Performance Shares that became available for sale by each executive corporate officer of ENGIE in fiscal year 2017

None

4.6.7.3 Summary of current ENGIE Performance Share plans

	2012		2013		2014	
For year:	2012 Plan	Traders' Plan 02/27/2013	2013 Plan	Traders' Plan 02/26/2014	2014 Plan	2014 Traders' Plan
Date of authorizing General Shareholders' Meeting	04/23/2012	04/23/2012	04/23/2013	04/23/2013	04/28/2014	04/28/2014
Date of Board decision	12/05/2012	02/27/2013	12/11/2013	02/26/2014	12/10/2014	02/25/2015
Share price in euros (1)	8.1	9.2	7.6	13.3	12.1	14.7
Start of vesting period (2)	12/05/2012	02/27/2013	12/11/2013	02/26/2014	12/10/2014	02/25/2015
End of vesting period	03/14/2016 (3)	03/14/2015 (5) 03/14/2016 (5) 03/14/2017 (6)	03/14/2017 (8)	03/14/2016 (5) 03/14/2017 (5)	03/14/2018 (11)	03/14/2017 (5) 03/14/2018 (5)
Start of holding period	03/15/2016 (3)	03/15/2015 (5) 03/15/2016 (5)	03/15/2017 (8)	03/15/2016 (5) 03/15/2017 (5)	03/15/2018 (11)	03/15/2019 (5) 03/15/2020 (5)
End of holding period	03/15/2018 (3)	03/15/2017 (5) 03/15/2018 (5)	03/15/2019 (8)	03/15/2018 (5) 03/15/2019 (5)	03/15/2020 (11)	03/05/2019 (5) 03/15/2020 (5)
Related conditions	(4)	(7)	(9)	(10)	(12)	(13)
Shares vested as at 31/12/2016	214,300	5,435	2,703,730	44,356	3,308,605	133,792
Shares vested from 01/01/2017 to 12/31/2017	193,975	5435	438,412	44,120	7,385	65,759
Shares canceled from 01/01/2017 to 31/12/2017	20,325	0	2,137,249	236	47,395	2,301
Balance at 31/12/2017	0	0	128,069	0	3,253,825	65,732

(1) Weighted average price, according to the method used for the consolidated financial statements.

(2) Early vesting possible in the event of death or permanent disability. Condition of continuous service at the vesting date.

(3) For France, Belgium and Spain, with holding period from March 15, 2016 to March 14, 2018 inclusive and transferable from March 15, 2018; for other countries, vesting on March 14, 2017 with no holding period.

(4) For 547 beneficiaries, dual condition: 50% based on net recurring income, Group share for 2014 and 2015 and 50% based on the TSR of ENGIE stock compared with the TSR of the Eurostoxx Utilities (Eurozone) companies.
For 6,437 beneficiaries, single condition based on the TSR of ENGIE stock compared with the TSR of the Eurostoxx Utilities (Eurozone) companies. A total of 50% of the dual condition was met, and 0% of the single condition.

(5) For 50% of shares.

(6) For staff in Asia, all shares vest on March 15, 2017 and are immediately transferable.

(7) 50% based on 2014 ENGIE Global Markets (formerly GDF SUEZ Trading) EBITDA (met in full) and 50% based on 2015 ENGIE Global Markets EBITDA (met in full).

(8) For France, Belgium and Spain, with holding period from March 15, 2017 to March 14, 2019 inclusive and transferable from March 15, 2019; for other countries, vesting on March 14, 2018 with no holding period.

(9) For 519 beneficiaries, dual condition: 50% based on 2015 and 2016 net recurring income, Group share and 50% based on the TSR of ENGIE stock compared with the TSR of the Eurostoxx Utilities Eurozone companies – 42.61% of condition met; for 6,356 beneficiaries, single condition based on the TSR of ENGIE stock compared with the TSR of Eurostoxx Utilities Eurozone companies – 0% of condition met.

(10) 50% based on 2015 ENGIE Global Markets (formerly GDF SUEZ Trading) profit before tax (met in full) and 50% based on 2016 ENGIE Global Markets profit before tax (met in full).

(11) For France, Belgium and Spain, with holding period from March 15, 2018 to March 14, 2020 inclusive and transferable from March 15, 2020; for other countries, vesting on March 14, 2019 with no holding period.

(12) For all beneficiaries, a dual condition: 50% based on net recurring income, Group share for 2016 and 2017 and 50% based on the TSR of ENGIE stock compared with the TSR of the Eurostoxx Utilities (Eurozone) companies. 50% of the dual condition met.

(13) 50% based on 2016 ENGIE Global Markets (formerly GDF SUEZ Trading) profit before tax (met in full) and 50% based on 2017 ENGIE Global Markets profit before tax (met in full).

	2015		2016		2017
2015 Plan	Traders' Plan 2015	2016 Plan	Traders' Plan 2016	2017 Plan	Traders' Plan 2017
28/04/2015	04/28/2014	05/03/2016	05/03/2016	05/12/2017	05/12/2017
16/12/2015	02/24/2016	12/14/2016	03/01/2017	12/13/2017	03/07/2018
9.8	10.2	8.44	9.89	11.64	10.79
12/16/2014	02/24/2016	12/14/2016	03/01/2017	12/13/2017	03/01/2018
03/14/2019 (14)	03/14/2018 (5) 03/14/2019 (5)	03/14/2020 (17)	03/12/2019 (3) 03/14/2020 (3)	03/14/2021 (21)	03/14/2022 (3) 03/14/2022 (3)
15/03/2019 (14)	03/15/2020 (5) 03/15/2021 (5)	None (18)	None	None (22)	None
15/03/2021 (14)	03/15/2020 (5) 03/15/2021 (5)	None (18)	None	None (23)	None
(15)	(16)	(19)	(20)	(24)	(25)
3,277,155	132,529	5,334,860	None	None	None
7,295	0	150	None	None	None
12,305	0	124,100	None	0	None
3,257,555	132,529	5,210,610	148,679	5,278,045	None

(14) For France and Belgium, with holding period from March 15, 2019 to March 14, 2021 inclusive and transferable from March 15, 2021; for other countries, vesting on March 14, 2020 with no holding period.

(15) With the exception of beneficiaries in the context of innovation programs and the like, a dual condition for all: 50% based on net recurring income, Group share for 2017 and 2018 and 50% based on the TSR of ENGIE stock compared with the TSR of the Eurostoxx Utilities (Eurozone) companies.

(16) 50% based on 2017 ENGIE Global Markets (formerly GDF SUEZ Trading) profit before tax (met in full) and 50% based on 2018 ENGIE Global Markets profit before tax.

(17) For all beneficiaries except senior executives outside France and Belgium where the vesting period ends on March 14, 2021 with no holding period.

(18) For senior executive in France and Belgium, a holding period from March 15, 2020 to March 14, 2021 inclusive applies.

(19) With the exception of beneficiaries in the context of innovation programs and the like, a threefold condition for all: one-third based on net recurring income, Group share for fiscal years 2018 and 2019, one-third based on ROCE for fiscal years 2018 and 2019, and one-third based on the TSR of ENGIE stock compared with the TSR of a panel composed of EDF, Enel, E.ON, Gas Natural, Iberdrola and RWE, each of these companies being assigned an identical weighting.

(20) 50% based on 2018 ENGIE Global Markets (formerly GDF SUEZ Trading) profit before tax and 50% based on 2019 ENGIE Global Markets profit before tax.

(21) March 14, 2022 for senior executives outside France and Belgium

(22) March 15, 2021 for senior executives in France and Belgium

(23) March 15, 2022 for senior executives in France and Belgium

(24) With the exception of beneficiaries in the context of innovation programs and the like, a threefold condition for all: one-third based on net recurring income, Group share for fiscal years 2019 and 2020, one-third based on ROCE for fiscal years 2019 and 2020, and one-third based on the TSR of ENGIE stock compared with the TSR of a panel composed of EDF, E.ON, Uniper, Innogy, Enel, Gas Natural, Iberdrola and RWE, each of these companies being assigned an identical weighting, with the exception of E.ON and Uniper, on the one hand, and RWE and Innogy, on the other hand, which are accounted as single companies (50% each) for weighting purposes. This condition applies to all shares awarded to the Group's senior executives and does not affect the first bracket of 150 shares awarded to the other beneficiaries.

(25) 50% based on 2018 ENGIE Global Markets (formerly GDF SUEZ Trading) profit before tax and 50% based on 2019 ENGIE Global Markets profit before tax.

4.6.7.4 Summary of Bonus and Performance Shares held by Gérard Mestrallet at December 31, 2017

Plan	ENGIE 2/13/2006	ENGIE 2/12/2007	ENGIE 7/16/2007	ENGIE 6/1/2008	ENGIE 11/12/2008	ENGIE 1/13/2011
Conditions	2007 ROCE	2008 ROCE	None (6)	None (6)	2010 EBITDA	EBITDA 2013 (1/3)TSR (1/3)ROCE 2013 (1/3)
Vesting date	03/15/2008	03/15/2009(3)	07/16/2009	06/01/2010	03/15/2011(3)	03/15/2014(3)
Vesting shares	0	0	0	0	0	0
Vested shares	2,000(2)	3,186(4)	15	10	3,469(5)	12,711(5)
Transferability date	**03/15/2010**	**03/15/2011**	**07/16/2011**	**06/01/2012**	**03/15/2013**	**03/15/2016**

(1) Subject to dual condition of performance and continuous service.
(2) These 2,000 SUEZ shares became, following the distribution of 65% of SUEZ Environnement Company and the merger with Gaz de France: 1,890 ENGIE shares; 500 SUEZ Environnement Company shares; and 20 SUEZ shares ("fractional") giving entitlement to ENGIE shares (compensated in August 2010 in accordance with the merger prospectus between SUEZ and Gaz de France).).
(3) Vested shares are covered by the "Balladur" holding policy (see Section 4.6.5.1). (cf. Section 4.6.5.1).
(4) Condition met.
(5) Condition partially met.
(6) Worldwide plans for all employees.

4.6.7.5 Summary of Bonus and Performance Shares held by Isabelle Kocher at December 31, 2017

Plan	ENGIE 02/13/2006	ENGIE 02/12/2007	ENGIE 07/16/2007 (1)	ENGIE 11/14/2007	ENGIE 06/01/2008 (1)	ENGIE 11/12/2008	ENGIE 07/08/2009 (1)
Conditions	2007 ROCE	2008 ROCE	2008 ROCE	2009 EBITDA	2009 EBITDA	2010 EBITDA	None
Vesting date	03/15/2008 (2)	03/15/2009 (2)	07/16/2009 (2)	03/15/2010 (2)	06/01/2010 (2)	03/15/2011 (2)	07/08/2011
Vesting shares	0	0	0	0	0	0	0
Vested shares	1,428	2,124	15	1,493	10	786	20
Transferability date	03/15/2010	03/15/2011	07/16/2011	03/15/2012	06/01/2012	03/15/2013	07/08/2013

(1) Worldwide plans for all employees.
(2) Subject to dual condition of performance and continuous service.

Plan	ENGIE 11/10/2009	SUEZ 12/16/2010	ENGIE 06/22/2011 (1)	ENGIE 12/06/2011	ENGIE 12/05/2012	ENGIE 12/11/2013	ENGIE 12/10/2014
Conditions	2010 EBITDA	Net profit 2010-2014 and share performance	None	TSR and net recurring income, Group share	TSR and net recurring income, Group share	TSR and net recurring income, Group share	TSR and net recurring income, Group share
Vesting date	03/15/2012 (2)	12/16/2014 (2)	06/24/2013	None	03/15/2016 (3)	03/15/2017 (3)	03/15/2018 (3)
Vesting shares	0	0	0	0	0	17,000	35,000 (4)
Vested shares	770	2,100	10	0	10,625	7,024	0
Transferability date	03/15/2014	12/16/2016	06/24/2015	None	03/15/2018	03/15/2019	03/15/2020

(1) Worldwide plans for all employees.
(2) The dual performance condition was not met and 15,000 rights to vesting shares were canceled on March 14, 2015.
(3) Subject to dual condition of performance and continuous service.
(4) For her role as Executive Vice President, Chief Financial Officer in 2014.
(5) 42.61% of performance condition met.

Note that the executive corporate officers have made a formal undertaking not to make use of hedging instruments in respect of options or Performance Shares.

4.6.8 Stock options granted to the ten non-executive employees who received and exercised the most options

4.6.8.1 Stock options granted by ENGIE and by all companies included in the ENGIE Stock Option scope in fiscal year 2017 to the ten employees of the issuer and its companies, who are not corporate officers and to whom the greatest number of stock options was allocated

None.

4.6.8.2 ENGIE stock options exercised in fiscal year 2017 by the ten non-executive employees of ENGIE with the greatest number of stock subscription or purchase options

None.

4.6.9 Bonus and Performance Shares granted to the ten employees who are not corporate officers who received the most bonus and Performance Shares

PERFORMANCE SHARES GRANTED BY ENGIE AND BY ALL COMPANIES INCLUDED IN THE ENGIE PERFORMANCE SHARE SCOPE IN FISCAL YEAR 2017 TO THE TEN NON-EXECUTIVE EMPLOYEES OF THE ISSUER AND ITS COMPANIES, AND TO WHOM THE GREATEST NUMBER OF PERFORMANCE SHARES WERE GRANTED

Total number of shares awarded	*Share price*(1) *(in euros)*	Issuer	Plan
540,000	9.69	ENGIE	12/13/2017

(1) Weighted average price, according to the method used for the consolidated financial statements.

4.6.10 Summary of transactions disclosed by executive management and corporate officers in fiscal year 2017

	Date of transaction	Type of transaction	Quantity	Unit price *(in euros)*	Transaction price *(in euros)*
Gérard Mestrallet	March 29, 2017	Purchase	1,205	12.49	15,056
State	January 10, 2017	Sale	100,000,000	11.40	1,140,000,000
State	September 5, 2017	Sale	111,000,000	13.80	1,531,800,000

4.7 Internal control and risk management procedures put in place by the Company

4.7.1 Internal control organization

4.7.1.1 Internal control objectives

ENGIE's internal control objectives – underpinned by the Internal Control Management and Efficiency (INCOME) program, approved by the Executive Committee and submitted to the Audit Committee – are to provide reasonable assurance of the control of operations with regard to the following objectives:

- compliance with applicable laws and regulations;
- reliability of accounting and financial information;
- effectiveness and efficiency of operations.

ENGIE's aim is to have effective internal control systems in place at every level of responsibility, based on:

- an environment conducive to the implementation of an effective control system;
- responsibility of all players at every level of the organization for the implementation of internal control;
- consideration, at the control design stage, of the balance between the level of assurance required and the cost of implementation;
- using control results to improve operational performance.

4.7.1.2 Internal control standards

ENGIE has chosen an organization and procedures for internal control based on the model promoted by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This organization and these procedures are consistent with the principles described by the AMF in its reference framework and take into account its application guide. Those documents were published in January 2007 and updated with respect to risk management in July 2010. This organization and these procedures also take account of the recommendations of the report on the Audit Committee published by the AMF on June 14, 2010 as well as AMF Recommendation 2013-17, which was updated on January 13, 2015.

4.7.1.3 General internal control guidelines

ENGIE's general internal control guidelines (INCOME program) address:

- the development and follow-up of an effective and sound coordination and monitoring program, for which management is responsible, differentiated based on the needs of each management level, which can be adapted to different organizations and risks;
- a formal commitment by management at different organizational levels to implement an internal control system for their area of responsibility as well as improvement initiatives;
- the rollout of an internal control network to support management.

4.7.1.4 Scope of application of the INCOME program

ENGIE updates the scope of deployment of the INCOME internal control program every year (168 entities in 2017), through an approach based on financial data and a risk-based approach implemented with the support of the NewCorp departments.

This allows the most appropriate internal control reporting methods for the risks and challenges identified to be determined. The internal control frameworks of the INCOME program and a specific questionnaire are made available to other entities (outside the INCOME scope) as best practices. These cover sensitive areas such as the segregation of duties and the protection of assets.

4.7.1.5 Internal control players

In addition to the information previously provided on the role of the corporate governance bodies (see Section 4), the following should be noted:

- the Board of Directors ensures the proper functioning of internal control within the Group;
- an annual review of internal control is submitted to the Executive Committee and the Audit Committee;
- the BUs and NewCorp implement the INCOME program. They define their own control procedures in accordance with Group standards and policies and in a manner adapted to their specific activities. This allows them to supervise the internal control system's application to the activities within their specific area of responsibility and to confirm its effectiveness in meeting their needs.

Internal Control Department

The Internal Control Department organizes the monitoring of the internal control program, in partnership with NewCorp's *métiers* and departments, mainly to help manage the Group's most significant risks.

It ensures continuous improvements to the internal control system (see Section 4.7.3.3 "Continuous improvement"). Changes in the INCOME program are submitted to the Executive Committee for approval.

The Internal Control Department oversees a network of coordinators responsible for running internal control to support the managers of the entities, providing methodology and instructions and organizing information and training sessions, and reporting the performance during the year and improvement initiatives identified to their management. The Internal Control Department also provides support to NewCorp in monitoring the implementation of Group decisions.

Risks Management Department

See Section 2.1 "Risks management process."

Internal Audit Department

Group Internal Audit is an independent and objective function that gives ENGIE a reasonable assurance about the level of control over its operations, recommends ways of improvement, contributes to value creation.

Group Internal Audit is an independently organized activity based on fundamental principles that guarantee its effectiveness, namely:

- independence from management, which is key to the credibility of an audit opinion;
- closeness to the BUs, so that internal audit operations are appropriate for local conditions.

Internal Audit presented an audit plan for 2017 that was developed in close cooperation with managers at all company levels and in synergy with Internal Control and Risks Management. Its approach involved:

- determining, analyzing and validating the key audit issues and associated entities;
- consolidating and presenting them to the Group's Executive Committee for the purposes of enhancing and validating objectives and key issues;
- obtaining approval from the Audit Committee.

The audit teams are multi-skilled, allowing them to work on a broad spectrum of activities and leverage synergies with the *métiers* and the Group's overall approach. In addition, all internal audit activity processes (preparing the audit plan, performing audits and checking that recommendations have been implemented) were reviewed as part of a quality assurance procedure aimed at greater standardization within the Group's internal audit activities.

Audits performed by the team were therefore oriented toward ENGIE's major challenges. Priority issues were given special attention, namely:

- the management of large construction projects;
- the control system for the activities of the Global Energy Management BU and its trading subsidiary;
- the securing of industrial control systems;
- the broader context of the Group's transformation and organization;
- ethics;
- the review of internal control assessments and the relevance of associated action plans.

The audit conclusions were discussed with the management of the entities concerned which committed to courses of action. Internal Audit is working with operational management to make sure those actions are carried out.

The summary of findings and key corrective actions is presented to the entities' managers, the Group Executive Committee and the Audit Committee.

4.7.2 Internal control system

4.7.2.1 Control environment

The control environment of the entities is assessed annually, using questionnaires structured according to the components of the COSO and appropriate for the area of business under assessment. This approach is supplemented by the implementation of specific controls for delegations of authority, compliance with ethics principles and information systems management. It also includes an annual review of controls designed to prevent and detect fraud.

4.7.2.2 Identifying and assessing risks

In addition to the risk management process previously described (see Section 2.1 "Risk management process"), dialogue is established between the Risks Management and Internal Control functional lines.

Synergies between the risks management and internal control approaches are a natural result of this context. They can be illustrated using the following examples:

- establishment of the scope of the INCOME internal control program according to the risks identified (see Section 4.7.1.4 "Scope of application of the INCOME program");
- execution of INCOME program internal controls, helping to better control risks related to important issues, such as industrial risks;
- sharing of feedback on each of the approaches implemented.

4.7.2.3 Control activities

The INCOME program covers around 50 core, support and global processes that are used depending on the entity's risks and reported at Group level.

The pertinence of these controls and potential adjustments are examined according to feedback, organizational changes and new decisions issued by the General Management and the functional departments.

4.7.2.4 Information and communication

Group-level organizational decisions, the internal control frameworks, instructions, training tools, methodology guides for internal control, and monthly internal control results per BU can be viewed and downloaded via the Group intranet.

4.7.2.5 Coordination and monitoring of internal control

The internal control system comes under the jurisdiction of a decision signed by the Chairman. It is managed as follows:

- monthly monitoring of the internal control program (self-assessments, audits);
- presentation of an annual summary report to the entities' management teams in order to give Group managers concise information about the degree of internal control maturity of their entity;
- establishing roadmaps for the key improvement initiatives to be implemented by the operating entities and the main functional departments;
- coordinating the Internal Control functional line with the other functional lines taking forward an approach that will contribute to improving the functioning of activities.

The Internal Control functional line is coordinated through regular meetings with the BUs. These meetings are supplemented, when necessary, by the creation of working groups and the deployment of education and training actions.

4.7.3 Implementation of internal control

4.7.3.1 Compliance with laws and regulations

At NewCorp, the General Secretariat (the Legal Department, the Corporate Bodies and Group Governance Department and the Ethics and Compliance Department) helps to create a secure legal framework for the Group's operations and the decisions of its management. These teams are responsible for providing General Management, the BUs and NewCorp with the necessary support, each in their area of expertise and responsibility. Such support is mainly provided through (i) operational contributions to contractual negotiations, litigation and arbitration, reviews and protective actions concerning the Group's and its directors' liability, in the areas of embargo, of personal data protection, of company law, financial and stock market regulation and intellectual property rights, (ii) the actions of centers of expertise in competition law, regulations and financial law, (iii) legal analyses carried out and opinions issued for the commitment committees, (iv) regular monitoring of legal risks and contribution to the annual review of Group risks and, more generally, (v) managing the legal functional line for which the Group Legal Department is responsible.

Compliance with laws and regulations remains the responsibility of each BU, *métier* or support or operational function within its respective purview. Implementation of internal control objectives with regard to compliance with laws and regulations is performed at each level of management throughout the Group. For example, certain cross-disciplinary compliance objectives are managed by the relevant NewCorp support and operational functions:

- the Ethics and Compliance Department is responsible for drafting ENGIE's ethics and compliance rules, as well as ensuring that such rules are actually applied in accordance with the laws and regulations in force;
- the Finance Department ensures ENGIE's compliance in matters of accounting, finance and taxation. It is in charge of regulatory financial reporting;
- the Human Resources Department is in charge of compliance with current labor legislation and regulations and carries out the regulatory employment reporting;
- the Corporate Societal Relations Department is responsible for compliance with environmental laws and regulations throughout ENGIE. It assesses the environmental maturity of the Group's various businesses and is in charge of regulatory environmental reporting.

4.7.3.2 Reliability of accounting and financial information

The control environment

The structure of the financial function is based on:

- the operational financial director who liaises with the BUs;
- the NewCorp departments: Group Accounting; Enterprise Performance Management; Group Corporate Finance, Treasury and Insurances, Group Tax, Group Investments & Acquisitions, Internal Control; and Investor Relations;
- the finance departments of each BU. These oversee their reporting entities, the latter are responsible for the production and content of their financial statements and their internal control.

Responsibility for the preparation and the control of accounting and financial information is defined at each level of the Group's organization (NewCorp, BUs and reporting entities).

This internal control system is consistent with the AMF reference framework. It covers not only the processes for preparing financial information, but also all upstream operational processes contributing to the production of this information.

The main applicable procedures for the preparation of the parent company and consolidated financial statements are based on two tools:

- the manual of Group accounting policies issued by the Group Accounting Department. It is updated on a regular basis according to changes in international standards;
- closing instructions sent out prior to each consolidation phase. These cover the assumptions made when preparing the year-end accounts (exchange rates, discount rates and tax rates, for example), the scope of consolidation, the timetable for submitting data, the specific points requiring attention for closing, and the main changes in accounting regulations and standards. The instructions also include a definition of the performance indicators used by the Group.

Identifying and assessing risks

The main risks are monitored and managed as follows:

- the results obtained through the various approaches implemented (analysis of specific risks in the reporting and communication process using feedback) are used to create action and communication plans for the functional lines in question;

- budgetary and Medium-Term Plan (MTP) processes, performance monitoring, regular meetings at which the finance functions are mostly stakeholders, and meetings of the Executive Committee make it possible to monitor and manage the main risks identified;
- specific risks associated with processes for preparing and communicating financial information are also reviewed and are monitored at closing.

Control activities

Preparation of monthly financial reports and consolidated financial statements

At the NewCorp level, the Group Accounting Department and Enterprise Performance Management Department, which both report to the Finance Department, coordinate their activities at weekly meetings attended by their key managers.

The Group Accounting Department drives the process of producing the consolidated financial statements, supported by the consolidation, Enterprise Performance Management and the BU's management control teams.

Each of these entities carries out controls in its own area of responsibility to ensure that Group accounting standards and policies have been circulated and correctly applied. This principle of subsidiarity allows second-tier controls to be applied to the information prepared:

- controls at the BU level on the information passed on to this level by the reporting entities;
- controls at the NewCorp level on the information passed on to this level by the BUs.

Within the Group Accounting Department, three centers of expertise (Accounting IT, Consolidation Process within the Group Consolidation Department, and Accounting Standards) optimize the way in which complex technical challenges are handled and resolved. These centers, resulting from pooling expertise throughout the Group, ensure that both the analyses performed, and the resulting positions adopted are of a consistently high standard.

The role of the Enterprise Performance Management Department is explained in the paragraph "Setting objectives and coordination" below.

Key players in control

All reporting levels in the Group carry out activities that contribute to the preparation of accounting and financial information. These activities must comply with the internal control guidelines developed at the NewCorp level by the Internal Control Department under the aegis of the INCOME program. The players concerned are the following:

- the Finance Department of each reporting entity, which formally validates the accounting and financial reporting package;
- the Finance Department of each BU, which implements procedures with all operating subsidiaries, including a decentralized management control (see below the paragraph "Setting objectives and coordination");
- the Group Accounting Department, which is in charge of financial reporting, preparing the parent company financial statements (of ENGIE and the financial vehicles managed by NewCorp), the consolidated financial statements, and liaising with the accounting departments of the AMF.

The Group implements a formalized system which commits operational and financial managers, with regard to the accuracy and fairness of the financial information passed on by the reporting entities to the BUs, then to NewCorp, as well as with regard to the internal control systems, which contribute to the reliability of this information throughout the information chain mentioned in the above paragraph, "The control environment."

Information and communication

Accounting and financial information systems

The consolidated reporting entities all use the SAP software package "Business Objects Financial Consolidation" (SAP B.F.C., formerly Magnitude) for the Group's consolidated financial statements and Management reporting.

The application is managed jointly by:

- the Accounting IT Center of Expertise, which handles administrative tasks and system configuration and provides operating assistance to users;
- the Information Systems Department, which is in charge of specific underlying infrastructures.

Other information systems used in the preparation of accounting and financial information are managed as appropriate on a decentralized basis by the BUs' and subsidiaries' IT departments. In 2017, the Group Finance Department embarked on a major program called "Common Finance" aimed at gradually converging and integrating these information systems.

Preparing and validating the Annual Report

The General Secretariat is in charge of preparing the Registration Document filed with the AMF, which in particular includes the annual report and involves the following:

- defining the procedures for submitting and validating the information that will appear in the Registration Document;
- overseeing the work of the Registration Document Steering Committee;
- liaising with the AMF and applying its regulations.

The Finance Department is responsible for Section 6 "Financial information", which includes the consolidated financial statements, the parent company financial statements and the report on the financial position.

Preparing and approving press releases

The Group Brand and Communication Department applies the policies set by the "Communication with the press" procedure. Among other things, these rules prescribe:

- the coordination of activities among the NewCorp and BU's communication teams;
- the implementation of the process for providing information and/or validating press releases;
- a monitoring system and appropriate rules of crisis communication.

Relations with analysts and investors

The Finance Department also uses the current "Missions and operating principles of financial communication" procedure, which sets out management principles for the Group's financial communication and clearly defines its activities in areas concerning analyst and investor relations and market intelligence.

Within the Finance Department, the Investor Relations Department steers and coordinates the market presentation process, including the quarterly, interim and annual financial data, as well as information about major transactions.

Setting objectives and coordination

The General Management updates and communicates the Group's overall objectives and the allocation of resources to the BUs. The Enterprise Performance Management Department, which reports to the Finance Department, prepares instruction memos for each of the BUs. These memos specify the macroeconomic assumptions to be applied, including assumptions on commodities prices set by the Group Strategy Department, the financial and non-financial indicators, the schedule, and the segmentation of the scope of activity. Each BU is responsible for sending these instructions to the subsidiaries and reporting entities within its scope after tailoring them to the specific characteristics of its business activity.

Management control is performed in a decentralized manner to reflect the specific characteristics of each business activity. In particular, it must take into account the instructions circulated periodically by the Enterprise Performance Management Department, the implementation instructions for the SAP B.F.C. software application, and the manual of Group accounting policies.

For each BU, a BU committee validates the objectives set for the following year and the corresponding budget, as well as the outlook beyond the current year derived from the budget process and the Medium-Term Plan (MTP to be used as the basis for the impairment testing of goodwill and long-term assets. This committee meeting, prepared by the finance functional line under the responsibility of the Enterprise Performance Management Department, brings together representatives from General Management, NewCorp departments, and the operational and finance departments of each BU. The Group's consolidated budget and MTP are presented to Audit Committee and the Strategy, Investment and Technology Committee before being submitted to the Board of Directors.

At subsequent BU committee meetings, actual figures are compared to the budget and any adjustments to annual forecasts are validated by the Group's Executive Committee.

Improving the process for preparing and processing financial information is the responsibility of each BU financial director and each NewCorp director concerned. Feedback is given to verify that the production processes for accounting and financial information are functioning properly. When necessary, internal audits in the reporting entities and at the various organizational levels can also verify process quality.

4.7.3.3 Continuous improvement

Implementation of internal control in the Group is part of our aim to continuously improve, streamline and optimize the control system, based on the following principles:

- risk analysis;
- drawing up and enhancing internal control frameworks, working closely with the NewCorp departments to support Group policies;
- engaging in dialogue with the various business activities;
- adapting controls according to changes in risks;
- overseeing and training the coordinators in the entities, such as for the fraud awareness campaign carried out in 2016 and 2017.

4.8 Statutory Auditors' special report on regulated agreements and commitments, transactions with related parties and service contracts

4.8.1 Statutory Auditors' special report on regulated agreements and commitments

To the ENGIE Shareholders' Meeting:

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments.

It is our responsibility to report to shareholders, on the basis of the information provided to us, on the main characteristics and terms and conditions of the agreements and commitments brought to our attention or which we may have identified in the course of our audit, including the reasons justifying the Company's interest therein. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with Article R.225-31 of the French Commercial Code (*Code de Commerce*), to evaluate the benefits of these agreements and commitments prior to their approval.

It is our responsibility to report to shareholders, where applicable and as stipulated in Article R.225-31 of the French Commercial Code, on the implementation during the fiscal year ended of the agreements and commitments already approved by the Shareholders' Meeting.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

A. Agreements and commitments submitted for approval by the Shareholders' Meeting

Agreements and commitments authorized and concluded during the year ended December 31, 2017.

Pursuant to Article L.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments concluded during the year ended December 31, 2017 which were subject to the prior approval of your Board of Directors.

A.1. Combination of the French terminal and gas transmission activities

Person concerned

Stéphane Pallez, ENGIE and CNP Assurances board member.

Nature, purpose, terms and reasons

At its meeting of June 28, 2017, the Board of Directors authorized the combination of the Group's French terminal and gas transmission activities through the sale of its entire stake in Elengy, the Group's subsidiary that operates liquefied natural gas terminals in France, to GRTgaz, the gas transmission network manager, in which ENGIE SA holds a 74.7% stake and Société d'Infrastructures Gazières (SIG), itself owned by CNP Assurances and Caisse des Dépôts et Consignations (CDC), holds a 24.9% stake.

For the purposes of this transaction, the following agreements were signed by ENGIE SA, Elengy SA, GRTgaz and SIG, as well as by CNP Assurances and CDC, either as parties to the agreement or in their presence in order to be informed of the transaction's terms and conditions:

- an investment protocol and its appendices (sale agreement and transfer agreement);
- a rider to the GRTgaz shareholders' agreement in order to reiterate the rules for distributing income, i.e., 100% of pro forma net income plus 100% of Elengy's available cash at GRTgaz level;
- an additional agreement between ENGIE SA and SIG to guarantee certain disclosure obligations between shareholders;
- agreements between SIG and ENGIE SA for the sale of GRTgaz shares as (i) compensation to SIG in the event that Elengy fails to achieve the Business Plan by 2023 with respect to its non-regulated activity or (ii) compensation to ENGIE SA in the event of recovery of amounts up to €36 million related to the STS dispute prior to the transaction.

Your Board justifies this agreement as follows: the transaction has genuine strategic value for ENGIE (it creates an infrastructure platform equal to that of ENGIE's European peers in a sector that is being consolidated) and helps reduce the Group's net debt.

A.2. Binding buyback and forward buyback of ENGIE shares from the French state for the purpose of offering them to employees

On January 10, 2017, the French state sold 4.1% of its stake in ENGIE as part of a private placement with institutional investors. On September 5, 2017, it sold a further 4.1% via an accelerated institutional placement. Pursuant to the provisions of Article 31-2 of Decree 2014-948 of August 20, 2014 regarding the governance and capital transactions of state-owned enterprises, the French state is obliged to offer for sale 10% of the shares that it sells on the stock exchange to employees of the companies in which it has an ownership interest, either directly or through a sale to the company, which must then offer the shares to employees within one year.

Accordingly, at its meetings of September 5, 2017 and December 13, 2017, the Board of Directors authorized the Chief Executive Officer to sign a binding agreement and a forward agreement respectively to buy back ENGIE shares from the French state for the purpose of offering them to employees.

Persons concerned

Lucie Muniesa, ENGIE board member representing the French state, and Catherine Guillouard, Mari-Noëlle Jégo-Laveissière, Stéphane Pallez and Patrice Durand, ENGIE board members elected by the Shareholders Meeting on the French state's recommendation.

a) Nature, purpose, terms and reasons: Binding buyback agreement

At its meeting of September 5, 2017, the Board of Directors authorized the Chief Executive Officer to sign a binding agreement to buy back ENGIE shares from the French state for the purpose of offering them to employees. On September 5, 2017, concomitantly with the sale of 4.1% of its stake in ENGIE, the French state sold 11.1 million shares to ENGIE, i.e., 0.46% of its stake.

The sale by the French state was based on a share price equal to €13.80, corresponding to the price of the accelerated institutional placement, and amounted to €153 million.

Your Board justifies this agreement as follows: ENGIE benefits from the private placement price, namely a discounted price set transparently through a market transaction. Furthermore, the shares bought back will be used to upgrade and strengthen the employee shareholding at the same time as preventing dilution. This helps create a stable shareholder base and involves employees in the transformation project. Once the shares have been bought back, ENGIE will be free to determine the discount that it will grant to its employees, independently of the conditions for buying back the shares from the French state, pursuant to the provisions set forth in the French Labor Code. The transaction also reflects the Company's confidence in the smooth rollout of its strategic plan.

b) Nature, purpose, terms and reasons: Forward buyback agreement

At its meeting of December 13, 2017, the Board of Directors authorized the Chief Executive Officer to sign the forward buyback agreement related to the French state's sale on January 10, 2017 of 4.1% of its stake in ENGIE, subject to the buyback being approved by the French Privatization Board (*Commission des participations et des transferts*).

The characteristics of the buyback transaction are as follows:

- Maximum size of buyback: 11,111,111 shares;
- Date of buyback: immediately before the shares are offered to employees, i.e., in July 2018 with respect to the provisional timetable;
- Price: same as the reference price under the employee offer, corresponding to ENGIE's volume-weighted average price over the 20 trading days preceding the decision setting the dates for the revocation period under the employee offer. This sale price must comply with the conditions stipulated in the ENGIE share buyback program prevailing at the date of the buyback.

In addition to the factors relating to the employee savings plan mentioned in A.2.a), your Board justifies this agreement as follows: given the planned price, which would correspond to the reference price based on which the shares would be retroceded to beneficiaries of the offer, and the fact that the volume of shares to be purchased in connection with the French state's sale of January 10, 2017 would correspond exactly to the number of shares required to cover beneficiaries' requests under the offer, ENGIE would not be taking any risk on price or volume.

B. Agreements and commitments already approved by the Shareholders' Meeting

Agreements and commitments approved in previous years

B.1. That continued to be implemented during the fiscal year just ended

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, already approved by the Shareholders' Meeting in previous years, continued to be implemented during the past fiscal year.

B.1.1. With Isabelle Kocher, ENGIE board member and Chief Executive Officer

Having appointed Isabelle Kocher to the position of Chief Executive Officer at its meeting of May 3, 2016, the Board of Directors voted to renew the decisions it had taken at its meeting of March 10, 2016 when Ms. Kocher was Chief Operating Officer with regard to maintaining the supplementary defined-contribution retirement plan and collective benefit and healthcare plans.

a) Nature, purpose and terms: Supplementary defined-contribution retirement plan

The Board of Directors voted to maintain the supplementary defined-contribution retirement plan whereby ENGIE no longer guarantees the level of retirement benefit but makes an annual matching contribution, half of which comprises contributions paid to a third-party organization under a defined-contribution retirement plan (Article 82) and the other half a cash sum to take account of the immediate taxation on commencement of this new mechanism. The matching contribution corresponds to a ratio of 25% of the sum of the fixed compensation and the actual variable compensation accrued for the given year. It also depends on the Company's performance, since the calculation base already includes the variable portion linked to the Group's results.

Accordingly, at its meeting of March 1, 2017, the Board of Directors decided to pay a matching contribution in 2017 of €406,762 in respect of the 2016 fiscal year.

b) Nature, purpose and terms: Collective benefit and healthcare plans

At its meeting of May 3, 2016, the Board of Directors also voted to keep Isabelle Kocher on the same system as when she was Chief Operating Officer, namely the collective benefit and healthcare plans for senior executives from which she benefited before her employment contract was suspended.

B.1.2. With Suez Environnement Company, henceforth SUEZ

Person concerned

Gérard Mestrallet, Chairman of the ENGIE Board of Directors and Chairman of the SUEZ Board of Directors, and Isabelle Kocher, ENGIE Chief Executive Officer and board member and SUEZ board member.

Nature, terms and purpose: Agreement relating to the settlement of disputes in Argentina

In connection with the spinoff-distribution of the Suez Environment Division, ENGIE and SUEZ (formerly Suez Environnement) had entered into a 20-year agreement with respect to the economic transfer, in favor of SUEZ, of the rights and obligations related to the shareholding interests held by SUEZ in the Argentine companies Aguas Argentinas and Aguas Provinciales de Santa Fé, relating thereto or arising therefrom (the "Argentine Rights").

This agreement, which had been expressly authorized by the Board of Directors at its meeting of June 4, 2008 and signed on June 5, 2008, continued to be implemented during the fiscal year. However, SUEZ did not reinvoice any attorney or advisory fees to ENGIE in 2017.

B.2. That were not implemented during the fiscal year just ended

In addition, we have been notified that the following commitments and agreements, previously approved by Shareholders' Meetings of prior years, were not performed during the past fiscal year.

B.2.1. With Isabelle Kocher, ENGIE board member and Chief Executive Officer

Nature, purpose and terms: Supplementary collective defined-contribution retirement plans

Having appointed Isabelle Kocher to the position of Chief Executive Officer at its meeting of May 3, 2016, the Board of Directors voted to renew the decisions it had taken at its meeting of March 10, 2016 when Ms. Kocher was Chief Operating Officer with regard to maintaining the supplementary collective defined-contribution retirement plans for senior executives for the period prior to the suspension of her employment contract.

The benefits accrued by Ms. Kocher in respect of senior executives' supplementary collective retirement plans for the period prior to the suspension of her employment contract on December 31, 2014, amounting to €145,456 before tax and social security deductions, will remain frozen and preserved, subject to the condition of continuous service in the Group, which will imply keeping her employment contract suspended.

B.2.2. With companies in the ENGIE Group and members of the ENGIE Alliance EIG

Person concerned

Gérard Mestrallet, Chairman of the Board of Directors of ENGIE and Chairman of the Board of Directors of ENGIE Energie Services.

Nature, purpose and terms: Membership of the ENGIE Alliance EIG

At its meeting of July 4, 2001, the Board of Directors of SUEZ, which merged with Gaz de France to form ENGIE, authorized the creation of a special-purpose financing vehicle, the Engie Alliance EIG, and authorized SUEZ to become a member of this EIG.

It also approved the guarantee granted by SUEZ for the benefit of the other members of the EIG that are subsidiaries of SUEZ. Consequently, ENGIE, in its capacity as parent company of the Group, will be the ultimate guarantor for any debt incurred by the members and exceeding their proportionate share.

This agreement had no impact on fiscal year 2017.

B.2.3. With companies in the ENGIE Group that are not members of the ENGIE Alliance EIG

Person concerned

Gérard. Mestrallet, Chairman of the Board of Directors of ENGIE and Chairman of the Board of Directors of Electrabel.

Nature, purpose and terms: Expansion of the activities of the ENGIE Alliance EIG

At its meeting of March 9, 2005, the Suez Board of Directors expressly authorized the expansion of the activities of the Alliance EIG to the most significant SUEZ subsidiaries that are not members of the ENGIE Alliance EIG, in order to facilitate their financing.

As parent company of the Group, ENGIE is the ultimate guarantor with respect to these subsidiaries for any debt incurred that exceeds the proportionate share of the member company acting as guarantor.

This agreement had no impact on fiscal year 2017.

Neuilly-sur-Seine and Paris-La Défense, March 23, 2018

The Statutory Auditors

DELOITTE & ASSOCIÉS	ERNST & YOUNG et Autres
Pascal Pincemin	Stéphane Pédron

4.8.2 Transactions with related parties

See Note 23 to the consolidated financial statements.

4.8.3 Service contracts binding members of corporate governance bodies

To ENGIE's knowledge, there is no service contract binding members of the Company's management bodies or any of its subsidiaries that provides for benefits to be granted under such a contract.

5

Information on the share capital and shareholding

5.1	**Information on the share capital and non-equity instruments**	**170**
5.1.1	Share capital and voting rights	170
5.1.2	Potential capital and share equivalents	170
5.1.3	Authorizations relating to share capital and share equivalents and their utilization	171
5.1.4	Five-year summary of changes in the share capital	174
5.1.5	Stock repurchase	175
5.1.6	Non-equity securities	176
5.2	**Shareholding**	**181**
5.2.1	Stock exchange quotation	181
5.2.2	Breakdown of share capital	182
5.2.3	Disclosure thresholds	182
5.2.4	Golden share	183
5.2.5	Dividend distribution policy	183

5.1 Information on the share capital and non-equity instruments

5.1.1 Share capital and voting rights

5.1.1.1 Share capital

ENGIE shares are listed on Compartment A of Euronext Paris and Euronext Brussels under ISIN Code FR0010208488 and ticker symbol ENGI. ENGIE shares are included in the CAC 40 index, the main index published by NYSE Euronext Paris, and are eligible for the Deferred Settlement Service (SRD). ENGIE is also listed on the following indices: BEL 20, Euro STOXX 50, STOXX Europe 600, MSCI Europe, Euronext 100, FTSE Eurotop 100, Euro STOXX Utilities, STOXX Europe 600 Utilities, Euronext Vigeo (Europe 120, Eurozone 120, France 20), and DJSI (World, Europe).

As of December 31, 2017, ENGIE's share capital stood at €2,435,285,011 divided into 2,435,285,011 fully paid-up shares with a par value of €1 each.

5.1.1.2 Pledges, guarantees and collateral

Pledges of assets

The percentage of shares pledged is not significant.

Other pledges

In € million	Total Value	2018	2019	2020	2021	2022	2023 to 2027	> 2027	Account Total	Corres-ponding%
Intangible assets	4	-	-	-	-	-	-	4	6,504	0
Property, plant and equipment	2,185	113	14	16	788	41	155	1,058	51,024	4.3
Equity investments	3,468	75	5	5	64	11	872	2,435	10,065	34.5
Bank accounts	238	36	-	-	34	-	28	140	8,931	2.7
Other assets	134	1	1	6	24	1	86	21	33,525	0.4
TOTAL	**6,030**	**225**	**20**	**22**	**910**	**53**	**1,141**	**3,659**	**110,048**	**5.5**

Note: The total amount of the pledge relating to equity instruments may relate to consolidated equity instruments with zero value in the consolidated balance sheet (elimination of these equity instruments upon consolidation).

5.1.1.3 Voting rights

Each shareholder has as many voting rights and may cast as many votes at meetings as he or she holds shares which are fully paid up.

However, in accordance with Article L. 225-123 of the French Commercial Code, all registered and fully paid-up shares registered in the name of the same beneficiary for at least two years are automatically entitled to a double voting right.

On December 31, 2017, after adjusting for treasury stock, the Company held 2,435,285,011 shares representing 2,781,146,364 theoretical voting rights.

Pursuant to the French Energy Code and Act No. 2014-384 of March 29, 2014, the French government is required to hold more than one-third of the Company's capital or voting rights, and its stake may only fall below this threshold if it returns to the required ownership threshold for capital or voting rights within two years.

In addition, pursuant to the Energy Code and Decree No. 2007-1790 of December 20, 2007, ENGIE's share capital includes a golden share (for details, see Section 5.2.4 "Golden share").

5.1.2 Potential capital and share equivalents

As of December 31, 2017, there were no share equivalents conferring direct or indirect access to ENGIE's share capital.

5.1.3 Authorizations relating to share capital and share equivalents and their utilization

The Company's shareholders delegated the following powers and authorizations in relation to financial matters to the Board of Directors:

AUTHORIZATIONS GRANTED BY THE COMBINED SHAREHOLDERS' MEETING OF MAY 12, 2017

Resolution	Type of authorization or delegation of authority	Validity and expiration	Maximum nominal amount per authorization	Amounts utilized	Remaining balance
6th	Authorization to trade in the Company's shares	18 months (until November 11, 2018)	Maximum purchase price: €30. Maximum shareholding: 10% of the share capital. Aggregate amount of purchases : ≤ €7.3 billion	ENGIE held 1.92% of its share capital as of December 31, 2017	8.08% of the share capital
14th	Capital increase reserved for members of the Group Employee Savings Plan	26 months (until July 11, 2019)	2% of the share capital (1) (2)	None	Full amount of the authorization
15th	Capital increase reserved for any entity formed as part of the implementation of the international employee shareholding plan offered by the Group	18 months (until November 11, 2018)	0.5% of the share capital (1) (2)	None	Full amount of the authorization
16th	Authorization to award bonus shares (i) to employees and/or corporate officers of companies belonging to the Group (with the exception of corporate officers of the Company) and (ii) to employees participating in a Group international employee shareholding plan	38 months (until July 11, 2020)	Maximum shareholding: 0.75% of the share capital (3)	None	0.52% of the share capital
17th	Authorization to award bonus shares to certain employees and officers of Group companies (except for officers of the Company)	38 months (until July 11, 2020)	Maximum shareholding: 0.75% of the share capital (3)	Allocation on December 13, 2017 of 5,278,045 performance shares, i.e. 0.22% of the share capital at December 31, 2017, and 135,583 performance shares on March 7, 2018, i.e. an allocation of 0.0056% of the share capital at March 7th 2018	0.52% of the share capital

(1) The overall maximum nominal amount of issues decided pursuant to the 14th and 15th resolutions of the Combined Shareholders' Meeting of May 12, 2017 was set at €265 million by the 25th resolution of the Combined Shareholders' Meeting of May 3, 2016.

(2) The nominal amount of the issues decided under the 15th resolution will be counted against the overall ceiling of 2% of the share capital of the 14th resolution.

(3) This is a ceiling set by the Combined Shareholders' Meeting of May 12, 2017 for the awards decided pursuant to the 16th and 17th resolutions.

AUTHORIZATIONS GRANTED BY THE COMBINED SHAREHOLDERS' MEETING OF MAY 3, 2016

Resolution	Type of authorizationor delegation of authority	Validity and expiration	Maximum nominal amount per authorization	Amounts utilized	Remaining balance
13th	Issue, with preferential subscription rights, of ordinary shares and/or any marketable securities giving access to the capital of the Company and/or its subsidiaries, and/or issue of marketable securities giving entitlement to the allocation of debt securities (to be used only outside public tender offer periods)	26 months (until July 2, 2018)	€225 million for shares (1) (2) +€5 billion for debt securities (1)	None	Full amount of the authorization
14th	Issue, without preferential subscription rights, of ordinary shares and/or any marketable securities of the Company and/or its subsidiaries, and/or issue of marketable securities giving entitlement to the allocation of debt securities (to be used only outside public tender offer periods)	26 months (until July 2, 2018)	€225 million for shares (1) (2) +€5 billion for debt securities (1)	None	Full amount of the authorization
15th	Issue, without preferential subscription rights, of ordinary shares or other marketable securities giving access to the capital of the Company, as part of an offer referred to in Article L. 411-2 II of the French Monetary and Financial Code (to be used only outside public tender offer periods)	26 months (until July 2, 2018)	€225 million for shares (1) (2) +€5 billion for debt securities (1)	None	Full amount of the authorization
16th	Increase in the number of shares or other securities to be issued in the event of a securities issue with or without preferential subscription rights, carried out in application of the 13th, 14th and 15th resolutions, limited to 15% of the initial issue (to be used only outside of public tender offer periods)	26 months (until July 2, 2018)	Up to 15% of the initial issue (1) (2)	None	Full amount of the authorization
17th	Issue of ordinary shares and/or marketable securities in consideration for contributions of securities made, up to a limit of 10% of the share capital (to be used only outside public tender offer periods)	26 months (until July 2, 2018)	€225 million for shares (1) (2) +€5 billion for debt securities (1)	None	Full amount of the authorization
18th	Issue, with preferential subscription rights, of ordinary shares and/or marketable securities giving access to the capital of the Company and/or its subsidiaries, and/or issue of marketable securities giving entitlement to the allocation of debt securities (to be used only during public tender offer periods)	26 months (until July 2, 2018)	€225 million for shares (1) (2) +€5 billion for debt securities (1)	None	Full amount of the authorization
19th	Issue, without preferential subscription rights, of ordinary shares and/or any marketable securities giving access to the capital of the Company and/or its subsidiaries, and/or issue of marketable securities giving entitlement to the allocation of debt securities (to be used only during public tender offer periods)	26 months (until July 2, 2018)	€225 million for shares (1) (2) +€5 billion for debt securities (1)	None	Full amount of the authorization

Resolution	Type of authorizationor delegation of authority	Validity and expiration	Maximum nominal amount per authorization	Amounts utilized	Remaining balance
20th	Issue, without preferential subscription rights, of ordinary shares or other marketable securities, as part of an offer referred to in Article L. 411-2 II of the French Monetary and Financial Code (to be used only during public tender offer periods)	26 months (until July 2, 2018)	€225 million for shares (1) (2) +€5 billion for debt securities (1)	None	Full amount of the authorization
21st	Increase in the number of shares to be issued in the event of a securities issue with or without preferential subscription rights, carried out in application of the 18th, 19th and 20th resolutions, limited to 15% of the initial issue (to be used only during periods of a public tender offer)	26 months (until July 2, 2018)	Up to 15% of the initial issue (1) (2)	None	Full amount of the authorization
22nd	Issue of ordinary shares and/or marketable securities as remuneration for contributions of securities made, up to a limit of 10% of the share capital (to be used only during public tender offer periods)	26 months (until July 2, 2018)	€225 million for shares (1) (2) +€5 billion for debt securities (1)	None	Full amount of the authorization
26th	Capital increases via the capitalization of premiums, reserves, earnings or other sums (to be used only outside public tender offer periods)	26 months (until July 2, 2018)	Aggregate amount that may be capitalized	None	Full amount of the authorization
27th	Capital increases via the capitalization of premiums, reserves, earnings or other sums (to be used only during public tender offer periods)	26 months (until July 2, 2018)	Aggregate amount that may be capitalized	None	Full amount of the authorization
28th	Authorization to reduce the share capital by canceling treasury stock	26 months (until July 2, 2018)	10% of the share capital per 24 month period	None	Full amount of the authorization

(1) This is a ceiling set by the Combined Shareholders' Meeting of May 3, 2016 for the issues decided pursuant to the 13th, 14th, 15th,16th, 17th, 18th, 19th, 20th, 21st, and 22nd resolutions.

(2) The overall maximum nominal amount of issues decided pursuant to the 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22nd, 23rd, and 24th resolutions was set at €265 million by the 25th resolution of the Combined Shareholders' Meeting of May 3, 2016.

(3) The nominal amount of the issues decided under the 24th resolution will be counted against the overall ceiling of 1% of the share capital of the 23rd resolution.

(4) This is a ceiling set by the Combined Shareholders' Meeting of May 3, 2016 for the awards decided pursuant to the 29th and 30th resolutions.

5.1.4 Five-year summary of changes in the share capital

ISSUANCE OF SHARES

Date	Event	Par value *(in euros)*	Premium *(in euros)*	Share capital *(in euros)*	Number of shares	Par value per share *(in euros)*
1/22/2013	Increase of the share capital resulting from the exercise of 4,470,266 stock options	4,470,266 (1)	69,395,152.92	2,412,824,089	2,412,824,089	1.00
12/11/2014	Increase of the share capital resulting from the subscription of 20,307,623 shares under the capital increase reserved for participants in an employee savings plan offered by the Group	20,307,623	277,808,282.64	2,433,131,712	2,433,131,712	1.00
12/11/2014	Increase of the share capital resulting from 328,639 bonus shares issued by deduction from the additional paid-in capital under the capital increase reserved for participants in an employee savings plan offered by the Group	328,639	(328,639.00)	2,433,460,351	2,433,460,351	1.00
12/11/2014	Increase of the share capital resulting from the issue of 1,824,660 shares following the capital increases reserved for any entity constituted in the course of the implementation of the international employee shareholding plan offered by the Group	1,824,660	24,961,348.80	2,435,285,011	2,435,285,011	1.00

(1) These new shares were recorded in ENGIE's financial statements as of December 31, 2012.

There was no issuance of shares since 2014.

5.1.5 Stock repurchase

5.1.5.1 Treasury stock

The sixth resolution of the Combined Shareholders' Meeting of May 12, 2017 authorized the Company to trade in its own shares with a view to managing its shareholders' equity according to the applicable laws and regulations.

Terms:

- maximum purchase price: €30 per share (excluding transaction costs);
- maximum number of shares that may be purchased for the duration of the program: 10% of the share capital;
- maximum total amount of acquisitions, net of fees: €7.3 billion.

A one-year liquidity agreement, renewable by tacit agreement, of an initial value of €55 million was signed on May 2, 2006, on the Euronext Paris market with Rothschild & Cie Banque. The amount of this agreement was raised to €150 million on July 22, 2008.

The main purpose of this agreement is to reduce the volatility of the ENGIE share and therefore the risk perceived by investors. This agreement complies with the Code of Conduct drawn up by the Association Française des Entreprises d'Investissement (French Association of Investment Companies). This agreement continued to apply in 2017.

Between January 1 and December 31, 2017, under the liquidity agreement, the Company purchased 32,106,259 shares, for a total value of €436.3 million or €13.59 per share. Over the same period, and also under this agreement, ENGIE sold 31,106,259 shares for a total price of €425.6 million or €13.68 per share.

Furthermore, between January 1 and December 31, 2017, ENGIE purchased 11,100,000 shares for a total price of €153.2 million or €13.80 per share to cover its commitments to the beneficiaries of options, bonus shares, and company savings plans.

Between January 1 and February 28, 2018, under the liquidity agreement, ENGIE purchased 3,608,548 shares for a total of €50.9 million or €14.11 per share. Over the same period, and also under this agreement, ENGIE sold 1,808,548 shares for a total price of €26,2 million or €14,49 per share.

Furthermore, between January 1 and February 28, 2018, ENGIE did not purchase any shares to cover its commitments to the beneficiaries of stock options, bonus shares, and company savings plans.

On February 28, 2018, the Company held 2,00% of its share capital, or 48,654,639 shares to cover its commitments to the beneficiaries of stock options, bonus shares, and company savings plans.

5.1.5.2 Description of the stock repurchase program to be submitted to the Combined Shareholders' Meeting of May 18, 2018

Pursuant to Articles 241-1 to 241-7 of the AMF's General Regulations, the purpose of the following program description is to set out the objectives, terms and conditions of ENGIE's stock repurchase program, as it will be submitted to the Combined Shareholders' Meeting to be held on May 18, 2018 and will enter into force on September 1, 2018. The previous stock repurchase program, authorized by the sixth resolution of the Combined Shareholders' Meeting of May 12, 2017, and described in Section 5.1.5.2 of the 2016 Registration Document, will remain in force until August 31, 2018.

A. Main features of the program

The main features and goals of the program are summarized below:

- relevant securities: shares listed on Eurolist – SRD at the Paris Stock Exchange or on Eurolist at the Brussels Stock Exchange;
- maximum capital repurchase percentage authorized by the Shareholders' Meeting: 10%;
- maximum unit purchase price: €30 per share (excluding transaction costs).

B. Objectives of the stock repurchase program

The objectives of the ENGIE stock repurchase program are summarized below:

- to ensure liquidity in the Company's shares by an investment service provider under liquidity agreements;
- to provide for the subsequent cancellation of the repurchased shares under a decision or authorization to reduce the share capital by the Extraordinary Shareholders' Meeting;
- to allocate or assign such shares to employees or former employees and corporate officers or former corporate officers of the Group;
- to set up stock purchase plans, bonus share plans on existing shares, or employee shareholding plans under company savings plans;
- to allocate or sell such shares to any entity as part of implementing an international employee shareholding plan;
- to provide for the holding and subsequent delivery of shares (as exchange, payment or otherwise) in the context of external growth transactions within the limit of 5% of the share capital;
- to provide for the hedging of securities conferring entitlement to Company share allocations, through issuance of shares, upon the exercise of the rights attached to securities conferring entitlement to Company shares by conversion, redemption, exchange, upon presentation of a warrant or other means of allocation;
- to implement any other market practices previously or subsequently authorized or to be authorized by market authorities.

C. Terms and conditions

Maximum percentage of share capital that may be repurchased and maximum amount payable by ENGIE

The maximum number of shares that may be purchased by ENGIE may not exceed 10% of the share capital of the Company on the date of the General Shareholders' Meeting, i.e. 243.5 million shares, for a maximum theoretical amount of €7.3 billion. ENGIE reserves the right to hold the maximum amount authorized.

On February 28, 2018, ENGIE directly held 48,654,639 shares, i.e. 2.00% of the share capital.

Therefore, based on the estimated share capital at the date of the Meeting, the stock repurchase program could cover up to 195 million shares, representing 8% of the share capital, for a maximum amount payable of €5.8 billion.

Maximum term of the stock repurchase program

The stock repurchase program will be in effect for a period of 18 months beginning on the date of this Shareholders' Meeting, i.e. until November 18, 2019.

5.1.6 Non-equity securities

5.1.6.1 Deeply subordinated securities

No deeply subordinated perpetual (or hybrid) notes were issued in 2017 to supplement the transactions of July 2013 and May 2014.

Issuer	Currency	Coupon rate	Issue date	Maturity	First option for redemption	Amount issued *(in stated currency)* *(in millions)*	Exchange	ISIN Code
ENGIE	EUR	3.875%	7/10/2013	Perpetual	7/10/2018	600	Paris	FR0011531714
ENGIE	GBP	4.625%	7/10/2013	Perpetual	1/10/2019	300	Paris	FR0011531722
ENGIE	EUR	4.750%	7/10/2013	Perpetual	7/10/2021	750	Paris	FR0011531730
ENGIE	EUR	3.000%	6/2/2014	Perpetual	6/2/2019	1,000	Paris	FR0011942226
ENGIE	EUR	3.875%	6/2/2014	Perpetual	6/2/2024	1,000	Paris	FR0011942283

All of the above securities are rated Baa1 by Moody's and BBB by Standard & Poor's.

In accordance with the provisions of IAS 32, and given their characteristics, these instruments are recognized in equity in the Group's consolidated financial statements (see Section 6.2 "Consolidated financial statements" – Note 17.2.1).

5.1.6.2 Euro Medium Term Notes (EMTN) Program

ENGIE has a €25 billion EMTN program. This program was updated on October 16, 2017 and approved by the AMF under reference number 17-552.

5.1.6.3 Bond issues

The main features of the bond issues outstanding as of December 31, 2017 by the Company are detailed in Section 6.4 "Parent company financial statements" – Note 11.

5.1.6.4 Green Bonds

5.1.6.4.1 Description of the bond

To support its development plan in renewable energy and energy efficiency, ENGIE carried out a second and third issue of "Green Bonds" in 2017: one for €1.5 billion in March, and the other for €1.25 billion in September.

These bonds will help fund the Group's development of projects in renewable energy, energy efficiency and natural resource protection, as well as R&D investments in these fields. ENGIE issued Green Bonds totaling €5.25 billion at end of 2017, With the Green Bond issued in January 2018 for 1 billion euros, ENGIE confirms its leadership and its commitment to play a leading role in energy transition while supporting the development of green finance.

The Green Bonds meet the terms of the Green Bond Framework that Engie has defined for its Green Bond issuances and which is available on its website. The main provisions are summarized below.

For each bond issuance, the funds raised by these bonds are intended to support the Group's investments in projects that satisfy environmental, social and societal criteria, specifically projects that are "eligible" (hereinafter referred to as "Eligible Projects") as defined in the "use of proceeds" clause in the final terms of the Green Bond issuance .

Until the funds raised are entirely allocated to Eligible Projects (or after, in case of a substantial change in allocations), ENGIE is committed to providing information in its Registration Document on the fund allocations made during the period concerned. As part of the Green Bond Framework, ENGIE is committed to fulfilling the following conditions: ▪

- Eligible Projects must respect the eligibility criteria determined by ENGIE in conjunction with Vigeo Eiris. Eligible Projects include new projects that meet the eligibility criteria and/or investments made since January 1, 2016 on pre-existing projects that meet the eligibility criteria. The amounts allocated are calculated after deduction of any funding already dedicated to these projects; ▪

- as of December 31, 2017, the Group must hold cash (or cash equivalents) of an amount at least equal to the funds raised by the Green Bond, less amounts allocated to fund Eligible Projects as of that date.

When, for a given year, several Green Bonds are not fully allocated to Eligible Projects, the allocation of the exercise will be made successively by priority to the oldest loan, until it is fully allocated. In line with its commitments.

ENGIE requested one of its Statutory Auditors, Deloitte & Associés, to provide a statement certifying compliance of the retained projects with the eligibility criteria and the amounts allocated to those projects.

ENGIE refers to the four principles established by the International Capital Market Association ("Green Bond Principles"), which are: (i) Use of proceeds; (ii) Process for project evaluation and selection; (iii) Management of proceeds; and (iv) Reporting.

5.1.6.4.2 Projets and CSR Eligibility criteria

The categories of projects are described below

Project category	Description
Renewable energy	This category of projects includes the financing of, or investments in, the conception, construction and installation of renewable energy production or transportation units. It covers energy produced from renewable non-fossil sources. It includes hydro, geothermal, wind, solar, biogas, biomass and any other renewable sources of energy.
Energy efficiency	This category of projects includes the financing of, or investments in, projects that contribute to a reduction of energy consumption per unit of output, such as – for instance – heating and cooling network, co-generation, optimization of buildings or plant efficiency, systems for energy management (Smart Grids, Smart Metering)
Protection of resources	This category of projects includes the financing of, or investments in, projects that contribute to a reduction of natural resources consumption, such as – for instance –water and/or waste management.

The eligibility criteria are described below and are also available in the dedicated CSR section of the ENGIE website. These criteria were drawn up together with Vigeo Eiris and were used to select the projects funded in the period from January 1, 2016 to December 31, 2017.

Criteria	Principles of action
Fight against climate change and/or contribution to the preservation of natural resources	The project is not linked to energy production by fossil fuels or nuclear sources and contributes to the reduction in GHG emissions and/or to the reduction of natural resources consumption
Environmental management (1)	The project has an environmental impact assessment and remedial measures for such impacts, for the construction and operation phases.
Biodiversity and natural resources (2)	The project, located near protected natural sites or areas, has an impact assessment on biodiversity and natural resources and remedial measures for such impacts, both during the construction and operation phases.
Dialogue with stakeholders and community involvement (3)	The project involves consultation, dialogue or cooperation with local stakeholders, comprising action plans that may include social impact studies, or, at a minimum, satisfaction surveys for low-impact projects.
Promotion of business ethics	The project or acquisition has trained its senior managers in business ethics (responsibilities, competition rules and anti-corruption measures).
	The project or acquisition promotes ethical practices with its main suppliers and subcontractors through an ethics clause in its contracts.
	In the case of a minority stake, ENGIE is committed to providing its partners with the Group's Ethics Charter and Practical Guide to Ethics.
Responsible procurement	The project or acquisition ensures the traceability of its procurement processes, based on tender procedures (if a call for tenders is required) and takes CSR criteria into account in the qualification of the project's main suppliers.
Human rights and labor rights	The project or acquisition has put systems in place to verify compliance with international human rights and labor rights standards, in particular the Universal Declaration of Human Rights, its associated commitments, and the International Labor Organization Conventions.
Health and safety(3)	Factors related to health and safety as well as those related to industrial safety are taken into consideration in all phases of the project life cycle.
	The project has the necessary health and safety resources during the phases of the project life cycle (e.g. construction phase, etc).

(1) Applicable only to renewable energy and natural resource protection projects.
(2) Applicable only to renewable energy projects and natural resource protection projects at sites located near protected natural zone or areas.
(3) Not applicable for an acquisition.

The Green Bond Committee meets regularly to discuss market developments and eligible projects. It is co-animated by the CSR Department and the Finance Department and brings together the Strategic Sourcing and Supply Department, the Health and Safety Department and the main BUs concerned.

5.1.6.4.3 Eligible projects

In 2016 and 2017, the main Eligible Projects financed by the 2017 Green Bond issue and meeting the above conditions were as follows:

Project category	Technology	Geographical area	Project name	Country	CAPEX *(in millions of euros)*
Renewable	**Wind farm**	**Europe**	**Projects involving subsidiaries of the France Renewable Energy BU**	**France**	**139**
	Wind farm	Europe	Moray	United Kingdom	26
	Wind farm	South America	Campo Largo[1]	Brazil	97
	Wind farm	Australia	Willogoleche	Australia	18
	Solar	Europe	Projects involving subsidiaries of the France Renewable Energy BU	France	9
	Solar	South America	Floresta[1]	Brazil	12
	Solar	South America	Paracatu[1]	Brazil	25
	Biomass	Europe	Mâcon	France	26
	Biomass	Europe	Sisslerfeld	Switzerland	21
	Cooling network	Middle East	Tabreed	United Arab Emirates	657
	Energy Efficiency	North America	Ohio State University	United States	126
	Energy Efficiency	North America	Green Change	United States	51
	Energy Efficiency	Europe	Keepmoat	United Kingdom	146
	Energy Efficiency	Europe	Smardt Grid (GAZPAR) [1]	France	78

(1) Projects eligible for the 2014 Green Bond, having received an allocation in 2014, 2015 or 2016.

The Green Bond issued in 2014 was fully allocated based on capital expenditures between 2013 and 2016. Details of the Eligible Projects and corresponding allocations were published for 2013 and 2014 on pages 167 to 171 of the 2014 Registration Document, for 2015 on pages 160 to 164 of the 2015 Registration Document, and for 2016 on pages 173 to 177 of the 2016 Registration Document.

Total funds allocated to Eligible Projects in 2016 and 2017 amounted to €81 million and €1,419 million, respectively. These amounts make it possible to allocate 1,500 million euros, i.e. the totality of the Green Bond issued in March 2017. The Group has already identified around 40 million euros spent in 2017 for projects that could be allocated to the Green Bond of September 2017.

The Green Bond contributes to the funding or acquisition of Eligible Projects in (i) renewable energy (wind, solar, hydroelectric and/or biomass), (ii) energy efficiency, and (iii) resource protection.

1) Renewable energy

The energy transition and the development of renewable energy on a global scale are among ENGIE's strategic priorities. The Group is the world's leading independent power producer with installed capacity of 102.7 gigawatts (GW), of which 23.1% (23.7 GW) in renewables (hydroelectricity, wind, solar, geothermal, biomass, etc.). The Group is aiming for a 25% share of renewable energy in its generation portfolio by 2020. In 2017, ENGIE continued to expand its portfolio of renewable assets in wind power by developing new projects in Europe, America and Australia, and in solar power through its subsidiary Solairedirect, and the development of its projects in France and the Americas.

These low-carbon resources play an essential role in the energy transition and the fight against climate change.

At end-December 2017, a total of €424 million had been allocated to Eligible Projects in the field of renewable energy sources.

When fully operational, these projects (at 100%) should contribute to avoid greenhouse gas emissions by a minimum of 2,217 million tons of CO2 eq. per year. In line with the Group's commitments, a more detailed description of the projects, their impact in terms of avoided emissions and their related methodology, is available on the dedicated CSR section of the Group's website

2) Energy efficiency

Another of the Group's other strategic priorities is to develop services and solutions that enable our customers to reduce their energy consumption and consequently their carbon footprint. As part of its transformation plan, the Group is committed to increasing the contribution of customer solutions to EBITDA by 50%. In 2017, ENGIE acquired 40% of Tabreed, a company that offers innovative air-conditioning solutions to major infrastructure projects in the United Arab Emirates and Gulf Cooperation Council (GCC) member countries, contributing to a 40% reduction in energy consumption compared to individual air-conditioning solutions.

In 2017, ENGIE won a contract for sustainable energy management at Ohio State University in Columbus, one of the largest university campuses in the United States with 485 buildings, which expects to reduce its energy consumption by 25% in the first 10 years of the contract.

As of December 31, 2017, a total amount of €1,076 million had been allocated to Eligible Projects developed in the field of energy efficiency.

In full operational mode, these projects should contribute to reduce greenhouse gas emissions by a minimum of 1,126 million tons of CO2 eq. per year. In line with the Group's commitments, a more detailed description of the projects, their impact in terms of avoided emissions and the related methodology, is available on the dedicated CSR section of the Group's website

3) Protecting natural resources

No natural resource protection projects have been allocated to the Green Bond this year.

4) Results of the Green Bond issued in March 2017

The March 2017 Green Bond issue allowed the Group to fund renewable energy and energy efficiency projects. The main geographical areas concerned by these projects are the Middle East, Europe and America, which accounted for 44%, 33% and 22% of the total amount invested, respectively. With regard to the technologies used, cooling networks and energy efficiency projects account for 46% and 29%of the amount invested, solar for 5%, and wind energy for 19%

Geographical area	Allocated funds %
Middle East	44%
South America	9%
Europe	33%
North America	13%
Australia	1%

Technology	Allocated funds %
Wind farm	19%
Solar	5%
Biomass	1%
Cooling network	46%
Energy Efficiency	29%

5) Methodology used to measure reduced or avoided emissions

The reference methodology for calculating avoided emissions is based on a Life-Cycle Analysis (LCA) technique, which assesses the emissions produced by the energy generation technology being used by the project and the average emissions produced by the energy mix of the country in question. ENGIE estimates the avoided emissions resulting from Green Bond-funded projects by multiplying the difference between the two LCA values stated with the plant's capacity and the technology's average load factor. The avoided emissions are calculated for one year of operation of the projects, considered in a full operational mode and taken at 100% regardless of the Group's ownership rate of these projects.

Per-country reference data for the average operating rates of technologies used and the average carbon emissions rates per kWh of the generation mix were drawn from data available through Enerdata. The technologies' LCA data are derived from work performed by the IPCC (Intergovernmental Panel on Climate Change).

For CDM projects registered and approved by the United Nations, the resulting measurements are derived from the underlying methodologies.

For the calculation of the reduced emissions related to the energy efficiency project, ENGIE evaluates them by multiplying the energy savings brought by the project by the emissions of the mix of the country considered. The reduced emissions are calculated for one year of operation of the projects, considered in a full operational mode and taken at 100% regardless of the Group's ownership rate of these projects.

5.1.6.4.4 Attestation from one of the Statutory Auditors of ENGIE SA on the information related to the allocation, as of December 31, 2017, of funds raised through the Green Bond issued on March 15, 2017

To the Group's Chief Executive Officer,

In our capacity as statutory auditor of ENGIE SA (the "Company") and in accordance with your request, we have prepared this attestation on the information related to the allocation, as of December 31, 2017, of funds raised through the Green Bond issued on March 15, 2017 (the "Issue"), in two tranches totaling €1.5 billion, contained in the attached document "Green Bond", and prepared pursuant to the use of proceeds of the final terms, signed on March 23, 2017 of each of the two tranches (the "Final Terms").

This document, prepared for the purposes of informing the Green Bond debt securities holders, presents an allocation of the funds raised from the Issue to eligible projects ("Eligible Projects"), over the period from January 1, 2016 to December 31, 2017, for a total amount of €1,500 million.

This information was prepared under your responsibility, based on the accounting records used for the preparation of the consolidated financial statements for the year ended December 31, 2017.

Our role is to report on:

- the compliance, in all material respects, of the Eligible Projects referred to in the attached document, with the eligibility criteria defined and approved jointly by both the Company and Vigeo, referred to in the attached document and in the appendices to the Final Terms (the "Eligibility Criteria");
- the consistency of the amount raised from the Issue allocated to Eligible Projects, as of December 31, 2017, with data underlying the accounting records.

However, we have no responsibility for:

- challenging the Eligibility Criteria, and, in particular, we give no interpretation on the Final Terms;
- forming an opinion on the use of the funds allocated to Eligible Projects after such funds have been allocated.

In the context of our role as Statutory Auditor, we have audited, jointly with the other Statutory Auditor, the consolidated financial statements of the Company for the year ended December 31, 2017. Our audits were conducted in accordance with professional standards applicable in France, and were planned and performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole and not on any individual component of the accounts used to determine the information. Accordingly, our audit tests and samples were not carried out with this objective and we do not express any opinion on any component of the accounts taken individually. The consolidated financial statements for the year ended December 31, 2017, which have not yet been approved by the Shareholders' Meeting, have been audited and our report thereon is dated March 15, 2018.

Our engagement, which constitutes neither an audit nor a review, was performed in accordance with professional standards applicable in France. For the purposes of this attestation, our work consisted, using sampling techniques or other methods of selection, in:

- understanding the procedures implemented by the Company for producing the information contained in the attached document;
- verifying the compliance, in all material respects, of the Eligible Projects referred to in the attached document with the Eligibility Criteria;
- verifying the consistency of the amount raised from the Issue allocated to Eligible Projects with data underlying the accounting records.

On the basis of our work, we have no matters to report on:

- the compliance, in all material respects, of the Eligible Projects with the Eligibility Criteria;
- the consistency of the amount raised from the Issue allocated to Eligible Projects as of December 31, 2017 with data underlying the accounting records.

This attestation has been prepared solely for your attention within the context described above and may not be used, distributed or referred to for any other purpose.

Neuilly-sur-Seine, March 23, 2018

One of the Statutory Auditors

Deloitte & Associés

Pascal Pincemin

5.1.6.5 Negotiable European Commercial Paper (NEU CP) and US Commercial Paper (US CP)

The Company has short-term financing programs in place (short-term negotiable securities and US commercial paper).

It set up a €5-billion short-term negotiable securities program on August 13, 2008. That program was updated on August 29, 2016 to take account of the reform of the Negotiable Debt Securities market and to update information relating to ENGIE's short-term rating. The program was approved by Banque de France. As of December 31, 2017, the amount outstanding was €3,174 million.

The Company also has a US commercial paper program in place for US$4.5 billion. The amount outstanding on December 31, 2017 was US$857 million.

5.2 Shareholding

5.2.1 Stock exchange quotation

TRADING VOLUMES AND HIGH AND LOW PRICES OF ENGIE SHARES IN PARIS

	High (1) *(in euros)*	Low (1) *(in euros)*	Trading volume (2)
2017			
January	12.23	11.03	7,158,464
February	11.54	10.89	5,624,914
March	13.28	11.65	8,115,309
April	13.45	12.79	6,284,166
May	14.03	13.18	6,942,551
June	14.02	13.22	6,623,788
July	13.75	13.05	4,792,762
August	14.50	13.56	4,584,094
September	14.93	13.98	11,360,083
October	14.62	14.24	4,955,022
November	14.88	14.31	5,029,489
December	14.92	14.34	5,672,204

(1) Rate obtained from daily closing prices.
(2) Daily average (source: Bloomberg).

Subsequent to the deregistration of ENGIE with the U.S. Securities & Exchange Commission on October 30, 2009, ENGIE maintains an unlisted Level 1 American Depositary Receipt (ADR) program on a U.S. stock exchange. These ADRs are traded on the Nasdaq over-the-counter market.

5.2.2 Breakdown of share capital

As of December 31, 2017, the Company held 2,435,285,011 shares, including 46,858,019 in treasury stock.

During the fiscal year 2017, there were no changes in the Company's share capital.

MAJOR CHANGES IN ENGIE SHAREHOLDINGS DURING THE PAST THREE FISCAL YEARS

	December 31, 2017			December 31, 2016		December 31, 2015	
	Number of shares	% of share capital	% of theoretical voting rights (1)	% of share capital	% of theoretical voting rights (1)	% of share capital	% of theoretical voting rights (1)
French State	781,022,010	24.10	28.10	32.76	35.61	32.76	32.76
Employee shareholding	64,818,151	2.66	3.99	2.75	2.97	2.72	2.72
BlackRock	123,984,149 (2)	5.09(2)	4.50(2)	-	-	-	-
CDC Group	45,894,091	1.88	2.01	1.88	2.03	1.88	1.88
CNP Assurances	24,217,937	0.99	0.87	1.02	0.90	1.77	1.77
Treasury stock	46,858,019	1.92	1.68	1.54	1.36	1.62	1.62
Management	Not significant	Not significant	Not significant	Not significant	Not significant	Not significant	Not significant
Public	-	63.36 (3)	59.24 (3)	60.05	57.92	58.88	59.85
TOTAL	**-**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(1) Pursuant to Article 223-11 of the AMF General Regulations, the number of theoretical voting rights is calculated on the basis of all the shares to which voting rights are attached, including shares held by the Group, from which voting rights have been removed.
(2) Information non-available on December 31, 2017 (Data on November 30, 2017 from the AMF major holding notification).
(3) Including BlackRock (Data on November 30, 2017, i.e. footnote (2) above).

5.2.3 Disclosure thresholds

Date	Movement	% of the share capital	% of voting rights	Declarer
1/11/2017	Decrease	28.65%	31.98%	French State
9/8/2017	Decrease	24.10%	28.07%	French State
11/3/2017	Increase	5%	4.43%	BlackRock
11/21/2017	Decrease	4.96%	4.39%	BlackRock
11/27/2017	Increase	5.06%	4.47%	BlackRock
11/29/2017	Decrease	4.99%	4.42%	BlackRock
11/30/2017	Increase	5.09%	4.50%	BlackRock

The French State dropped below the thresholds of one-third of ENGIE's voting rights and 30% of its share capital on January 11, 2017. This resulted in the disposal of 100,000,000 shares.

The French State dropped below the thresholds of one-quarter of ENGIE's share capital and 30% of its voting rights on September 8, 2017. This resulted in the disposal of 111,000,000 shares.

In 2017, BlackRock crossed the statutory threshold of one-twentieth (5%) of ENGIE's share capital on five occasions. On three occasions (November 3, 27 and 30, 2017), BlackRock crossed above the threshold. On two occasions (November 21 and 29, 2017), BlackRock crossed below the threshold.

To the Company's knowledge, as of the date of this Registration Document, only the French State and BlackRock hold share capital and/or voting rights in ENGIE that exceed one of the legal thresholds.

The Company has no knowledge of any shareholders owning 5% or more of ENGIE's share capital that have notified it of crossing legal disclosure thresholds.

5.2.4 Golden share

Pursuant to Article L. 111-68 of the French Energy Code and Article 7 of Act No. 2014-384 of March 29, 2014, the French government is required to hold more than one-third of the Company's capital or voting rights, and its stake may only fall below this threshold if it returns to the required ownership threshold for capital or voting rights within two years.

Pursuant to Article L. 111-69 of the French Energy Code, ENGIE's share capital includes a "golden share" resulting from the conversion of one common share owned by the French State to preserve the essential interests of France in the energy sector relating to the continuity and security of the energy supply. The golden share is granted to the French State indefinitely and entitles it to veto decisions made by ENGIE or its French subsidiaries, which directly or indirectly seek to sell in any form whatsoever, transfer operations, assign as collateral or guarantee, or change the intended use of certain assets covered by the French Energy Code, if it considers they could harm French energy interests, particularly as regards the continuity and safeguarding of supplies.

Under the terms of Article D. 111-21 of the French Energy Code, the assets covered by the French State's right of veto pursuant to the golden share are:

- natural gas transmission pipelines located in France;
- assets related to the distribution of natural gas in France;
- underground natural gas storage located in France;
- liquefied natural gas facilities located in France.

Pursuant to those same provisions, all decisions of this nature must be reported to the French Minister of the Economy.

The decisions mentioned above are deemed to be authorized if the Minister of the Economy does not veto them within one month of the date of their disclosure, as recorded by a receipt issued by the administration. This period may be extended for a period of 15 days by order of the Minister of the Economy. Before the expiration of the aforementioned one-month period, the Minister of the Economy may waive the right to veto. If there is a veto, the Minister of the Economy will communicate the reasons of his or her decision to the Company in question. The decision of the Minister of the Economy may be appealed.

Pursuant to Decree No. 2015-1482 of December 16, 2015 and Decree No. 93-1296 of December 13, 1993, any transaction executed in violation of these rules is automatically null and void.

As of the date of this Registration Document, to ENGIE's knowledge, there is no agreement relating to an option on any entity that is a member of the ENGIE Group, concerned by these provisions, or any agreement which, if implemented, could lead to a change in its control.

5.2.5 Dividend distribution policy

5

ENGIE seeks to pursue a dynamic and attractive dividend distribution policy. To encourage and reward shareholder loyalty, the General Shareholders' Meeting of April 28, 2014 instituted a 10% dividend mark-up for shareholders who have held their shares in registered form for at least two years, this 10% being the maximum amount authorized by Article L. 232-14 of the French Commercial Code. This measure was applied for the first time to the dividend payment for fiscal year 2016 and will be capped at 0.5% of the share capital for a single shareholder, as stipulated in Article L. 232-14 of the French Commercial Code.

The Group's objectives described in Section 6.1.1.2 "Outlook" do not, however, constitute a commitment by the Company, and future dividends will be assessed on a year-by-year basis depending on the Company's performance, financial position and any other factor considered relevant by the Board of Directors when preparing its proposals to the General Shareholders' Meeting.

The Board of Directors will propose to the General Shareholders' Meeting of May 18, 2018 the payment of a full dividend for fiscal year 2017 of €0.70 per share, including the €0.35 per share interim dividend already paid on October 13, 2017; the dividend will then be increased by €0.07 per share entitled to the dividend mark-up.

Dividend per share

ENGIE DIVIDENDS OVER THE LAST FIVE YEARS

Fiscal year *(fully paid up shares)*	**Net dividend per share** *(in euros)*
2012	1.50
2013	1.50
2014	1.00
2015	1.00
2016	1.00

After a period of five years, unclaimed dividends are automatically paid to the French Treasury.

6

Financial information

6.1	**Management report**	**186**
6.1.1	Management report	186
6.1.2	Cash and shareholders' equity	202
6.2	**Consolidated financial statements**	**203**
6.2.1	Consolidated financial statements	204
6.2.2	Notes to consolidated financial statements	211
6.3	**Statutory Auditors' Report on the Consolidated Financial Statement**	**334**
6.4	**Parent company financial statements**	**341**
6.4.1	Parent company financial statements	342
6.4.2	Notes to the parent company financial statements	346
6.4.3	Total and partial transfers of assets, subsidiaries, and equity investments requiring statutory disclosure	386
6.4.4	Five-year financial summary	387
6.5	**Statutory auditors' report on the parent company financial statements**	**388**

6.1 Management report

6.1.1 Management report

6.1.1.1 Summmary of the group's results

Income statement and cash flow statement data for the year ended December 31, 2016 have been restated following the classification of ENGIE E&P International as "Discontinued operations" as of May 11, 2017 *(see Note 4.1.1 "Disposal of the exploration-production business" to the consolidated financial statements*). A reconciliation of the reported data with the restated comparative data is presented in Note 30 "Restatement of 2016 comparative data" to the consolidated financial statements.

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

Revenues increased by 0.3% on a reported basis to €65.0 billion and by 1.7% on an organic basis compared with 2016. Reported growth was affected by changes in the scope of consolidation (€583 million negative impact) due mainly to the disposal of the merchant power generation assets in the United States, Poland and the United Kingdom. This was partially offset by the acquisition of Keepmoat Regeneration which designs, builds, refurbishes and regenerates residential buildings, and a negative foreign exchange effect of €300 million, chiefly related to fluctuations in the pound sterling. Organic revenue growth was driven by an increase in volumes and prices on commodities sold in the gas midstream business in Europe and LNG business in Asia, an improved performance by the thermal power generation plants in Europe and Australia, the impact of new assets commissioned and price rises in Latin America, and the impact of the 2016 price revisions in the infrastructure business in France. These positive developments were partially offset by a fall in sales of natural gas to business customers in France and by a decrease in hydro renewable energy generation in France.

EBITDA amounted to €9.3 billion, down 1.8% on a reported basis but up a sharp 5.3% on an organic basis. The reported fall was due to changes in the scope of consolidation (€677 million negative impact), due mainly to the disposal of the merchant power generation assets in the United States in June 2016 and February 2017 and the disposal of Paiton in Indonesia at end-2016, coupled with the recognition in EBITDA as of 2017 of the nuclear contribution in Belgium (€142 million negative impact). These negative impacts were partially offset by a positive foreign exchange effect related notably to the Brazilian real. The organic growth in EBITDA was driven by revenue-related developments (excluding the gas midstream and LNG businesses), plus the impacts of the Lean 2018 performance program. This reflects the positive performance from the Group's growth drivers (5.0%), namely the contracted renewable and thermal power generation, infrastructure and customer-service solutions businesses.

Current operating income after share in net income of entities accounted for using the equity method decreased by 6.4% on a reported basis and increased by 5.0% on an organic basis to €5.3 billion. The organic growth in EBITDA was mitigated by higher depreciation expense following the increase of Belgian nuclear power plant dismantling provisions recognized at end-2016 against an asset.

Net income Group share relating to continued operations amounted to €1.2 billion for the year ended December 31, 2017, representing a significant improvement on 2016. This improvement takes into account (i) lower impairment losses (net of tax), (ii) gains on the disposal of the thermal merchant power plant assets in the United States, Poland and the United Kingdom, as well as on the disposal of a non-consolidated interest in Petronet LNG in India and the residual interest in NuGen in the United Kingdom, and (iii) a reduction in the cost of debt and current income taxes. These items were partially offset by (i) the negative impacts of fair value adjustments to hedges of commodity purchases and sales, (ii) charges to restructuring provisions, and (iii) the initial non-recurring accounting impact relating to the change in the accounting treatment of long-term gas supply contracts, a power exchange contract as well as to the identification of a series of transport and storage capacities contracts corresponding to onerous contracts, as a result of a change in their management environment.

Net income Group share amounted to €1.4 billion for 2017. It includes €0.2 billion of net income Group share from ENGIE E&P International activities classified as "Discontinued operations".

Net recurring income Group share relating to continued operations amounted to €2.4 billion for the year ended December 31, 2017, down 2.4% compared with 2016. The fall in current operating income after share in net income of companies accounted for using the equity method was partially offset by an improvement in recurring net financial income/(loss) and tax income/(loss).

Net recurring income Group share amounted to €2.7 billion, showing an improvement compared with the previous year. It includes €0.3 billion of net recurring income Group share from ENGIE E&P International activities classified as "Discontinued operations".

Cash flow from operations amounted to a sound €8.3 billion, representing a €1.3 billion decline, however, compared with 2016. This performance reflected the negative impact of changes in the scope of consolidation, higher restructuring and dispute settlement costs, and a less favorable change in working capital due mainly to gas inventories in France.

Net debt stood at €22.5 billion, down €2.3 billion compared with December 31, 2016, mainly due to (i) cash flow from operations (€8.3 billion), (ii) the impacts of the portfolio rotation program (€4.8 billion), including the completion of the disposal of the thermal merchant power plant portfolio in the United States, Poland and the United Kingdom, the disposal of interests in Opus Energy and NuGen in the United Kingdom, the classification of the Loy Yang B coal-fired power plant in Australia under "Assets held for sale", the disposal of a 25% interest in Elengy (through the transfer of 100% of Elengy to GRTgaz) and the disposal of an interest in Petronet LNG in India, and (iii) a favorable exchange rate effect (€0.7 billion). These items were partially offset by (i) gross investments in the period (€9.3 billion), and (ii) dividends paid to ENGIE SA shareholders (€2.0 billion) and to non-controlling interests (€0.6 billion). Net debt also improved thanks to the impact of the recovery from the French State of the 3% tax on dividends (€0.4 billion).

6.1.1.2 Outlook

Since 2016, the Group is committed to a 3 year transformation plan aiming at creating value and at improving the Group’s risk profile. This plan is based on **3 main programs**:

- the **portfolio rotation program** (€15 billion net debt impact targeted over 2016-2018). The Group has announced to date **€13.2 billion** of disposals (i.e. more than 90% of total program), of which **€11.6 billion already closed** [(1)];
- the **investment program** (€14.3 billion [(2)] growth capex over 2016-2018). The Group has announced to have **invested and secured €13.9 billion** (i.e. more than 97% of total program) of which **€10.2 billion have been closed**;
- the **Lean 2018 performance plan**. The Group decided to raise **its 2018 target by €100 million**, for a total of **€1.3 billion of net gains** expected at the EBITDA level by 2018. At end December 2017, €947 million of cumulated net gains were recorded at the EBITDA level, which is higher than the initial cumulated target of €850 million. The entire revised program has already been identified.

For 2018, the Group anticipates **a net recurring income Group share excluding E&P and LNG between €2.45 and €2.65 billion** [(3)], **in strong organic growth compared to 2017**. This guidance is based on an indicative range for EBITDA of €9.3 to €9.7 billion, **also growing strongly organically**.

For the 2018 period, the Group anticipates:

- a **net debt/EBITDA ratio** below or equal to 2.5x; and
- an «A» category credit rating.

For fiscal year **2017**, the Group confirms the payment of a €0.70 per share dividend, payable in cash.

For fiscal year **2018**, the Group announces a new dividend policy, with **a dividend increased to €0.75 per share (+7.1%)** payable in cash.

6.1.1.3 Consolidated revenues and earnings

In millions of euros	Dec. 31, 2017	Dec 31, 2016[(1)]	% change (reported basis)	% change (organic basis)
Revenues	**65,029**	**64,840**	**+0.3%**	**+1.7%**
EBITDA	**9,316**	**9,491**	**-1.8%**	**+5.3%**
Net depreciation and amortization/Other	(4,044)	(3,855)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**5,273**	**5,636**	**-6.4%**	**+5.0%**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under “Discontinued operations” on May 11, 2017 (see Note 30 “Restatement of 2016 comparative data”).

Consolidated **revenues** for the year ended December 31, 2017 amounted to €65.0 billion, up 0.3% compared with the previous year. On an organic basis (excluding changes in the scope of consolidation and foreign exchange impacts), revenues grew by 1.7%. Adjusted for the adverse trend in temperatures in France, which were milder than in 2016, organic growth was 1.9%.

(1) In November 2017, ENGIE announced it had signed with Total an agreement for the sale of it upstream and midstream Liquefied Natural Gas (LNG) activities, that should be closed during 2018. In 2018, ENGIE closed the disposal of the E&P International activity and of the Loy Yang B coal-fired power plant in Australia.

(2) Net of DBSO proceeds; excluding Capex related to E&P and upstream/midstream LNG (including Touat and Cameron) for €0.3 billion and Corporate Capex for €0.2 billion.

(3) These targets and this indication, excluding E&P and LNG contributions, assume average weather conditions in France, full pass-through of supply costs in French regulated gas tariffs, no significant accounting changes except for IFRS 9 and IFRS 15, no major 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 af follows for 2018: €/$: 1.22; €/BRL: 3.89, and without significant impacts from disposals not already announced.

Changes in the scope of consolidation had a net negative impact of €583 million, arising mainly from the disposal of hydro and thermal merchant power generation assets in the United States (€836 million negative impact), Poland (€440 million negative impact) and the United Kingdom (€93 million negative impact), partially offset by the acquisition of Keepmoat Regeneration (€473 million positive impact). Exchange rates had a negative €300 million impact on revenues, mainly reflecting the depreciation of the pound sterling against the euro.

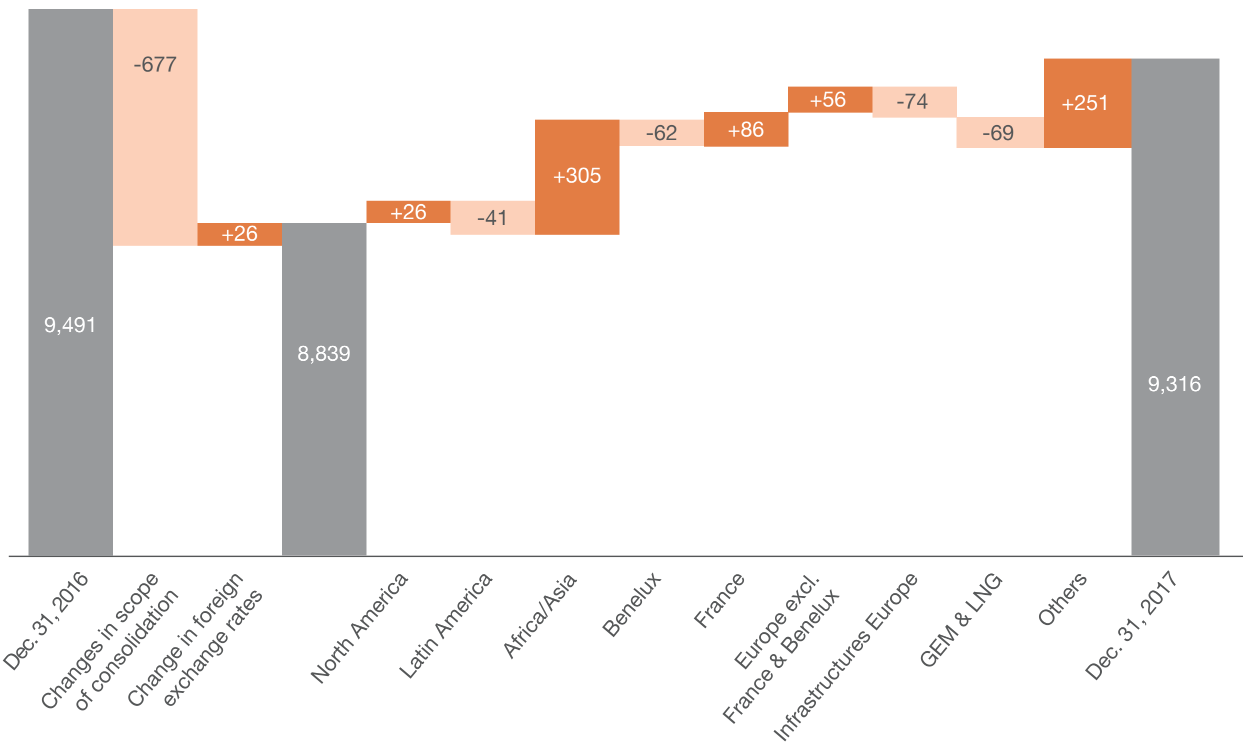
Organic revenue growth was driven by an increase in commodity volumes sold in the midstream business in Europe, an improved performance by the thermal power generation plants in Europe and Australia, the impact of new assets commissioned and price rises in Latin America, and the impact of the 2016 price revisions in the regulated infrastructure business in France. These positive developments were partially offset by a fall in sales of natural gas to business customers in France and by a decrease in hydro renewable energy generation in France.

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

EBITDA declined by 1.8% to €9.3 billion over the year. Excluding the impact of changes in the scope of consolidation and exchange rates, EBITDA increased by 5.3%.

EBITDA TRENDS

In millions of euros



Changes in the scope of consolidation had a negative impact of €677 million due mainly to the disposal of hydro and thermal merchant power generation assets in the United States (€329 million negative impact) and Paiton in Indonesia (€156 million negative impact), coupled with the recognition in EBITDA as of 2017 of the nuclear contribution in Belgium (€142 million negative impact). Exchange rates had a positive €26 million impact, mainly due to the appreciation of the Brazilian real against the euro.

On an organic basis, EBITDA was up 5.3% to €477 million. The increase reflects the positive performance from the Group's growth drivers [(1)] which benefitted from (i) the Lean 2018 performance program, (ii) the commissioning of new assets notably in Latin America, and (iii) a good performance from the customer solution business particularly thanks to the development of services. These positive factors were partially offset by (i) the positive impact of a provision reversal in Brazil in 2016, (ii) the strong decrease in hydro renewable energy generation volumes in France, and (iii) an adverse temperature effect in the gas infrastructure and retail businesses in France. Furthermore, the performance in merchant activities was stable over the period as positive price and volume effects in thermal power generation activities in Europe and Australia were offset by the decrease in captured prices and in the nuclear power generation activity particularly in Belgium.

(1) Contracted renewable and thermal power generation, infrastructure and customer-service solutions businesses.

Organic EBITDA performance varied significantly between segments:

- in North America, organic EBITDA was up sharply thanks to a good performance from the services businesses coupled with cost savings under the Lean 2018 program, despite a weaker performance from the remaining power generation activities;
- in Latin America, organic EBITDA contracted slightly, mainly due to the positive impact of a provision reversal in 2016 in Brazil, partially offset by the commissioning of new assets in Mexico and Peru, positive price revisions in Mexico and Argentina, and an improvement in the contribution of hydroelectric power activities in Brazil;
- in Africa/Asia, organic EBITDA reflects a very strong performance as growth drivers benefitted mainly from the commissioning of the Az-Zour North power plant in Kuwait and the successful closing of the Fadhili power plant contract in Saudi Arabia, the solid performance of retail businesses notably in Australia, and from higher margins in the gas distribution business in Thailand. These factors were partially offset by lower availability of assets in Thailand and Turkey and higher taxes for entities accounted for using the equity method in Oman and Saudi Arabia. Moreover, regarding merchant activities, the power generation business in Australia benefitted from the increase in prices and volumes;
- in Benelux, the organic decrease in EBITDA was mainly due to merchant activities as the nuclear power generation business was impacted by a decline in captured electricity sale prices and the non-scheduled shutdown of Tihange 1, Tihange 2 and Doel 3. These impacts were partially offset by a good performance in growth drivers from the service, gas and electricity sales businesses, and renewable power generation businesses, as well as cost savings under the Lean 2018 program;
- in France, the improvement in EBITDA, relating to the renewable power and customer-service solution businesses, was due to higher electricity volumes in the retail segment, margins from DBSO [1] activities (in the wind and solar farms sectors) and a good performance from the network business. These impacts were partially offset by a decrease in hydro energy generation, lower volumes and margins in the retail gas business, as well as an adverse temperature effect in France;
- EBITDA trends in Europe excluding France & Benelux reflect the strong performance from growth drivers. This is mainly due to an improvement in margins and volumes in the gas and electricity retail businesses in the United Kingdom, the gas services and distribution businesses, and cost savings under the Lean 2018 performance program;
- in Infrastructures Europe, the organic decrease in EBITDA stemmed from lower storage capacity sales in France, the negative impact of price revisions in the transport business and the adverse trend in temperatures in France;
- in GEM & GNL, EBITDA was down compared with 2016, mainly in merchant activities due to negative price impacts, less significant revisions to gas supply conditions in 2017 than in 2016 and gas supply difficulties in the south of France in January 2017 during the cold spell. These negative impacts were partially offset by price revisions to LNG supply contracts entered into in 2017, coupled with cost savings under the Lean 2018 performance program;
- in the Other segment, strong organic growth in EBITDA was driven mainly by a good performance from gas fired thermal power generation in Europe (merchant activity) and from BtoB electricity sales in France (customer-service solutions). Moreover, EBITDA benefitted from cost savings under the Lean 2018 program, notably at corporate level;
- **current operating income after share in net income of entities accounted for using the equity method** amounted to €5.3 billion, up 5.0% on an organic basis compared with 2016, for the same reasons as those given above for EBITDA. Depreciation expense for the year was higher than the previous year following the three-yearly review of Belgian nuclear power plant dismantling costs at end-2016.

6.1.1.4 Reportable segment business trends

6.1.1.4.1 North America

In millions of euros	Dec. 31, 2017	Dec. 31, 2016	% change (reported basis)	% change (organic basis)
Revenues	**2,934**	**3,814**	**-23.1%**	**-1.8%**
EBITDA	**169**	**475**	**-64.3%**	**+18.3%**
Net depreciation and amortization/Other	(50)	(45)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**120**	**430**	**-72.2%**	**+23.6%**

Revenues for the North America segment totalled €2,934 million, down 23.1% on a reported basis primarily due to the disposal in the merchant generation fleet. Revenues were down 1.8% on an organic basis, driven by a contraction in supply business and less favorable PPA renewals on the remaining fleet. This was partly mitigated by higher services revenues.

Electricity sales decreased from 65.8 TWh to 41.3 TWh primarily as a consequence of the disposal of the merchant assets.

(1) *Develop, Build, Share and Operate.*

EBITDA totalled €169 million, down 64.3% on a reported basis and up 18.3% organically. The organic improvement resulted from a stronger performance by the services businesses combined with corporate cost savings. These impacts were partially offset by the weaker performance of the remaining fleet.

Current operating income after share in net income of entities accounted for using the equity method amounted to €120 million, down 72.2% on a reported basis but up 23.6% on an organic basis, due to the movements in EBITDA mentioned above plus slightly lower net depreciation and amortization charges.

6.1.1.4.2 Latin America

In millions of euros	Dec. 31, 2017	Dec. 31, 2016	% change (reported basis)	% change (organic basis)
Revenues	**4,511**	**4,075**	**+10.7%**	**+8.3%**
EBITDA	**1,711**	**1,696**	**+0.9%**	**-2.4%**
Net depreciation and amortization/Other	(433)	(412)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**1,278**	**1,284**	**-0.5%**	**-4.3%**

Revenues for the Latin America segment totalled €4,511 million, representing a 10.7% increase on a reported basis benefiting from the appreciation of the Brazilian real as well as from an 8.3% organic increase.

In Brazil, revenues increased thanks to the commissioning of the Santa Monica wind complex and higher prices, partly driven by poor hydrology. In Mexico, revenues benefited from a distribution tariff increase and the commissioning of the Pánuco (gas power plant) in October 2016. Chile was positively impacted by power price indexation (despite lower volumes) and higher demand for regasification. Argentina benefited from distribution tariff increases in October 2016 and in April and December 2017. In Peru, the commissioning of ChilcaPlus (May 2016) and Nodo Energetico (October 2016) helped to offset the lower demand and the loss of PPAs with high margins.

Electricity sales remained stable at 59.3 TWh, while gas sales decreased by 1.6 TWh to 28.9 TWh.

EBITDA totalled €1,711 million, up 0.9% on a reported basis, positively impacted by the appreciation of the Brazilian real and down 2.4% on an organic basis. The slight organic decrease is due to a significant one-off 2016 provision reversal in Brazil, partially offset by the factors mentioned for revenue, as well as better overall results in the spot market in Brazil, the recognition of a PPA cancellation penalty in Peru, the commissioning of the Los Ramones (gas transport pipeline in Mexico, July 2016) and significant cost savings under the Lean 2018 performance program.

Current operating income after share in net income of entities accounted for using the equity method amounted to €1,278 million, down 4.3% on an organic basis primarily due to changes in EBITDA, and higher depreciation from the commissioning of assets in Brazil, Peru and Mexico.

6.1.1.4.3 Africa/Asia

In millions of euros	Dec. 31, 2017	Dec. 31, 2016	% change (reported basis)	% change (organic basis)
Revenues	**3,984**	**3,804**	**+4.7%**	**+6.5%**
EBITDA	**1,323**	**1,162**	**+13.8%**	**+30.5%**
Net depreciation and amortization/Other	(256)	(239)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**1,067**	**923**	**+15.6%**	**+34.7%**

Revenues for the Africa/Asia segment totalled €3,984 million, up 4.7% on a reported basis and 6.5% organically. The contribution of the services activities of an Australian company acquired in 2016 was partially offset by a negative foreign exchange effect due to the weakening of the US dollar against the euro and the sale of the Meenakshi coal-fired power plant in India in September 2016. The organic increase resulted mainly from higher market prices in Australia, which positively impacted the generation fleet, and from higher sales volumes in the Australian retail business and the successful closing of the Fadhili power plant contract in Saudi Arabia. These positive impacts were partially offset by major maintenance planned in Thailand, lower power plant availability and a decrease in gas prices in Turkey.

Electricity sales decreased by 6.1 TWh to 44.9 TWh, mainly due to the closure of the Hazelwood coal-fired power plant in Australia at the end of the first quarter and to the sale of the Meenakshi power plant.

EBITDA totalled €1,323 million, up 13.8% on a reported basis, mainly due to the positive impact of the Tabreed (district cooling networks) acquisition in the United Arab Emirates in September 2017, offsetting the sale of the Paiton coal-fired power plant in December 2016. The 30.5% organic increase mainly reflects the improved performance of the generation and retail businesses in Australia, higher margins for gas distributor PTT NGD in Thailand, the commissioning of the Az-Zour North power plant in Kuwait, the impact of the successful closing of the Fadhili contract in Saudi Arabia and the positive settlement of claims in the Middle East. This performance was partially offset by lower power plant availability in Thailand and Turkey, and the impact of tax increases on the results of our associates in Oman and Saudi Arabia.

Current operating income after share in net income of entities accounted for using the equity method amounted to €1,067 million, up 34.7% on an organic basis for the same reasons as those stated above for EBITDA.

6.1.1.4.4 Benelux

In millions of euros	Dec. 31, 2017	Dec. 31, 2016	% change (reported basis)	% change (organic basis)
Revenues	**8,865**	**9,044**	**-2.0%**	**-1.9%**
EBITDA	**551**	**755**	**-26.9%**	**-8.2%**
Net depreciation and amortization/Other	(561)	(383)		
CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**(9)**	**371**	**-102.5%**	**-64.3%**

Revenues for the Benelux segment amounted to €8,865 million, down 2.0% compared with 2016. This decrease mainly reflects a fall in volumes sold in the BtoB segment in Belgium and the impact of lower commodity prices on the retail business. The services businesses, supported by buoyant performances in Belgium, delivered 5.1% revenue growth.

In Belgium and Luxembourg, electricity sales totalled 37.9 TWh, down 0.9 TWh on 2016. In the Netherlands, electricity sales amounted to 9.8 TWh, representing an increase of 1.4 TWh.

Natural gas sales rose by 0.2 TWh to 49.4 TWh at December 31, 2017.

EBITDA amounted to €551 million, down 8.2% on an organic basis compared with 2016, due to a decline in captured electricity sale prices and the lower availability of nuclear power plants following the non-scheduled shutdown of Tihange 1, Tihange 2 and Doel 3. These impacts were partially offset by a good performance from the services businesses and gas and electricity sales activities, coupled with cost savings under the Lean 2018 program. Apart from the above-mentioned factors driving the decrease, the 26.9% decline in reported EBITDA was also impacted by the recognition of the nuclear contribution in EBITDA as of January 1, 2017. The contribution for the year amounted to €142 million.

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

6.1.1.4.5 France

In millions of euros	Dec. 31, 2017	Dec. 31, 2016[1]	% change (reported basis)	% change (organic basis)
Revenues	**16,659**	**20,332**	**-18.1%**	**+0.1%**
EBITDA	**1,475**	**1,315**	**+12.2%**	**+6.6%**
Net depreciation and amortization/Other	(593)	(620)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**882**	**695**	**+26.9%**	**+12.8%**

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

VOLUMES SOLD

In TWh	Dec. 31, 2017	Dec. 31, 2016[(1)]	% change (reported basis)
Gas sales	94.7	102.6	-7.7%
Electricity sales	34.3	34.2	+0.0%

(1) Gas and electricity sales for 2016 do not include E&C (see section 3.9).

FRANCE CLIMATIC ADJUSTMENT

In TWh	Dec. 31, 2017	Dec. 31, 2016	Total change in TWh
Climate adjustment volumes	(0.3)	1.6	(1.9)
(negative figure = warm climate, positive figure = cold climate)			

Revenues for the France segment totalled €16,659 million, down 18.1% on a reported basis and up 0.1% on an organic basis. The reported fall was due to the transfer of the BtoB gas and electricity sales activity (E&C) from the France segment to the Other segment. The slight organic increase resulted from higher revenues from the services businesses, offset by lower hydro power generation.

Natural gas sales excluding the transfer of E&C fell by 7.9 TWh, including 6.0 TWh following the loss of retail customers due to competitive pressure and 1.9 TWh related to the temperature effect. Electricity sales excluding the transfer of E&C inched up 0.1 TWh, chiefly due to the increase in electricity volumes sold in the retail segment, which was offset by the decrease in hydro power generation.

EBITDA totalled €1,475 million, up 6.6% on an organic basis due to higher electricity volumes sold in the retail segment, margins from DBSO activities [(1)] in the wind and solar farm sectors and a good performance from the network business despite a significant decrease in hydro power generation and the loss of individual gas customers.

Current operating income after share in net income of entities accounted for using the equity method amounted to €882 million, up 12.8% on an organic basis.

6.1.1.4.6 Europe excluding France & Benelux

In millions of euros	Dec. 31, 2017	Dec. 31, 2016	% change (reported basis)	% change (organic basis)
Revenues	**8,848**	**8,118**	**+9.0%**	**+4.0%**
EBITDA	**655**	**612**	**+7.0%**	**+9.7%**
Net depreciation and amortization/Other	(216)	(202)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**439**	**410**	**+7.2%**	**+17.0%**

Revenues for the Europe excluding France & Benelux segment totaled €8,848 million, representing organic growth of 4.0%, driven mainly by positive price and volume effects in the gas and electricity retail businesses in the United Kingdom and growth in the services businesses. Besides this organic growth, the negative exchange rate impact on the pound sterling was more than offset by the contribution of Keepmoat Regeneration, acquired in late April 2017, to revenues.

Electricity sales amounted to 30.3 TWh, representing an increase of 0.6 TWh [(2)] compared with 2016. Gas sales increased by 2.9 TWh to 71.1 TWh, notably driven by favorable weather conditions in Romania.

EBITDA totaled €655 million, representing an increase of 9.7% on an organic basis, mainly due to an improvement in margins and volumes in the gas and electricity retail businesses in the United Kingdom, the services and gas distribution businesses, and cost savings under the Lean 2018 performance program.

Current operating income after share in net income of entities accounted for using the equity method rose 17% to €439 million on an organic basis, in line with EBITDA growth.

(1) Develop, Build, Share and Operate.

(2) Includes Cogeneration Italy sales of 0.5 TWh in contrast to reported data at December 31, 2016.

6.1.1.4.7 Infrastructures Europe

In millions of euros	Dec. 31, 2017	Dec. 31, 2016	% change (reported basis)	% change (organic basis)
Revenues	**3,488**	**3,267**	**+6.8%**	**+6.9%**
Total revenues (incl. intra-group transactions)	**6,712**	**6,762**	**-0.7%**	
EBITDA	**3,384**	**3,459**	**-2.1%**	**-2.2%**
Net depreciation and amortization/Other	(1,444)	(1,390)		
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**1,940**	**2,068**	**-6.2%**	**-6.2%**

Revenues for the Infrastructures Europe segment, including intra-Group transactions, amounted to €6,712 million, representing a slight 0.7% decline due, for France, to lower storage capacity sales, the annual revision of regasification and transport infrastructure tariffs (4.6% increase on April 1, 2016 and 3.1% decrease on April 1, 2017), and the impact of unfavorable temperatures on the gas distribution business, partially offset by short-term transport capacity sales in Germany. The overall impact of revisions to distribution infrastructure tariffs in France was positive (2.8% increase on July 1, 2016 and 2.05% decrease on July 1, 2017).

The contribution to Group revenues was €3,488 million, up 6.8% on 2016. The improved contribution essentially reflects the growth in distribution and transport activities for third parties in France. Transport revenues were also on the rise in Germany.

EBITDA amounted to €3,384 million, down 2.1% on the previous year, mainly reflecting the change in total revenues.

Current operating income after share in net income of entities accounted for using the equity method came in at €1,940 million for the period, down 6.2% on 2016, with a rise in net depreciation and amortization charges resulting from the commissioning of new assets by GRTgaz (including Arc de Dierrey at end-2016) and GRDF (notably the new communicating "smart" meters).

6.1.1.4.8 GEM & LNG

In millions of euros	Dec. 31, 2017	Dec. 31, 2016	% change (reported basis)	% change (organic basis)
Revenues	**9,391**	**8,981**	**+4.6%**	**+4.9%**
EBITDA	**(82)**	**3**	**NA**	**NA**
Net depreciation and amortization/Other	(55)	(77)		
CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**(137)**	**(74)**	**-85.2%**	**-52.9%**

GEM & LNG's contribution to Group revenues for the year ended December 31, 2017 amounted to €9,391 million, up 4.9% on an organic basis year on year. Growth was driven by an increase in the volumes and prices of commodities sold in the midstream gas business in Europe and the LNG business in Asia.

EBITDA was a negative €82 million, down on 2016 due mainly to negative price effects, less significant revisions to gas supply conditions in 2017 than in 2016 and gas supply difficulties in the south of France in January 2017. These impacts were partially offset by the positive impact of an LNG supply contract prices revision in 2017, coupled with cost savings under the Lean 2018 performance program.

The business incurred a current operating loss after share in net income of entities accounted for using the equity method of €137 million in 2017, representing a deterioration on both a reported and an organic basis, in line with EBITDA trends.

6.1.1.4.9 Other

In millions of euros	Dec. 31, 2017	Dec. 31, 2016[(1)]	% change (reported basis)	% change (organic basis)
Revenues	**6,347**	**3,405**	**+86.4%**	**-9.4%**
EBITDA	**128**	**15**	**NA**	**NA**
Net depreciation and amortization/Other	(436)	(487)		
CURRENT OPERATING INCOME/(LOSS) AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**(308)**	**(472)**	**+34.8%**	**+59.1%**

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

VOLUMES SOLD

In TWh	Dec. 31, 2017	Dec 31, 2016[(1)]	% change (reported basis)
Gas sales in France	42.3	51.5	-17.8%
Electricity sales in France	46.1	45.2	+2.0%

(1) Gas and electricity sales for 2016 include E&C.

FRANCE CLIMATIC ADJUSTMENT

In TWh	Dec. 31, 2017	Dec. 31, 2016	Total change in TWh
Climate adjustment volumes	(0.1)	0.5	(0.6)
(negative figure = warm climate, positive figure = cold climate)			

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

Revenues totalled €6,347 million, up 86% on a reported basis and down 9.4% on an organic basis. The reported increase mainly reflects the internal transfer of the E&C business on January 1, 2017, partially offset by the disposal in 2017 of the thermal power generation business in Poland and the United Kingdom. The organic decrease stemmed from a fall in natural gas sales to business customers in France due to the loss of customers and from the shutdown of the Rugeley power plant in the United Kingdom in June 2016, partially offset by an improved performance from gas-fired power plants in Europe, particularly in France and Belgium, driven by an increase in captured electricity sale prices.

Natural gas sales fell by 9.2 TWh, comprising a negative 0.6 TWh temperature effect and a negative 8.6 TWh impact due to competitive pressure. ENGIE's share of the BtoB market has fallen from 25% to 21% at end-2016. Electricity sales were up 0.9 TWh to 46.1 TWh, benefiting from higher generation at gas-fired power plants in Europe and the continuous push to gain market share for electricity in the BtoB segment in France. These improvements were partially offset by the disposal of thermal assets in Poland in March 2017 and in the United Kingdom in October 2017, and the shutdown of the Rugeley power plant in June 2016.

EBITDA totalled €128 million, up on both a reported and an organic basis compared with 2016, mainly due to a good performance from the thermal power generation business in Europe following the increase in captured margins. Gains in market share for electricity in the BtoB segment in France and improved risk management were partially offset by the loss of gas market share.

Current operating loss after share in net income of entities accounted for using the equity method was a negative €308 million for the period, representing an improvement on both a reported and an organic basis, in line with EBITDA.

6.1.1.5 Other income statement items

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)	% change (reported basis)
Current operating income after share in net income of entities accounted for using the equity method	**5,273**	**5,636**	**-6.4%**
Mark to market on commodity contracts other than trading instruments	(307)	1,279	
Impairment losses	(1,317)	(4,035)	
Restructuring costs	(671)	(450)	
Changes in scope of consolidation	752	544	
Other non-recurring items	(911)	(850)	
Income/(loss) from operating activities	**2,819**	**2,124**	**+32.7%**
Net financial income/(loss)	(1,296)	(1,321)	
Income tax benefit/(expense)	425	(481)	
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS	**1,948**	**322**	
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**290**	**(158)**	
NET INCOME/(LOSS)	**2,238**	**163**	**NA**
Net income/(loss) Group share	**1,423**	**(415)**	
Of which Net income/(loss) relating to continued operations, Group share	*1,226*	*(304)*	
Of which Net income/(loss) relating to discontinued operations, Group share	*196*	*(111)*	
Non-controlling interests	**815**	**579**	
Of which Non-controlling interests relating to continued operations	*722*	*626*	
Of which Non-controlling interests relating to discontinued operations	*93*	*(47)*	

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

Income from operating activities amounted to €2,819 million in 2017, representing an increase compared with 2016, mainly due to (i) lower impairment losses in 2017, (ii) gains on asset disposals and available-for-sale securities, partially offset by (iii) the negative impact of fair value adjustments to commodity hedges, (iv) the fall in current operating income after share in net income of companies accounted for using the equity method, (v) higher restructuring costs, and (vi) the initial non-recurring accounting impact relating to the change in the accounting treatment of long-term gas supply contracts, a power exchange contract as well as to the identification of a series of transport and storage capacities contracts corresponding to onerous contracts, as a result of new management environment (GEM business unit).

Income from operating activities was also affected by:

- changes in the fair value of commodity derivatives relating to operating items, which had a negative impact of €307 million on income from operating activities (reflecting transactions not eligible for hedge accounting), compared with a positive impact of €1,279 million in 2016. The impact for the period results chiefly from negative overall price effects on these positions, combined with the net negative impact of unwinding positions with a positive market value at December 31, 2016;
- net impairment losses of €1,317 million, compared with €4,035 million the previous year.

  At December 31, 2017, the Group recognized net impairment losses of €481 million against goodwill, €788 million against property, plant and equipment and intangible assets, and €48 million against financial assets and investments in entities accounted for using the equity method. These impairment losses related mainly to the Infrastructures Europe (storage), Other (primarily the Generation Europe business unit), and the Africa/Asia, France and North America reportable segments. After taking into account the deferred tax effects and the share of impairment losses attributable to non-controlling interests, the impact of these impairment losses on net income Group share was a negative €1,146 million. These impairment losses are described in Note 8.2 "Impairment losses" to the consolidated financial statements.

  In 2016, the Group recognized net impairment losses of €1,690 million against goodwill, €2,201 million against property, plant and equipment and intangible assets, and €144 million against financial assets and investments in entities accounted for using the equity method. These impairment losses related mainly to the Benelux, GEM & LNG, France and North America reportable segments;
- restructuring costs of €671 million (compared with €450 million the previous year), mainly including costs related to the Lean 2018 performance program on the Group's corporate activities;

6

- changes in the scope of consolidation, which had a positive impact of €752 million, mainly including gains on the disposal of the thermal merchant power plant portfolio in the United States for €540 million, the Group's entire 38.10% residual interest in NuGen for €93 million, a power plant portfolio in the United Kingdom for €61 million and the Polaniec power plant in Poland for €57 million (*see Note 4.1*);
- other non-recurring items representing a loss of €911 million, mainly including (i) the initial non-recurring accounting impact (negative €1,243 million) relating to the change in the accounting treatment of long-term gas supply contracts, a power exchange contract as well as to the identification of a series of transport and storage capacities contracts corresponding to onerous contracts, as a result of new management environment (*see Note 8.5*), and (ii) the €349 million gain on the disposal of the Group's 10% interest in Petronet LNG in India.

The net financial loss was stable and amounted to €1,296 million in 2017, compared with €1,321 million the previous year (*see Note 9*).

The income tax benefit for 2017 amounted to €425 million (€481 million expense in 2016). It includes an income tax benefit of €1,531 million arising on non-recurring income statement items (versus €843 million in 2016), mainly relating to (i) tax rate changes in France, in the United States and other non-recurring measures (€479 million), (ii) the impact of the recovery from the French State of the 3% tax on dividends (€359 million) and (iii) to the initial non-recurring accounting impact of the change in the accounting treatment of certain BU GEM contracts mentioned above (€298 million). Adjusted for these non-recurring items, the effective recurring tax rate was 29.3%, lower than the 2016 rate of 36.1% notably due to the recognition in EBITDA as of 2017 of the nuclear contribution in Belgium as well as to the repeal of the 3% tax on dividends in France.

Net income relating to continued operations attributable to non-controlling interests amounted to €722 million, compared with €626 million in 2016. The increase is due to improved operating income, particularly in Asia/Pacific, and to reversals of impairment losses in the United Kingdom, whose impacts were mitigated by the recognition in 2016 of a capital gain on the disposal of a 50% interest in Transmisora Eléctrica del Norte (TEN) in Chile.

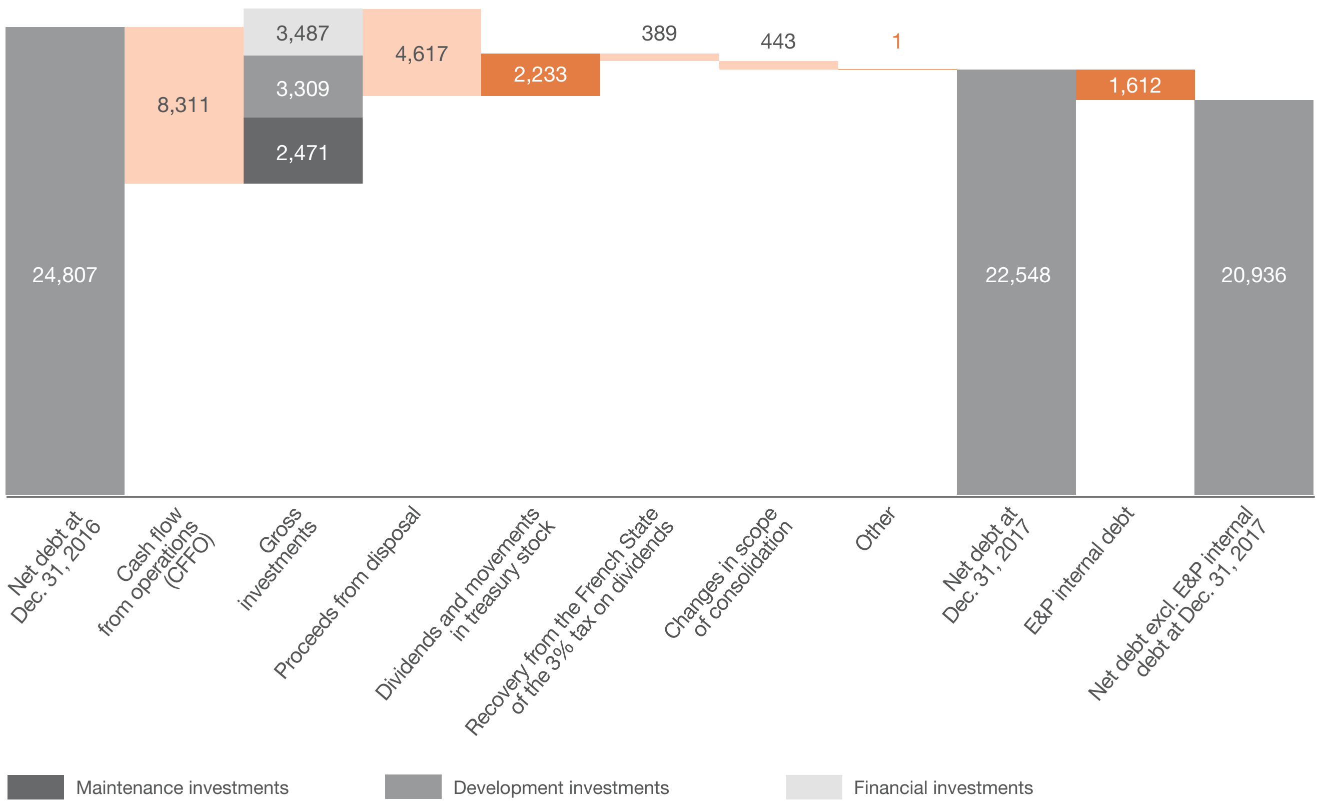
6.1.1.6 Changes in net debt

Net debt stood at €22.5 billion, down €2.3 billion compared with December 31, 2016, mainly due to (i) cash flow from operations (€8.3 billion), (ii) the impacts of the portfolio rotation program (€4.8 billion), including the completion of the disposal of the thermal merchant power plant portfolio in the United States, Poland and the United Kingdom, the disposal of an interest in Opus Energy and the residual interest in NuGen in the United Kingdom, the classification of the Loy Yang B coal-fired power plant in Australia under "Assets held for sale", the disposal of a 25% interest in Elengy (through the transfer of 100% of Elengy to GRTgaz) and the disposal of an interest in Petronet LNG in India, and (iii) a favorable exchange rate effect (€0.7 billion). These items were partially offset by (i) gross investments in the period (€9.3 billion), and (ii) dividends paid to ENGIE SA shareholders (€2.0 billion) and to non-controlling interests (€0.6 billion). Net debt also improved thanks to the impact of the recovery from the French State of the 3% tax on dividends (€0.4 billion).

Net debt excluding internal E&P debt amounted to €20,936 million compared with €23,080 million at December 31, 2016.

Changes in net debt break down as follows:

In millions of euros



The net debt (excluding internal E&P debt) to EBITDA ratio came out at 2.25 at December 31, 2017.

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Net debt (excluding internal E&P debt)	20,936	23,080
EBITDA	9,316	9,491
NET DEBT/EBITDA RATIO	**2.25**	**2.43**

The economic net debt (excluding internal E&P debt) to EBITDA ratio came out at 3.90 at December 31, 2017.

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Economic net debt (excluding internal E&P debt)	36,362	38,399
EBITDA	9,316	9,491
ECONOMIC NET DEBT/EBITDA RATIO	**3.90**	**4.05**

6.1.1.6.1 Cash flow from operations (CFFO)

Cash flow from operations amounted to a sound €8.3 billion, representing a €1.3 billion decline, however, compared with 2016. This performance reflected negative changes in the scope of consolidation, higher restructuring and dispute settlement costs, and a less favorable change in working capital due mainly to gas inventories in France.

6.1.1.6.2 Net investments

Gross investments during the period amounted to €9,267 million and included:

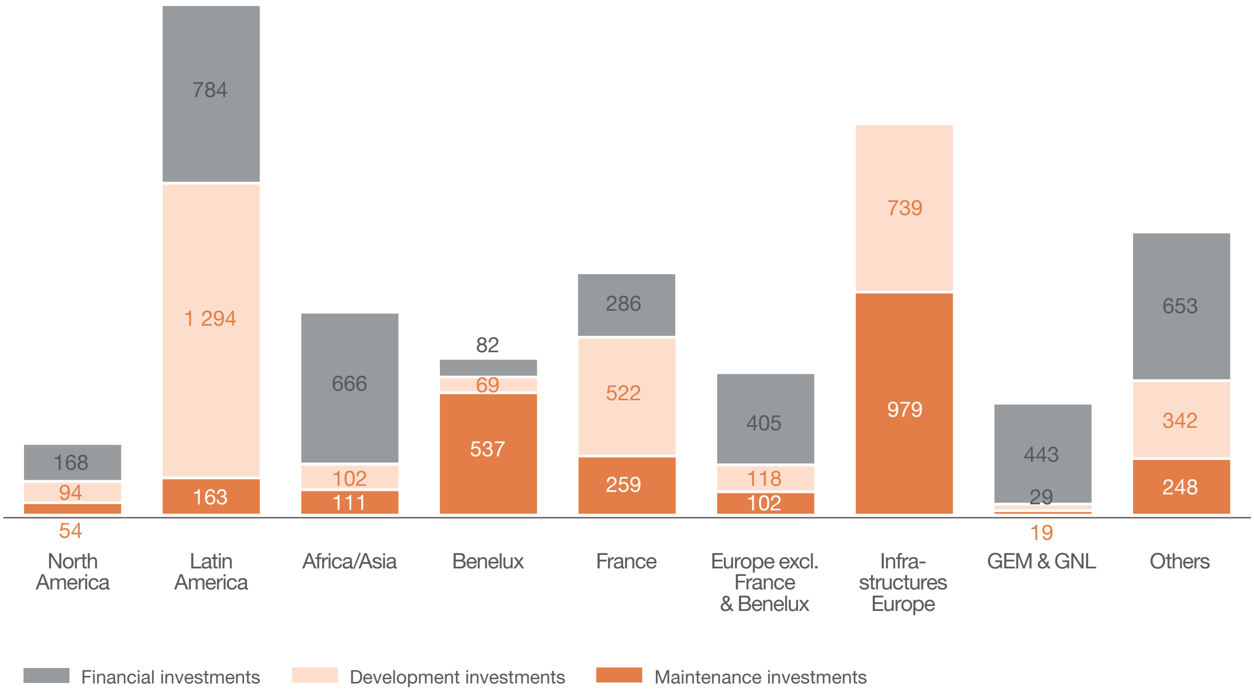
- financial investments for €3,487 million, relating notably to (i) the acquisition of a 40% interest in Tabreed in the United Arab Emirates (€657 million), Keepmoat Regeneration in the United Kingdom (€392 million) and Icomera in Sweden (€119 million), (ii) the concession agreements won for the Jaguara and Miranda hydro power plants in Brazil (€686 million), (iii) payments for the capital increases subscribed in SUEZ (€244 million), Cameron LNG (€135 million) and the joint venture in charge of the 50-year energy management contract with the University of Ohio in the United States (€125 million), (iv) the financing of the Nord Stream 2 pipeline project (€298 million), and (v) a €78 million increase in Synatom investments;
- development investments totaling €3,309 million, including (i) €1,294 million invested in the Latin America segment to build thermal power plants and develop hydro power plants, as well as wind and photovoltaic farms, in Brazil and Chile, (ii) €739 million invested in the Infrastructures Europe segment (blending projects and development of the natural gas transportation network in France), (iii) €522 million invested in the France segment (mainly in renewable projects), and (iv) €292 million to develop Solairedirect's photovoltaic projects mainly in India and France;
- maintenance investments for an amount of €2,471 million.

Disposals represented a cash amount of €4,617 million, mainly including the Group's disposal of its thermal merchant power plant assets in the United States for €3,085 million, the Polaniec power plant in Poland for €292 million, the Group's 10% interest in Petronet LNG in India for €436 million, a power plant portfolio in the United Kingdom for €232 million, a 25% interest in Elengy (through the transfer of 100% of Elengy to GRTgaz) for €202 million, a 30% interest in Opus Energy in the United Kingdom for €122 million and the 38.10% residual interest in NuGen for €122 million.

Taking into account changes in the scope of consolidation for the period relating to acquisitions and disposals of subsidiaries (€443 million negative impact), the impact on net debt of investments net of proceeds from disposals amounted to €4,208 million.

Capital expenditure breaks down as follows by segment:

In millions of euros



6.1.1.6.3 Dividends and movements in treasury stock

Dividends and movements in treasury stock (including the impact of the recovery from the French State of the 3% tax on dividends) during the period amounted to €2,622 million and included:

- €2,049 million in dividends paid by ENGIE SA to its shareholders, which corresponds to the balance of the 2016 dividend (€0.50 per share for shares with rights to an ordinary dividend or €0.60 per share for shares with rights to a dividend mark-up) paid in May 2017 and to an interim dividend (€0.35 per share) paid in October 2017;
- dividends paid by various subsidiaries to their non-controlling shareholders in an amount of €642 million, the payment of interest on hybrid debt for €144 million, withholding tax and movements in treasury stock.

6.1.1.6.4 Net debt at December 31, 2017

Excluding amortized cost but including the impact of foreign currency derivatives, at December 31, 2017 a total of 80% of net debt was denominated in euros and 14% in US dollars.

Including the impact of financial instruments, 86% of net debt is at fixed rates.

The average maturity of the Group's net debt is 10.6 years.

At December 31, 2017, the Group had total undrawn confirmed credit lines of €13.4 billion.

6.1.1.7 Other items in the statement of financial position

In millions of euros	Dec. 31, 2017	Dec. 31, 2016	Net change
Non-current assets	**92,171**	**98,905**	**(6,734)**
Of which goodwill	*17,285*	*17,372*	*(88)*
Of which property, plant and equipment and intangible assets, net	*57,528*	*64,378*	*(6,851)*
Of which investments in entities accounted for using the equity method	*7,409*	*6,624*	*785*
Current assets	***58,161***	***59,595***	***(1,434)***
Of which assets classified as held for sale	*6,687*	*3,506*	*3,181*
Total equity	**42,577**	**45,447**	**(2,870)**
Provisions	21,768	22,208	(440)
Borrowings	33,467	36,950	(3,482)
Other liabilities	52,520	53,895	(1,375)
Of which liabilities directly associated with assets classified as held for sale	*3,371*	*300*	*3,071*

The carrying amount of **property, plant and equipment and intangible assets** was €57.5 billion, down €6.9 billion on December 31, 2016. The decrease was primarily the result of the impact of the classification of exploration-production activities as "Discontinued operations" and of the Loy Yang B coal-fired power plant in Australia under "Assets held for sale" (€5.3 billion negative impact) (*see Note 4.1.1*), depreciation and amortization charges (€4.2 billion negative impact), translation adjustments (€1.9 billion negative impact), impairment losses (€1.0 billion negative impact) and changes in the scope of consolidation (€0.6 billion negative impact), partially offset by capital expenditure during the period (€6.2 billion positive impact).

Goodwill was stable at €17.3 billion, mainly due to the acquisition of Keepmoat Regeneration (€0.5 billion positive impact), non-controlling interests in La Compagnie du Vent (€0.1 billion positive impact), Icomera (€0.1 billion positive impact) and EV-Box (€0.1 billion positive impact), offset by impairment losses (€0.5 billion negative impact) and translation adjustments (€0.4 billion negative impact).

Total **equity** amounted to €42.6 billion, a decrease of €2.9 billion compared with December 31, 2016. The decrease stemmed mainly from the payment of the cash dividend (€2.7 billion negative impact, including €2.0 billion of dividends paid by ENGIE SA to its shareholders and €0.7 billion paid to non-controlling interests) and other items of comprehensive income (€2.5 billion negative impact, chiefly relating to movements in translation adjustments as a result of items recycled to profit or loss from other comprehensive income on the disposal of the thermal merchant power plant portfolio in the United States and the depreciation of the US dollar against the euro), partially offset by net income for the period (€2.2 billion positive impact).

Provisions amounted to €21.7 billion, a decrease of €0.4 billion compared with December 31, 2016. This decrease stems mainly (€1.3 billion) from the impact of the classification of exploration-production activities as "Discontinued operations" on May 11, 2017 (*see Note 4.1.1*), partially offset by provisions for onerous contracts relating to storage and transport capacity reservation contracts (*see Note 8.5*).

At December 31, 2017, assets and liabilities reclassified to **"Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale"** correspond to exploration-production activities following their classification as discontinued operations in the Group's consolidated financial statements and the Loy Yang B power plant in Australia, and at December 31, 2016, to the thermal merchant power plant portfolio in the United States and the Polaniec power plant in Poland, which were sold in the first half of 2017 (*see Note 4.1*).

6.1.1.8 Parent company financial statements

The figures provided below relate to the financial statements of ENGIE SA, prepared in accordance with French GAAP and applicable regulations.

Revenues for ENGIE SA in 2017 totaled €20,585 million, up 15% compared to 2016 due mainly to the impact of the increase in electricity sales.

The net operating loss was €1,358 million in 2017 versus €1,252 million in 2016 due to the combined effect of higher electricity sales offset by a lower margin on gas sales, mainly further to a loss of customers, and the reduction in overheads thanks to the Group's cost savings program.

The Company reported net financial income of €3,849 million compared with €1,294 million in 2016. The sharp increase is due to dividends received from subsidiaries (€4,214 million compared with €2,043 million in 2016) and in particular Electrabel, which paid a €1,641 million dividend in the form of a contribution of Electrabel France shares, and GRDF, which paid a €1,007 million dividend, including the reimbursement of issue premiums for €738 million.

Net non-recurring expenses amounted to €2,072 million, chiefly due to the combined effect of additions to amortization of securities net of reversals (negative €1,538 million), provisions for the restructuring of the workforce and real estate (negative €113 million), penalties paid on the early redemption of bonds (negative €93 million), offset by the capital gain generated on the sale of the Elengy shares to GRTgaz (positive €73 million) and the reversal of the provision for price increases (positive €43 million).

The income tax benefit amounted to €1,001 million compared to a benefit of €672 million in 2016. The difference is chiefly due to the repayment by the State of the 3% tax on dividends (€422 million) after it was declared invalid by the Constitutional Council.

Net income for the year came out at €1,421 million.

Shareholders' equity amounted to €37,191 million at end-2017 versus €37,976 million at December 31, 2016, reflecting the dividend payout, the impact of the first-time application of ANC Regulation No. 2015-05 on financial instruments (negative €144 million) and 2017 net income.

At December 31, 2017, net debt stood at €34,254 million, and cash and cash equivalents totaled €8,862 million (of which €6,185 relating to subsidiaries' current accounts).

Information relating to payment deadlines

Pursuant to the application of Article D441-4 of the French Commercial Code, companies whose annual financial statements are certified by a statutory Auditor must publish information regarding supplier and client payment deadlines. The purpose is to demonstrate that there is no significant failure to respect settlement deadlines.

INFORMATION RELATING TO SUPPLIER AND CLIENT PAYMENT DEADLINES MENTIONED IN ARTICLE D.441-4 OF THE FRENCH COMMERCIAL CODE

	Article D. 441 I.- 1°: Invoices received, unpaid and overdue at the reporting date						Article D. 441 I.- 2°: Invoices issued, unpaid and overdue at the reporting date					
In millions of euros	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) By aging category												
Number of invoices	-					718	-					5,479,406
Aggregate invoice amount (incl. VAT)		9.5	1.1	0.3	3.3	14.3	-	166.0	53.5	30.0	413.2	662.9
Percentage of total amoiunt of purchanes (incl. VAT) for the period	-	0.04%	0.01%	0.00%	0.01%	0.06%						
Percentage of total revenues (incl. VAT) for the period							-	0.68%	0.22%	0.12%	1.70%	2.73%
(B) Invoices excluded from (A) relating to disputed or unrecognized receivables and payables												
Number of excluded invoices	67						149					
Aggregate amount of excluded invoices	84.9						73.9					
(C) Standard payment terms used (contractual or legal terms - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment terms used to calulate late payments							Contractual payment terms: 14 days					
	Legal payment terms: 60 days						Legal payment terms: 30 days					

6.1.2 Cash and shareholders' equity

6.1.2.1 Borrowing conditions and financial structure applicable to the issuer

Debt structure

Gross debt (excluding bank overdrafts, amortized cost and financial derivative instruments) amounted to €31.9 billion at December 31, 2017, down from the previous year, and was primarily made up of €22.2 billion in bond issues and €5.6 billion in bank loans (including finance leases). Other loans and drawdowns on credit lines accounted for a total of €0.2 billion. Short-term loans (commercial paper/short-term marketable securities) accounted for 12% of this total gross debt at the end of 2017.

A total of 82% of the gross debt was issued on financial markets (bond issues and commercial paper/short-term marketable securities).

Net debt, excluding amortized costs, the effect of financial derivative instruments and cash collateral, came to €22.4 billion at the end of 2017.

At the end of 2017, net debt was 80% denominated in euros, 14% in US dollars and 4% in Brazilian reals, excluding amortized cost but after the foreign exchange impact of derivatives.

After the impact of derivatives, 86% of the net debt was at a fixed rate. The average cost of gross debt was 2.63%, down by 14 basis points compared to 2016. The average maturity of net debt was 10.6 years at the end of 2017.

Main transactions in 2017

The main transactions performed in 2017 affecting financial debt are described in Note 15.3.3 of Section 6.2 "Consolidated financial statements." In addition, the Group extended the maturity of the €5.5 billion pooled syndicated credit line by one year, to November 2022. In 2017, the annual update of the prospectus for ENGIE's €25 billion EMTN program received approval No. 17-552 from the AMF, dated October 16, 2017.

Ratings

Since April 2016, ENGIE has been rated A-/A-2 with negative outlook by Standard & Poor's, and A2/P-1 with stable outlook by Moody's. Since October 2017, ENGIE has been rated A/F1 with stable outlook by Fitch.

6.1.2.2 Restrictions on the use of capital

On December 31, 2017, the Group had total undrawn confirmed credit lines (usable, among other things, as back-up lines for the commercial paper/short-term marketable securities programs) of €13.4 billion. A total of 94% of these lines are centrally managed and their availability is not subject to any financial covenant or linked to a credit risk rating. The counterparties of these lines are well diversified, with no single counterparty holding more than 6% of the total of these pooled lines. No pooled credit facility was in use as at the end of 2017.

Furthermore, the Group has set up credit lines in some subsidiaries, for which the documentation includes ratios related to their financial standing. These lines of credit are not guaranteed by ENGIE SA or GIE ENGIE Alliance.

The definition, as well as the level of these ratios, also known as "financial covenants," are determined by agreement with the lenders and may be reviewed during the life of the loan.

The most frequent ratios are:

- Debt Service Cover Ratio = Free Cash Flow (Principal + interest expense) or for servicing interest (Interest Cover Ratio = EBITDA/interest expense);
- Loan Life Cover Ratio (adjustment of the average cost of the future Free Cash Flows debt divided by the borrowed amount still owed);
- Debt/Equity ratio or maintenance of a minimum amount of equity.

At December 31, 2017, all Group companies whose debt is consolidated were compliant with the covenants and representations contained in their financial documentation, with the exception of a few non-significant entities for which appropriate waiverscompliance actions are being implemented under discussion.

6.1.2.3 Expected sources of financing to honor commitments relating to investment decisions

The Group believes that its funding needs will be covered by available cash and the possible use of its existing credit facilities. However, it may call upon the capital markets on an ad hoc basis.

If necessary, dedicated financing could be established for very specific projects.

The Group has a total of €3.3 billion in credit lines or loans expiring in 2018 (excluding the maturity of €3.9 billion in commercial paper/short-term marketable securities). In addition, at December 31, 2017 it had €9.6 billion in cash (net of bank overdrafts) and a total of €13.4 billion in available lines (not net of the amount of commercial paper/short-term marketable securities issued), including €0.7 billion, expiring in 2018.

6.2 Consolidated financial statements

6.2.1	Consolidated financial statements	204
6.2.2	Notes to consolidated financial statements	211
NOTE 1	Accounting standards and methods	211
NOTE 2	Main subsidiaries at December 31, 2017	227
NOTE 3	Investments in entities accounted for using the equity method	235
NOTE 4	Main changes in group structure	244
NOTE 5	Financial indicators used in financial communication	251
NOTE 6	Segment information	255
NOTE 7	Current operating income	260
NOTE 8	Income/(loss) from operating activities	261
NOTE 9	Net financial income/(loss)	267
NOTE 10	Income tax expense	269
NOTE 11	Earnings per share	272
NOTE 12	Goodwill	273
NOTE 13	Intangible assets	278
NOTE 14	Property, plant and equipment	280
NOTE 15	Financial instruments	282
NOTE 16	Risks arising from financial instruments	294
NOTE 17	Equity	306
NOTE 18	Provisions	309
NOTE 19	Post-employment benefits and other long-term benefits	313
NOTE 20	Finance leases	320
NOTE 21	Operating leases	321
NOTE 22	Share-based payments	322
NOTE 23	Related party transactions	324
NOTE 24	Executive compensation	325
NOTE 25	Working capital requirements, inventories, other assets and other liabilities	325
NOTE 26	Legal and anti-trust proceedings	326
NOTE 27	Subsequent events	329
NOTE 28	Fees paid to the statutory auditors and to members of their networks	330
NOTE 29	Information regarding Luxembourg and Dutch companies exempted from the requirements to publish annual financial statements	330
NOTE 30	Restatement of 2016 comparative data	331

6

6.2.1 Consolidated financial statements

Income statement

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2016[(1)]
Revenues	7.1	65,029	64,840
Purchases		(36,740)	(36,620)
Personnel costs	7.2	(10,082)	(9,996)
Depreciation, amortization and provisions	7.3	(3,736)	(4,223)
Other operating expenses		(11,077)	(10,407)
Other operating income		1,441	1,291
CURRENT OPERATING INCOME	**7**	**4,835**	**4,884**
Share in net income of entities accounted for using the equity method	3	437	752
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD		**5,273**	**5,636**
Mark-to-market on commodity contracts other than trading instruments	8.1	(307)	1,279
Impairment losses	8.2	(1,317)	(4,035)
Restructuring costs	8.3	(671)	(450)
Changes in scope of consolidation	8.4	752	544
Other non-recurring items	8.5	(911)	(850)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**8**	**2,819**	**2,124**
Financial expenses		(2,122)	(2,210)
Financial income		827	889
NET FINANCIAL INCOME/(LOSS)	**9**	**(1,296)**	**(1,321)**
Income tax benefit/(expense)	10	425	(481)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS		**1,948**	**322**
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS		**290**	**(158)**
NET INCOME/(LOSS)		**2,238**	**163**
Net income/(loss) Group share		**1,423**	**(415)**
Of which Net income/(loss) relating to continued operations, Group share		*1,226*	*(304)*
Of which Net income/(loss) relating to discontinued operations, Group share		*196*	*(111)*
Non-controlling interests		**815**	**579**
Of which Non-controlling interests relating to continued operations		*722*	*626*
Of which Non-controlling interests relating to discontinued operations		*93*	*(47)*
BASIC EARNINGS/(LOSS) PER SHARE (EUROS)	**11**	**0.53**	**(0.23)**
Of which Basic earnings/(loss) relating to continued operations per share		*0.45*	*(0.19)*
Of which Basic earnings/(loss) relating to discontinued operations per share		*0.08*	*(0.05)*
DILUTED EARNINGS/(LOSS) PER SHARE (EUROS)	**11**	**0.53**	**(0.23)**
Of which Diluted earnings/(loss) relating to continued operations per share		*0.45*	*(0.19)*
Of which Diluted earnings/(loss) relating to discontinued operations per share		*0.08*	*(0.05)*

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

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

Statement of comprehensive income

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2017 Owners of the parent	Dec. 31, 2017 Non-controlling interests	Dec. 31, 2016[(1)]	Dec. 31, 2016 Owners of the parent[(1)]	Dec. 31, 2016 Non-controlling interests[(1)]
NET INCOME/(LOSS)		**2,238**	**1,423**	**815**	**163**	**(415)**	**579**
Available-for-sale securities	15	(379)	(381)	2	146	144	2
Net investment hedges	16	327	327		(86)	(86)	
Cash flow hedges (excl. commodity instruments)	16	393	378	15	(250)	(260)	10
Commodity cash flow hedges	16	6	18	(11)	(30)	27	(57)
Deferred tax on items above	10	(184)	(184)		123	102	21
Share of entities accounted for using the equity method in recyclable items, net of tax		13	13		108	108	
Translation adjustments		(2,583)	(2,209)	(374)	402	255	147
Recyclable items relating to discontinued operations, net of tax	4	(177)	(124)	(53)	(276)	(193)	(83)
TOTAL RECYCLABLE ITEMS		**(2,583)**	**(2,162)**	**(421)**	**137**	**97**	**40**
Actuarial gains and losses	19	96	93	2	(677)	(633)	(44)
Deferred tax on actuarial gains and losses	10	(97)	(92)	(4)	52	52	
Share of entities accounted for using the equity method in non-recyclable items from actuarial gains and losses, net of tax		32	32		(50)	(49)	
Non-recyclable items relating to discontinued operations, net of tax		7	5	2	3	2	1
TOTAL NON-RECYCLABLE ITEMS		**38**	**38**		**(672)**	**(628)**	**(44)**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(307)**	**(701)**	**394**	**(371)**	**(946)**	**575**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

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

Statement of financial position

ASSETS

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2016
Non-current assets			
Goodwill	12	17,285	17,372
Intangible assets, net	13	6,504	6,639
Property, plant and equipment, net	14	51,024	57,739
Available-for-sale securities	15	2,656	2,997
Loans and receivables at amortized cost	15	2,976	2,250
Derivative instruments	15	2,948	3,603
Investments in entities accounted for using the equity method	3	7,409	6,624
Other assets	25	567	431
Deferred tax assets	10	803	1,250
TOTAL NON-CURRENT ASSETS		**92,171**	**98,905**
Current assets			
Loans and receivables at amortized cost	15	599	595
Derivative instruments	15	7,378	9,047
Trade and other receivables, net	15	20,311	20,835
Inventories	25	4,155	3,656
Other assets	25	8,492	10,692
Financial assets at fair value through income	15	1,608	1,439
Cash and cash equivalents	15	8,931	9,825
Assets classified as held for sale	4	6,687	3,506
TOTAL CURRENT ASSETS		**58,161**	**59,595**
TOTAL ASSETS		**150,332**	**158,499**

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

LIABILITIES

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2016
Shareholders' equity		36,639	39,578
Non-controlling interests	2	5,938	5,870
TOTAL EQUITY	**17**	**42,577**	**45,447**
Non-current liabilities			
Provisions	18	18,428	19,461
Long-term borrowings	15	25,292	24,411
Derivative instruments	15	2,980	3,410
Other financial liabilities	15	32	200
Other liabilities	25	1,009	1,203
Deferred tax liabilities	10	5,220	6,775
TOTAL NON-CURRENT LIABILITIES		**52,960**	**55,461**
Current liabilities			
Provisions	18	3,340	2,747
Short-term borrowings	15	8,176	12,539
Derivative instruments	15	8,720	9,228
Trade and other payables	15	16,432	17,075
Other liabilities	25	14,756	15,702
Liabilities directly associated with assets classified as held for sale	4	3,371	300
TOTAL CURRENT LIABILITIES		**54,795**	**57,591**
TOTAL EQUITY AND LIABILITIES		**150,332**	**158,499**

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

Statement of changes in equity

In millions of euros	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves	Deeply subordinated perpetual notes	Changes in fair value and other	Translation adjustments	Treasury stock	Shareholders' equity	Non-controlling interests	Total
EQUITY AT DECEMBER 31, 2015	**2,435,285,011**	**2,435**	**32,506**	**5,479**	**3,419**	**(928)**	**990**	**(822)**	**43,078**	**5,672**	**48,750**
Net income/(loss)				(415)					(415)	579	163
Other comprehensive income/(loss)				(628)		(209)	306		(531)	(3)	(535)
TOTAL COMPREHENSIVE INCOME/(LOSS)				**(1,044)**		**(209)**	**306**		**(946)**	**575**	**(371)**
Employee share issues and share-based payment				37					37		37
Dividends paid in cash				(2,397)					(2,397)	(507)	(2,903)
Purchase/disposal of treasury stock				(72)				61	(11)		(11)
Coupons of deeply-subordinated perpetual notes					(146)				(146)		(146)
Transactions between owners				(37)					(37)	20	(17)
Transactions between owners within entities accounted for using the equity method				6					6		6
Share capital increases/decreases subscribed by non-controlling interests										81	81
Other changes				(7)					(7)	27	20
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**

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	Conso-lidated reserves	Deeply-subor-dinated perpetual notes	Changes in fair value and other	Translation adjust-ments	Treasury stock	Share-holders' equity	Non-control-ling interests	Total
EQUITY AT DECEMBER 31, 2016	**2,435,285,011**	**2,435**	**32,506**	**1,967**	**3,273**	**(1,137)**	**1,296**	**(761)**	**39,578**	**5,870**	**45,447**
Net income/(loss)				1,423					1,423	815	2,238
Other comprehensive income/(loss)				38		223	(2,384)		(2,124)	(421)	(2,545)
TOTAL COMPREHENSIVE INCOME/(LOSS)				**1,460**		**223**	**(2,384)**		**(701)**	**394**	**(307)**
Employee share issues and share-based payment				37					37		37
Dividends paid in cash (*see Note 17.2.3*)				(2,049)					(2,049)	(680)	(2,729)
Purchase/disposal of treasury stock (*see Note 17.1.2*)				(19)				(122)	(140)		(140)
Coupons of deeply subordinated perpetual notes (*see Note 17.2.1*)					(144)				(144)		(144)
Transactions between owners				60					60	131	191
Transactions between owners within entities accounted for using the equity method				(3)					(3)	(1)	(4)
Share capital increases/decreases subscribed by non-controlling interests										226	226
Other changes				1					1	(3)	(2)
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**

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	Dec. 31, 2017	Dec. 31, 2016[1]
NET INCOME/(LOSS)		**2,238**	**163**
- Net income/(loss) relating to discontinued operations		290	(158)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS		**1,948**	**322**
- Share in net income of entities accounted for using the equity method		(437)	(752)
+ Dividends received from entities accounted for using the equity method		466	457
- Net depreciation, amortization, impairment and provisions		6,203	9,252
- Impact of changes in scope of consolidation and other non-recurring items		(1,096)	(724)
- Mark-to-market on commodity contracts other than trading instruments		307	(1,279)
- Other items with no cash impact		44	40
- Income tax expense		(425)	481
- Net financial income/(loss)		1,296	1,321
Cash generated from operations before income tax and working capital requirements		**8,305**	**9,117**
+ Tax paid		(894)	(896)
Change in working capital requirements	**25.1**	**1,251**	**1,842**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO CONTINUED OPERATIONS		**8,662**	**10,063**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS		**647**	**111**
CASH FLOW FROM OPERATING ACTIVITIES		**9,309**	**10,174**
Acquisitions of property, plant and equipment and intangible assets	5.5	(5,779)	(5,290)
Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired	5.5	(690)	(411)
Acquisitions of investments in entities accounted for using the equity method and joint operations	5.5	(1,446)	(208)
Acquisitions of available-for-sale securities	5.5	(258)	(391)
Disposals of property, plant and equipment, and intangible assets		90	153
Loss of controlling interests in entities, net of cash and cash equivalents sold		3,203	983
Disposals of investments in entities accounted for using the equity method and joint operations		283	1,457
Disposals of available-for-sale securities		538	767
Interest received on financial assets		83	12
Dividends received on non-current financial assets		170	142
Change in loans and receivables originated by the Group and other	5.5	(838)	30
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO CONTINUED OPERATIONS		**(4,645)**	**(2,756)**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS		**(512)**	**(899)**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		**(5,157)**	**(3,655)**
Dividends paid[2]		(2,871)	(3,155)
Recovery from the French State of the 3% tax on dividends		389	
Repayment of borrowings and debt		(7,738)	(4,752)
Change in financial assets at fair value through income		(181)	(257)
Interest paid		(745)	(817)
Interest received on cash and cash equivalents		100	137
Cash flow on derivatives qualifying as net investment hedges and compensation payments on derivatives and on early buyback of borrowings		(156)	(236)
Increase in borrowings		6,356	2,904
Increase/decrease in capital		224	(9)
Hybrid issue of subordinated perpetual notes			
Purchase and/or sale of treasury stock		(140)	(11)
Changes in ownership interests in controlled entities	5.5	1	(26)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO CONTINUED OPERATIONS		**(4,761)**	**(6,222)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS		**36**	**188**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		**(4,725)**	**(6,034)**
Effects of changes in exchange rates and other relating to continued operations		(294)	169
Effects of changes in exchange rates and other relating to discontinued operations		(10)	(12)
TOTAL CASH FLOW FOR THE PERIOD		**(877)**	**642**
Reclassification of cash and cash equivalents relating to discontinued operations		(16)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**9,825**	**9,183**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**8,931**	**9,825**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

(2) The line "Dividends paid" includes the coupons paid to the owners of the deeply subordinated perpetual notes for an amount of €144 million at December 31, 2017 and €146 million at December 31, 2016.

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

6.2.2 Notes to consolidated financial statements

ENGIE SA, the parent company of the Group, is a French *société anonyme* with a Board of Directors that 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 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 March 7, 2018, the Group's Board of Directors approved and authorized for issue the consolidated financial statements of the Group for the year ended December 31, 2017.

NOTE 1 Accounting standards and methods

1.1 Accounting standards

Pursuant to European Regulation (EC) 809/2004 on prospectuses dated April 29, 2004, financial information concerning the assets, liabilities, financial position, and profit and loss of ENGIE has been provided for the last two reporting periods (ended December 31, 2016 and 2017). This information was prepared in accordance with European Regulation (EC) 1606/2002 "on the application of international accounting standards" dated July 19, 2002. The Group's consolidated financial statements for the year ended December 31, 2017 have been prepared in accordance with IFRS Standards as published by the International Accounting Standards Board and endorsed by the European Union [1].

The accounting standards applied in the consolidated financial statements for the year ended December 31, 2017 are consistent with the policies used to prepare the consolidated financial statements for the year ended December 31, 2016, except for those described in § 1.1.1 below.

1.1.1 IFRS Standards, amendments or IFRIC Interpretations applicable in 2017

- Amendments to IAS 7 – *Statement of Cash Flows: Disclosure initiative.*
- Amendments to IAS 12 – *Income Taxes: Recognition of deferred tax assets for unrealized losses.*
- Annual Improvements to IFRS Standards 2012-2014 Cycle [2][3].

These amendments have no significant impact on the Group's consolidated financial statements. Note 15.3.2 shows the reconciliation between the net debt and the cash flows used in financing activities (amendments to IAS 7).

1.1.2 IFRS Standards, amendments or IFRIC Interpretations effective in 2018 and that the Group has elected not to early adopt

1.1.2.1 IFRS 9 – *Financial instruments* and IFRS 15 – *Revenue from Contracts with Customers*

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.
- Hedge accounting

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

ENGIE has decided not to early adopt IFRS 9 and to apply it entirely as from January 1, 2018. In accordance with IFRS 9 transition provisions, the retrospective method will be applied to the classification and measurement of financial assets and liabilities as well as to impairment while the prospective method will be applied to hedge accounting. Options available for the initial application of the standard have no significant impact for the Group.

(1) Available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

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

(3) The improvements of this cycle relating to IFRS 12 are applicable as from 2017, the others as from 2018.

6

Progress made within the dedicated project has allowed to adapt IT processes and tools, to set up guidance to make it easier to understand the new principles thus ensuring consistent application throughout the Group.

The main impact on the consolidated financial statements are synthesized as follows for each of the three phases of the new standard:

- Classification and measurement of financial assets and liabilities

The main impact concerns the reclassification of financial assets currently presented under IAS 39 as "Available-for-sale securities" and measured at fair value though other comprehensive income.

Under IFRS 9, these are presented as follows at December 31, 2017:

In millions of euros	IAS 39	IFRS 9 classification
Available-for-sale securities	2,656	
Equity instruments at fair value through other comprehensive income		734
Equity instruments at fair value through income		392
Debt instruments at amortized cost		
Debt instruments at fair value through other comprehensive income		884
Debt instruments at fair value through income		617
Liquid debt instruments relating to cash investments and measured at fair value through income		29

- Impairment

  The main impact is an increase of the amount of impairment post-transition, due to recognizing expected credit losses for risk credit as from the initial recognition of receivables, or as from the time when loan commitments are made or financial guarantees given. The main items concerned are trade receivables (additional write-downs of €191 million at December 31, 2017 out of a total gross value of €19,993 million) and long-term receivables (additional write-downs of €22 million at December 31, 2017 out of a total gross value of €2,925 million).

  We expect post-transition recurring results to be mainly impacted by significant changes in the credit rating of our counterparties, for example in the event of financial crisis.

- Hedge accounting

  The Group is mainly concerned by aspects related to debt risk-related hedge accounting.

  The principles relating to hedge accounting have not been substantially modified by the new standard.

Applying IFRS 9 has a negative impact of €235 million on equity at December 31, 2017 (including an impact a negative impact of €53 million on investments in entities accounted for using the equity method).

IFRS 15 – Revenues from Contracts with Customers

In May 2014, the IASB has launched 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. In addition, this standard requires disclosure on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 is mandatorily applicable as from 2018. The Group has decided not to early apply it and opted for the full retrospective method with the comparative information being restated at the date of initial application.

Launched in 2014, the Group project has highlighted the issues likely to have an impact on how revenue is recognized in the different activities of the Group encompassing many businesses as well as various types of contracts.

The work carried out so far by the Group has led to the identification of three issues having an impact on consolidated revenue:

- in certain countries where the Group acts as energy provider without being in charge of its distribution, the analysis under IFRS 15 may lead to recognizing only energy sales as revenue. In some situations, the accounting treatment under IFRS 15 will lead to a decrease in revenue corresponding to the distribution part, without any impact on the energy margin however since the related expenses are decreased accordingly. At December 31, 2017, the revenue concerned amounts to €3,803 million. Operating expenses are decreased 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). If this has no impact at Group level for gas in France, there is however an impact on the revenue breakdown per reportable segment: the revenue on gas distribution will no longer be recognized by the provider (in the France reportable segment) but by the distributor (in the Europe Infrastructures reportable segment). At December 31, 2017, this revenue amounts to €1,957 million.
- commodities sales/purchases transactions which are within the scope of IFRS 9 – *Financial Instruments*, are not within the scope of IFRS 15. The related sales of these transactions resulting in a physical delivery of the underlying will thus be presented on a line separate from that showing the IFRS 15 revenue. At December 31, 2017, this revenue amounts to €5,723 million.
- given that the new standard provides more guidance on how to recognize revenue, notably depending on how the performance obligations identified are satisfied, the timing of revenue recognition and margin profile has been modified for certain contracts.

Applying IFRS 15 mainly effects contracts for the operation and maintenance of power plants or the provision of production capacities. This can lead to an increase in contract liabilities reflecting the discrepancy between the price received and the completion of the services.

As a consequence, applying IFRS 15 has a negative impact of circa €219 million on equity at December 31, 2017 whereas the impact of the timing of revenue recognition for these contracts is not significant given their term.

There are other impacts which are less significant and concern notably the reclassification of some trade receivables to contract assets.

Summary of the main impacts expected from IFRS 9 and IFRS 15 on the income statement and equity at December 31, 2017.

The main impacts expected from applying IFRS 9 and IFRS 15 on the comparative income statement at December 31, 2017 are summarized below:

In millions of euros	Dec. 31, 2017 published	IFRS 9 Impacts	IFRS 15 Impacts	Dec. 31, 2017 restated
Revenues	65,029		(4,093)	60,936
Current operating income after share in net income of entities accounted for using the equity method	5,273	(23)	(39)	5,211
Income/loss from operating activities	2,819	(27)	(39)	2,753
Net financial income/(loss)	(1,296)	(101)	(11)	(1,408)
Income tax expense	425	37	(11)	473
NET INCOME/(LOSS)	**2,238**	**(92)**	**(38)**	**2,108**
Of which net recurring income	*3,550*	*(120)*	*(38)*	*3,392*
Net income/(loss) Group share	**1,423**	**(80)**	**(23)**	**1,320**
Of which net recurring income Group share	*2,662*	*(122)*	*(23)*	*2,517*

The impacts shown above have been determined in accordance with the provisions of IFRS 9.7.2.1. As a consequence, the impact relating to financial assets that were derecognized in 2017 has been determined under IAS 39 and not IFRS 9.

The impact relating to this specific transition provision will be presented as a non-recurring item in the comparative income statement at December 31, 2017 to ensure consistency with the 2018 consolidated financial statements in which all financial assets, without any exception, will be treated under IFRS 9.

Please find below a summary of the impact of IFRS 9 and IFRS 15 on equity at December 31, 2017:

In millions of euros	Dec. 31, 2017 published	IFRS 9 Impacts	IFRS 15 Impacts	Dec. 31, 2017 restated
Total equity	42,577	(235)	(219)	42,123
Shareholders' equity	36,639	(224)	(132)	36,283

1.1.2.2 Other IFRS Standards, amendments or IFRIC Interpretations

- Amendments to IFRS 2 – *Share-based payments: Classification and measurement of share-based payments transactions* [1].
- IFRIC 22 – *Foreign Currency Transactions and Advance Consideration* [1].
- Annual Improvements to IFRS Standards 2014-2016 Cycle [1][2].

The impact of the application of these standards, amendments or interpretations is currently being assessed.

1.1.3 IFRS Standards, amendments or IFRIC Interpretations effective after 2018

1.1.3.1 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.

Progress has been made in 2017 regarding the initial application of this standard at January 1, 2019.

While the stage of identifying leases throughout the Group is nearing an end (this phase is continuous so as to complete the Group database), the analyses under the new standard are ongoing (identifying a lease, assessing the term of the lease, measuring and determining the discount rates, etc.).

We expect to finalize the impact of the transition under the modified retrospective approach in 2018.

The main impact we expect on the consolidated statement of financial position is an increase in the “right-of-use assets” on the assets side and an increase of the lease liabilities on the liabilities side, regarding leases where the Group acts as lessee and which are currently qualified as “operating leases”. They concern mainly real estate, LNG tankers as well as vehicles. Commitments relating to these contracts are shown in off-balance sheet commitments (*see Note 21*).

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

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

(1) *The improvements of this cycle relating to IFRS 12 are applicable as from 2017, the others as from 2018.*

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

1.1.3.2 Other IFRS Standards, amendments or IFRIC Interpretations

- IFRIC 23 – *Uncertainty over income tax treatments*[(1)].
- IFRS 17 – *Insurance contracts*[(1)].
- Amendments to IFRS 9 – *Financial Instruments: Prepayment features with negative compensation*[(1)].
- Amendments to IAS 28 – *Investments in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures* [(1)].
- Annual Improvements to IFRS Standards 2015-2017 Cycle [(1)].

The impact of the application of these standards, amendments or interpretations is currently being assessed.

1.1.4 Reminder of IFRS 1 transition options

The Group used some of the options available under IFRS 1 for its transition to IFRS in 2005. The options that continue to have an effect on the consolidated financial statements are:

- translation adjustments: the Group elected to reclassify cumulative translation adjustments within consolidated equity at January 1, 2004;
- business combinations: the Group elected not to restate business combinations that took place prior to January 1, 2004 in accordance with IFRS 3.

1.2 Measurement and presentation basis

The consolidated financial statements have been prepared using the historical cost convention, except for financial instruments that are accounted for according to the financial instrument categories defined by IAS 39.

1.2.1 Assets or groups of assets held for sale

In accordance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*, assets or groups of assets held for sale are presented separately on the face of the statement of financial position, at the lower of their carrying amount and fair value less costs to sell.

Assets are classified as "held for sale" when they are available for immediate sale in their present condition, their sale is highly probable within twelve months from the date of classification, management is committed to a plan to sell the asset and an active program to locate a buyer and complete the plan has been initiated. To assess whether a sale is highly probable, the Group takes into consideration among other items, indications of interest and offers received from potential buyers and specific risks in the execution of certain transactions.

Assets or group of assets are presented as discontinued operations in the Group consolidated financial statements when they are classified as "held for sale" and represent a separate major line of business under IFRS 5.

1.3 Use of estimates and judgment

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

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

1.3.1 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 income and expenses reported during the period.

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

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

- measurement of the fair value of assets acquired and liabilities assumed in a business combination (*see Note 4*);
- measurement of the recoverable amount of goodwill, other intangible assets and property, plant and equipment (*see § 1.4.4 and 1.4.5*);
- measurement of provisions, particularly for back-end of nuclear fuel cycle, dismantling obligations, disputes, pensions and other employee benefits (*see § 1.4.15*);
- financial instruments (*see § 1.4.11*);
- measurement of revenue not yet metered, so called un-metered revenue (*see § 1.3.1.6*);
- measurement of recognized tax loss carry-forwards (*see Note 10.3*).

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

1.3.1.1 Measurement of the fair value of assets acquired and liabilities assumed in a business combination

The key assumptions and estimates used to determine the fair value of assets acquired and liabilities assumed include the market outlook for the measurement of future cash flows and the applicable discount rates.

These assumptions reflect management's best estimates.

1.3.1.2 Recoverable amount of goodwill, other intangible assets and property, plant and equipment

The recoverable amount of goodwill, other intangible assets and property, plant and equipment is based on estimates and assumptions, regarding in particular the expected market outlook and changes in the regulatory framework, which are used for the measurement of cash flows, whose sensitivity varies depending on the activity, and the determination of the discount rate. Any changes in these assumptions could have a material impact on the measurement of the recoverable amount and could result in adjustments to the impairment losses to be recognized.

The key assumptions used in the impairment tests on the main goodwill CGUs are as follows:

- Benelux CGU

  The cash flow projections for the Benelux CGU are based on a large number of key assumptions, such as the long-term prices for fuel and CO2, expected trends in gas and electricity demand and in electricity prices, the market outlook and changes in the regulatory environment (especially concerning nuclear capacities in Belgium and the extension of drawing rights agreements for French nuclear plants). The key assumptions also include the discount rate used to calculate the value in use of this goodwill CGU.
- GRDF CGU

  The cash flow projections are drawn up based on the tariff for public natural gas distribution networks (known as "ATRD 5"), which entered into effect for a period of four years on July 1, 2016, and on the overall level of investments agreed by the French Energy Regulation Commission (Commission de Régulation de l'Énergie – CRE) as part of its decision on the ATRD 5 tariff. The terminal value calculated at the end of the medium-term business plan corresponds to the expected Regulated Asset Base (RAB) with no premium at the end of 2023. The RAB is the value assigned by the regulator to the assets operated by the distributor.
- France BtoC CGU

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

  The main key assumptions, notably include the prospects of renewing the hydropower concession agreements in France, expected trends in electricity sales prices and discount rates.
- Generation Europe CGU

  The main assumptions and key estimates used are based on capacity payment mechanisms, expected trends in electricity demand and price forecasts for CO2, fuel and electricity, as well as on discount rate levels.
- Storengy CGU

  In France, the cash flow projections are drawn up based on the tariff for storage facilities agreed by the French Energy Regulation Commission (*Commission de Régulation de l'Énergie* – CRE) as part of its decision on the regulation of these activities which retroactively entered into effect as from January 1, 2018. The terminal value calculated at the end of the medium-term business plan corresponds to the expected Regulated Asset Base (RAB) with no premium at the end of 2023.

In Germany, the key assumptions are based on forecast capacity sales which depend on changes in market conditions, and particularly on seasonal natural gas spreads.

1.3.1.3 Estimates of provisions

Factors having a significant influence on the amount of provisions, and particularly, but not solely, those relating to the back-end of nuclear fuel cycle and to the dismantling of nuclear facilities, as well as those relating to the dismantling of gas infrastructures in France, include:

- cost forecasts (notably the retained scenario for the reprocessing and storage of radioactive nuclear fuel consumed) (*see Note 18.2*);
- the timing of expenditure (notably, for nuclear power generation activities, the timetable for reprocessing radioactive nuclear fuel consumed and for dismantling facilities as well as the timetable for the end of gas operations regarding the gas infrastructure businesses in France) (*see Notes 18.2 and 18.3*); and
- the discount rate applied to cash flows.

These factors are based on information and estimates deemed to be relevant by the Group at the current time.

The modification of certain factors could lead to a significant adjustment of these provisions.

1.3.1.4 Pensions

Pension commitments are measured on the basis of actuarial assumptions. The Group considers that the assumptions used to measure its obligations are relevant and documented. However, any change in these assumptions could have a significant impact on the resulting calculations.

1.3.1.5 Financial instruments

To determine the fair value of financial instruments that are not listed on an active market, the Group uses valuation techniques that are based on certain assumptions. Any change in these assumptions could have a significant impact on the resulting calculations. These valuation techniques mainly concern valuation methods of the flexibility of long-term contract prices and volumes. Specific modeling adjustments are taken into account to address the use of poorly observable variables.

1.3.1.6 Revenue

Revenue generated from types of customers whose energy consumption is metered during the accounting period, particularly customers supplied with low-voltage electricity or low-pressure gas, is estimated at the reporting date based on historical data, consumption statistics and estimated selling prices. For sales on networks used by a large number of grid operators, the Group is allocated a certain volume of energy transiting through the networks by the grid managers. The final allocations are sometimes only known several months down the line, which means that revenue figures are only an estimate. However, the Group has developed measuring and modeling tools allowing it to estimate revenue with a satisfactory degree of accuracy and subsequently ensure that risks of error associated with estimating quantities sold and the related revenue can be considered as not significant. In France, un-metered revenue (“gas in the meter”) is calculated using a direct method taking into account customers’estimated consumption since the last metering not yet billed. These estimates are in line with the volume of energy allocated by the grid managers over the same period. The average price is used to measure the “gas in the meter”. The average price used takes account of the category of customer and the age of the delivered unbilled “gas in the meter”. The portion of unbilled revenue at year-end varies according to the assumptions about volume and average price.

1.3.1.7 Measurement of recognized tax loss carry-forwards

Deferred tax assets are recognized on tax loss carry-forwards when it is probable that taxable profit will be available against which the tax loss carry-forwards can be utilized. The probability that taxable profit will be available against which the unused tax losses can be utilized, is based on taxable temporary differences relating to the same taxation authority and the same taxable entity and estimates of future taxable profits. These estimates and utilizations of tax loss carry-forwards were prepared on the basis of profit and loss forecasts as included in the medium-term business plan and, if necessary, on the basis of additional forecasts.

1.3.2 Judgment

As well as relying on estimates, Group management also makes judgments to define the appropriate accounting policies to apply to certain activities and transactions, particularly when the effective IFRS Standards and IFRIC Interpretations do not specifically deal with the related accounting issues.

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

Entities for which judgment on the nature of control has been exercised are listed in Note 2 “Main subsidiaries at December 31, 2017” and Note 3 “Investments in entities accounted for using the equity method”.

In accordance with IAS 1, the Group’s current and non-current assets and liabilities are shown separately on the consolidated statement of financial position. For most of the Group’s activities, the breakdown into current and non-current items is based on when assets are expected to be realized, or liabilities extinguished. Assets expected to be realized or liabilities extinguished within 12 months of the reporting date are classified as current, while all other items are classified as non-current.

1.4 Accounting methods

1.4.1 Scope and methods of consolidation

Controlled entities (subsidiaries)

Controlled entities (subsidiaries) are fully consolidated in accordance with IFRS 10 – Consolidated Financial Statements. An investor (the Group) controls an entity and therefore must consolidate it as a subsidiary, if it has all the following:

- the ability to direct the relevant activities of the entity;
- rights to variable returns from its involvement with the entity;
- the ability to use its power over the entity to affect the amount of the investor’s return.

Investments in Associates and Joint Ventures

The Group accounts for its investments in associates (entities over which the Group has significant influence) and joint ventures, using the equity method. Under IFRS 11 – *Joint Arrangements*, a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in Joint Operations

Under IFRS 11 – *Joint Arrangements*, a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In accordance with this standard, the Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to these assets, liabilities, revenue and expenses.

Production sharing contracts, in particular in oil and gas exploration-production activities, are considered to be outside the scope of IFRS 11. Contractors account for their rights to a portion of production and reserves, based on the contractual clauses.

1.4.2 Foreign currency translation methods

1.4.2.1 Presentation currency of the consolidated financial statements

The Group’s consolidated financial statements are presented in euros (€).

1.4.2.2 Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates, which in most cases corresponds to local currency. However, certain entities may have a functional currency different from the local currency when that other currency is used for an entity’s main transactions and better reflects its economic environment.

1.4.2.3 Foreign currency transactions

Foreign currency transactions are recorded in the functional currency at the exchange rate prevailing on the date of the transaction. At each reporting date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The resulting translation gains and losses are recorded in the consolidated statement of income for the year to which they relate;
- non-monetary assets and liabilities denominated in foreign currencies are recognized at the historical cost applicable at the date of the transaction.

1.4.2.4 Translation of the financial statements of subsidiaries with a functional currency other than the euro (the presentation currency)

The statements of financial position of these subsidiaries are translated into euros at the official year-end exchange rates. Income statement and cash flow statement items are translated using the average exchange rate for the year. Any differences arising from the translation of the financial statements of these subsidiaries are recorded under "Translation adjustments" as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are classified as assets and liabilities of those foreign entities and are therefore denominated in the functional currencies of the entities and translated at the year-end exchange rate.

1.4.3 Business combinations

Business combinations carried out prior to January 1, 2010 were accounted for in accordance with IFRS 3 prior to the revision. In accordance with IFRS 3 revised, these business combinations have not been restated.

Since January 1, 2010, the Group applies the purchase method as defined in IFRS 3 revised, which consists in recognizing the identifiable assets acquired and liabilities assumed at their fair values at the acquisition date, as well as any non-controlling interests in the acquiree. Non-controlling interests are measured either at fair value or at the entity's proportionate interest in the net identifiable assets of the acquiree. The Group determines on a case-by-case basis which measurement option to be used to recognize non-controlling interests.

1.4.4 Intangible assets

Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

1.4.4.1 Goodwill

Recognition of goodwill

Due to the application of IFRS 3 revised at January 1, 2010, the Group is required to separately identify business combinations carried out before or after this date.

Business combinations carried out prior to January 1, 2010

Goodwill represents the excess of the cost of a business combination (acquisition price of shares plus any costs directly attributable to the business combination) over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognized at the acquisition date (except if the business combination is achieved in stages).

For a business combination achieved in stages – i.e. where the Group acquires a subsidiary through successive share purchases – the amount of goodwill is determined for each exchange transaction separately based on the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of each exchange transaction.

Business combinations carried out after January 1, 2010

Goodwill is measured as the excess of the aggregate of:

(i) the consideration transferred;

(ii) the amount of any non-controlling interests in the acquiree; and

(iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree;

over the net acquisition-date fair values of the identifiable assets acquired and liabilities assumed.

The amount of goodwill recognized at the acquisition date cannot be adjusted after the end of the measurement period.

Goodwill relating to interests in associates is recorded under "Investments in entities accounted for using the equity method".

Measurement of goodwill

Goodwill is not amortized but tested for impairment each year, or more frequently where an indication of impairment is identified. Impairment tests are carried out at the level of cash-generating units (CGUs) or groups of CGUs which constitute groups of assets generating cash inflows that are largely independent of the cash inflows from other CGUs.

The methods used to carry out these impairment tests are described in § 1.4.8 "Impairment of property, plant and equipment and intangible assets".

Impairment losses in relation to goodwill cannot be reversed and are shown under "Impairment losses" in the consolidated income statement.

1.4.4.2 Other intangible assets

Development costs

Research costs are expensed as incurred.

Development costs are capitalized when the asset recognition criteria set out in IAS 38 are met. Capitalized development costs are amortized over the useful life of the intangible asset recognized.

Other internally-generated or acquired intangible assets

Other intangible assets include mainly:

- amounts paid or payable as consideration for rights relating to concession contracts or public service contracts;
- customer portfolios acquired on business combinations;
- capacity rights, in particular regarding power stations; the Group helped finance the construction of certain nuclear power stations operated by third parties and in consideration received the right to purchase a share of the production over the life of the assets. Said capacity rights are amortized over the useful life of the related assets, not exceeding 50 years;
- concession assets;
- fulfillment contract costs.

Intangible assets are amortized on the basis of the expected pattern of consumption of the estimated future economic benefits embodied in the asset. Amortization is calculated mainly on a straight-line basis over the following useful lives:

	Useful life	
Main depreciation periods (years)	**Minimum**	**Maximum**
Concession rights	10	30
Customer portfolio	10	40
Other intangible assets	1	50

Some intangible assets with an indefinite useful life are not amortized but an impairment test has to be performed annually.

1.4.5 Property, plant and equipment

1.4.5.1 Initial recognition and subsequent measurement

Items of property, plant and equipment are recognized at historical cost less any accumulated depreciation and any accumulated impairment losses.

The carrying amount of these items is not revalued as the Group has elected not to apply the allowed alternative method, which consists of regularly revaluing one or more categories of property, plant and equipment.

Investment subsidies are deducted from the gross value of the assets concerned.

In accordance with IAS 16, the initial cost of the item of property, plant and equipment includes an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, when the entity has a present, legal or constructive obligation to dismantle the item or restore the site. A corresponding provision for this obligation is recorded for the amount of the asset component.

Property, plant and equipment acquired under finance leases is carried in the consolidated statement of financial position at the lower of market value and the present value of the related minimum lease payments. The corresponding liability is recognized under borrowings. These assets are depreciated using the same methods and useful lives as set out below.

Borrowing costs that are directly attributable to the construction of the qualifying asset are capitalized as part of the cost of that asset.

Cushion gas

"Cushion" gas injected into underground storage facilities is essential for ensuring that reservoirs can be operated effectively, and is therefore inseparable from these reservoirs. Unlike "working" gas which is included in inventories, cushion gas is reported in property, plant and equipment (*see § 1.4.10 "Inventories"*).

1.4.5.2 Depreciation

In accordance with the components approach, each significant component of an item of property, plant and equipment with a different useful life from that of the main asset to which it relates is depreciated separately over its own useful life.

Property, plant and equipment is depreciated mainly using the straight-line method over the following useful lives:

	Useful life	
Main depreciation periods (years)	**Minimum**	**Maximum**
Plant and equipment		
• Storage - Production - Transport - Distribution	5	60(*)
• Installation - Maintenance	3	10
• Hydraulic plant and equipment	20	65
Other property, plant and equipment	2	33

(*) *Excluding cushion gas.*

The range of useful lives is due to the diversity of the assets in each category. The minimum periods relate to smaller equipment and furniture, while the maximum periods concern network infrastructures and storage facilities. In accordance with the law of January 31, 2003 adopted by the Belgian Chamber of Representatives with respect to the gradual phase-out of nuclear energy for the industrial production of electricity, the useful lives of nuclear power stations were reviewed and adjusted prospectively to 40 years as from 2003, except Tihange 1, Doel 1 and Doel 2 the operating life of which has been extended by 10 years.

Fixtures and fittings relating to the hydro plant operated by the Group are depreciated over the shorter of the contract term and useful life of the assets, taking into account the renewal of the concession period if such renewal is considered to be reasonably certain.

1.4.6 Assets relating to the exploration and production of mineral resources

The Group applies IFRS 6 – *Exploration for and Evaluation of Mineral Resources*.

Geological and geophysical studies are expensed in the year in which they are incurred.

Exploration costs (other than geological and geophysical studies) are temporarily capitalized in "pre-capitalized exploration costs" before the confirmation of the technical feasibility and commercial viability of extracting resources. These exploration drilling costs are temporarily capitalized when the following two conditions are met:

- sufficient reserves have been found to justify completion as a producing well assuming the required capital expenditure is made;
- the Group has made significant progress in determining that reserves exist and that the project is technically and economically viable. This progress is assessed based on criteria such as whether any additional exploratory work (drilling, seismic studies or other significant surveys) is underway or firmly planned for the near future. Progress is also assessed based on any expenses incurred in conducting development studies and on the fact that the Group may be required to wait for the relevant government or third party authorizations for the project, or for available transport capacity or treatment capacity at existing facilities.

In accordance with this method known as the "successful efforts" method, when the exploratory phase has resulted in proven, commercially viable reserves, the related costs are reported in property, plant and equipment and depreciated over the period during which the reserves are extracted. Otherwise, the costs are expensed as incurred.

The depreciation of production assets, including site rehabilitation costs, starts when the oil or gas field is brought into production, and is based on the unit of production method (UOP). According to this method, the depletion rate is equal to the ratio of oil and gas production for the period to probable reserves.

1.4.7 Concession arrangements

SIC 29 – *Service Concession Arrangements: Disclosures*, prescribes the information that should be disclosed in the notes to the financial statements of a concession grantor and concession operator, while IFRIC 12 deals with the treatment to be applied by the concession operator in respect of certain concession arrangements.

For a concession arrangement to fall within the scope of IFRIC 12, usage of the infrastructure must be controlled by the concession grantor. This requirement is met when the following two conditions are met:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;

and

- the grantor controls the infrastructure, i.e. retains the right to take back the infrastructure at the end of the concession.

Concessions outside the scope of IFRIC 12

Concession infrastructures that do not meet the requirements of IFRIC 12 are presented as property, plant and equipment.

This is the case of the distribution of gas in France. The related assets are recognized in accordance with IAS 16, since GRDF operates its network under long-term concession arrangements, most of which are mandatorily renewed upon expiration pursuant to French law No. 46-628 of April 8, 1946.

1.4.8 Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36, impairment tests are carried out on items of property, plant and equipment and intangible assets where there is an indication that the assets may be impaired. Such indications may be based on events or changes in the market environment, or on internal sources of information. Intangible assets that are not amortized are tested for impairment annually.

Impairment indicators

Property, plant and equipment and intangible assets with finite useful lives are only tested for impairment when there is an indication that they may be impaired. This is generally the result of significant changes to the environment in which the assets are operated or when economic performance is less than expected.

The main impairment indicators used by the Group are described below:

- external sources of information:
  - significant changes in the economic, technological, regulatory, political or market environment in which the entity operates or to which an asset is dedicated,
  - fall in demand,
  - adverse changes in energy prices and US dollar exchange rates;
- internal sources of information:
  - evidence of obsolescence or physical damage not budgeted for in the depreciation/amortization schedule,
  - less-than-expected performance,
  - fall in resources for exploration-production activities.

Impairment

Items of property, plant and equipment and intangible assets are tested for impairment at the level of the individual asset or cash-generating unit (CGU) as appropriate, determined in accordance with IAS 36. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is written down to the recoverable amount by recording an impairment loss. Upon recognition of an impairment loss, the depreciable amount and possibly the useful life of the assets concerned is revised.

Impairment losses recorded in relation to property, plant and equipment or intangible assets may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying amount. The increased carrying amount of an item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized in prior periods.

Measurement of recoverable amount

In order to review the recoverable amount of property, plant and equipment and intangible assets, the assets are grouped, where appropriate, into CGUs and the carrying amount of each CGU is compared with its recoverable amount.

For operating entities which the Group intends to hold on a long-term and going concern basis, the recoverable amount of a CGU corresponds to the higher of its fair value less costs to sell and its value in use. Value in use is primarily determined based on the present value of future operating cash flows and a terminal value. Standard valuation techniques are used based on the following main economic data:

- discount rates based on the specific characteristics of the operating entities concerned;
- terminal values in line with the available market data specific to the operating segments concerned and growth rates associated with these terminal values, not to exceed the inflation rate.

Discount rates are determined on a post-tax basis and applied to post-tax cash flows. The recoverable amounts calculated on the basis of these discount rates are the same as the amounts obtained by applying the pre-tax discount rates to cash flows estimated on a pre-tax basis, as required by IAS 36.

For operating entities which the Group has decided to sell, the related recoverable amount of the assets concerned is based on market value less costs of disposal. Where negotiations are ongoing, this value is determined based on the best estimate of their outcome as of the reporting date.

In the event of a decline in value, the impairment loss is recorded in the consolidated income statement under “Impairment losses”.

1.4.9 Leases

The Group holds assets for its various activities under lease contracts.

These leases are analyzed based on the situations and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.

A finance lease is defined as a lease which transfers substantially all the risks and rewards incidental to the ownership of the related asset to the lessee. All leases which do not comply with the definition of a finance lease are classified as operating leases.

The following main factors are considered by the Group to assess if a lease transfers substantially all the risks and rewards incidental to ownership: whether (i) the lessor transfers ownership of the asset to the lessee by the end of the lease term; (ii) the lessee has an option to purchase the asset and if so, the conditions applicable to exercising that option; (iii) lease term is for the major part of the economic life of the asset; (iv) the asset is of a highly specialized nature; and (v) the present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

1.4.9.1 Accounting for finance leases

On initial recognition, assets held under finance leases are recorded as property, plant and equipment and the related liability is recognized under borrowings. At inception of the lease, finance leases are recorded at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

1.4.9.2 Accounting for operating leases

Payments made under operating leases are recognized as an expense on a straight-line basis over the lease term.

1.4.9.3 Accounting for arrangements that contain a lease

IFRIC 4 deals with the identification of services and take-or-pay sales or purchasing contracts that do not take the legal form of a lease but convey rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. In the latter case, a finance receivable should be recognized to reflect the financing deemed to be granted by the Group where it is considered as acting as lessor and its customers as lessees.

The Group is concerned by this interpretation mainly with respect to:

- some energy purchase and sale contracts, particularly where the contract conveys to the purchaser of the energy an exclusive right to use a production asset;
- certain contracts with industrial customers relating to assets held by the Group.

1.4.10 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value corresponds to the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is determined based on the first-in, first-out method or the weighted average cost formula.

Nuclear fuel purchased is consumed in the process of producing electricity over a number of years. The consumption of this nuclear fuel inventory is recorded based on estimates of the quantity of electricity produced per unit of fuel.

Gas inventories

Gas injected into underground storage facilities includes working gas which can be withdrawn without adversely affecting the operation of the reservoir and cushion gas which is inseparable from the reservoirs and essential for their operation (*see § 1.4.5.1*).

Working gas is classified in inventory and measured at weighted average purchase cost upon entering the transportation network regardless of its source, including any regasification costs.

Group inventory outflows are valued using the weighted average unit cost method.

An impairment loss is recognized when the net realizable value of inventories is lower than their weighted average cost.

Certain inventories are used for trading purposes and are recognized at fair value less the estimated costs necessary to make the sale in accordance with IAS 2. Any change to this fair value is recognized in the consolidated income statement for the year to which it relates.

Greenhouse gas emissions rights

European Directive 2003/87/EC establishes a greenhouse gas (GHG) emissions allowance trading scheme within the European Union. Under the Directive, each year the sites concerned have to surrender a number of allowances equal to the total emissions from the installations during the previous calendar year. As there are no specific rules under IFRS dealing with the accounting treatment of GHG emissions allowances, the Group decided to apply the following principles:

- emission rights are classified as inventories, as they are consumed in the production process;
- emission rights purchased on the market are recognized at acquisition cost;
- emission rights granted free of charge are recorded in the statement of financial position at a value of nil.

The Group records a liability at the year-end in the event that it does not have enough emission rights to cover its GHG emissions during the period. This liability is measured at the market value of the allowances required to meet its obligations at the year-end or based on the contract price concluded to hedge this lack of emission rights.

Energy savings certificates (ESC)

In the absence of current IFRS Standards or IFRIC Interpretations on accounting for energy savings certificates (ESC), the following principles are applied:

- in the event that the number of ESCs held exceeds the obligation at the reporting date, this is accounted for as inventory; otherwise, a liability is recorded;
- ESC inventories are valued at weighted average cost (acquisition cost for those ESCs acquired or cost incurred for those ESCs generated internally).

1.4.11 Financial instruments

Financial instruments are recognized and measured in accordance with IAS 32 and IAS 39.

1.4.11.1 Financial assets

Financial assets comprise available-for-sale securities, loans and receivables carried at amortized cost including trade and other receivables and financial assets measured at fair value through income, including derivative financial instruments. Financial assets are broken down into current and non-current assets in the consolidated statement of financial position.

Available-for-sale securities

"Available-for-sale securities" include the Group's investments in non-consolidated companies and equity or debt instruments that do not satisfy the criteria for classification in another category (see below). Cost is determined using the weighted average cost formula.

These items are measured at fair value on initial recognition, which generally corresponds to the acquisition cost plus transaction costs.

At each reporting date, available-for-sale securities are measured at fair value. For listed securities, fair value is determined based on the quoted market price at the reporting date. For unlisted securities, fair value is measured using valuation models based primarily on recent market transactions, discounted dividends and future cash flows or net asset value. Changes in fair value are recorded directly in other comprehensive income, except when the decline in the value of the investment below its historical acquisition cost is judged significant or prolonged enough to require an impairment loss to be recognized. In this case, the loss is recognized in income under "Impairment losses". Only impairment losses recognized on debt instruments (debt securities/bonds) may be reversed through income.

Loans and receivables carried at amortized cost

This item primarily includes loans granted to affiliated companies, loans and advances to associates or non-consolidated companies, guarantee deposits, trade and other receivables.

On initial recognition, these loans and receivables are recorded at fair value plus transaction costs. At each statement of financial position date, they are measured at amortized cost using the effective interest rate method.

Leasing guarantee deposits are recognized at their nominal value.

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery. This item also includes amounts due from customers under construction contracts.

Financial assets at fair value through income

These financial assets meet the qualification or designation criteria set out in IAS 39.

This item mainly includes trading securities and short-term investments which do not meet the criteria for classification as cash or cash equivalents (*see § 1.4.12*). The financial assets are measured at fair value at the statement of financial position date and changes in fair value are recorded in the consolidated income statement.

1.4.11.2 Financial liabilities

Financial liabilities include borrowings, trade and other payables, derivative financial instruments and other financial liabilities.

Financial liabilities are broken down into current and non-current liabilities in the consolidated statement of financial position. Current financial liabilities primarily comprise:

- financial liabilities with a settlement or maturity date within 12 months of the reporting date;
- financial liabilities in respect of which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date;
- financial liabilities held primarily for trading purposes;
- derivative financial instruments qualifying as fair value hedges where the underlying is classified as a current item;
- all commodity trading derivatives not qualifying as hedges.

Measurement of borrowings and other financial liabilities

Borrowings and other financial liabilities are measured at amortized cost using the effective interest rate method.

On initial recognition, any issue or redemption premiums and discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortized cost method.

As regards structured debt instruments that do not have an equity component, the Group may be required to separate an "embedded" derivative instrument from its host contract (*see § 1.4.11.3*). The conditions under which these instruments must be separated are detailed below. When an embedded derivative is separated from its host contract, the initial carrying amount of the structured instrument is broken down into an embedded derivative component, corresponding to the fair value of the embedded derivative, and a financial liability component, corresponding to the difference between the amount of the issue and the fair value of the embedded derivative. The separation of components upon initial recognition does not give rise to any gains or losses.

The debt is subsequently recorded at amortized cost using the effective interest method while the derivative is measured at fair value, with changes in fair value taken to income.

Put options on non-controlling interests

Other financial liabilities primarily include put options granted by the Group in respect of non-controlling interests.

Put options on non-controlling interests granted prior to January 1, 2010

As no specific guidance is provided by IFRS and based on recommendations issued by the AMF for the 2009 reporting period, the Group decided to continue accounting for instruments recognized prior to January 1, 2010 using its previous accounting policies:

- when the put option with a variable price is initially granted, the present value of the exercise price is recognized as a financial liability, with a corresponding reduction in non-controlling interests. When the value of the put option is greater than the carrying amount of the non-controlling interests, the difference is recognized as goodwill;
- at each reporting date, the amount of the financial liability is revised and any changes in the amount are recorded with a corresponding adjustment to goodwill;
- payments of dividends to non-controlling interests result in an increase in goodwill;
- in the consolidated income statement, non-controlling interests are allocated their share in income. In the consolidated statement of financial position, the share in income allocated to non-controlling interests reduces the carrying amount of goodwill. No finance costs are recognized in respect of changes in the fair value of liabilities recognized against goodwill.

1.4.11.3 Derivatives and hedge accounting

The Group uses derivative financial instruments to manage and reduce its exposure to market risks arising from fluctuations in interest rates, foreign currency exchange rates and commodity prices, mainly for gas and electricity. The use of derivative instruments is governed by a Group policy for managing interest rate, currency and commodity risks.

Definition and scope of derivative financial instruments

Derivative financial instruments are contracts (i) whose value changes in response to the change in one or more observable variables, (ii) that do not require any material initial net investment, and (iii) that are settled at a future date.

Derivative instruments therefore include swaps, options, futures and swaptions, as well as forward commitments to purchase or sell listed and unlisted securities, and firm commitments or options to purchase or sell non-financial assets that involve physical delivery of the underlying.

For purchases and sales of electricity and natural gas, the Group systematically analyzes whether the contract was entered into in the "normal" course of operations and therefore falls outside the scope of IAS 39. This analysis consists firstly of demonstrating that the contract is entered into and held for the purpose of making or taking physical delivery of the commodity in accordance with the Group's expected purchase, sale or usage requirements.

The second step is to demonstrate that the Group has no practice of settling similar contracts on a net basis and that these contracts are not equivalent to written options. In particular, in the case of electricity and gas sales allowing the buyer a certain degree of flexibility concerning the volumes delivered, the Group distinguishes between contracts that are equivalent to capacity sales considered as transactions falling within the scope of ordinary operations and those that are equivalent to written financial options, which are accounted for as derivative financial instruments.

Only contracts that meet all of the above conditions are considered as falling outside the scope of IAS 39. Adequate specific documentation is compiled to support this analysis.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The main Group contracts that may contain embedded derivatives are contracts with clauses or options potentially affecting the contract price, volume or maturity. This is the case primarily with contracts for the purchase or sale of non-financial assets, whose price is revised based on an index, the exchange rate of a foreign currency or the price of an asset other than the contract's underlying.

Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- the host contract is not a financial instrument measured at fair value through income;
- if separated from the host contract, the embedded derivative still fulfills the criteria for classification as a derivative instrument (existence of an underlying, no material initial net investment, settlement at a future date); and
- its characteristics are not closely related to those of the host contract. The analysis of whether or not the characteristics of the derivative are "closely related" to the host contract is made when the contract is signed.

Embedded derivatives that are separated from the host contract are recognized in the consolidated statement of financial position at fair value, with changes in fair value recognized in income (except when the embedded derivative is part of a designated hedging relationship).

Hedging instruments: recognition and presentation

Derivative instruments qualifying as hedging instruments are recognized in the consolidated statement of financial position and measured at fair value. However, their accounting treatment varies according to whether they are classified as (i) a fair value hedge of an asset or liability; (ii) a cash flow hedge or (iii) a hedge of a net investment in a foreign operation.

Fair value hedges

A fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognized asset or liability such as a fixed-rate loan or borrowing, or of assets, liabilities or an unrecognized firm commitment denominated in a foreign currency.

The gain or loss from remeasuring the hedging instrument at fair value is recognized in income. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognized in income even if the hedged item is in a category in respect of which changes in fair value are recognized through other comprehensive income. These two adjustments are presented net in the consolidated income statement, with the net effect corresponding to the ineffective portion of the hedge.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that could affect the Group's income. The hedged cash flows may be attributable to a particular risk associated with a recognized financial or non-financial asset or a highly probable forecast transaction.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in equity are reclassified to the consolidated income statement under the same caption as the loss or gain on the hedged item – i.e. current operating income for operating cash flows and financial income or expenses for other cash flows – in the same periods in which the hedged cash flows affect income.

If the hedging relationship is discontinued, in particular because the hedge is no longer considered effective, the cumulative gain or loss on the hedging instrument remains recognized in equity until the forecast transaction occurs. However, if a forecast transaction is no longer expected to occur, the cumulative gain or loss on the hedging instrument is immediately recognized in income.

Hedge of a net investment in a foreign operation

In the same way as for a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge of the currency risk is recognized directly in other comprehensive income, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in other comprehensive income are transferred to the consolidated income statement when the investment is liquidated or sold.

Hedging instruments: identification and documentation of hedging relationships

The hedging instruments and hedged items are designated at the inception of the hedging relationship. The hedging relationship is formally documented in each case, specifying the hedging strategy, the hedged risk and the method used to assess hedge effectiveness. Only derivative contracts entered into with external counterparties are considered as being eligible for hedge accounting.

Hedge effectiveness is assessed and documented at the inception of the hedging relationship and on an ongoing basis throughout the periods for which the hedge was designated. Hedges are considered to be effective when changes in fair value or cash flows between the hedging instrument and the hedged item are offset within a range of 80%-125%.

Hedge effectiveness is demonstrated both prospectively and retrospectively using various methods, based mainly on a comparison between changes in fair value or cash flows between the hedging instrument and the hedged item. Methods based on an analysis of statistical correlations between historical price data are also used.

Derivative instruments not qualifying for hedge accounting: recognition and presentation

These items mainly concern derivative financial instruments used in economic hedges that have not been – or are no longer – documented as hedging relationships for accounting purposes.

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, changes in fair value are recognized directly in income, under "Mark-to-market" or "Mark-to-market on commodity contracts other than trading instruments" below current operating income for derivative instruments with non-financial assets as the underlying, and in financial income or expenses for currency, interest rate and equity derivatives.

Derivative instruments not qualifying for hedge accounting used by the Group in connection with proprietary commodity trading activities and other derivatives expiring in less than 12 months are recognized in the consolidated statement of financial position in current assets and liabilities, while derivatives expiring after this period are classified as non-current items.

Fair value measurement

The fair value of instruments listed on an active market is determined by reference to the market price. In this case, these instruments are presented in level 1 of the fair value hierarchy.

The fair value of unlisted financial instruments for which there is no active market and for which observable market data exist is determined based on valuation techniques such as option pricing models or the discounted cash flow method.

Models used to evaluate these instruments take into account assumptions based on market inputs:

- the fair value of interest rate swaps is calculated based on the present value of future cash flows;
- the fair value of forward foreign exchange contracts and currency swaps is calculated by reference to current prices for contracts with similar maturities by discounting the future cash flow spread (difference between the forward exchange rate under the contract and the forward exchange rate recalculated in line with the new market conditions applicable to the nominal amount);
- the fair value of currency and interest rate options is calculated using option pricing models;
- commodity derivatives contracts are valued by reference to listed market prices based on the present value of future cash flows (commodity swaps or commodity forwards) and option pricing models (options), for which market price volatility may be a factor. Contracts with maturities exceeding the depth of transactions for which prices are observable, or which are particularly complex, may be valued based on internal assumptions;
- exceptionally, for complex contracts negotiated with independent financial institutions, the Group uses the values established by its counterparties.

These instruments are presented in level 2 of the fair value hierarchy except when the evaluation is based mainly on data that are not observable; in which case they are presented in level 3 of the fair value hierarchy. Most often, this is the case for derivatives with a maturity that falls outside the observability period for market data relating to the underlying or when some parameters such as the volatility of the underlying are not observable.

Except in case of enforceable master netting arrangements or similar agreements, counterparty risk is included in the fair value of financial derivative instrument assets and liabilities. It is calculated according to the "expected loss" method and takes into account the exposure at default, the probability of default and the loss given default. The probability of default is determined on the basis of credit ratings assigned to each counterparty ("historical probability of default" approach).

6

1.4.12 Cash and cash equivalents

These items include cash equivalents as well as short-term investments that are considered to be readily convertible into a known amount of cash and where the risk of a change in their value is deemed to be negligible based on the criteria set out in IAS 7.

Bank overdrafts are not included in the calculation of cash and cash equivalents and are recorded under "Short-term borrowings".

1.4.13 Treasury shares

Treasury shares are recognized at cost and deducted from equity. Gains and losses on disposals of treasury shares are recorded directly in equity and do not therefore impact income for the period.

1.4.14 Share-based payment

Under IFRS 2, share-based payments made in consideration for services provided are recognized as personnel costs. These services are measured at the fair value of the instruments awarded.

Equity-settled instruments: bonus share plans and performance shares granted to employees

The fair value of bonus share plans is estimated by reference to the share price at the grant date, taking into account the fact that no dividend is payable over the vesting period, and based on the estimated turnover rate for the employees concerned and the probability that the Group will meet its performance targets. The fair value measurement also takes into account the non-transferability period associated with these instruments. The cost of shares granted to employees is expensed over the vesting period of the rights and offset against equity.

A Monte Carlo pricing model is used for performance shares granted on a discretionary basis and subject to external performance criteria.

1.4.15 Provisions

1.4.15.1 Provisions for post-employment benefit obligations and other long-term employee benefits

Depending on the laws and practices in force in the countries where the Group operates, Group companies have obligations in terms of pensions, early retirement payments, retirement bonuses and other benefit plans. Such obligations generally apply to all of the employees within the companies concerned.

The Group's obligations in relation to pensions and other employee benefits are recognized and measured in compliance with IAS 19. Accordingly:

- the cost of defined contribution plans is expensed based on the amount of contributions payable in the period;
- the Group's obligations concerning pensions and other employee benefits payable under defined benefit plans are assessed on an actuarial basis using the projected unit credit method. These calculations are based on assumptions relating to mortality, staff turnover and estimated future salary increases, as well as the economic conditions specific to each country or subsidiary of the Group. Discount rates are determined by reference to the yield, at the measurement date, on high-quality corporate bonds in the related geographical area (or on government bonds in countries where no representative market for such corporate bonds exists).

Provisions are recorded when commitments under these plans exceed the fair value of plan assets. Where the value of plan assets (capped where appropriate) is greater than the related commitments, the surplus is recorded as an asset under "Other assets" (current or non-current).

As regards post-employment benefit obligations, actuarial gains and losses are recognized in other comprehensive income. Where appropriate, adjustments resulting from applying the asset ceiling to net assets relating to overfunded plans are treated in a similar way. However, actuarial gains and losses on other long-term benefits such as long-service awards, are recognized immediately in income.

Net interest on the net defined benefit liability (asset) is presented in net financial expense (income).

1.4.15.2 Other provisions

The Group records a provision where it has a present obligation (legal or constructive), the settlement of which is expected to result in an outflow of resources embodying economic benefits with no corresponding consideration in return.

A provision for restructuring costs is recorded when the general criteria for setting up a provision are met, i.e. when the Group has a detailed formal plan relating to the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Provisions with a maturity of over 12 months are discounted when the effect of discounting is material. The Group's main long-term provisions are provisions for the back-end of the nuclear fuel cycle, provisions for dismantling facilities and provisions for site restoration costs. The discount rates used reflect current market assessments of the time value of money and the risks specific to the liability concerned. Expenses corresponding to the reversal of discounting adjustments to long-term provisions are recorded under other financial income and expenses.

A provision is recognized when the Group has a present legal or constructive obligation to dismantle facilities or to restore a site. An asset is recorded simultaneously by including this dismantling obligation in the carrying amount of the facilities concerned. Adjustments to the provision due to subsequent changes in the expected outflow of resources, the dismantling date or the discount rate are deducted from or added to the cost of the corresponding asset in a symmetrical manner. The impacts of unwinding the discount are recognized in expenses for the period.

1.4.16 Revenue

Group revenue (as defined by IAS 18) is mainly generated from the following:

- energy sales;
- rendering of services;
- construction and lease contracts.

Revenue on sales of goods is recognized on delivery, i.e. when the significant risks and rewards of ownership are transferred to the buyer. For services and construction contracts, revenue is recognized using the percentage-of-completion method. In both cases, revenue is recognized solely when the transaction price is fixed or can be reliably determined and the recovery of the amounts due is probable.

Revenue is measured at the fair value of the consideration received or receivable. Where deferred payment has a material impact on the measurement of the fair value of this consideration, this is taken into account by discounting future receipts.

1.4.16.1 Energy sales

This revenue primarily includes sales of electricity and gas, transport and distribution fees relating to services such as electricity and gas distribution network maintenance and heating network sales.

Part of the price received by the Group under certain long-term energy sales contracts may be fixed rather than being based on volumes. In rare cases, the fixed amount can change over the term of the contract. In accordance with IAS 18, revenue from such components is recognized on a straight-line basis because, in substance, the fair value of the services rendered does not vary from one period to the next.

In accordance with IAS 1 and IAS 18, both proprietary energy trading transactions and energy trading carried out on behalf of customers are recorded within "Revenues" after netting off sales and purchases.

In addition, revenue from hedging contracts aimed at optimizing production assets and from fuel purchase and energy sale contracts is recognized based on the net amount.

1.4.16.2 Rendering of services

This revenue relates mainly to installation, maintenance and energy services, and is recognized in accordance with IAS 18, which requires services to be accounted for on a percentage-of-completion basis.

1.4.16.3 Construction and lease contracts

Revenue from construction contracts is determined using the percentage-of-completion method and more generally in accordance with the provisions of IAS 11. Depending on the contract concerned, the stage of completion may be determined either based on the proportion that costs incurred to date bear to the estimated total costs of the transaction, or on the physical progress of the contract based on factors such as contractually defined milestones.

Revenue also includes revenue from financial concession assets (IFRIC 12) and finance lease receivables (IFRIC 4).

1.4.17 Current operating income

Current operating income is an indicator used by the Group to present "a level of operational performance that can be used as part of an approach to forecast recurring performance" (this complies with ANC Recommendation 2013-03 on the format of financial statements of entities applying IFRS). Current operating income is a sub-total which helps to better understand the Group's performance because it excludes elements which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For the Group, such elements relate to mark-to-market on commodity contracts other than trading instruments, impairment losses, restructuring costs, changes in the scope of consolidation and other non-recurring items, and are defined as follows:

- "Mark-to-market on commodity contracts other than trading instruments" corresponds to changes in the fair value (marked-to-market) of financial instruments relating to commodities, gas and electricity, which do not qualify as either trading or hedging instruments. These contracts are used in economic hedges of operating transactions in the energy sector. Since changes in the fair value of these instruments which must be recognized through income under IAS 39 can be material and difficult to predict, they are presented on a separate line of the consolidated income statement;
- "Impairment losses" include impairment losses on goodwill, other intangible assets and property, plant and equipment, investments in entities accounted for using the equity method and available-for-sale securities;
- "Restructuring costs" concern costs corresponding to a restructuring program planned and controlled by management that materially changes either the scope of a business undertaken by the entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37;
- "Changes in the scope of consolidation". This line includes:
  - direct costs related to acquisitions of controlling interests,
  - in the event of a business combination achieved in stages, impacts of the remeasurement of the previously held equity interest at acquisition-date fair value,
  - subsequent changes in the fair value of contingent consideration,
  - gains or losses from disposals of investments which result in a change in consolidation method, as well as any impact of the remeasurement of retained interests.
- "Other non-recurring items" notably include capital gains and losses on disposals of non-current assets and available-for-sale securities.

1.4.18 Income tax expense

The Group computes taxes in accordance with prevailing tax legislation in the countries where income is taxable.

In accordance with IAS 12, deferred taxes are recognized according to the liability method on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases, using tax rates that have been enacted or substantively enacted by the reporting date. However, under the provisions of IAS 12, no deferred tax is recognized for temporary differences arising from goodwill for which impairment losses are not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which (i) is not a business combination and (ii) at the time of the transaction, affects neither accounting income nor taxable income. In addition, deferred tax assets are only recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

Temporary differences arising on restatements of finance leases result in the recognition of deferred taxes.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, associates, joint ventures and branches, except if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Net balances of deferred taxes are calculated based on the tax position of each company or on the total income of companies included within the relevant consolidated tax group, and are presented in assets or liabilities for their net amount per tax entity.

Deferred taxes are reviewed at each reporting date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Deferred tax assets and liabilities are not discounted.

Tax effects relating to coupon payments on deeply-subordinated perpetual notes are recognized in profit or loss.

1.4.19 Earnings per share

Basic earnings per share are calculated by dividing net income Group share for the year by the weighted average number of ordinary shares outstanding during the year. The average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year.

The weighted average number of shares and basic earnings per share are adjusted to take into account the impact of the conversion or exercise of any dilutive potential ordinary shares (options, warrants and convertible bonds, etc.).

1.4.20 Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method starting from net income.

"Interest received on non-current financial assets" is classified within investing activities because it represents a return on investments. "Interest received on cash and cash equivalents" is shown as a component of financing activities because the interest can be used to reduce borrowing costs. This classification is consistent with the Group's internal organization, where debt and cash are managed centrally by the treasury department.

As impairment losses on current assets are considered to be definitive losses, changes in current assets are presented net of impairment.

Cash flows relating to the payment of income tax are presented on a separate line.

NOTE 2 Main subsidiaries at December 31, 2017

2.1 List of main subsidiaries at December 31, 2017

The following lists are made available by the Group to third parties, pursuant to Regulation No. 2016-09 of the French accounting standards authority (ANC) issued on December 2, 2016:

- list of consolidated companies;
- list of companies excluded from consolidation because their individual and cumulative incidence on the Group's consolidated accounts is not material. They correspond to entities deemed as not significant as regards to the Group's main key figures (revenues, total equity, etc), legal shells or entities which have ceased all activities and are undergoing liquidation/closure proceedings;
- list of main non-consolidated interests.

This information is available on the Group's website (www.engie.com, Investors/Regulated information section). Non-consolidated companies are classified under non-current financial assets (*see Note 15.1.1*) under "Available-for-sale secutities".

The list of the main subsidiaries presented below was determined, as regards operating entities, based on their contribution to Group revenues, EBITDA, net income and net debt. The main equity-accounted investments (associates and joint ventures) are presented in Note 3 "Investments in entities accounted for using the equity method".

"FC" indicates the full consolidation method.

Some entities such as ENGIE SA, ENGIE Energie Services SA or Electrabel SA comprise both operating activities and headquarters functions which report to management teams of different reportable segments. In the following tables, these operating activities and headquarters functions are shown within their respective reportable segments under their initial company name followed by a (*) sign.

NORTH AMERICA

			% interest		Consolidation method	
Company name	**Activity**	**Country**	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**	**Dec. 31, 2016**
GDF SUEZ Energy Generation North America Group(1)	Electricity generation	United States	-	100.0	-	FC
ENGIE North America	Electricity generation and sales/Natural gas/LNG/Energy services	United States	100.0	100.0	FC	FC
ENGIE Holding Inc.	Holding — parent company	United States	100.0	100.0	FC	FC
Distrigas of Massachussetts	LNG terminals	United States	100.0	100.0	FC	FC
ENGIE Resources Inc.	Energy sales	United States	100.0	100.0	FC	FC
Ecova	Energy services	United States	100.0	100.0	FC	FC

(1) Assets sold in 2017 (see Note 4 "Main changes in Group structure").

LATIN AMERICA

			% interest		Consolidation method	
Company name	**Activity**	**Country**	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**	**Dec. 31, 2016**
ENGIE Energía Chile Group	Electricity distribution and generation	Chile	52.8	52.8	FC	FC
ENGIE Energía Perú	Electricity distribution and generation	Peru	61.8	61.8	FC	FC
ENGIE Brasil Energia Group	Electricity distribution and generation	Brazil	68.7	68.7	FC	FC

AFRICA/ASIA

			% interest		Consolidation method	
Company name	**Activity**	**Country**	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**	**Dec. 31, 2016**
GLOW Group	Electricity distribution and generation	Thailand	69.1	69.1	FC	FC
Hazelwood Power Partnership	Electricity generation	Australia	72.0	72.0	FC	FC
Loy Yang B Group(1)	Electricity generation	Australia	70.0	70.0	FC	FC
Simply Energy	Energy sales	Australia	72.0	72.0	FC	FC
Baymina Enerji AS	Electricity generation	Turkey	95.0	95.0	FC	FC

(1) The Loy Yang B power plant in Australia was classified as "Assets held for sale" on November 23, 2017 (see Note 4.1 "Assets held for sale and discontinued operations").

BENELUX

Company name	Activity	Country	% interest Dec. 31, 2017	% interest Dec. 31, 2016	Consolidation method Dec. 31, 2017	Consolidation method Dec. 31, 2016
Electrabel SA (*)	Electricity generation/Energy sales	Belgium	100.0	100.0	FC	FC
Synatom	Managing provisions relating to power plants and nuclear fuel	Belgium	100.0	100.0	FC	FC
Cofely Fabricom SA	Systems, facilities and maintenance services	Belgium	100.0	100.0	FC	FC
ENGIE Energie Nederland NV(*)	Energy sales	Netherlands	100.0	100.0	FC	FC
ENGIE Services Nederland NV	Energy services	Netherlands	100.0	100.0	FC	FC

FRANCE

Company name	Activity	Country	% interest Dec. 31, 2017	% interest Dec. 31, 2016	Consolidation method Dec. 31, 2017	Consolidation method Dec. 31, 2016
ENGIE SA (*)	Energy sales	France	100.0	100.0	FC	FC
ENGIE Energie Services SA (*)	Energy services/Networks	France	100.0	100.0	FC	FC
Axima Concept	Systems, facilities and maintenance services	France	100.0	100.0	FC	FC
Endel Group	Systems, facilities and maintenance services	France	100.0	100.0	FC	FC
INEO Group	Systems, facilities and maintenance services	France	100.0	100.0	FC	FC
Compagnie Nationale du Rhône	Electricity distribution and generation	France	49.9	49.9	FC	FC
ENGIE Green(1)	Electricity distribution and generation	France	100.0	100.0	FC	FC
La Compagnie du Vent(1)	Electricity distribution and generation	France	-	59.0	-	FC
CPCU	Urban heating networks	France	64.4	64.4	FC	FC

(1) *ENGIE Green and La Compagnie du Vent merged on December 15, 2017, ENGIE Green absorbing the latter. This transaction is pursuant to the acquisition in 2017 of the non-controlling interests in La Compagnie du Vent (see Note 4.3.3).*

EUROPE EXCLUDING FRANCE & BENELUX

Company name	Activity	Country	% interest Dec. 31, 2017	% interest Dec. 31, 2016	Consolidation method Dec. 31, 2017	Consolidation method Dec. 31, 2016
ENGIE Energielösungen GmbH	Energy services	Germany	100.0	100.0	FC	FC
ENGIE Deutschland GmbH	Energy services	Germany	100.0	100.0	FC	FC
ENGIE Italia SpA (*)	Energy sales	Italy	100.0	100.0	FC	FC
Engie Servizi SpA	Energy services	Italy	100.0	100.0	FC	FC
ENGIE Romania	Natural gas distribution/Energy sales	Romania	51.0	51.0	FC	FC
ENGIE Supply Holding UK Limited	Energy sales	United Kingdom	100.0	100.0	FC	FC
ENGIE Retail Investment UK Limited	Holding	United Kingdom	100.0	100.0	FC	FC
First Hydro Holdings Company	Electricity generation	United Kingdom	75.0	75.0	FC	FC
Keepmoat Regeneration(1)	Energy services	United Kingdom	100.0	-	FC	-
ENGIE Services Holding UK Ltd	Energy services	United Kingdom	100.0	100.0	FC	FC
ENGIE Services Limited	Energy services	United Kingdom	100.0	100.0	FC	FC

(1) *See Note 4 "Main changes in Group structure".*

INFRASTRUCTURES EUROPE

			% interest		Consolidation method	
Company name	Activity	Country	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
GRDF	Natural gas distribution	France	100.0	100.0	FC	FC
GRTgaz Group (excluding Elengy)	Natural gas transportation	France	74.8	74.7	FC	FC
Elengy[(1)]	LNG terminals	France	74.8	100.0	FC	FC
Fosmax LN [(2)]	LNG terminals	France	54.2	72.5	FC	FC
Storengy Deutschland GmbH	Underground natural gas storage	Germany	100.0	100.0	FC	FC
Storengy SA	Underground natural gas storage	France	100.0	100.0	FC	FC

(1) ENGIE SA transferred its 100% interest in Elengy to GRTgaz on September 27, 2017 (see Note 4 "Main changes in Group structure").
(2) Elengy holds 72.5% of Fosmax LNG.

GEM & LNG

			% interest		Consolidation method	
Company name	Activity	Country	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Electrabel SA (*)	Energy management trading	France/Belgium	100.0	100.0	FC	FC
ENGIE Global Markets	Energy management trading	France/ Belgium/ Singapore	100.0	100.0	FC	FC
ENGIE Energy Management (*)	Energy management trading	France/ Belgium/ Italy	100.0	100.0	FC	FC
ENGIE Energy Management Holding Switzerland AG	Holding	Switzerland	100.0	100.0	FC	FC
ENGIE Gas & LNG LLC	Natural gas/ LNG	United States	100.0	100.0	FC	FC
ENGIE SA (*)	Energy management trading/ Energy sales/LNG	France	100.0	100.0	FC	FC

E&P [(1)]

			% interest		Consolidation method	
Company name	Activity	Country	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
ENGIE E&P International Group	Exploration-production	France and other countries	70.0	70.0	FC	FC
ENGIE E&P International	*Holding - parent company*	*France*	*70.0*	*70.0*	*FC*	*FC*
ENGIE E&P Nederland BV	*Exploration-production*	*Netherlands*	*70.0*	*70.0*	*FC*	*FC*
ENGIE E&P Deutschland GmbH	*Exploration-production*	*Germany*	*70.0*	*70.0*	*FC*	*FC*
ENGIE E&P Norge AS	*Exploration-production*	*Norway*	*70.0*	*70.0*	*FC*	*FC*
ENGIE E&P UK Ltd.	*Exploration-production*	*United Kingdom*	*70.0*	*70.0*	*FC*	*FC*

(1) ENGIE E&P International and its subsidiaries were classified under "Discontinued operations" on May 11, 2017 (see Note 4.1.1 "Disposal of the exploration-production business").

6

OTHERS

Company name	Activity	Country	% interest Dec. 31, 2017	% interest Dec. 31, 2016	Consolidation method Dec. 31, 2017	Consolidation method Dec. 31, 2016
ENGIE SA (*)	Holding — parent company	France	100.0	100.0	FC	FC
Electrabel SA (*)	Holding/Electricity generation	Belgium	100.0	100.0	FC	FC
ENGIE Energie Services SA (*)	Holding	France	100.0	100.0	FC	FC
International Power Limited	Holding	United Kingdom	100.0	100.0	FC	FC
ENGIE CC	Financial subsidiaries/ Central functions	Belgium	100.0	100.0	FC	FC
ENGIE FINANCE SA	Financial subsidiaries	France	100.0	100.0	FC	FC
Solairedirect	Electricity generation	France	100.0	100.0	FC	FC
ENGIE Energie Nederland NV(*)	Electricity generation	Netherlands	100.0	100.0	FC	FC
ENGIE Cartagena	Electricity generation	Spain	100.0	100.0	FC	FC
ENGIE Deutschland AG (*)	Electricity generation	Germany	100.0	100.0	FC	FC
ENGIE Kraftwerk Wilhelmshaven GmbH & Co. KG	Electricity generation	Germany	57.0	57.0	FC	FC
ENGIE Energia Polska SA (*)(1)	Electricity generation	Poland	-	100.0	-	FC
ENGIE Thermique France	Electricity generation	France	100.0	100.0	FC	FC
Rugeley Power Limited	Electricity generation	United Kingdom	75.0	75.0	FC	FC
Saltend(1)	Electricity generation	United Kingdom	-	75.0	-	FC
Gaztransport & Technigaz (GTT)	Engineering	France	40.4	40.4	FC	FC
Tractebel Engineering	Engineering	Belgium	100.0	100.0	FC	FC

(1) Assets sold in 2017 (see Note 4 "Main changes in Group structure").

2.2 Significant judgments exercised when assessing control

The Group primarily considers the following information and criteria when determining whether it has control over an entity:

- governance arrangements: voting rights and whether the Group is represented in the governing bodies, majority rules and veto rights;
- whether substantive or protective rights are granted to shareholders, particularly in relation to the entity's relevant activities;
- the consequences of a "deadlock" clause;
- whether the Group is exposed, or has rights, to variable returns from its involvement with the entity.

The Group exercised its judgment regarding the entities and sub-groups described below.

Entities in which the Group has the majority of the voting rights

This category mainly comprises the ENGIE E&P International (70%) and GRTgaz (74.8%) sub-groups.

ENGIE E&P International (E&P): 70%

On October 31, 2011, ENGIE and China Investment Corporation (CIC) signed a partnership agreement for the acquisition by CIC of a 30% stake in the Group's exploration-production activities (ENGIE E&P International). The shareholder agreement provides that certain investment decisions relating to major development projects require a unanimous decision from the two shareholders, after a consultation period.

ENGIE considered that it continued to control ENGIE E&P International, as the rights granted to CIC represent minority protective rights, regarding in particular the risks to which all shareholders are exposed when undertaking exploration-production activities.

On February 15, 2018, the Group ceased to exert its control over ENGIE E&P International pursuant to the closing of the sale of its 70% interest, which simultaneously puts an end to the shareholders agreement with CIC (*see Note 27 "Post closing events"*).

GRTgaz (Infrastructures Europe): 74.8%

In addition to the analysis of the shareholder agreement with Société d'Infrastructures Gazières, a subsidiary of Caisse des Dépôts et Consignations (CDC), which owns 24.9% of the share capital of GRTgaz, the Group also assessed the rights granted to the French Energy Regulatory Commission (*Commission de régulation de l'énergie* – CRE). As a regulated activity, GRTgaz has a dominant position on the gas transportation market in France. Accordingly, since the transposition of the Third European Directive of July 13, 2009 into French law (Energy Code of May 9, 2011), GRTgaz has been subject to independence rules as concerns its directors and senior management team. The French Energy Code confers certain powers on the CRE in the context of its duties to control the proper functioning of the gas markets in France, including verifying the independence of the members of the Board of Directors and senior management and assessing its choice of investments. The Group considers that it exercises control over GRTgaz and its subsidiaries in view of its current ability to appoint the majority of the members of the Board of Directors and take decisions about the relevant activities, especially in terms of the level of investment and planned financing.

Entities in which the Group does not have the majority of the voting rights

In the entities in which the Group does not have a majority of the voting rights, judgment is exercised with regard to the

- dispersion of shareholding structure: number of voting rights held by the Group relative to the number of rights held respectively by the other vote holders and their dispersion;
- voting patterns at shareholders' meetings: the percentages of voting rights exercised by the Group at shareholders' meetings in recent years;
- governance arrangements: representation in the governing body with strategic and operational decision-making power over the relevant activities, as well as the rules for appointing key management personnel;
- contractual relationships and material transactions.

The main fully consolidated entities in which the Group does not have the majority of the voting rights are Compagnie Nationale du Rhône (49.98%) and Gaztransport & Technigaz (40.4%).

Compagnie Nationale du Rhône ("CNR" – France): 49.98%

The Group holds 49.98% of the share capital of CNR, with CDC holding 33.2%, and the balance (16.82%) being dispersed among around 200 local authorities. In view of the current provisions of the French "Murcef" law, under which a majority of CNR's share capital must remain under public ownership, the Group is unable to hold more than 50% of the share capital of CNR. However, the Group considers that it exercises de facto control as it holds the majority of the voting rights exercised at shareholders' meetings due to the widely dispersed shareholding structure and the absence of evidence of the minority shareholders acting in concert.

Gaztransport & Technigaz ("GTT" – Others): 40.4%

Since GTT's initial public offering in February 2014, ENGIE has been the largest shareholder in that company with a 40.4% stake, the free float representing around 49% of the share capital. The Group holds the majority of the voting rights exercised at shareholders' meetings in view of the widely dispersed shareholding structure and the absence of evidence of minority shareholders acting in concert. ENGIE also holds the majority of the seats on the Board of Directors. The Group considers that it exercises de facto control over GTT, based on an IFRS 10 criteria analysis.

2.3 Subsidiaries with material non-controlling interests

The following table shows the non-controlling interests in Group entities that are deemed to be material, the respective contributions to equity and net income at December 31, 2017 and December 31, 2016, as well as the dividends paid to non-controlling interests of these significant subsidiaries:

		Percentage interest of non-controlling interests		Net income/(loss) of non-controlling interests		Equity of non-controlling interests		Dividends paid to non-controlling interests	
Corporate name In millions of euros	Activity	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
GRTgaz Group (Infrastructures Europe, France) (1)	Regulated gas transportation activities in France	25.2	25.3	109	137	1,196	987	97	86
ENGIE Energía Chile Group (Latin America, Chile) (2)	Electricity distribution and generation - thermal power plants	47.2	47.2	45	112	842	941	27	47
GLOW Group (Africa/Asia, Thailand) (2)	Electricity distribution and generation - hydroelectric, wind and thermal power plants	30.9	30.9	110	94	565	599	87	84
ENGIE Brasil Energia Group (Latin America, Brazil) (2)	Electricity distribution and generation	31.3	31.3	177	131	563	621	154	105
ENGIE Romania Group (Europe excluding France & Benelux, Romania)	Distribution of natural gas/Energy sales	49.0	49.0	35	39	481	470	12	
ENGIE E&P International Group (E&P, France and other countries) (3)	Portfolio of exploration-production assets and oil and gas field operation assets	30.0	30.0	93	(47)	363	320		
ENGIE Energía Perú (Latin America, Peru) (2)	Electricity distribution and generation - thermal and hydroelectric power plants	38.2	38.2	45	45	337	351	17	19
Gaztransport & Technigaz (Other, France) (2)	Naval engineering, cryogenic membrane containment systems for LNG transportation	59.6	59.6	41	27	336	355	59	59
Other subsidiaries with non-controlling interests				159	40	1,255	1,226	227	106
TOTAL				**815**	**579**	**5,938**	**5,870**	**680**	**507**

(1) Elengy only contributed to the "GRTgaz Group" net income/(loss) of non-controlling interests line, from September 27, 2017. Regarding Fosmax LNG, the 27.5% direct interest share of non-controlling interests in net income/(loss) and in dividends paid is not taken into account under this line for the period starting January 1, 2017 and ending September 27, 2017.

(2) The ENGIE Energía Chile, ENGIE Energia Brasil and GLOW groups, as well as Gaztransport & Technigaz and ENGIE Energía Perú are listed on the stock markets in their respective countries.

(3) The ENGIE E&P International Group was classified under "Discontinued activities" on May 11, 2017. Summarized financial information of ENGIE E&P International is presented in Note 4.1 "Assets held for sale and discontinued operations".

2.3.1 Condensed financial information on subsidiaries with material non-controlling interests

The condensed financial information concerning these subsidiaries presented in the table below is based on a 100% interest and is shown before intragroup eliminations.

	GRTgaz Group		ENGIE Energía Chile Group		GLOW Group		ENGIE Brasil Energia Group	
In millions of euros	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Income statement								
Revenues	2,295	1,993	928	876	1,331	1,343	1,935	1,670
Net income/(loss)	447	544	85	223	267	241	566	417
Net income/(loss) Group share	337	406	40	111	157	147	389	286
Other comprehensive income/(loss) – Owners of the parent	1	(26)	(122)	41	(61)	35	(177)	192
TOTAL COMPREHENSIVE INCOME/(LOSS) – OWNERS OF THE PARENT	**339**	**381**	**(82)**	**152**	**96**	**183**	**212**	**478**
Statement of financial position								
Current assets	774	586	344	601	584	588	998	957
Non-current assets	10,481	9,114	2,562	2,601	2,284	2,558	3,897	3,162
Current liabilities	(884)	(699)	(293)	(280)	(359)	(383)	(1,387)	(489)
Non-current liabilities	(5,908)	(5,094)	(881)	(997)	(1,135)	(1,300)	(1,834)	(1,772)
TOTAL EQUITY	**4,462**	**3,908**	**1,732**	**1,926**	**1,374**	**1,463**	**1,675**	**1,858**
TOTAL NON-CONTROLLING INTERESTS	**1,196**	**987**	**842**	**941**	**565**	**599**	**563**	**621**
Statement of cash flows								
Cash flow from operating activities	1,074	1,069	190	266	477	432	794	658
Cash flow from (used in) investing activities	(915)	(619)	(428)	(55)	(23)	(17)	(1,548)	(355)
Cash flow from (used in) financing activities	(149)	(450)	55	(109)	(423)	(456)	770	(437)
TOTAL CASH FLOW FOR THE PERIOD (1)	**10**		**(183)**	**102**	**30**	**(41)**	**16**	**(134)**

(1) Excluding effects of changes in exchange rates and other.

6

	ENGIE Romania Group		ENGIE Energía Perú		Gaztransport & Technigaz	
In millions of euros	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Income statement						
Revenues	1,062	989	596	665	228	236
Net income/(loss)	71	80	117	119	69	(115)
Net income/(loss) Group share	36	41	72	73	28	(143)
Other comprehensive income/(loss) – Owners of the parent	(12)	(2)	(66)	20		1
TOTAL COMPREHENSIVE INCOME/(LOSS) – OWNERS OF THE PARENT	**24**	**39**	**6**	**94**	**28**	**(141)**
Statement of financial position						
Current assets	531	564	225	258	226	201
Non-current assets	728	752	1,679	1,902	530	582
Current liabilities	(240)	(321)	(259)	(351)	(113)	(101)
Non-current liabilities	(50)	(49)	(764)	(894)	(79)	(87)
TOTAL EQUITY	**969**	**946**	**880**	**916**	**563**	**595**
TOTAL NON-CONTROLLING INTERESTS	**481**	**470**	**337**	**351**	**336**	**355**
Statement of cash flows						
Cash flow from operating activities	116	188	323	206	116	95
Cash flow from (used in) investing activities	(34)	(42)	(74)	(192)	(6)	(3)
Cash flow from (used in) financing activities	(67)	(29)	(242)	(36)	(95)	(102)
TOTAL CASH FLOW FOR THE PERIOD (1)	**15**	**117**	**8**	**(22)**	**14**	**(11)**

(1) *Excluding effects of changes in exchange rates and other.*

NOTE 3 Investments in entities accounted for using the equity method

The respective contributions of associates and joint ventures in the statement of financial position, the income statement and the statement of comprehensive income at December 31, 2017 and December 31, 2016 are as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Statement of financial position		
Investments in associates	4,913	4,736
Investments in joint ventures	2,495	1,888
INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**7,409**	**6,624**
Income statement(1)		
Share in net income/(loss) of associates	269	671
Share in net income/(loss) of joint ventures	168	81
SHARE IN NET INCOME/(LOSS) OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**437**	**752**
Statement of comprehensive income		
Share of associates in "Other comprehensive income/(loss)"	50	47
Share of joint ventures in "Other comprehensive income/(loss)"	(6)	12
SHARE OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD IN "OTHER COMPREHENSIVE INCOME/(LOSS)"	**44**	**59**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

Significant judgments

The Group primarily considers the following information and criteria in determining whether it has joint control or significant influence over an entity:

- governance arrangements: whether the Group is represented in the governing bodies, majority rules and veto rights;
- whether substantive or protective rights are granted to shareholders, particularly in relation to the entity's relevant activities.

  This can be difficult to determine in the case of "project management" or "one-asset" entities, as certain decisions concerning the relevant activities are made upon the creation of the joint arrangement and remain valid throughout the project. Accordingly, the decision-making analysis concerns the relevant residual activities of the entity (those that significantly affect the returns of the entity);
- the consequences of a "deadlock" clause;
- whether the Group is exposed, or has rights, to variable returns from its involvement with the entity.

  This can also involve analyzing the Group's contractual relations with the entity, in particular the conditions in which contracts are entered into, the duration of contracts and the management of any conflicts of interest that may arise when the entity's governing body casts votes.

The Group exercised its judgment regarding the following entities and sub-groups:

Project management entities in the Middle East

The significant judgments made in determining the consolidation method to be applied to these project management entities concerned the risks and rewards relating to contracts between ENGIE and the entity concerned, as well as an analysis of the residual relevant activities over which the entity retains control after its creation. The Group considers that it has significant influence or joint control over these entities, since the decisions taken throughout the term of the project about the relevant activities such as refinancing, or the renewal or amendment of significant contracts (sales, purchases, operating and maintenance services) require, depending on the case, the unanimous consent of two or more parties sharing control.

SUEZ Group (31.96%)

With effect from July 22, 2013, the date on which the SUEZ shareholders' agreement expired, ENGIE no longer controls SUEZ but exercises significant influence over the company. In particular, this is because: (i) the Group does not have a majority of members on SUEZ's Board of Directors, (ii) at Shareholders' Meetings, although SUEZ's shareholder base is fragmented and ENGIE holds a large interest, past voting shows that ENGIE alone did not have the majority at Ordinary and Extraordinary Shareholders' Meetings between 2010 and 2017 and (iii) the operational transition agreements (essentially relating to a framework agreement governing purchases and IT) were entered into on an arm's length basis.

Associates in which the Group holds an interest of less than 20%

Cameron Holding LNG LLC (16.6%)

ENGIE entered into a partnership agreement with Sempra (50.2%), Mitsubishi (16.6%) and Mitsui (16.6%) to develop the Cameron LNG project in the United States. Pursuant to these agreements, ENGIE has held a 16.6% stake in the project management entity Cameron Holding LNG LLC since October 1, 2014 and will have a long-term liquefaction capacity of 4 million tons per annum (mtpa). Construction work has begun on the project and the facility should be operational for commercial purposes as from 2018.

The agreement grants all shareholders the right to participate in all decisions about the relevant activities, on the basis of qualified majorities. Accordingly, ENGIE has significant influence over this entity, which it has accounted for as an associate.

Joint ventures in which the Group holds an interest of more than 50%

Tihama (60%)

ENGIE holds a 60% stake in the Tihama cogeneration plant in Saudi Arabia and its partner Saudi Oger holds 40%. The Group considers that it has joint control over Tihama since the decisions about its relevant activities, including for example preparation of the budget and amendments to major contracts, require the unanimous consent of the parties sharing control.

Joint control – difference between joint ventures and joint operations

Classifying a joint arrangement requires the Group to use its judgment to determine whether the entity in question is a joint venture or a joint operation. IFRS 11 requires an analysis of "other facts and circumstances" when determining the classification of jointly controlled entities.

The IFRS Interpretations Committee (IFRS IC) (November 2014) decided that for an entity to be classified as a joint operation, other facts and circumstances must give rise to direct enforceable rights to the assets, and obligations for the liabilities, of the joint arrangement.

In view of this position and its application to our analyses, the Group has no material joint operations at December 31, 2017.

3.1 Investments in associates

3.1.1 Contribution of material associates and of associates that are not material to the Group taken individually

The table hereafter shows the contribution of each material associate along with the aggregate contribution of associates deemed not material taken individually, in the consolidated statement of financial position, income statement, statement of comprehensive income, and the "Dividends received from companies accounted for using the equity method" line of the statement of cash flows.

The Group used qualitative and quantitative criteria to determine material associates. These criteria include the contribution to the consolidated line items "Share in net income/(loss) of associates" and "Investments in associates", the total assets of associates in Group share, and associates carrying major projects in the study or construction phase for which the related investment commitments are material.

Corporate name	Activity	Capacity	Percentage interest of investments in associates		Carrying amount of investments in associates		Share in net income/(loss) of associates		Other comprehensive income/(loss) of associates		Dividends received from associates	
In millions of euros			Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
SUEZ Group (Other)	Water and waste processing		31.96	32.57	2,099	1,906	100	139	99	(40)	119	119
Energia Sustentável Do Brasil (Latin America, Brazil)	Hydro power plant	3,750 MW	40.00	40.00	784	774	(23)	197				
Project management entities in the Middle East (Africa/Asia, Saudi Arabia, Bahrain, Qatar, United Arab Emirates, Oman, Kuwait) (1)	Gas-fired power plants and seawater desalination facilities				646	651	166	129	(16)	52	96	99
Senoko (Africa/Asia, Singapore)	Gas-fired power plants	3,201 MW	30.00	30.00	298	355	(31)	(10)	(9)	31		
GASAG (Europe excluding France & Benelux, Germany) (2)	Gas and heat networks		31.58	31.58	247	231	14	5	4	15	2	11
Cameron LNG (GEM & LNG, United States)	Gas liquefaction terminal		16.60	16.60	220	193	(3)	(6)	(11)	2		
Canadian renewable energy activities (North America, Canada)	Wind farm	679 MW	40.00	40.00	154	161	16	13	(10)	(14)	23	21
Other investments in associates that are not material taken individually					466	466	30	204	(6)	1	37	105
INVESTMENTS IN ASSOCIATES					**4,913**	**4,736**	**269**	**671**	**50**	**47**	**278**	**355**

(1) *Investments in associates operating gas-fired power plants and seawater desalination facilities in the Arabian Peninsula have been grouped together under "Project management entities in the Middle East". This includes around 40 associates operating thermal power plants with a total installed capacity of 26,033 MW (at 100%) and a further 1,507 MW (at 100%) in capacity under construction.*
These associates have fairly similar business models and joint arrangements: the project management entities selected as a result of a competitive bidding process develop, build and operate power generation plants and seawater desalination facilities. The entire output of these facilities is sold to government-owned companies under power and water purchase agreements, over periods generally spanning 20 to 30 years.
In accordance with their contractual arrangements, the corresponding plants are recognized as property, plant and equipment or as financial receivables whenever substantially all of the risks and rewards associated with the assets are transferred to the buyer of the output. This treatment complies with IFRIC 4 and IAS 17. The shareholding structure of these entities systematically includes a government-owned company based in the same country as the project management entity. The Group's percent interest and percent voting rights in each of these entities varies between 20% and 50%.

(2) *Share in net income/(loss) of associates excluding the €70 million of impairment losses accounted for at December 31, 2016 by the Group on the net value of its investment in GASAG.*

The share in net income/(loss) of associates includes net non-recurring loss for a total amount of €43 million in 2017 (compared to net non-recurring income of €27 million in 2016), mainly including changes in the fair value of derivative instruments and disposal gains and losses, net of taxes (*see Note 5.2 "Net recurring income Group share"*).

3.1.2 Financial information regarding material associates

The tables below provide condensed financial information for the Group's main associates. The amounts shown have been determined in accordance with IFRS, before the elimination of intragroup items and after (i) adjustments made in line with Group accounting policies and (ii) fair value measurements of the assets and liabilities of the associate performed at the date of acquisition at the level of ENGIE, as required by IAS 28. All amounts are presented based on a 100% interest with the exception of "Total equity attributable to ENGIE".

In millions of euros	Revenues	Net income/ (loss)	Other compre-hensive income/ (loss)	Total compre-hensive income/ (loss)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Total equity	% interest of Group	Total equity attribu-table to ENGIE
AT DECEMBER 31, 2017											
SUEZ Group(1)	15,871	302	(210)	92	10,153	22,218	10,450	12,855	9,066	31.96	2,099
Energia Sustentável Do Brasil	789	(58)	(1)	(58)	269	4,976	591	2,695	1,960	40.00	784
Project management entities in the Middle East	4,147	653	(25)	628	2,477	21,060	4,673	16,131	2,734		646
Senoko	1,081	(105)	(31)	(135)	238	2,505	145	1,603	995	30.00	298
GASAG	1,106	46	12	58	780	1,676	1,500	173	782	31.58	247
Cameron LNG	57	(20)	(67)	(86)	87	5,770	267	4,267	1,323	16.60	220
Canadian renewable energy activities	175	39	(25)	14	73	1,128	69	747	385	40.00	154
AT DECEMBER 31, 2016											
SUEZ Group(1)	15,322	420	(333)	87	9,086	20,198	10,037	11,881	7,366	32.57	1,906
Energia Sustentável Do Brasil	578	493		493	308	6,108	919	3,563	1,934	40.00	774
Project management entities in the Middle East	4,004	557	227	784	2,360	24,294	5,302	18,617	2,735		651
Senoko	1,125	(34)	102	68	308	2,763	141	1,744	1,185	30.00	355
GASAG(2)	1,164	14	48	63	810	1,730	1,592	217	732	31.58	231
Cameron LNG	60	(36)	13	(23)	50	5,167	256	3,801	1,161	16.60	193
Canadian renewable energy activities	172	41	(36)	6	76	1,247	66	857	401	40.00	161

(1) The data indicated in the table for SUEZ correspond to financial information published by SUEZ. Total SUEZ equity attributable to the Group amounts to €6,562 million based on the published financial statements of SUEZ and €6,464 million based on the financial statements of ENGIE. The €98 million difference in these amounts reflects the non-inclusion of the share in deeply-subordinated perpetual notes issued by SUEZ in total equity attributable to ENGIE, partly offset by the fair value measurement of the assets and liabilities of SUEZ at the date the Group changed its consolidation method (July 22, 2013).

(2) Share in net income/(loss) of associates excluding the €70 million of impairment losses accounted for at December 31, 2016 by the Group on the net value of its investment in GASAG.

SUEZ is the only material listed associate. Based on the closing share price at December 31, 2017, the market value of this interest was €2,922 million.

3.1.3 Transactions between the Group and its associates

The data below set out the impact of transactions with associates on the Group's 2017 consolidated financial statements.

In millions of euros	Purchases of goods and services	Sales of goods and services	Net financial income (excluding dividends)	Trade and other receivables	Loans and receivables at amortized cost	Trade and other payables	Borrowings and debt
Project management entities in the Middle East		264		37	333		
Contassur[1]				159			
Energia Sustentável Do Brasil	167				50	11	
Other	15	6	1	7	34	3	
AT DECEMBER 31, 2017	**183**	**270**	**1**	**202**	**416**	**14**	

(1) Contassur is a life insurance company accounted for using the equity method. Contassur offers insurance contracts, chiefly with pension funds that cover post-employment benefit obligations for Group employees and also employees of other companies mainly engaged in regulated activities in the electricity and gas sector in Belgium. Insurance contracts entered into by Contassur represent reimbursement rights recorded within "Other assets" in the statement of financial position. These reimbursement rights totaled €159 million at December 31, 2017 (€130 million at December 31, 2016).

6

3.2 Investments in joint ventures

3.2.1 Contribution of material joint ventures and of joint ventures that are not material to the Group taken individually

The table below shows the contribution of each material joint venture along with the aggregate contribution of joint ventures deemed not material taken individually to the consolidated statement of financial position, income statement, statement of comprehensive income, and the "Dividends received from entities accounted for using the equity method" line of the statement of cash flows.

The Group used qualitative and quantitative criteria to determine material joint ventures. These criteria include the contribution to the lines "Share in net income/(loss) of joint ventures" and "Investments in joint ventures", the Group's share in total assets of joint ventures, and joint ventures conducting major projects in the study or construction phase for which the related investment commitments are material.

Corporate name	Activity	Capacity	Percentage interest of investments in joint ventures		Carrying amount of investments in joint ventures		Share in net income/(loss) of joint ventures		Other comprehensive income/(loss) of joint ventures		Dividends received from joint ventures	
In millions of euros			Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
National Central Cooling Company "Tabreed" (Middle East, Abu Dhabi)	District cooling networks		40.00	-	656	-	13	-		-		-
EcoÉlectrica (North America, Puerto Rico)	Combined-cycle gas-fired power plant and LNG terminal	507 MW	50.00	50.00	478	504	46	38				37
Portfolio of power generation assets in Portugal (Europe excluding France & Benelux, Portugal)	Electricity generation	2,895 MW	50.00	50.00	329	420	40	62	3	1	135	30
WSW Energie und Wasser AG (Europe excluding France & Benelux, Germany)(1)	Electricity distribution and generation		33.10	33.10	192	185	7	12			3	3
Tihama Power Generation Co (Africa/Asia, Saudi Arabia)	Electricity generation	1,599 MW	60.00	60.00	122	136	2	21	1	6		
Ohio State Energy Partners (North America)	Services		50.00	-	117	-	3	-	(2)	-	1	-
Megal GmbH (Infrastuctures Europe, Germany)	Gas transmission network		49.00	49.00	98	105	4	5			12	17
Transmisora Eléctrica del Norte (Latin America, Chile)	Electricity transmission line		50.00	50.00	66	79	1	(1)				(5)
Other investments in joint ventures that are not material taken individually					438	459	51	(56)	(8)	5	36	32
INVESTMENTS IN JOINT VENTURES					**2,495**	**1,888**	**168**	**81**	**(6)**	**12**	**188**	**114**

(1) The share in net income in WSW Energie und Wasser AG does not include the €21 million of impairment losses accounted for by the Group at December 31, 2016 on the net value of its investment in the joint venture.

The share in net income/(loss) of joint ventures includes non-recurring income of €18 million in 2017 (non-recurring expenses of €8 million in 2016), resulting chiefly from changes in the fair value of derivatives, impairment losses and disposal gains and losses, net of tax (*see Note5.2 "Net recurring income Group share"*).

3.2.2 Financial information regarding material joint ventures

The amounts shown have been determined in accordance with IFRS before the elimination of intragroup items and after (i) adjustments made in line with Group accounting policies and (ii) fair value measurements of the assets and liabilities of the joint venture performed at the date of acquisition at the level of ENGIE, as required by IAS 28. All amounts are presented based on a 100% interest with the exception of "Total equity attributable to ENGIE" in the statement of financial position.

INFORMATION ON THE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	Revenues	Depreciation and amortization on intangible assets and property, plant and equipment	Net financial income/(loss)[1]	Income tax expense	Net income/(loss)	Other comprehensive income/(loss)	Total comprehensive income/(loss)
AT DECEMBER 31, 2017							
National Central Cooling Company "Tabreed"	121	(12)	(15)		34		34
EcoÉlectrica	301	(72)	(2)	(4)	92		92
Portfolio of power generation assets in Portugal	760	(66)	(36)	(20)	100	12	112
WSW Energie und Wasser AG	879	(13)	(5)	(16)	21	1	23
Tihama Power Generation Co	120	(5)	(26)	(5)	3	2	4
Ohio State Energy Partners	27		(16)		6	(5)	1
Megal GmbH	115	(59)	(4)	2	9		9
Transmisora Eléctrica del Norte	7		4	(1)	3	(8)	(5)
AT DECEMBER 31, 2016							
EcoÉlectrica	309	(66)	(5)	(3)	76		76
Portfolio of power generation assets in Portugal	680	(79)	(36)	(38)	179	(2)	177
WSW Energie und Wasser AG[2]	1,179	(16)	(4)	(19)	37		37
Tihama Power Generation Co	126	(6)	(29)	(3)	35	11	46
Megal GmbH	115	(55)	(4)	(1)	11		11
Transmisora Eléctrica del Norte			(2)	1	(2)	(10)	(12)

(1) Interest income is not material.
(2) The share in net income in WSW Energie und Wasser AG does not include the €21 million impairments losses accounted for by the Group at December 31, 2016 on the net value of its investment in the joint venture.

INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

In millions of euros	Cash and cash equivalents	Other current assets	Non-current assets	Short-term borrowings	Other current liabilities	Long-term borrowings	Other non-current liabilities	Total equity	% interest of Group	Total equity attributable to ENGIE
AT DECEMBER 31, 2017										
National Central Cooling Company "Tabreed"	101	108	2,351		160	760		1,641	40.00	656
EcoÉlectrica	97	128	773	3	16		23	955	50.00	478
Portfolio of power generation assets in Portugal(1)	245	741	1,259	315	168	886	130	746	50.00	329
WSW Energie und Wasser AG(2)	13	117	769	40	98	105	97	560	33.10	192
Tihama Power Generation Co	77	121	526	50	52	404	14	204	60.00	122
Ohio State Energy Partners	25		931	717	1	6		234	50.00	117
Megal GmbH	5	6	765	4	50	446	77	200	49.00	98
Transmisora Eléctrica del Norte	21	103	849	2	5	836		131	50.00	66
AT DECEMBER 31, 2016										
EcoÉlectrica	74	131	959	1	16	108	29	1,009	50.00	504
Portfolio of power generation assets in Portugal	275	729	1,699	382	162	1,113	130	917	50.00	420
WSW Energie und Wasser AG	37	171	754	33	174	126	95	534	33.10	185
Tihama Power Generation Co	64	108	660	55	27	508	16	227	60.00	136
Megal GmbH	24	8	726	3	69	389	84	214	49.00	105
Transmisora Eléctrica del Norte	29	3	733	1	119	487		158	50.00	79

(1) Equity Group share amounts to €658 million for the Portuguese sub-group. The share of this €658 million attributable to ENGIE is therefore €329 million.
(2) Equity Group share amounts to €549 million for the WSW Energie und Wasser AG sub-group. The share of this €549 million attributable to ENGIE is therefore €182 million. This amount is increased by an additional share of €11 million in respect of a non-controlling interest held directly by ENGIE in a subsidiary of this sub-group (and is therefore not included in the €549 million in equity attributable to the owners of the parent).

3.2.3 Transactions between the Group and its joint ventures

The data below set out the impact of transactions with joint ventures on the Group's 2017 consolidated financial statements.

In millions of euros	Purchases of goods and services	Sales of goods and services	Net financial income (excluding dividends)	Trade and other receivables	Loans and receivables at amortized cost	Trade and other payables	Borrowings and debt
EcoÉlectrica		96					
Portfolio of power generation assets in Portugal				1	128		
WSW Energie und Wasser AG	3	54		5		2	
Megal GmbH	65					5	
Futures Energies Investissements Holding	1	16	4	1	206	1	
Other	55	13	7	2	151	3	
AT DECEMBER 31, 2017	**125**	**180**	**11**	**8**	**486**	**11**	

3.3 Other information on investments accounted for using the equity method

3.3.1 Unrecognized share of losses of associates and joint ventures

Cumulative unrecognized losses of associates (corresponding to the cumulative amount of losses exceeding the carrying amount of investments in the associates concerned) including other comprehensive income/(loss), amounted to €249 million in 2017 (€289 million in 2016). Unrecognized losses relating to fiscal year 2017 amounted to €5 million.

These unrecognized losses mainly correspond to (i) the negative fair value of derivative instruments designated as interest rate hedges ("Other comprehensive income/(loss)") contracted by associates in the Middle East in connection with the financing of construction projects for power generation and seawater desalination plants and (ii) cumulative losses arising on Tirreno Power joint venture.

3.3.2 Commitments and guarantees given by the Group in respect of entities accounted for using the equity method

At December 31, 2017, the main commitments and guarantees given by the Group in respect of entities accounted for using the equity method concern the following three companies and groups of companies:

- Cameron LNG for an aggregate amount of USD 1,505 million (€1,255 million).

  Commitments and guarantees given by the Group in respect of this associate correspond to:

  - a capital contribution commitment for USD 180 million (€150 million),
  - a performance bond for USD 1,230 million (€1,026 million), designed to guarantee the lenders against any risk of non-payment in the event that the project cannot be completed or enter into operation. At December 31, 2017, debt drawdowns made by Cameron LNG, in respect of the share guaranteed by the Group, amounted to USD 848 million (€707 million) including accrued interest,
  - miscellaneous guarantees for a total amount of USD 95 million (€79 million). At December 31, 2017, the Group's net exposure in respect of these guarantees amounted to USD 30 million (€25 million);
- Energia Sustentável do Brasil ("Jirau") for an aggregate amount of BRL 4,427 million (€1,116 million).

  At December 31, 2017, the amount of loans granted by Banco Nacional de Desenvolvimento Econômico e Social, the Brazilian Development Bank, to Energia Sustentável do Brasil amounted to BRL 11,068 million (€2,790 million). Each partner stands as guarantor for this debt to the extent of its ownership interest in the consortium;
- the project management entities in the Middle East and Africa, for an aggregate amount of €1,801 million.

  Commitments and guarantees given by the Group in respect of these project management entities chiefly correspond to:

  - an equity contribution commitment (capital/subordinated debt) for €675 million. These commitments only concern entities acting as holding companies for projects in the construction phase,
  - letters of credit to guarantee debt service reserve accounts for an aggregate amount of €239 million. The project financing set up in certain entities can require those entities to maintain a certain level of cash within the company (usually enough to service its debt for six months). This is particularly the case when the financing is without recourse. This level of cash may be replaced by letters of credit,
  - collateral given to lenders in the form of pledged shares in the project management entities, for an aggregate amount of €420 million,
  - performance bonds and other guarantees for an amount of €467 million.

NOTE 4 Main changes in group structure

4.1 Assets held for sale and discontinued operations

Total “Assets classified as held for sale” and total “Liabilities directly associated with assets classified as held for sale” amounted to €6,687 million and €3,371 million, respectively, at December 31, 2017.

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Property, plant and equipment, net	5,307	3,153
Other assets	1,380	353
TOTAL ASSETS CLASSIFIED AS HELD FOR SALE	**6,687**	**3,506**
Of which Assets relating to discontinued operations	*5,471*	
Borrowings and debt	418	
Other liabilities	2,953	300
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**3,371**	**300**
Of which Liabilities directly associated with assets relating to discontinued operations	*2,705*	

All assets held for sale at December 31, 2016 (thermal merchant power plant portfolio in the United States and the Polaniec power plant in Poland) were sold in 2017 (*see Note 4.2 “Disposals carried out in 2017*”).

Assets held for sale and the associated liabilities presented in the statement of financial position at December 31, 2017 relate to the Group’s exploration-production activities and to the Loy Yang B power plant in Australia.

The exploration-production 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 the exploration-production business is presented on a separate line after income relating to continued operations. The comparative income statement data for the previous year have been restated on the same basis.

The transaction concerning the Loy Yang B coal-fired power plant was finalized by the Group in January 2018, followed by the finalization of the disposal of exploration-production activities in February 2018.

Furthermore, the Group entered into an agreement in November 2017 regarding the sale to Total of ENGIE’s upstream Liquefied Natural Gas (LNG) activities for a total value of USD 2.04 billion, including an earn-out of up to USD 550 million. However, in view of the progress made as of December 31, 2017 in fulfilling the conditions precedent – some of which are beyond its control – the Group considered that these activities could not be classified under “Assets held for sale” at that date.

4.1.1 Disposal of the exploration-production business

On May 11, 2017, the Group entered into exclusive negotiations with Neptune Energy for the sale of its entire 70% interest in its subsidiary ENGIE E&P International (EPI), having received a firm and binding offer from Neptune Energy. Upon completion of the consultation process held with staff representatives, ENGIE formally signed the contract with Neptune Energy for the sale of its 70% interest in EPI on September 22, 2017.

This transaction was completed on February 15, 2018 (*see Note 27 “Subsequent events*”).

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

EPI was classified under “Discontinued operations” on May 11, 2017. This assumption, which has since been confirmed following the completion of the transaction on February 15, 2018, was based on the firm and binding offer received from Neptune Energy and on the conditions precedent to be met at the date of receipt of the offer. 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 December 31, 2017, but the statement of financial position at December 31, 2016 has not been restated;
- net income relating to discontinued operations generated in 2017 is presented on a single line of the income statement entitled “Net income/(loss) from discontinued operations”. The comparative income statement data for 2016 have been restated in accordance with IFRS 5 (*see Note 30 “Restatement of 2016 comparative data*”);

- recyclable and non-recyclable items relating to discontinued operations are presented separately in the statement of comprehensive income for 2017. The comparative comprehensive income data for 2016 have also been restated in accordance with IFRS 5 (*see Note 30 "Restatement of 2016 comparative data"*);
- cash flows generated by operating, investing and financial activities attributable to discontinued operations are presented on separate lines of the Group's statement of cash flows for 2017. The comparative cash flow data for 2016 have been restated in accordance with IFRS 5 (*see Note 30 "Restatement of 2016 comparative data"*).

4.1.2 Financial information on discontinued operations

INCOME FROM DISCONTINUED OPERATIONS

In millions of euros	Dec 31, 2017	Dec. 31, 2016
Revenues	1,908	1,909
Purchases	(225)	(178)
Personnel costs	(206)	(235)
Depreciation, amortization and provisions	(121)	(646)
Other operating expenses	(285)	(434)
Other operating income	14	108
CURRENT OPERATING INCOME	**1,086**	**524**
Share in net income of entities accounted for using the equity method	5	12
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**1,091**	**536**
Mark-to-market on commodity contracts other than trading instruments	(13)	(25)
Impairment losses	(137)	(157)
Restructuring costs	(1)	(25)
Changes in scope of consolidation	4	
Other non-recurring items	(1)	
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**944**	**328**
Financial expenses	(85)	(78)
Financial income	43	20
NET FINANCIAL INCOME/(LOSS)	**(43)**	**(58)**
Income tax expense	(611)	(428)
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**290**	**(158)**
Net income/(loss) relating to discontinued operations, Group share	*196*	*(111)*
Non-controlling interests relating to discontinued operations	*93*	*(47)*

Revenue generated by EPI with ENGIE Group companies totaled €153 million in 2017 (€109 million in 2016).

As required by IFRS 5, ENGIE has no longer recognized any depreciation and amortization expense on EPI's property, plant and equipment and intangible assets as of May 11, 2017. The savings generated by this change amounted to €297 million before tax in 2017.

The net impairment losses of €137 million recognized in 2017 arose mainly as a result of the Group's decision to discontinue its operation of an exploration license for a gas field in the Caspian Sea. The exploration license, as well as the capitalized costs relating to this project, were therefore written down in full. The net impairment losses of €157 million recognized in 2016 related mainly to production assets and exploration licenses in the North Sea, Indonesia and Egypt.

Net financial income/(loss) for 2017 includes €35 million of interest expenses on EPI's borrowings from the ENGIE Group (€32 million in 2016).

Net income relating to discontinued operations also includes €20 million of costs incurred specifically in connection with the Neptune Energy transaction.

COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS

In millions of euros	Dec. 31, 2017	Dec. 31, 2017 Owners of the parent	Dec. 31, 2017 Non-controlling interests	Dec. 31, 2016	Dec. 31, 2016 Owners of the parent	Dec. 31, 2016 Non-controlling interests
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**309**	**216**	**93**	**(158)**	**(111)**	**(47)**
Commodity cash flow hedges	115	81	35	(612)	(428)	(183)
Deferred tax on items above	(42)	(29)	(12)	263	184	79
Translation adjustments	(250)	(175)	(75)	73	51	22
TOTAL RECYCLABLE ITEMS	**(177)**	**(124)**	**(53)**	**(276)**	**(193)**	**(83)**
Actuarial gains and losses	(2)	(2)	(1)	8	5	2
Deferred tax on actuarial gains and losses	9	7	3	(5)	(3)	(1)
TOTAL NON-RECYCLABLE ITEMS	**7**	**5**	**2**	**3**	**2**	**1**
TOTAL COMPREHENSIVE INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS	**140**	**98**	**42**	**(432)**	**(302)**	**(129)**

The net loss recognized in comprehensive income in 2017 totaled €60 million (€43 million attributable to the Group), including:

- items that may not be recycled to profit or loss, mainly actuarial gains and losses on post-employment benefit obligations for a negative €73 million before tax (a negative €51 million attributable to the Group);
- items that may subsequently be recycled to profit or loss, mainly translation adjustments totaling €13 million (€9 million attributable to the Group).

ASSETS AND LIABILITIES FROM DISCONTINUED OPERATIONS

In millions of euros	Dec. 31, 2017
Non-current assets	
Goodwill	32
Intangible assets, net	194
Property, plant and equipment, net	4,146
Available-for-sale securities	20
Loans and receivables at amortized cost	3
Investments in entities accounted for using the equity method	13
Other assets	11
Deferred tax assets	237
TOTAL NON-CURRENT ASSETS	**4,655**
Current assets	
Derivative instruments	1
Trade and other receivables, net	270
Inventories	60
Other assets	468
Cash and cash equivalents	16
TOTAL CURRENT ASSETS	**815**
TOTAL ASSETS RELATING TO DISCONTINUED OPERATIONS	**5,471**

In millions of euros	Dec. 31, 2017
Non-current liabilities	
Provisions	1,252
Long-term borrowings	5
Other liabilities	31
Deferred tax liabilities	836
TOTAL NON-CURRENT LIABILITIES	**2,123**
Current liabilities	
Provisions	14
Short-term borrowings	3
Derivative instruments	3
Trade and other payables	215
Other liabilities	346
TOTAL CURRENT LIABILITIES	**581**
TOTAL LIABILITIES DIRECTLY ASSOCIATED WITH DISCONTINUED OPERATIONS	**2,705**

In addition, EPI's borrowings from the Group (excluded from the above items) totaled €1,612 million at December 31, 2017.

CASH FLOWS FROM DISCONTINUED OPERATIONS

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
NET INCOME/(LOSS)	**294**	**(158)**
Cash generated from operations before income tax and working capital requirements	**1,229**	**1,146**
Change in working capital requirements	**(95)**	**(473)**
CASH FLOW FROM OPERATING ACTIVITIES	**647**	**111**
Acquisitions of property, plant and equipment and intangible assets	(596)	(940)
Other	83	41
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**(512)**	**(899)**
Cash flow from (used in) financing activities excluding intercompany transactions	19	188
Intercompany transactions with ENGIE on borrowings	(207)	605
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**(188)**	**793**
Effects of changes in exchange rates and other	(11)	(12)
TOTAL CASH FLOW FOR THE PERIOD	**(64)**	**(7)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**81**	**87**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**16**	**81**

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

On November 23, 2017, the Group signed a conditional binding agreement for the sale of its interest in the Loy Yang B coal-fired power plant in Australia to the parent company of Alinta Energy, Chow Tai Fook Enterprises. This power plant, which has a capacity of 1,000 MW, is located in the Latrobe Valley in the state of Victoria. The disposal covers all the shares held indirectly by ENGIE (70%) and Mitsui (30%) in this ENGIE subsidiary.

At December 31, 2017, the Group considered that the sale of these assets 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". As the carrying amount of these assets held for sale was €141 million greater than the expected sale price, the Group recognized an impairment loss for the full amount of the difference against the goodwill allocated to the portfolio.

This reclassification under "Assets held for sale" led to a €294 million decrease in the Group's net debt at December 31, 2017. Loy Yang B's contribution to "Net income/(loss) Group share" was a positive €36 million in 2017 and a negative €11 million in 2016.

This disposal was completed on January 15, 2018 (*see Note 27 "Subsequent events"*).

4.2 Disposals carried out in 2017

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

The table below shows the impact of the main disposals and sale agreements on the Group's net debt at December 31, 2017, excluding partial disposals with respect to DBSO[(1)] activities:

In millions of euros	Disposal price	Reduction in net debt
Transactions finalized in 2017 relating to "Assets held for sale" at December 31, 2016	**3,377**	**(3,338)**
Disposal of the portfolio of thermal merchant power plants – United States	3,085	(3,098)
• Disposal of the Polaniec power plant – Poland	292	(240)
Transactions carried out in 2017	**558**	**(1,369)**
Disposal of a 30% interest in Opus Energy – United Kingdom	122	(122)
Disposal of a 10% interest in Petronet LNG – India	436	(428)
Transfer of 100% of Elengy to GRTgaz – France	202	(195)
Disposal of a 38.1% interest in NuGen – United Kingdom	122	(122)
Disposal of a 75% interest in a a portfolio of power plants – United Kingdom	82	(218)
Classification of the Loy Yang B coal-fired power plant in "Asset held for sale" – Australia		(294)
Classification of exploration-production activities under "Discontinued operations"		10
Other disposals that are not material taken individually		**(84)**
TOTAL		**(4,791)**

The €4,791 million reduction in net debt at December 31, 2017 is in addition to the €3,992 million decrease recognized at December 31, 2016 and the €193 million decrease recognized at December 31, 2015 under the asset disposal program, making a total of €8,976 million.

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

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

At December 31, 2017, this transaction resulted in the recognition of a €540 million disposal gain, including €513 million of items recycled to profit or loss from other comprehensive income (translation adjustments and net investment hedges). It also reduced the Group's net debt by €3,098 million.

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

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

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

4.2.2 Disposal of the Polaniec power plant (Poland)

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

At December 31, 2017, this transaction resulted in the recognition of a €57 million disposal gain, including €59 million of items recycled to profit or loss from other comprehensive income (translation adjustments and net investment hedges). It also reduced the Group's net debt by €240 million.

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

(1) Develop, Build, Share and Operate.

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

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

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

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

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

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

4.2.5 Transfer of 100% of Elengy to GRTgaz (France)

On September 27, 2017, ENGIE SA, Société d'Infrastructures Gazières ("SIG", held by CNP Assurances and Caisse des Dépôts et Consignations) and GRTgaz finalized the acquisition of the entire share capital of Elengy (a subsidiary of ENGIE operating LNG terminals in France) by GRTgaz (the French natural gas transmission operator owned at 74.7% by ENGIE and 24.9% by SIG, with FPCE Alto owning the remaining interest).

In accordance with the terms of the agreement between the parties signed on July 18, 2017, the transaction was carried out in three simultaneous stages, as follows:

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

This transaction between owners had no impact on the ownership structure of GRTgaz and was completed at the close of the Extraordinary Shareholders' Meeting held by GRTgaz which approved all of the related legal provisions. The Group retains exclusive control over Elengy.

As this transaction was the sale of a non-controlling interest, the difference between the sale price and the carrying amount of the investment, i.e., €69 million, was recognized in shareholders' equity. The transaction also reduced the Group's net debt by €195 million, after transaction costs.

4.2.6 Completion of the sale of ENGIE's United Kingdom nuclear business

On July 25, 2017, ENGIE completed the transfer of its entire 38.10% remaining stake in NuGen to Toshiba. NuGen, a UK based company accounted for using the equity method in the Group's consolidated financial statements, plans to build three reactors at Moorside, located in Cumbria, North West England.

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

The completed transaction resulted in the recognition of GBP 109 million (€122 million) in proceeds from the sale, representing a disposal gain of €93 million.

4.2.7 Disposal of a portfolio of power plant in the United Kingdom

On October 31, 2017, the Group finalized the sale of a portfolio of power plants in the United Kingdom to Energy Capital Partners (ECP), a private equity firm that specializes in investments in energy infrastructure. The portfolio represents a total installed capacity of 1,841 MW (at 100%). It had been fully consolidated in ENGIE's consolidated financial statements and was 75%-owned by the Group, with the remaining interest held by Mitsui. The sold portfolio comprised:

- the Saltend combined-cycle gas plant in East Yorkshire, with a capacity of 1,197 MW;
- the Deeside gas-fired power plant in North Wales, with a capacity of 515 MW;
- the Indian Queens oil-fired thermal power plant in Cornwall, with a capacity of 129 MW.

The transaction was carried out based on a total enterprise value of GBP 205 million (€232 million). The Group received consideration of GBP 205 million (€232 million), corresponding to GBP 72 million (€82 million) for the sale of its entire interest in this portfolio of power plants – of which 25% was paid back to Mitsui as dividends – and GBP 133 million (€156 million) for the repayment of shareholder loans granted to this portfolio of power generation assets.

Besides the reversal of an impairment loss of €93 million previously recorded by the Group on this portfolio of power plants (*see Note 8.2 "Impairment losses"*), this transaction resulted in the recognition of a €61 million disposal gain in 2017, including €47 million recycled to profit or loss from other comprehensive income (translation adjustments and net investment hedges).

4.3 Acquisitions carried out in 2017

4.3.1 Acquisition of Keepmoat Regeneration (United Kingdom)

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

The accounting for this business combination was provisional at December 31, 2017. The provisional goodwill amounts to €453 million.

4.3.2 Acquisition of Icomera (Sweden)

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

The accounting for this business combination was provisional at December 31, 2017. The provisional goodwill amounts to €113 million.

4.3.3 Acquisition of the non-controlling interests in La Compagnie du Vent (France)

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

The agreement entailed a €131 million increase, prior to the transaction, in the fair value of the financial liability representing the put option granted by the Group on the non-controlling interests in La Compagnie du Vent, with a corresponding amount recognized in goodwill in accordance with the Group's accounting policies (*see Note 1.4.11.2 "Financial liabilities"*). At December 31, 2017, the financial liability representing the put option had been fully extinguished.

4.3.4 Acquisition of 40% interest in Tabreed (United Arab Emirates)

On August 16, 2017, the Group finalized the acquisition of a 40% interest in the National Central Cooling Company PJSC ("Tabreed"). Tabreed is listed on the Dubai stock exchange and specializes in innovative cooling solutions for major infrastructure projects in the United Arab Emirates and in the Gulf Cooperation Council (GCC) countries. This interest was acquired for a total consideration of AED 2.8 billion (€657 million) from the Mubadala Investment Company ("Mubadala"), a strategic investment company based in Abu Dhabi. Mubadala retains a 42% interest in Tabreed.

The 40% interest in Tabreed is accounted for using the equity method in the Group's consolidated financial statements. This joint venture's carrying amount was €656 million at December 31, 2017.

4.4 Other transactions in 2017

Various other acquisitions, equity transactions and disposals took place in 2017, including the acquisition of the Dutch company EV-Box, a supplier of electric vehicle charging solutions, and the acquisition of six Talen Energy group companies, specializing in B2B services, in the United States. Their individual and cumulative impacts on the Group's consolidated financial statements are not significant.

4.5 Disposals realized in 2016

Disposals carried out in 2016 led to a €3,992 million decrease in net debt compared with December 31, 2015.

In millions of euros	Disposal price	Reduction in net debt at Dec. 31, 2016
Transactions finalized in 2016 relating to "Assets held for sale" at December 31, 2015	**868**	**(861)**
Disposal of a portion of the portfolio of merchant power generation assets – United States		
• Disposal of the merchant hydropower generation assets	868	(861)
Transactions carried out in 2016	**1,786**	**(2,531)**
Disposal of Paiton coal-fired power plants – Indonesia	1,167	(1,359)
Disposal of Meenakshi coal-fired power plants – India	(242)	(142)
Disposal of a 50% interest in Transmisora Eléctrica del Norte (TEN) – Chile	195	(267)
Disposal of a portfolio of Maïa Eolis' wind farm assets to Futures Energies Investissements Holding (FEIH) – France	102	(199)
Disposal of "Available-for-sale securities"		
• Stake in the Walloon distribution network operator	410	(410)
• Stake in Transportadora de Gas del Perú (TgP)	154	(154)
Other disposals		**(601)**
TOTAL		**(3,992)**

NOTE 5 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.

5.1 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	Dec. 31, 2017(1)	Dec. 31, 2016(2)
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**5,273**	**5,636**
Net depreciation and amortization/Other	3,980	3,815
Share-based payments (IFRS 2)	38	59
Non-recurring share in net income of entities accounted for using the equity method	26	(19)
EBITDA	**9,316**	**9,491**

(1) Since January 1, 2017, the nuclear contribution in Belgium has been recognized in EBITDA and amounts to €142 million.
(2) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

5.2 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.

This financial indicator therefore excludes:

- all items presented between the lines "Current operating income after share in net income of entities accounted for using the equity method" and "Income/(loss) from operating activities", i.e. "Mark-to-market on commodity contracts other than trading instruments", "Impairment losses", "Restructuring costs", "Changes in scope of consolidation" and "Other non-recurring items". These items are defined in Note 1.4.17 "Current operating income";
- the following components of net financial income/(loss): the impact of debt restructuring, compensation payments on the early unwinding of derivative instruments net of the reversal of the fair value of these derivatives that were settled early, changes in the fair value of derivative instruments which do not qualify as hedges under IAS 39 – *Financial Instruments: Recognition and Measurement,* as well as the ineffective portion of derivative instruments that qualify as hedges;
- the income tax impact of the items described above, determined using the statutory income tax rate applicable to the relevant tax entity;
- the recovery from the French State of the 3% tax on dividends on 2017;
- the impact of tax rate changes in France and in the United States and other non-recurring measures in 2017 *(see Note 10.1.2)*;
- the deferred tax income of €904 million recorded in 2016 in respect of the impact of tax rate change on the deferred balance in France as of January 1, 2020 as approved by the 2017 French Finance Law *(see Note 10.1.2)*;
- net non-recurring items included in "Share in net income of entities accounted for using the equity method". The excluded items correspond to the non-recurring items as defined above.

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

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2016[(1)]
NET INCOME/(LOSS) GROUP SHARE		**1,423**	**(415)**
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS, GROUP SHARE		196	(111)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS, GROUP SHARE		**1,226**	**(304)**
Non-controlling interests relating to continued operations		722	626
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS		**1,948**	**322**
Reconciliation items between current operating income after share in net income of entities accounted for using the equity method and income/(loss) from operating activities		**2,454**	**3,512**
Mark-to-market on commodity contracts other than trading instruments	*8*	*307*	*(1,279)*
Impairment losses	*8*	*1,317*	*4,035*
Restructuring costs	*8*	*671*	*450*
Changes in scope of consolidation	*8*	*(752)*	*(544)*
Other non-recurring items	*8*	*911*	*850*
Other adjusted items		**(1,268)**	**(754)**
Ineffective portion of derivatives qualified as fair value hedges	*9.3*	*2*	*5*
Gains/(losses) on debt restructuring and early unwinding of derivative financial instruments	*9.2*	*98*	
Change in fair value of derivatives not qualified as hedges and ineffective portion of derivatives qualified as cash flow hedges	*9.3*	*186*	*103*
Recovery from the French State of the 3% tax on dividends		*(408)*	
Tax rate changes in France, in the United States and other non-recurring measures		*(479)*	*(904)*
Other adjusted tax impacts		*(693)*	*61*
Non-recurring income included in share in net income of entities accounted for using the equity method		*26*	*(19)*
NET RECURRING INCOME RELATING TO CONTINUED OPERATIONS		**3,134**	**3,080**
Net recurring income relating to continued operations attributable to non-controlling interests		762	650
NET RECURRING INCOME RELATING TO CONTINUED OPERATIONS, GROUP SHARE		**2,372**	**2,430**
Net recurring income relating to discontinued operations, Group share		291	47
NET RECURRING INCOME GROUP SHARE		**2,662**	**2,477**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

The reconciliation of net income relating to discontinued operations Group share with net recurring income relating to discontinued operations Group share is as follows:

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2016
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS, GROUP SHARE		**196**	**(111)**
Non-controlling interests relating to discontinued operations		93	(47)
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS		**290**	**(158)**
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		**147**	**208**
Other adjusted items		(21)	19
NET RECURRING INCOME RELATING TO DISCONTINUED OPERATIONS		**416**	**68**
Net recurring income relating to discontinued operations attributable to non-controlling interests		125	21
NET RECURRING INCOME RELATING TO DISCONTINUED OPERATIONS, GROUP SHARE		**291**	**47**

5.3 Industrial capital employed

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

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
(+) Property, plant and equipment and intangible assets, net	57,528	64,378
(+) Goodwill	17,285	17,372
(-) Goodwill Gaz de France – SUEZ and International Power(1)	*(7,715)*	*(8,448)*
(+) IFRIC 4 and IFRIC 12 receivables	1,496	1,008
(+) Investments in entities accounted for using the equity method	7,409	6,624
(-) Goodwill arising on the International Power combination(1)	*(144)*	*(173)*
(+) Trade and other receivables, net	20,311	20,835
(-) Margin calls(1) (2)	*(1,110)*	*(1,691)*
(+) Inventories	4,155	3,656
(+) Other current and non-current assets	9,059	11,123
(+) Deferred tax	(4,417)	(5,525)
(+) Cancellation of deferred tax on other recyclable items(1)	*(236)*	*(477)*
(-) Provisions	(21,768)	(22,208)
(+) Actuarial gains and losses in shareholders' equity (net of deferred tax)(1)	*2,438*	*2,566*
(-) Trade and other payables	(16,432)	(17,075)
(+) Margin calls(1) (2)	*473*	*771*
(-) Other liabilities	(15,803)	(17,106)
INDUSTRIAL CAPITAL EMPLOYED	**52,528**	**55,629**

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

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

5.4 Cash flow from operations (CFFO)

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

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)
Cash generated from operations before income tax and working capital requirements	8,305	9,117
Tax paid	(894)	(896)
Change in working capital requirements	1,251	1,842
Interest received on non-current financial assets	83	12
Dividends received on non-current financial assets	170	142
Interest paid	(745)	(817)
Interest received on cash and cash equivalents	100	137
Change in financial assets at fair value through income	(181)	(257)
(+) Change in financial assets at fair value through income recorded in the statement of financial position and other	*222*	*297*
CASH FLOW FROM OPERATIONS (CFFO)	**8,311**	**9,578**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

6

5.5 Capital expenditures (CAPEX)

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

In millions of euros	Dec. 31, 2017	Dec. 31, 2016[(1)]
Acquisitions of property, plant and equipment and intangible assets	5,779	5,290
Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired	690	411
(+) Cash and cash equivalents acquired	*32*	*80*
Acquisitions of investments in entities accounted for using the equity method and joint operations	1,446	208
Acquisitions of available-for-sale securities	258	391
Change in loans and receivables originated by the Group and other	838	(30)
(+) Other	*3*	
Change in ownership interests in controlled entities	(1)	26
(+) Payments received in respect of the disposal of non-controlling interests	*222*	
TOTAL CAPITAL EXPENDITURE (CAPEX)	**9,267**	**6,375**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

5.6 Net debt

Net debt is presented in Note 15.3 "Net debt".

5.7 Economic net debt

Economic net debt is as follows:

In millions of euros	Notes	Dec. 31, 2017	Dec. 31, 2016
NET DEBT	**15**	**22,548**	**24,807**
E&P internal debt	15	1,612	1,727
NET DEBT (EXCLUDING E&P INTERNAL DEBT)		**20,936**	**23,080**
Future minimum operating lease payments	21	3,463	3,644
(-) E&P			*(103)*
Provisions for back-end of the nuclear fuel cycle	18	5,914	5,630
Provisions for dismantling of plant and equipment	18	5,728	5,671
Provisions for site rehabilitation	18	313	1,487
(-) E&P			*(1,128)*
Post-employment benefit – Pension	19	1,763	2,067
(-) E&P			*(166)*
(-) Infrastructures regulated companies		*(41)*	*(26)*
Post-employment benefit – Reimbursement rights	19	(159)	(130)
Post-employment benefit – Others benefits	19	4,277	4,286
(-) E&P			*(50)*
(-) Infrastructures regulated companies		*(2,421)*	*(2,354)*
Deferred tax assets for pension and related obligations	10	(1,319)	(1,451)
(-) E&P			*9*
(-) Infrastructures regulated companies		*578*	*635*
Plan assets relating to nuclear provisions, inventories of uranium and a receivable of Electrabel towards EDF Belgium	15 & 25	(2,673)	(2,676)
ECONOMIC NET DEBT		**36,362**	**38,426**

NOTE 6 Segment information

6.1 Operating segments and reportable segments

ENGIE is organized into 24 Business Units (BUs) or operating segment primarily based on a region-centered approach within a single country or group of countries. Each Business Unit corresponds to an "operating segment" whose operational and financial performance is regularly reviewed by the Group's Executive Committee, which is the Group's "chief operating decision maker" within the meaning of IFRS 8.

These operating segments are grouped into nine reportable segments to present the Group's segment information: North America, Latin America, Africa/Asia, Benelux, France, Europe excluding France & Benelux, Infrastructures Europe, GEM & LNG and Other.

Exploration & Production (E&P) is now presented under discontinued operations.

6.1.1 Description of reportable segments

- North America: includes power generation, energy services and natural gas and electricity sales activities in the United States, Canada and Puerto Rico.
- Latin America: groups together the activities of (i) the Brazil BU and (ii) the Latin America BU (Argentina, Chile, Mexico and Peru). The subsidiaries concerned are involved in the centralized power generation and gas chain businesses, and energy services.
- Africa/Asia: groups together the activities of the following BUs: (i) Asia-Pacific (Australia, New Zealand, Thailand, Singapore, Indonesia and Laos), (ii) China, (iii) Africa (Morocco, South Africa) and (iv) the Middle East, South and Central Asia and Turkey (including India and Pakistan). In all of these regions, the Group is active in electricity generation and sales, gas distribution and sales, energy services and seawater desalination in the Arabian peninsula.
- Benelux: includes the Group's activities in Belgium, the Netherlands and Luxembourg: (i) power generation using its nuclear power plants and renewable power generation facilities, (ii) natural gas and electricity sales and (iii) energy services.
- France: groups together the activities of the following BUs: (i) France BtoB: energy sales and services for buildings and industry, cities and regions and major infrastructures, (ii) France BtoC: sales of energy and related services to individual and professional customers, (iii) France Renewable Energy: development, construction, financing, operation and maintenance of all renewable power generation assets in France (excluding Solairedirect) and (iv) France Networks, which designs, finances, builds and operates decentralized energy production and distribution facilities (heating and cooling networks).
- Europe excluding France & Benelux: groups together the activities of the following BUs: (i) United Kingdom (management of renewable power generation assets and the portfolio of distribution assets, supply of energy services and solutions, etc.) and (ii) North, South and Eastern Europe (sales of natural gas and electricity and related energy services and solutions, operation of renewable power generation assets, management of distribution networks).
- Infrastructures Europe: groups together the GRDF, GRTgaz, Elengy and Storengy BUs, which operate natural gas transportation, storage and distribution networks and facilities, and LNG terminals, mainly in France and Germany. They also sell access rights to these infrastructures to third parties.
- GEM & LNG: includes the activities of the Global Energy Management (GEM) and Global LNG BUs. The aim of the GEM BU is to manage and optimize the Group's portfolios of physical and contractual assets (excluding gas infrastructures), particularly on the European market, on behalf of the BUs that hold power generation assets. It is also responsible for sales of energy to major pan-European and national industrial clients, and leverages its expertise in the energy-related financial markets to provide solutions to third parties. The Global LNG BU manages a long-term supply contract portfolio and interests in LNG infrastructures and operates an LNG fleet.
- Other: includes the activities of the following BUs: (i) Generation Europe, comprising the Group's thermal power generation activities in Europe, (ii) Tractebel (engineering companies specializing in energy, hydraulics and infrastructures), (iii) GTT (specialized in the design of cryogenic membrane confinement systems for sea transportation and storage of LNG, both on land and at sea), as well as the Group's holding and corporate activities which include the entities centralizing the Group's financing requirements, Solairedirect's activities, energy sales to BtoB in France (*Entreprises & Collectivités*) and the contribution of the associate SUEZ.

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

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

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

Benelux" and "Generation Europe" within the "Other" reportable segment);

- relationships between the "Generation Europe" segment, which is part of the "Other" reportable segment, and the commercial entities in the "France", "Benelux" and "Europe excluding France & Benelux" reportable segments: a portion of the power generated by thermal assets within the "Generation Europe" BU is sold to commercial entities from these segments at market prices.

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

6.2 Key indicators by reportable segment

Key indicators by reportable segments (except for 2016 industrial capital employed), presented hereafter, no longer take into account the contribution of exploration-production activities (E&P) following the classification of the latter under "Discontinued operations" on May 11, 2017 in accordance with IFRS 5 (*see Note 4.1.1 "Disposal of the exploration-production business"*).

REVENUES

	Dec. 31, 2017			Dec. 31, 2016		
In millions of euros	External revenues	Intra-Group Revenues	Total	External revenues	Intra-Group Revenues	Total
North America	2,934	33	2,967	3,814	39	3,853
Latin America	4,511		4,511	4,075	1	4,076
Africa/Asia	3,984		3,984	3,804	4	3,808
Benelux	8,865	976	9,842	9,044	1,230	10,274
France	16,659	105	16,764	20,332	383	20,714
Europe excluding France & Benelux	8,848	160	9,008	8,118	112	8,230
Infrastructures Europe	3,488	3,224	6,712	3,267	3,495	6,762
GEM & LNG(1)	9,391	7,009	16,400	8,981	6,979	15,959
E&P						
Others	6,347	1,979	8,327	3,405	1,308	4,712
Elimination of internal transactions		(13,487)	(13,487)		(13,550)	(13,550)
TOTAL REVENUES	**65,029**		**65,029**	**64,840**		**64,840**

(1) *As of October 1, 2017, GEM BU revenues include the trading margin relating to realized and unrealized gains and losses accounted for on most of the Group's long-term gas supply contracts and on a power exchange contract according to their new management methods resulting in a change in accounting treatment (trading accounting) (see Note 8.5 "Other non-recurring items").*

EBITDA

In millions of euros	Dec. 31, 2017(1)	Dec. 31, 2016
North America	169	475
Latin America	1,711	1,696
Africa/Asia	1,323	1,162
Benelux	551	755
France	1,475	1,315
Europe excluding France & Benelux	655	612
Infrastructures Europe	3,384	3,459
GEM & LNG	(82)	3
E&P		
Others	128	15
TOTAL EBITDA	**9,316**	**9,491**

(1) *The net expense relating to the nuclear contribution in Belgium is classified in EBITDA as from January 1, 2017 and amounts to €142 million.*

DEPRECIATION AND AMORTIZATION

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
North America	(53)	(48)
Latin America	(432)	(410)
Africa/Asia	(244)	(235)
Benelux	(558)	(381)
France	(606)	(612)
Europe excluding France & Benelux	(201)	(203)
Infrastructures Europe	(1,444)	(1,390)
GEM & LNG	(52)	(74)
E&P		
Others	(391)	(462)
TOTAL DEPRECIATION AND AMORTIZATION	**(3,980)**	**(3,815)**

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

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
North America	80	63
Latin America	(18)	197
Africa/Asia	202	312
Benelux	5	2
France	8	(22)
Europe excluding France & Benelux	36	60
Infrastructures Europe	9	11
GEM & LNG	2	1
E&P		
Others	115	127
Of which share in net income of SUEZ	*100*	*139*
TOTAL SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**437**	**752**

Associates and joint ventures account for €269 million and €168 million respectively of share in net income of entities accounted for using the equity method at December 31, 2017, compared to €671 million and €81 million at December 31, 2016.

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

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
North America	120	430
Latin America	1,278	1,284
Africa/Asia	1,067	923
Benelux	(9)	371
France	882	695
Europe excluding France & Benelux	439	410
Infrastructures Europe	1,940	2,068
GEM & LNG	(137)	(74)
E&P		
Others	(308)	(472)
TOTAL CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**5,273**	**5,636**

INDUSTRIAL CAPITAL EMPLOYED

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
North America	1,674	1,520
Latin America	9,147	8,793
Africa/Asia	4,908	5,520
Benelux	(3,015)	(2,552)
France	5,827	5,304
Europe excluding France & Benelux	5,028	4,720
Infrastructures Europe	19,934	19,693
GEM & LNG	945	1,330
E&P		2,855
Others	8,080	8,445
Of which SUEZ equity value	*2,126*	*1,977*
TOTAL INDUSTRIAL CAPITAL EMPLOYED	**52,528**	**55,629**

CAPITAL EXPENDITURE (CAPEX)

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
North America	316	519
Latin America	2,241	1,037
Africa/Asia	879	212
Benelux	688	680
France	1,067	1,083
Europe excluding France & Benelux	625	169
Infrastructures Europe	1,718	1,552
GEM & LNG	491	127
E&P		
Others	1,242	997
TOTAL CAPITAL EXPENDITURE (CAPEX)	**9,267**	**6,375**

6.3 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	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
France	25,722	24,898	31,025	29,721
Belgium	8,475	9,359	(2,224)	(1,326)
Other EU countries	15,584	14,940	7,272	8,827
Other European countries	1,178	1,272	293	686
North America	3,873	4,691	2,149	1,906
Asia, Middle East & Oceania	5,524	5,531	4,998	6,347
South America	4,272	3,857	8,941	8,598
Africa	401	291	75	870
TOTAL	**65,029**	**64,840**	**52,528**	**55,629**

NOTE 7 Current operating income

7.1 Revenues

Group revenues break down as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016[(1)]
Energy sales	43,188	44,033
Rendering of services	21,424	20,306
Lease and construction contracts	417	501
REVENUES	**65,029**	**64,840**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued activities" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

Realized but not yet metered revenues (so called un-metered revenues) mainly relate to France and Belgium for an amount of €3,034 million at December 31, 2017.

"Lease and construction contracts" mainly include operating lease revenues for €329 million (€412 million in 2016) (*see Note 21.2 "Operating leases for which ENGIE acts as lessor"*).

7.2 Personnel costs

In millions of euros	Dec. 31, 2017	Dec. 31, 2016[(1)]
Short-term benefits	(9,517)	(9,464)
Share-based payments (*see Note 22*)	(45)	(59)
Costs related to defined benefit plans (*see Note 19.3.4*)	(378)	(337)
Costs related to defined contribution plans (*see Note 19.4*)	(142)	(137)
PERSONNEL COSTS	**(10,082)**	**(9,996)**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued activities" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

7.3 Depreciation, amortization and provisions

In millions of euros	Dec. 31, 2017	Dec. 31, 2016[(1)]
Depreciation and amortization (*see Notes 13 and 14*)	(3,980)	(3,816)
Net change in write-downs of inventories, trade receivables and other assets	(48)	(60)
Net change in provisions (*see Note 18*)	292	(348)
DEPRECIATION, AMORTIZATION AND PROVISIONS	**(3,736)**	**(4,223)**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued activities" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

At December 31, 2017, depreciation and amortization mainly break down as €779 million for intangible assets and €3,390 million for property, plant and equipment.

NOTE 8 Income/(loss) from operating activities

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**5,273**	**5,636**
Mark-to-market on commodity contracts other than trading instruments	(307)	1,279
Impairment losses	(1,317)	(4,035)
Restructuring costs	(671)	(450)
Changes in scope of consolidation	752	544
Other non-recurring items	(911)	(850)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**2,819**	**2,124**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

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

In 2017, this item represents a net expense of €307 million, compared with net income of €1,279 million in 2016. It mainly reflects the changes in the fair value of (i) electricity and natural gas sale and purchase contracts falling within the scope of IAS 39 and (ii) financial instruments used as economic hedges but not eligible for hedge accounting.

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

8.2 Impairment losses

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)
Impairment losses:		
Goodwill	(481)	(1,690)
Property, plant and equipment and other intangible assets	(953)	(2,296)
Investments in entities accounted for using the equity method and related provisions	(31)	(98)
Financial assets	(25)	(49)
TOTAL IMPAIRMENT LOSSES	**(1,489)**	**(4,132)**
Reversal of impairment losses:		
Property, plant and equipment and other intangible assets	165	95
Financial assets	8	2
TOTAL REVERSALS OF IMPAIRMENT LOSSES	**173**	**97**
TOTAL	**(1,317)**	**(4,035)**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

Net impairment losses recognized at December 31, 2017 amounted to €1,317 million, primarily relating to the Storengy (€494 million) and Generation Europe (€317 million) CGUs. After taking into account the deferred tax effects and the share of impairment losses attributable to non-controlling interests, the impact of these impairment losses on net income Group share for 2017 amounts to €1,146 million.

Impairment losses recognized against goodwill, property, plant and equipment, intangible assets and investments in entities accounted for using the equity method at December 31, 2017 can be analyzed as follows:

In millions of euros	Location	Impairment losses on goodwill	Impairment losses on property, plant and equipment and intangible assets	Impairment losses on entities accounted for using the equity method and related provisions	Total impairment losses	Valuation method	Discount rate
Storengy goodwill CGU		**(338)**	**(156)**	**-**	**(494)**		
Gas storage	Germany		(156)		(156)	Value-in-use - DCF	4.5% - 8.7%
Generation Europe goodwill CGU		**-**	**(421)**	**-**	**(421)**		
Thermal power plants							
	Germany		*(184)*		*(184)*	*Value-in-use - DCF*	*8.4%*
	Netherlands		*(227)*		*(227)*	*Value-in-use - DCF*	*7.1% - 8.4%*
	Others		*(10)*		*(10)*		
Australia goodwill CGU		**(141)**	**-**	**-**	**(141)**		
Power generation assets		(141)			(141)	Fair value less costs to sell	
Middle-East North, South and Central Asia and Turkey goodwill CGU		**-**	**(125)**	**-**	**(125)**		
Power generation assets			(125)		(125)	Value-in-use - DCF	11.0%
B2C goodwill CGU		**-**	**(43)**	**-**	**(43)**		
GDF Gaz de France brand			(43)		(43)	Value-in-use - DCF	
North America goodwill CGU		**-**	**(43)**	**(9)**	**(52)**		
Customer relations intangible asset	United States		(29)		(29)	Value-in-use - DCF	
Other			(14)	(9)	(23)		
Latin America goodwill CGU		**-**	**(41)**	**-**	**(41)**		
Hydropower generation asset	Chile		(37)		(37)	Value-in-use - DCF	8.0%
Other			(4)		(4)		
Other impairment losses		**(2)**	**(124)**	**(22)**	**(147)**		
TOTAL AT DECEMBER 31, 2017		**(481)**	**(953)**	**(31)**	**(1,464)**		

8.2.1 Information on cash flow projections used in impairment tests

In most cases, the recoverable amount of CGUs is determined by reference to a value in use that is calculated using cash flow projections drawn up on the basis of the 2018 budget and the 2019-2020 medium-term business plan, as approved by the Executive Committee and the Board of Directors, and on extrapolated cash flows beyond that time frame.

Cash flow projections are determined on the basis of macroeconomic assumptions (inflation, exchange rates and growth rates) and price forecasts resulting from the Group's reference scenario for 2021-2040. The forecasts that feature in the reference scenario were approved by the Executive Committee in December 2017. The forecasts and projections included in the reference scenario were determined on the basis of the following inputs:

- forward market prices over the liquidity period for fuel (coal, oil and gas), CO_2 and electricity on each market;
- beyond this period, medium- and long-term energy prices were determined by the Group based on macroeconomic assumptions and fundamental supply and demand equilibrium models, the results of which are regularly compared against forecasts prepared by external energy sector specialists. Long-term projections for CO_2 prices are those presented in the "Canfin, Grandjean et Mestrallet" report published in July 2016. More specifically, medium- and long-term electricity prices were determined by the Group using electricity demand forecasting models, medium- and long-term forecasts of fuel and CO_2 prices, and expected trends in installed capacity and in the technology mix of the production assets within each power generation system.

8.2.2 Impairment losses on Storengy CGU goodwill

The goodwill allocated to the Storengy CGU amounted to €543 million before the result of the impairment test in 2017. The Storage CGU groups together the entities that own, operate, market and sell underground natural gas storage capacities in France, Germany, and the United Kingdom.

Storage activities in Europe were impacted by changes in the regulatory environment in France and the downward revision of long-term spread forecasts in Germany.

In France, Article 12 of the law on ending oil and gas exploration and production, published in the *Journal officiel* on December 31, 2017, provides for the regulation of storage of natural gas activities in the country.

Following the consultations initiated by the public authorities alongside various industry players (storage operators and natural gas suppliers in France), the French Energy Regulation Commission (CRE) has, in a decision dated February 22, 2018, set the terms of the regulation, which will be valid for a period of two years based on:

- the amount of the Regulated Asset Base (RAB), corresponding to the value assigned by the regulator to the assets operated by the distributor;
- the rate of return guaranteed by the regulator;
- 2018 revenue levels.

The regulation covers all storage facilities, but its scope may be subsequently revised when the Multi-Annual Energy Plan is updated.

The value in use of the storage activities in France was calculated using cash flow forecasts for the 2018-2023 period. The terminal value corresponds to the expected Regulated Asset Base (RAB) with no premium at the end of 2023.

In Germany and the United Kingdom, the value in use of these activities was calculated using the cash flow projections drawn up on the basis of the 2018 budget and the 2019-2020 medium-term business plan approved by the Executive Committee and the Board of Directors. Cash flow projections beyond this three-year period were based on the reference scenario adopted by the Group.

Cash flows for storage activities in Germany were projected up to 2025, which is when the Group estimates that seasonal spreads will have reached their long-term price equilibrium. A terminal value was calculated for 2026 by applying to the normative cash flows for 2025 a growth rate corresponding to the long-term inflation rate expected in the Eurozone.

The discount rates applied to these cash flow projections were 7.8% for the United Kingdom and between 4.5% and 8.7% for the German storage activities.

Results of the impairment test

Given the terms of the regulation governing storage activities in France and the downward revision of long-term spreads in Germany, the recoverable amount of the Storengy CGU was €451 million lower than its carrying amount at December 31, 2017. The Group therefore recognized an impairment loss of €494 million, of which €338 million against the goodwill allocated to the CGU and €156 million against property, plant and equipment in Germany.

8.2.3 Impairment losses on Australia CGU goodwill

The goodwill allocated to the Australia CGU amounted to €170 million at December 31, 2017. The Australia CGU groups together power generation activities, marketing of natural gas and electricity, and Energy Services in the Oceania region (Australia and New Zealand).

At December 31, 2017, the Group classified the Loy Yang B coal-fired power plant in Australia in "Assets held for sale" (*see Note 4.1.3*). As the carrying amount was greater than the expected sale price, the Group recognized an impairment loss of €141 million at December 31, 2017, against the entire goodwill allocated to the assets held for sale.

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

Net impairment losses recognized at December 31, 2017 amounted to €788 million, primarily relating to:

- Generation Europe CGU assets

  The Group recognized a €317 million net impairment loss against its thermal power plants in Europe at December 31, 2017.

  Coal-fired power plants in Europe have been subject to unfavorable conditions, including the expected impact of the stricter regulatory environment, which has resulted in lower captured margins over the long term, impacting the profitability of these assets. Given the downward revision of the cash flow projections, the Group recognized impairment losses on coal-fired power plants in Germany and the Netherlands of €184 million and €146 million, respectively.

The Group also recognized (i) an impairment loss of €74 million, resulting from the decision to permanently shut down a gas-fired power plant unit in the Netherlands in 2019, and (ii) the reversal of impairment losses of €103 million, mainly relating to three thermal assets in the United Kingdom prior to their disposal in the second half of 2017 (*see Note 4.2.7*).

- Other impairment losses

  Other impairment losses recognized by the Group chiefly concern:

  - a gas-fired power plant in Turkey (€125 million), stemming from the downward revision of forecast captured margins over the long term;
  - the residual value of the intangible assets corresponding to the corporate brand GDF Gaz de France (€43 million), following the Group's decision to discontinue the use of the "Tarif Réglementé Gaz GDF SUEZ" brand as of January 1, 2018. An impairment loss of €455 million was recognized in respect of the brand in 2015 and the residual value of €71 million was to be amortized over a period of five years, corresponding to the period during which the Group considered that the benefits and attributes associated with the historic brand would continue to benefit all B2C sales activities;
  - a hydropower plant in Chile (€37 million).

8.2.5 Impairment losses recognized in 2016

In 2016, against a backdrop of persistently poor economic conditions over the medium- to long-term, the Group significantly downgraded its reference scenario for medium- to long-term electricity prices in Europe, as well as the margins captured by thermal power plants. The change was due mainly to an upward revision of the share of renewable energy capacity in the European energy mix, coupled with a downward revision of fuel price forecasts.

The resulting impairment losses recognized against goodwill, property, plant and equipment and intangible assets at December 31, 2016 amounted to €4,084 million and can be analyzed as follows:

In millions of euros	Location	Impairment losses on goodwill	Impairment losses on property, plant and equipment and intangible assets	Impairment losses on entities accounted for using the equity method and related provisions	Total[(1)]	Valuation method	Discount rate
Benelux goodwill CGU		**(1,362)**	**(68)**	**-**	**(1,430)**		
Drilling rig	Netherlands		(46)			Fair value	
Other			(22)				
Generation Europe goodwill CGU		**(139)**	**(520)**	**-**	**(659)**		
Assets classified as "Assets held for sale"	Poland	(139)	(237)			Fair value less costs to sell	
Thermal power plants	Netherlands, Germany, France, Italy, United Kingdom		(283)			Value-in-use - DCF	6.5% - 7.5%
France Renewable Energy goodwill CGU		**-**	**(419)**	**-**	**(419)**		
Hydropower generation asset			(414)			Value-in-use - DCF	7.8%
Other			(5)				
North, South and Eastern Europe goodwill CGU		**-**	**(148)**	**(91)**	**(239)**		
Power generation assets	Poland		(119)			Value-in-use - DCF	9.5%
Interests in groups present across the gas chain	Germany			(91)			
Other			(29)				
North America goodwill CGU		**-**	**(357)**	**-**	**(357)**		
Portfolio of merchant power generation assets	United States		(238)			Fair value less costs to sell	
LNG terminal	United States		(53)			Value-in-use - DCF	6.7%
Power generation assets	United States Canada		(66)			Value-in-use - DCF	3.9% - 7.5%
Latin America goodwill CGU		**-**	**(109)**	**-**	**(109)**		
Hydropower generation asset	Chile		(72)			Value-in-use - DCF	8.0%
Other			(37)				
GTT goodwill CGU		**(161)**	**-**	**-**	**(161)**		
Goodwill	France	(161)				Fair value	
Global LNG goodwill CGU		**(24)**	**(153)**	**-**	**(177)**		
LNG carriers			(141)			Fair value	
Other			(12)				
Global Energy Management (GEM) CGU		**-**	**(350)**	**-**	**(350)**		
Drawing rights on power generation assets	Italy		(225)			Value-in-use - DCF	7.5%
Portfolio of long-term supply contracts			(83)			Value-in-use - DCF	5.7% - 9.6%
Other			(42)				
Other impairment losses		**(4)**	**(172)**	**(7)**	**(183)**		
TOTAL AT DECEMBER 31, 2016		**(1,690)**	**(2,296)**	**(98)**	**(4,084)**		

(1) *Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").*

Including writedowns of financial assets, total impairment losses (net of reversals) for 2016 amounted to €4,035 million. After taking into account the deferred tax effects and the share of impairment losses attributable to non-controlling interests, the impact of these impairment losses on 2016 net income Group share amounted to €3,699 million.

8.3 Restructuring costs

Restructuring costs totaled €671 million in 2017, mainly including:

- 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 (€509 million);
- costs related to decisions to relinquish several premises, restructure agencies and close a facility (€108 million);
- various other restructuring costs (€53 million).

In 2016, restructuring costs totaled €450 million, including €223 million related to the shutdown of production and closure of some facilities, €132 million related to staff reduction plans and €90 million related to various other restructuring costs.

8.4 Changes in scope of consolidation

In 2017, this item amounted to a positive €752 million, and mainly comprised:

- a €540 million gain on the disposal of the thermal merchant power plant portfolio in the United States, including €513 million in respect of items of other comprehensive income recycled to the income statement (*see Note 4.2.1*);
- a €93 million gain on the disposal of the Group's entire 38.10% residual interest in NuGen, including €5 million in respect of items of other comprehensive income recycled to the income statement (*see Note 4.2.6*);
- a €57 million gain on the disposal of the Polaniec power plant in Poland, including €59 million in respect of items of other comprehensive income recycled to the income statement (*see Note 4.2.2*); and
- a €61 million gain on the disposal of the thermal power plants in the United Kingdom (Saltend, Deeside and Indian Queens), including €47 million in respect of items of other comprehensive income recycled to the income statement (*see Note 4.2.7*).

In 2016, this item amounted to a positive €544 million, and mainly comprised the €225 million gain on the disposal of Paiton in Indonesia, €211 million on the disposal of Transmisora Eléctrica del Norte (TEN) in Chile and €84 million on the disposal of Meenakshi in India.

8.5 Other non-recurring items

In 2017, this item mainly comprised:

- the effects of the new management model implemented by the GEM BU regarding long-term gas supply contracts, transport and storage capacity contracts, and a power exchange contract, resulting in a change in accounting treatment:

  Given structural changes in gas markets, ENGIE decided to overhaul the management model of its midstream gas business (excluding LNG). To this end, in 2017 a new organization was put in place for the activities of the GEM BU, aimed at changing the model for managing long-term gas supply contracts, transport and storage capacity contracts, and a power exchange contract. This new modelis are designed to permit the relevant contracts to be managed individually rather than as part of a portfolio.

  With this new management framework, the Group has to extend fair value accounting to the management activities of most long-term supply contracts as from the implementation date of the new management methods. Therefore, as of October 1, 2017, the Group's results integrate realized and unrealized gains and losses relating to these contracts, which are now measured at fair value through profit or loss and included in the net margin presented in revenues. Changes in the management framework have also led the Group to reclassify a power exchange contract as a derivative contract, which is now recognized at fair value through profit or loss. The initial non-recurring accounting impact of the fair value measurement of these contracts was a negative €472 million.

  The revised management model have also impacted the classification of a series of capacity reservation (storage and transport) contracts entered into by the GEM BU. These contracts are now managed individually and are no longer necessary to the Group's industrial needs. As the unavoidable costs required to fulfill the obligations under these contracts are higher than the expected economic benefits they will generate, a provision for onerous contracts has been recorded, giving rise to an initial non-recurring accounting impact of a negative €771 million.
- a €349 million gain on the disposal of Petronet LNG available-for-sale securities, including €357 million in respect of changes in fair value recognized in "Other comprehensive income" and recycled to the income statement (*see Note 4.2.4*).

In 2016, this item mainly comprised a net expense of €584 million related to additions to provisions for nuclear waste processing and storage under the triennial revision of nuclear provisions in Belgium (*see Note 18.2*), as well as a €124 million expense corresponding to the recognition of additional dismantling and rehabilitation costs for the Hazelwood power plant in Australia following the shut-down plan approved in November 2016 by the shareholders.

NOTE 9 Net financial income/(loss)

	Dec. 31, 2017			Dec. 31, 2016[1]		
In millions of euros	Expense	Income	Total	Expense	Income	Total
Cost of net debt	(822)	128	(694)	(936)	162	(774)
Gains and lossses on debt restructuring transactions and from the early unwinding of derivative financial instruments	(181)	83	(98)	(66)	66	
Other financial income and expenses	(1,119)	616	(503)	(1,208)	661	(547)
NET FINANCIAL INCOME/(LOSS)	**(2,122)**	**827**	**(1,296)**	**(2,210)**	**889**	**(1,321)**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

9.1 Cost of net debt

The main items of the cost of net debt break down as follows:

			Total	
In millions of euros	Expense	Income	Dec. 31, 2017	Dec. 31, 2016[1]
Interest expense on gross debt and hedges	(925)	-	(925)	(1,034)
Foreign exchange gains/losses on borrowings and hedges	-	21	21	15
Ineffective portion of derivatives qualified as fair value hedges	(2)		(2)	(5)
Gains and losses on cash and cash equivalents and financial assets at fair value through income	-	107	107	147
Capitalized borrowing costs	104	-	104	102
COST OF NET DEBT	**(822)**	**128**	**(694)**	**(774)**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

The decrease in the cost of net debt is mainly due to a slight reduction in the volume of average debt since the end of 2016, to the positive impacts of debt financing transactions realized by the Group and to active interest-rate management *(see Note 15.3.3 "Financial instruments – Main events of the period").*

9.2 Gains and losses on debt restructuring transactions and from the early unwinding of derivative financial instruments

The main effects of debt restructuring break down as follows:

			Total	
In millions of euros	Expense	Income	Dec. 31, 2017	Dec. 31, 2016[1]
Impact of early unwinding of derivative financial instruments on the income statement	**(83)**	**83**	**-**	**-**
Of which cash payments made on the unwinding of swaps	*(83)*	*-*	*(83)*	*(66)*
Of which reversal of the negative fair value of these derivatives that were settled early	*-*	*83*	*83*	*66*
Impact of debt restructuring transactions on the income statement	**(98)**	**-**	**(98)**	**-**
Of which early refinancing transactions expenses	*(98)*	*-*	*(98)*	
GAINS AND LOSSES ON DEBT RESTRUCTURING TRANSACTIONS AND THE EARLY UNWINDING OF DERIVATIVE FINANCIAL INSTRUMENTS	**(181)**	**83**	**(98)**	

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

6

The Group carried out a number of early refinancing transactions *(see Note 15.3.3. "Financial instruments — Main events of the period")*, including several buybacks of bonds with an aggregate par value of €538 million.

9.3 Other financial income and expenses

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)
Other financial expenses		
Change in fair value of derivatives not qualified as hedges	(186)	(103)
Gains and losses on the dedesignation and inefficiency of economic hedges on other financial items	(1)	(5)
Unwinding of discounting adjustments to other long-term provisions	(498)	(553)
Net interest expense on post-employment benefits and other long-term benefits	(119)	(137)
Interest on trade and other payables	(48)	(58)
Other financial expenses	(267)	(352)
TOTAL	**(1,119)**	**(1,208)**
Other financial income		
Income from available-for-sale securities	173	136
Gains and losses on the dedesignation and inefficiency of economic hedges on other financial items		3
Interest income on trade and other receivables	29	30
Interest income on loans and receivables at amortized cost	145	73
Other financial income	269	420
TOTAL	**616**	**661**
OTHER FINANCIAL INCOME AND EXPENSES, NET	**(503)**	**(547)**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

Other financial income notably includes interest relating to the recovery from the French State of the 3% tax on dividends as well as an interest relating to the dispute opposing Electrabel and E.ON in respect of the Belgian and German nuclear contribution payments for an amount of €87 million.

NOTE 10 Income tax expense

10.1 Actual income tax expense recognized in the income statement

10.1.1 Breakdown of actual income tax expense recognized in the income statement

The tax income recognized in the income statement for 2017 amounts to €425 million (€481 million income tax expense in 2016). It breaks down as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)
Current income taxes	(397)	(1,328)
Deferred taxes	822	847
TOTAL INCOME TAX BENEFIT/(EXPENSE) RECOGNIZED IN INCOME	**425**	**(481)**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

10.1.2 Reconciliation of theoretical income tax expense with actual income tax expense

A reconciliation of theoretical income tax expense with the Group's actual income tax expense is presented below:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)
Net income/(loss)	**2,238**	**163**
Share in net income of entities accounted for using the equity method	437	752
Net income from discontinued operations	290	(158)
Income tax expense	425	(481)
Income/(loss) before income tax expense and share in net income of associates (A)	**1,085**	**50**
Of which French companies	*(588)*	*863*
Of which companies outside France	*1,674*	*(813)*
Statutory income tax rate of the parent company (B)	34.4%	34.4%
THEORETICAL INCOME TAX EXPENSE (C) = (A) X (B)	**(374)**	**(17)**
Reconciling items between theoretical and actual income tax expense		
Difference between statutory tax rate applicable to the parent and statutory tax rate in force in jurisdictions in France and abroad	114	95
Permanent differences(2)	(286)	(806)
Income taxed at a reduced rate or tax-exempt(3)	555	254
Additional tax expense(4)	(258)	(476)
Effect of unrecognized deferred tax assets on tax loss carry-forwards and other tax-deductible temporary differences(5)	(568)	(951)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences(6)	242	174
Impact of changes in tax rates(7)	518	882
Tax credits and other tax reductions(8)	507	249
Other(9)	(26)	115
INCOME TAX BENEFIT/(EXPENSE) RECOGNIZED IN INCOME	**425**	**(481)**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

(2) Includes mainly the disallowable impairment losses on goodwill, the disallowable operating expenses and effects relating to the cap on allowable interest on borrowings in France.

(3) Reflects notably capital gains on disposals of securities exempt from tax or taxed at a reduced rate in some tax jurisdictions, the impact of the specific tax regimes used by some entities, the disallowable impairment losses and capital losses on securities, and the impact of the untaxed income from remeasuring previously-held (or retained) equity interests in connection with acquisitions and changes in consolidation methods.

(4) Includes mainly tax on dividends resulting from the parent company tax regime, the 3% tax on the dividends paid in cash by the French companies in 2016 (without any effect in 2017 because of its cancellation by the Constitutional Council), the exceptional income tax to compensate the reimbursement of the 3% tax on the dividends, the withholding tax on dividends and interest levied in several tax jurisdictions, the flat-rate contribution on nuclear activities payable by nuclear-sourced electricity utilities in Belgium (€117 million in 2016 but classified in EBITDA in 2017), allocations to provisions for income tax, and regional and flat-rate corporate taxes.

(5) Includes (i) the cancellation of the net deferred tax asset position for some tax entities in the absence of sufficient profit being forecast and (ii) the impact of disallowable impairment losses on the assets.

(6) Includes the impact of the recognition of net deferred tax asset positions for some tax entities.

(7) Includes mainly the impact of tax rate changes on the deferred tax balances in France (see below) and in the United States.

(8) Includes notably the reversals of provisions for tax litigation, the impact of deductible notional interest in Belgium and tax credits in France and in 2017 the refund of €376 million relating to the 3% tax on dividends paid previously in cash by the French companies.

(9) Includes mainly the correction of previous tax charges.

The 2018 French Finance Law approved on December 30, 2017 plans a tax rate decrease to 25.82% as of 2022 for any French tax entity. This rate results from the decrease in the common income tax rate from 33.33% to 25.00%, plus the 3.3% social contribution. The deferred tax recorded by French entities which are expected to be released after 2022 have been re-measured at this new rate in the December 31, 2017 accounts. It results in a positive impact of €550 million on the non-recurring income and a negative impact of €91 million on the deferred tax recognized in the statement of comprehensive income.

The 2017 French Finance Law approved on December 20, 2016 planed a tax rate decrease to 28.92% as of 2020 for any French tax entity. This rate resulted from the decrease in the standard income tax rate from 33.33% to 28.00%, plus the 3.3% social contribution. Deferred tax recorded by the French entities which was expected to reverse after 2020 was re-measured at this new rate in the December 31, 2016 accounts. This had a positive impact of €904 million on non-recurring income and a negative impact of €187 million on the deferred tax recognized in the statement of comprehensive income.

Income tax for the year also includes a €34 million income in capital gains tax on the disposal of investments.

10.1.3 Analysis of the deferred tax income/(expense) recognized in the income statement, by type of temporary difference

	Impact in the income statement	
In millions of euros	Dec. 31, 2017	Dec. 31, 2016[1]
Deferred tax assets:		
Tax loss carry-forwards and tax credits	(126)	(253)
Pension obligations	(68)	(107)
Non-deductible provisions	(32)	(27)
Difference between the carrying amount of PP&E and intangible assets and their tax bases	(249)	179
Measurement of financial instruments at fair value (IAS 32/39)	(316)	181
Other	(77)	(1)
TOTAL	**(868)**	**(28)**
Deferred tax liabilities:		
Difference between the carrying amount of PP&E and intangible assets and their tax bases	671	1,148
Measurement of financial instruments at fair value (IAS 32/39)	705	(398)
Other	169	124
TOTAL	**1,545**	**875**
DEFERRED TAX INCOME/(EXPENSE)	**677**	**847**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

The deferred tax income recorded in 2016 and 2017 derives notably from the future tax rate decrease approved in France.

10.2 Deferred tax income/(expense) recognized in "Other comprehensive income"

Net deferred tax income/(expense) recognized in "Other comprehensive income" is broken down by component as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016[1]
Available-for-sale financial assets	52	(13)
Actuarial gains and losses	(97)	52
Net investment hedges	(86)	13
Cash flow hedges on other items	(151)	119
Cash flow hedges on net debt	1	4
TOTAL EXCLUDING SHARE OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**(280)**	**175**
Share of entities accounted for using the equity method	2	10
TOTAL	**(278)**	**185**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

10.3 Deferred taxes presented in the statement of financial position

10.3.1 Change in deferred taxes

Changes in deferred taxes recognized in the statement of financial position, after netting deferred tax assets and liabilities by tax entity, break down as follows:

In millions of euros	Assets	Liabilities	Net position
At December 31, 2016	**1,250**	**(6,775)**	**(5,525)**
Impact on net income for the year	(868)	1,545	677
Impact on other comprehensive income items	(126)	(206)	(331)
Impact of changes in scope of consolidation	(6)	8	2
Impact of translation adjustments	(133)	234	102
Transfers to assets and liabilities classified as held for sale	(826)	1,503	676
Other	37	(54)	(17)
Impact of netting by tax entity	1,475	(1,475)	
AT DECEMBER 31, 2017	**803**	**(5,220)**	**(4,417)**

10.3.2 Analysis of the net deferred tax position recognized in the statement of financial position (before netting deferred tax assets and liabilities by tax entity), by type of temporary difference

	Statement of financial position at	
In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Deferred tax assets:		
Tax loss carry-forwards and tax credits	1,652	2,178
Pension obligations	1,319	1,451
Non-deductible provisions	301	631
Difference between the carrying amount of PP&E and intangible assets and their tax bases	974	1,258
Measurement of financial instruments at fair value (IAS 32/39)	2,725	3,285
Other	495	585
TOTAL	**7,466**	**9,388**
Deferred tax liabilities:		
Difference between the carrying amount of PP&E and intangible assets and their tax bases	(8,680)	(10,886)
Measurement of financial instruments at fair value (IAS 32/39)	(2,627)	(3,214)
Other	(576)	(813)
TOTAL	**(11,883)**	**(14,913)**
NET DEFERRED TAX ASSETS/(LIABILITIES)	**(4,417)**	**(5,525)**

The deferred tax assets recognized in respect of tax loss carry-forwards are justified by the existence of adequate taxable timing differences and/or by expectations that these loss carry-forwards will be used over a six-year tax projection period, as approved by management, except when the specific context justifies otherwise.

The decrease in the net deferred tax liability mainly results from the classification of ENGIE E&P International under "Discontinued operations" and from the decrease in the future tax rate approved in the new French Finance Law.

10.4 Unrecognized deferred taxes

At December 31, 2017, the tax effect of tax losses and tax credits eligible for carry-forward but not utilized and not recognized in the statement of financial position amounted to €3,141 million (€3,716 million at December 31, 2016). Most of these unrecognized tax losses relate to companies based in countries which allow losses to be carried forward indefinitely (mainly Belgium, Luxembourg, and Australia) or up to nine years in the Netherlands. These tax loss carry-forwards did not give rise to the recognition of deferred tax due to the absence of sufficient profit forecasts in the medium term.

The tax effect of other tax-deductible temporary differences not recorded in the statement of financial position was €1,238 million at end-December 2017 versus €1,698 million at end-December 2016.

NOTE 11 Earnings per share

	Dec. 31, 2017	Dec. 31, 2016[1]
Numerator (*in millions of euros*)		
Net income/(loss) Group share	**1,423**	**(415)**
Of which Net income(loss) relating to continued activities, Group share	*1,226*	*(304)*
Interest from deeply-subordinated perpetual notes	(144)	(146)
Net income used to calculate earnings per share	**1,279**	**(562)**
Of which Net income(loss) relating to continued activities, Group share, used to calculate earnings per share	*1,083*	*(450)*
Impact of dilutive instruments		
Diluted net income/(loss) Group share	**1,279**	**(562)**
Denominator (in millions of shares)		
Average number of outstanding shares	**2,396**	**2,396**
Impact of dilutive instruments:		
Bonus share plans reserved for employees	9	9
Diluted average number of outstanding shares	**2,405**	**2,405**
Earnings per share (in euros)		
Basic earnings/(loss) per share	**0.53**	**(0.23)**
Of which Basic earnings/(loss) per share relating to continued activities per share	*0.45*	*(0.19)*
Diluted earnings/(loss) per share	**0.53**	**(0.23)**
Of which Diluted earnings/(loss) per share relating to continued activities per share	*0.45*	*(0.19)*

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

In compliance with IAS 33 – Earnings per Share, earnings per share and diluted earnings per share are based on net income/(loss) Group share after deduction of payments to bearers of deeply-subordinated perpetual notes *(see Note 17.2.1)*.

The Group's dilutive instruments included in the calculation of diluted earnings per share include bonus shares and performance shares granted in the form of ENGIE securities.

Due to their accretive effect, all stock option plans were excluded from the 2016 and 2017 diluted earnings per share calculation. Instruments that were accretive at December 31, 2017 may become dilutive in subsequent periods due to changes in the average annual share price. These plans are described in Note 22 "Share-based payments".

NOTE 12 Goodwill

12.1 Movements in the carrying amount of goodwill

In millions of euros	Net amount
At December 31, 2015	**19,024**
Impairment losses	(1,690)
Changes in scope of consolidation and Other	39
Translation adjustments	(1)
At December 31, 2016	**17,372**
Impairment losses	(481)
Changes in scope of consolidation and Other	775
Transfer to Assets classified as held for sale	(32)
Translation adjustments	(350)
AT DECEMBER 31, 2017	**17,285**

The impact of changes in the scope of consolidation at December 31, 2017 relates primarily to:

- the recognition of goodwill arising on the acquisition of Keepmoat Regeneration (€476 million), Icomera (€113 million) and EV-Box (€85 million);
- the increase in the fair value of the financial liability representing the put option granted by the Group on the non-controlling interests in La Compagnie du Vent, with a matching entry to goodwill in an amount of €131 million, in accordance with the Group's accounting policies (*see Note 1.4.11.2 "Financial liabilities"*). This increase in the fair value of the financial liability follows the agreement entered into on April 4, 2017 concerning ENGIE's acquisition of a 41% interest in La Compagnie du Vent, previously held by SOPER (*see Note 4 "Main changes in Group structure"*);
- the derecognition of goodwill in an amount of €127 million relating to assets disposed of during the year.

Translation adjustments totaling a negative €350 million are primarily related to the US dollar (a negative €194 million), the Brazilian real (a negative €49 million) and the pound sterling (a negative €46 million).

As a result of the annual impairment tests performed on the goodwill Cash Generating Units (CGUs), the Group recognized impairment losses against goodwill totaling €481 million, including €338 million against the Storengy CGU and €141 million allocated to the portfolio of assets held for sale with respect to the Loy Yang B power plant in Australia. The impairment tests performed on these CGUs in 2017 are described in Note 8.2 "Impairment losses".

The decrease in this caption in 2016 related chiefly to the recognition of impairment losses against goodwill totaling €1,690 million, including €1,362 million against the Benelux CGU, €161 million against the GTT CGU and €139 million allocated to the group of assets held for sale with respect to the Polaniec power plant.

12.2 Goodwill CGUs

The goodwill CGUs correspond to the Business Units described in Note 6, with the exception of the Asia-Pacific BU, which is split into two goodwill CGUs (Australia and Asia-Pacific excluding Australia), and the Solairedirect goodwill CGU.

The table below shows material goodwill CGUs for which the amount of goodwill is greater than 5% of the total value of the Group's goodwill at December 31, 2017, as well as CGUs with goodwill exceeding €500 million.

In millions of euros	Operating segment	Dec. 31, 2017
MATERIAL CGUs		
Benelux	Benelux	4,238
GRDF	Infrastructures Europe	4,009
France BtoC	France	1,036
United Kingdom	Europe excl. France & Benelux	1,032
France Renewable Energy	France	978
OTHER SIGNIFICANT CGUs		
North America	North America	726
Generation Europe	Other	629
France BtoB	France	663
GRTgaz	Infrastructures Europe	614
Northern, South and Central Europe	Europe excl. France & Benelux	594
Storengy	Infrastructures Europe	205
OTHER CGUs *(GOODWILL INDIVIDUALLY LESS THAN €500 MILLION)*		**2,561**
TOTAL		**17,285**

12.3 Impairment testing of goodwill CGUs

All goodwill CGUs are tested for impairment based on data as of end-June, completed by a review of events arisen in the second half of the year. In most cases, the recoverable amount of the goodwill CGUs is determined by reference to a value in use that is calculated based on cash flow projections drawn from the 2018 budget and from the 2019-2020 medium-term business plan, as approved by the Executive Committee and the Board of Directors, and on extrapolated cash flows beyond that time frame.

Cash flow projections are drawn up in accordance with the conditions described in Note 8.2 “Impairment losses”.

The discount rates used correspond to the weighted average cost of capital, which is adjusted in order to reflect the business, market, country and currency risk relating to each goodwill CGU reviewed. The discount rates used are consistent with available external information sources. The post-tax rates used in 2017 to measure the value in use of the goodwill CGUs for discounting future cash flows ranged between 4.7% and 12.5%, compared with a range of between 4.7% and 15.1% in 2016. The discount rates used for the main goodwill CGUs are shown in Notes 12.3.1 “Material CGUs” and 12.3.7 “Other significant CGUs”, below.

The impairment test related to the goodwill allocated to the Storengy CGU is described in Note 8.2 “Impairment losses”.

12.3.1 Material CGUs

This section presents the method for determining value in use, the key assumptions underlying the valuation, and the sensitivity analyses for the impairment tests on CGUs where the amount of goodwill represents more than 5% of the Group’s total goodwill at December 31, 2017.

12.3.1.1 Benelux CGU

The total amount of goodwill allocated to this CGU prior to the 2017 impairment test was €4,238 million. 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.

Key assumptions used for the impairment test

The 2017 value in use of the activities included in this CGU was calculated using the cash flow projections drawn up on the basis of the 2018 budget and the 2019-2020 medium-term business plan. Cash flow projections for the period beyond the medium-term business plan were determined as described below:

Activities	Assumptions applied beyond the term of the business plan(1)
Nuclear power generation in Belgium	For Doel 1, Doel 2 and Tihange 1, cash flow projection over a useful life of 50 years. For the second generation reactors (Doel 3, Doel 4, Tihange 2 and Tihange 3), cash flow projection over 40 years, then extension of the operating life of half of this power plant portfolio for a period of 20 years.
Drawing rights on Chooz B et Tricastin power plants	Cash flow projection over the remaining term of existing contract plus assumption that drawing rights will be extended for a further 10 years
Natural gas supply, trading and marketing and sales France activities	Cash flow projection over the duration of the business plan at mid term, plus application of a terminal value based on a normative cash flow using a long-term growth rate of 1.9%

(1) Assumptions unchanged from December 31, 2016.

The discount rates applied to these cash flows ranged from 5.5% to 9.1%, depending on the risk profiles of each business activity.

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

The most important assumptions concerning the Belgian regulatory environment relate to the operating life of existing nuclear reactors and the level of royalties and nuclear contributions paid to the Belgian State.

The impairment test took into account the 10-year extension (through 2025) of the operating life of Tihange 1, Doel 1 and Doel 2, as well as the capital expenditure required for the extension of Doel 1 and Doel 2, annual royalties totaling €20 million in respect of said extension and the new conditions for determining the nuclear contribution that will apply to second-generation reactors (Doel 3 and 4, Tihange 2 and 3) through their 40th year of operation, as defined in the December 29, 2016 law.

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 Doel 3 in 2022, Tihange 2 in 2023 and Tihange 3 and Doel 4 in 2025, after 40 years of operation, were reaffirmed in the law of June 18, 2015 and by the energy pact announced by the French prime minister in December 2017, with discussions ongoing between the various stakeholders.

However, in view of (i) the extension of the operating life of Tihange 1, Doel 1 and Doel 2 beyond 40 years, (ii) the importance of nuclear power generation in the Belgian energy mix, (iii) the lack of a sufficiently detailed and attractive industrial plan enticing energy utilities to invest in replacement thermal capacity, and (iv) CO2 emissions reduction targets, the Group considers that nuclear power will still be needed to guarantee the energy equilibrium in Belgium after 2025. Accordingly, in calculating value in use, the Group assumes a 20-year extension of the operating life of half of its second-generation reactors, while taking into account a mechanism of nuclear contributions to be paid to the Belgian government. Should the circumstances described above change in the future, the Group may adapt its industrial scenarios accordingly.

In France, the Group included an assumption that its drawing rights on the Tricastin and Chooz B nuclear plants expiring in 2021 and 2037, respectively, would be extended by 10 years. Although no such decision has been taken by the government and the nuclear safety authority, the Group considers that extending the reactors' operating life is the most credible and likely scenario at this point in time. This is also consistent with the expected French energy mix featured in the Group's reference scenario.

Results of the impairment test

At December 31, 2017, the recoverable amount of the Benelux goodwill CGU was higher than its carrying amount.

Sensitivity analyses

A decrease of €10/MWh in electricity prices for nuclear power generation would lead to an impairment loss of around €800 million. Conversely, an increase of €10/MWh in electricity prices would have a positive impact on the excess of the recoverable amount over the carrying amount of the goodwill CGU.

An increase of 50 basis points in the discount rates used would have a negative 34% impact on the excess of the recoverable amount over the carrying amount of the goodwill CGU. However, the recoverable amount would remain above the carrying amount. A reduction of 50 basis points in the discount rates used would have a positive 34% impact on the calculation.

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

- the disappearance of the entire nuclear component from the portfolio in 2025 after 50 years of operation in the case of Tihange 1, Doel 1 and Doel 2, and 40 years of operation for the second-generation reactors would have a strongly adverse impact on the results of the test, with the recoverable amount falling significantly below the carrying amount. In this scenario, the impairment risk would represent around €2,300 million;
- if the life of half of the second-generation reactors were to be extended by 10 years and the entire nuclear component subsequently disappear, the recoverable amount would fall below the carrying amount and the impairment risk would represent €500 million.

12.3.1.2 GRDF CGU

The total amount of goodwill allocated to the GRDF CGU was €4,009 million at December 31, 2017. The GRDF CGU groups together the Group’s regulated natural gas distribution activities in France.

The value in use of the GRDF CGU was calculated using the cash flow projections drawn up on the basis of the 2018 budget, the 2019-2020 medium-term business plan, and cash flow projections for the 2021-2023 period. The terminal value corresponds to the expected Regulated Asset Base (RAB) with no premium at the end of 2023. The RAB is the value assigned by the French Energy Regulation Commission (CRE) to the assets operated by the distributor. It is the sum of the future pre-tax cash flows, discounted at a rate that equals the pre-tax rate of return guaranteed by the regulator.

The cash flow projections are drawn up based on the tariff for public natural gas distribution networks, known as the “ATRD 5 tariff”, which entered into effect for a period of four years on July 1, 2016, and on the overall level of investments agreed by the CRE as part of its decision on the ATRD 5 tariff.

Given the regulated nature of the businesses grouped within the GRDF CGU, a reasonable change in any of the valuation inputs would not result in the recoverable amount falling below the carrying amount.

12.3.1.3 France BtoC CGU

The goodwill allocated to the France BtoC CGU amounted to €1,036 million at December 31, 2017. The France BtoC CGU groups together sales of energy and related services to individual and professional customers in France.

The value in use of these activities was calculated using the cash flow projections drawn up on the basis of the 2018 budget and the 2019-2020 medium-term business plan. A terminal value was calculated by extrapolating the cash flows beyond that period using a long-term growth rate of 1.8%.

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

The discount rates applied are between 6.5% and 8.5%.

An increase of 50 basis points in the discount rates used would have a negative 9% impact on the excess of the recoverable amount over the carrying amount of the goodwill CGU. However, the recoverable amount would remain above the carrying amount. A reduction of 50 basis points in the discount rates used would have a positive 9% impact on the calculation.

A decrease of 5% in the margin on gas and electricity sales activities would have a negative 8% impact on the excess of the recoverable amount over the carrying amount of the goodwill CGU. However, the recoverable amount would remain above the carrying amount. Conversely, an increase of 5% in the margin on gas and electricity sales activities would have a positive 8% impact on the calculation.

12.3.1.4 United Kingdom CGU

The goodwill allocated to the United Kingdom CGU amounted to €1,032 million at December 31, 2017. The United Kingdom CGU includes activities in (i) renewable power generation (hydraulic, wind and solar), (ii) gas and electricity sales, and (iii) services to individual and professional customers in the United Kingdom.

The value in use of these activities was calculated using the cash flow projections drawn up on the basis of the 2018 budget and the 2019-2020 medium-term business plan. A terminal value was calculated for the services and energy sales businesses by extrapolating the cash flows beyond that period using a long-term growth rate of 2%.

The main assumptions and key estimates relate primarily to discount rates and changes in price beyond the liquidity period.

The discount rates applied are between 6.3% and 9.1%.

An increase of 50 basis points in the discount rates used would have a negative 44% impact on the excess of the recoverable amount over the carrying amount of the goodwill CGU. However, the recoverable amount would remain above the carrying amount. A reduction of 50 basis points in the discount rates used would have a positive 64% impact on the calculation.

A decrease of 10% in the margin captured by power generation assets would have a negative 36% impact on the excess of the recoverable amount over the carrying amount of the goodwill CGU. However, the recoverable amount would remain above the carrying amount. An increase of 10% in the margin captured would have a positive 36% impact on this calculation.

12.3.1.5 France Renewable Energy CGU

The goodwill allocated to the France Renewable Energy CGU amounted to €978 million at December 31, 2017. The France Renewable Energy CGU groups together the development, construction, financing, operation and maintenance of all of the renewable power generation assets in France (hydraulic, wind and photovoltaic, with the exception of the photovoltaic parks developed and operated by Solairedirect).

The value in use of these activities was calculated using the cash flow projections drawn up on the basis of the 2018 budget and the 2019-2020 medium-term business plan. For the hydraulics business, a terminal value was calculated by extrapolating the cash flows beyond that period based on the reference scenario adopted by the Group.

The main assumptions and key estimates relate primarily to discount rates, assumptions on the renewal of the hydropower concession agreements and changes in the sales prices of electricity beyond the liquidity period.

The discount rates applied are between 5.1% and 10.1%, depending on whether they relate to regulated assets or merchant activities.

Value in use of the Compagnie Nationale du Rhône and SHEM were calculated based on assumptions including the renewal of or a tender process for the concession agreements, as well as on the conditions of a potential renewal.

The cash flows for the periods covered by the renewal of the concession agreements are based on a number of assumptions relating to the economic and regulatory conditions for operating these assets (royalty rates, required level of investment, etc.) during this period.

A decrease of €10/MWh in electricity prices for hydropower generation would have a negative 65% impact on the excess of the recoverable amount over the carrying amount of the goodwill CGU. However, the recoverable amount would remain above the carrying amount. Conversely, an increase of €10/MWh in electricity prices would have a positive 65% impact on the calculation.

An increase of 50 basis points in the discount rates used would have a negative 46% impact on the excess of the recoverable amount over the carrying amount of the goodwill CGU. However, the recoverable amount would remain above the carrying amount. A reduction of 50 basis points in the discount rates used would have a positive 46% impact on the calculation.

If the Compagnie Nationale du Rhône hydropower concession agreements are not renewed beyond 2023, this would have a strong adverse impact on the results of the test, with the recoverable amount falling significantly below the carrying amount. In this scenario, the impairment risk would represent around €500 million.

12.3.2 Other significant CGUs

The table below sets out the assumptions used to determine the recoverable amount of the other main CGUs.

CGU	Reportable segment	Measurement	Discount rate
Generation Europe	Other	DCF+DDM	6.9%-10.0%
North America	North America	DCF+DDM	3.9%-12.5%
North, South and Eastern Europe	Europe excl. France & Benelux	DCF+DDM	5.5%-10.0%
France BtoB	France	DCF+DDM	7.1%-7.7%

DDM refers to the discounted dividend model.

12.3.2.1 Generation Europe CGU

The goodwill allocated to the Generation Europe CGU amounted to €629 million at December 31, 2017. The Generation Europe CGU groups together the thermal power generation activities in Europe.

The value in use of these activities was calculated using the cash flow projections drawn up on the basis of the 2018 budget and the 2019-2020 medium-term business plan. Beyond this three-year period, cash flows were projected over the useful lives of the assets based on the reference scenario adopted by the Group, taking into account the expected impact of a stricter regulatory environment for coal-fired power plants in Europe (*see Note 8.2.4*).

The discount rates applied to these cash flow projections ranged between 6.9% and 10.0%.

The main assumptions and key estimates relate primarily to discount rates, estimated demand for electricity and changes in the price of CO_2, fuel and electricity beyond the liquidity period.

Results of the impairment test

At December 31, 2017, the recoverable amount of the Generation Europe goodwill CGU was higher than its carrying amount. Furthermore, net impairment losses of €317 million were recognized against thermal power plants at December 31, 2017 (*see Note 8.2.5*).

Sensitivity analyses

An increase of 50 basis points in the discount rates used would have a negative 18% impact on the excess of the recoverable amount over the carrying amount of the goodwill CGU. However, the recoverable amount would remain above the carrying amount. A reduction of 50 basis points in the discount rates used would have a positive 19% impact on the calculation.

A decrease of 10% in the margin captured by thermal power plants would have a negative 40% impact on the excess of the recoverable amount over the carrying amount of the goodwill CGU. However, the recoverable amount would remain above the carrying amount. An increase of 10% in the margin captured would have a positive 40% impact on this calculation.

12.3.2.2 EcoElectrica CGU

ENGIE owns an investment in EcoElectrica, a key energy industry player in Puerto Rico's economy (*see Note 3.2 "Investments in joint ventures"*). Despite the difficult financial environment in Puerto Rico, ENGIE does not have any information at December 31, 2017 on the basis of which the Group would modify its valuation assumptions regarding its share in these assets.

12.4 Goodwill segment information

The carrying amount of goodwill can be analyzed as follows by operating segment:

In millions of euros	Dec. 31, 2017
North America	726
Latin America	711
Africa-Asia	758
Benelux	4,238
France	3,092
Europe excl. France & Benelux	1,625
Infrastructures Europe	5,000
Other	1,134
TOTAL	**17,285**

NOTE 13 Intangible assets

13.1 Movements in intangible assets

In millions of euros	Intangible rights arising on concession contracts	Capacity entitlements	Others	Total
GROSS AMOUNT				
At December 31, 2015	**3,108**	**2,545**	**10,912**	**16,565**
Acquisitions	169		584	753
Disposals	(54)	(13)	(51)	(119)
Translation adjustments	(43)		27	(16)
Changes in scope of consolidation	5		106	112
Transfers to "Assets classified as held for sale"			(4)	(4)
Other	19	33	38	91
At December 31, 2016	**3,205**	**2,565**	**11,613**	**17,383**
Acquisitions	179		1,025	1,204
Disposals	(32)		(224)	(256)
Translation adjustments	(57)		(261)	(318)
Changes in scope of consolidation	1		50	51
Transfers to "Assets classified as held for sale"			(1,075)	(1,075)
Other	343	116	(461)	(2)
AT DECEMBER 31, 2017	**3,640**	**2,681**	**10,667**	**16,988**
ACCUMULATED AMORTIZATION AND IMPAIRMENT				
At December 31, 2015	**(1,171)**	**(1,716)**	**(6,666)**	**(9,553)**
Amortization	(108)	(61)	(601)	(770)
Impairment	(6)	(225)	(176)	(407)
Disposals	29	13	34	76
Translation adjustments	3		4	7
Changes in scope of consolidation			(10)	(10)
Transfers to "Assets classified as held for sale"			3	3
Other	(7)		(84)	(92)
At December 31, 2016	**(1,259)**	**(1,988)**	**(7,497)**	**(10,744)**
Amortization	(117)	(56)	(605)	(779)
Impairment(1)	(7)		(223)	(231)
Disposals	20		219	239
Translation adjustments	5		149	154
Changes in scope of consolidation			(2)	(2)
Transfers to "Assets classified as held for sale"			880	880
Other	(26)		25	(1)
AT DECEMBER 31, 2017	**(1,385)**	**(2,045)**	**(7,054)**	**(10,484)**
CARRYING AMOUNT				
At December 31, 2016	**1,946**	**576**	**4,116**	**6,639**
AT DECEMBER 31, 2017	**2,255**	**636**	**3,613**	**6,504**

(1) Including €138 million in impairment losses recognized in "Net income/(loss) from discontinued operations" in the income statement in respect of an exploration-production license for a gas field in the Caspian Sea (see Note 4 "Main changes in Group structure").

Pursuant to the classification of exploration-production activities under discontinued operations (*see Note 4.1 "Assets held for sale and discontinued operations"*), the carrying amount of the corresponding intangible assets, was transferred to "Assets classified as held for sale" in the statement of financial position at December 31, 2017.

In 2017, other impairment losses on intangible assets mainly relate to the ENGIE brand for €43 million (*see Note 8.2 "Impairment losses"*).

In 2016, impairment losses on intangible assets amounted to €407 million. They related mainly to drawing rights on power generation assets in Italy (€225 million) and a portfolio of natural gas long-term supply contracts (€125 million).

13.1.1 Intangible rights arising on concession contracts

This item primarily includes the right to bill users of public services recognized in accordance with the intangible asset model as set out in IFRIC 12. Acquisitions mainly relate to the France Networks businesses and hydropower plants in Brazil.

13.1.2 Capacity entitlements

The Group has acquired capacity entitlements from power stations operated by third parties. These power station capacity rights were acquired in connection with transactions or within the scope of the Group's involvement in financing the construction of certain power stations. In consideration, the Group received the right to purchase a share of the production over the useful life of the underlying assets. These rights are amortized over the useful life of the underlying assets, not to exceed 40 years. The Group currently holds entitlements in the Chooz B and Tricastin power plants in France and in the virtual power plant (VPP) in Italy.

13.1.3 Others

At December 31, 2017, this caption notably relates to software, licenses, capitalized acquisition costs for customer contracts and intangible assets acquired as a result of business combinations.

13.2 Information regarding research and development costs

Research and development activities primarily relate to various studies regarding technological innovation, improvements in plant efficiency, safety, environmental protection, service quality, and the use of energy resources.

Research and development costs, excluding technical assistance costs, totaled €180 million in 2017, of which €19 million expenses related to in-house projects in the development phase that meet the criteria for recognition as an intangible asset as defined in IAS 38.

NOTE 14 Property, plant and equipment

14.1 Movements in property, plant and equipment

In millions of euros	Land	Buildings	Plant and equipment	Vehicles	Dismantling costs	Assets in progress	Other	Total
GROSS AMOUNT								
At December 31, 2015	**755**	**4,993**	**93,201**	**437**	**2,318**	**6,428**	**1,115**	**109,248**
Acquisitions	7	26	893	46		4,299	65	5,336
Disposals	(8)	(46)	(743)	(41)	(97)	(20)	(48)	(1,003)
Translation adjustments	16	(46)	717	3	(11)	10	(2)	688
Changes in scope of consolidation	(6)	22	38	3		(718)	9	(653)
Transfers to "Assets classified as held for sale"	(3)	(7)	(1,208)		(23)	(47)	(2)	(1,291)
Other	(5)	746	2,615	2	842	(3,489)	37	749
At December 31, 2016	**756**	**5,687**	**95,514**	**451**	**3,030**	**6,462**	**1,174**	**113,073**
Acquisitions[1]	6	55	708	39		4,178	58	5,045
Disposals	(10)	(84)	(851)	(40)	(34)	(110)	(208)	(1,337)
Translation adjustments	(23)	(122)	(2,484)	(11)	(41)	(420)	(16)	(3,117)
Changes in scope of consolidation	(2)	(38)	(1,377)	3	(4)	(131)		(1,548)
Transfers to "Assets classified as held for sale"	(26)	(67)	(11,698)	(7)	(742)	(1,160)	(14)	(13,714)
Other	16	85	3,694	9	11	(3,967)	11	(140)
AT DECEMBER 31, 2017	**717**	**5,517**	**83,506**	**444**	**2,220**	**4,853**	**1,005**	**98,262**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At December 31, 2015	**(113)**	**(2,231)**	**(45,377)**	**(314)**	**(1,259)**	**(2,132)**	**(834)**	**(52,259)**
Depreciation	(8)	(265)	(3,148)	(43)	(74)		(89)	(3,627)
Impairment	(14)	(438)	(1,126)	(11)	31	(151)	(2)	(1,711)
Disposals	1	27	555	36	97	2	45	761
Translation adjustments	(7)	5	(198)	(3)	11	93	3	(95)
Changes in scope of consolidation		(12)	(29)	(2)		444	(5)	396
Transfers to "Assets classified as held for sale"		5	977		12		2	996
Other	(5)	(15)	(186)	(1)	(142)	550	4	204
At December 31, 2016	**(145)**	**(2,925)**	**(48,531)**	**(337)**	**(1,324)**	**(1,195)**	**(878)**	**(55,334)**
Depreciation[2]	(9)	(124)	(2,935)	(40)	(187)		(96)	(3,390)
Impairment	2	(31)	(670)	(1)	2	(19)	(2)	(719)
Disposals	1	68	692	36	46	96	202	1,140
Translation adjustments	6	16	1,227	10	24	59	10	1,352
Changes in scope of consolidation	1	18	832	(1)	2	27	1	879
Transfers to "Assets classified as held for sale"	15	35	7,785	5	518	208	11	8,577
Other		7	(388)	(2)	(9)	624	26	257
AT DECEMBER 31, 2017	**(129)**	**(2,937)**	**(41,989)**	**(330)**	**(929)**	**(199)**	**(725)**	**(47,238)**
CARRYING AMOUNT								
At December 31, 2016	**612**	**2,762**	**46,983**	**113**	**1,706**	**5,268**	**296**	**57,739**
AT DECEMBER 31, 2017	**588**	**2,579**	**41,516**	**114**	**1,291**	**4,653**	**280**	**51,023**

(1) *Including €437 million related to the property, plant and equipment of exploration--production activities, which are classified under "Discontinued operations" (see Note 4 "Main changes in Group structure").*

(2) *Depreciation and amortization of the property, plant and equipment relating to exploration-production activities are recognized in "Net income/(loss) from discontinued operations" in the income statement for a negative €171 million, at December 31, 2017.*

Pursuant to the classification of exploration-production activities under discontinued operations (*see Note 4.1 "Assets held for sale and discontinued operations"*), and the agreement reached for the future disposal of the Loy Lang B assets, the carrying amount of the corresponding property, plant and equipment (€5,137 million) has been transferred to "Assets classified as held for sale" in the statement of financial position at December 31, 2017.

In 2017, the net decrease in "Property, plant and equipment" takes into account:

- maintenance and development investments for a total amount of €5,045 million mainly relating to the construction of new plants and the development of wind farms in Latin America and France, the extension of the transportation and distribution networks in the Infrastructures Europe segment;
- depreciation for a total negative amount of €3,390 million;
- negative net translation adjustments of €1,765 million, mainly resulting from the US dollar (negative impact of €963 million), the Brazilian real (negative impact of €439 million), and the Norwegian krone (negative impact of €103 million);
- impairment losses amounting to €719 million, mainly related to thermal power generation assets (€510 million) and gas storage facilities in Germany (€156 million);
- changes in the scope of consolidation for a negative €670 million, mainly resulting from the DBSO[1] activities relating to wind and solar fields in France (negative impact of €277 million), and the disposal of power generation plants in the United-Kingdom (negative impact of €186 million).

In 2016, the net increase in "Property, plant and equipment" mainly resulted from:

- maintenance and development investments for a total amount of €5,336 million mainly related to the construction of new plants and the development of wind farms in Latin America and France, the extension of the transportation and distribution networks in the Infrastructures Europe segment and developments in the exploration-production business;
- a €981 million increase in dismantling assets recorded against provisions for dismantling nuclear facilities in Belgium;
- positive net translation adjustments of €593 million, mainly resulting from the Brazilian real (positive impact of €557 million), the US dollar (positive impact of €267 million), the Norwegian krone (positive impact of €87 million), and the pound sterling (negative impact of €349 million);
- depreciation for a total negative amount of €3,627 million;
- impairment losses amounting to €1,711 million, mainly related to thermal power generation assets in Europe (€520 million), hydro generation assets in France (€414 million), LNG tankers (€142 million), and exploration-production assets;
- the transfer of the carrying amount of preperty, plant and equipment of the Polaniec power plant in Poland to "Assets held for sale" (negative impact of €295 million);
- changes in scope of consolidation for a negative €257 million, mainly resulting from the disposal of a 50% interest in Transmisora Eléctrica del Norte SA (TEN) in Chile (negative impact of €202 million) and the sale of the Meenakshi coal-fired plants in India (negative impact of €131 million), partly offset by the acquisition of a controlling interest in Energieversorgung Gera GmbH in Germany (positive impact of €100 million).

14.2 Pledged and mortgaged assets

Items of property, plant and equipment pledged by the Group to guarantee borrowings and debt amounted to €2,185 million at December 31, 2017 compared to €3,727 million at December 31, 2016. The decrease mainly related to the classification of the Loy Yang B coal-fired power plant in Australia under "Assets held for sale" *(see Note 4.1.3).*

14.3 Contractual commitments to purchase property, plant and equipment

In the ordinary course of their operations, some Group companies have entered into commitments to purchase, and the related third parties to deliver, property, plant and equipment. These commitments relate mainly to orders for equipment, and material related to the construction of energy production units and to service agreements.

Investment commitments made by the Group to purchase property, plant and equipment totaled €1,988 million at December 31, 2017 versus €3,079 million at December 31, 2016.

14.4 Other information

Borrowing costs for 2017 included in the cost of property, plant and equipment amounted to €104 million at December 31, 2017 versus €102 million at December 31, 2016.

(1) Develop Build Share and Operate.

NOTE 15 Financial instruments

15.1 Financial assets

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

	Dec. 31, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	2,656		2,656	2,997		2,997
Loans and receivables at amortized cost	2,976	20,911	23,887	2,250	21,430	23,680
Loans and receivables at amortized cost (excluding trade and other receivables)	*2,976*	*599*	*3,576*	*2,250*	*595*	*2,845*
Trade and other receivables		*20,311*	*20,311*		*20,835*	*20,835*
Other financial assets at fair value	2,948	8,985	11,933	3,603	10,486	14,089
Derivative instruments	*2,948*	*7,378*	*10,325*	*3,603*	*9,047*	*12,650*
Financial assets at fair value through income		*1,608*	*1,608*		*1,439*	*1,439*
Cash and cash equivalents		8,931	8,931		9,825	9,825
TOTAL	**8,580**	**38,827**	**47,407**	**8,850**	**41,741**	**50,591**

15.1.1 Available-for-sale securities

In millions of euros	
At December 31, 2015	**3,016**
Acquisitions	407
Disposals - carrying amount excluding changes in fair value recorded in "Other comprehensive income"	(500)
Disposals - "Other comprehensive income" derecognized	(152)
Other changes in fair value recorded in equity	298
Changes in fair value recorded in income	(21)
Changes in scope of consolidation, foreign currency translation and other changes	(49)
At December 31, 2016	**2,997**
Acquisitions	279
Disposals - carrying amount excluding changes in fair value recorded in "Other comprehensive income"	(178)
Disposals - "Other comprehensive income" derecognized	(362)
Other changes in fair value recorded in equity	(14)
Changes in fair value recorded in income	(19)
Changes in scope of consolidation, foreign currency translation and other changes	(47)
AT DECEMBER 31, 2017	**2,656**

The Group's available-for-sale securities amounted to €2,656 million at December 31, 2017 breaking down as €1,558 million of listed securities and €1,098 million of unlisted securities (respectively, €1,977 million and €1,020 million at December 31, 2016).

The main changes over the period correspond to the acquisition by Synatom of money market funds and bonds as part of its investing objectives designed to cover nuclear provisions (*see Note 15.1.5*) and to the disposal of interests held by the Group in Petronet LNG (*see Note 4.2.4*).

In 2016, the main change over the period corresponded to the acquisition by Synatom of money market funds and bonds as part of its investing objectives designed to cover nuclear provisions and to the sales of interests previously held by the Group in the Walloon distribution network operator, in Transportadora de Gas del Perú, and in *Société d'Enrichissement du Tricastin* Holding. (*see Note 4.1.5 to the 2016 annual consolidated financial statements*).

15.1.1.1 Gains and losses on available-for-sale securities recognized in equity or income

The table below shows gains and losses on available-for-sale securities recognized in equity or income:

		Post-acquisition measurement				
In millions of euros	Dividends	Change in fair value	Foreign currency translation	Impairment	Reclassified to income	Net gain/(loss) on disposals
Equity[(1)]		(14)			(362)	
Income	172			(19)	362	17
TOTAL AT DECEMBER 31, 2017	**172**	**(14)**		**(19)**		**17**
Equity[(1)]		298	1		(152)	
Income	114			(21)	152	90
TOTAL AT DECEMBER 31, 2016	**114**	**298**	**1**	**(21)**		**90**

(1) Excluding tax impact.

In 2017, the disposal gain recorded in "Other items of comprehensive income" and reclassified to income mainly comprised the sale of the Petronet LNG shares for €362 million (*see Note 4.2.4*).

15.1.1.2 Analysis of available-for-sale securities in connection with impairment tests

The Group reviewed the value of its available-for-sale securities on a case-by-case basis in order to determine whether any impairment losses should be recognized in light of the current market environment.

Among factors taken into account, an impairment indicator for listed securities is when the value of any such security falls below 50% of its historical cost or remains below its historical cost for more than 12 months.

The Group recognized impairment losses for an amount of €19 million at December 31, 2017.

Based on its analyses, the Group has not identified any evidence of material unrealized capital losses at December 31, 2017 on other securities.

15.1.2 Loans and receivables at amortized cost

	Dec. 31, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Loans and receivables at amortized cost (excluding trade and other receivables)	2,976	599	3,576	2,250	595	2,845
Loans granted to affiliated companies	*993*	*395*	*1,388*	*718*	*441*	*1,159*
Other receivables at amortized cost	*658*	*34*	*692*	*655*	*22*	*678*
Amounts receivable under concession contracts	*573*	*82*	*655*	*14*	*6*	*20*
Amounts receivable under finance leases	*752*	*88*	*840*	*862*	*125*	*987*
Trade and other receivables		20,311	20,311		20,835	20,835
TOTAL	**2,976**	**20,911**	**23,887**	**2,250**	**21,430**	**23,680**

The table below shows impairment losses on loans and receivables at amortized cost:

	Dec. 31, 2017			Dec. 31, 2016		
In millions of euros	Gross	Allowances and impairment	Net	Gross	Allowances and impairment	Net
Loans and receivables at amortized cost (excluding trade and other receivables)	3,816	(241)	3,576	3,092	(248)	2,845
Trade and other receivables	21,231	(920)	20,311	21,897	(1,062)	20,835
TOTAL	**25,048**	**(1,161)**	**23,887**	**24,989**	**(1,310)**	**23,680**

Information on the age of receivables past due but not impaired and on counterparty risk associated with loans and receivables at amortized cost (including trade and other receivables) are provided in Note 16.2 “Counterparty risk”.

Net gains and losses recognized in the consolidated income statement with regard to loans and receivables at amortized cost (including trade and other receivables) break down as follows:

		Post-acquisition measurement	
In millions of euros	Interest income	Foreign currency translation	Impairment
At December 31, 2017	196	(13)	(53)
At December 31, 2016[1]	109	32	(85)

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under “Discontinued operations” on May 11, 2017 (see Note 30 “Restatement of 2016 comparative data”).

Loans and receivables at amortized cost (excluding trade and other receivables)

At December 31, 2017, as at December 31, 2016, no material impairment losses had been recognized against loans and receivables at amortized cost (excluding trade and other receivables).

Trade and other receivables

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery. The carrying amount of trade and other receivables in the consolidated statement of financial position represents a reasonable estimate of the fair value.

Impairment losses recognized against trade and other receivables amounted to €920 million at December 31, 2017 (€1,062 million at December 31, 2016).

15.1.3 Other financial assets at fair value through income

In millions of euros	Dec. 31, 2017			Dec. 31, 2016		
	Non-current	Current	Total	Non-current	Current	Total
Derivative instruments	**2,948**	**7,378**	**10,325**	**3,603**	**9,047**	**12,650**
Derivatives hedging borrowings	*610*	*63*	*673*	*888*	*250*	*1,138*
Derivatives hedging commodities	*1,532*	*7,231*	*8,763*	*1,875*	*8,712*	*10,587*
Derivatives hedging other items(1)	*805*	*83*	*888*	*840*	*85*	*925*
Financial assets at fair value through income (excluding margin calls)	**-**	**1,108**	**1,108**	**-**	**816**	**816**
Financial assets qualifying as at fair value through income		*1,108*	*1,108*		*816*	*816*
Margin calls on derivatives hedging borrowings - assets	**-**	**500**	**500**	**-**	**622**	**622**
TOTAL	**2,948**	**8,985**	**11,933**	**3,603**	**10,486**	**14,089**

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

Financial assets qualifying as at fair value through income (excluding margin calls) are mainly money market funds held for trading purposes and held to be sold in the near term. They are included in the calculation of the Group's net debt (*see Note 15.3 "Net debt"*).

Gains on financial assets qualifying as at fair value through income held for trading purposes totaled €7 million in 2017 versus €8 million in 2016.

15.1.4 Cash and cash equivalents

Cash and cash equivalents totaled €8,931 million at December 31, 2017 (€9,825 million at December 31, 2016).

This amount included funds related to the green bond issues, which remain unallocated to the funding of eligible projects (*see section 5* of the Registration Document).

This amount also included €141 million in cash and cash equivalents subject to restrictions (€246 million at December 31, 2016). Cash and cash equivalents subject to restrictions include notably €91 million of cash equivalents set aside to cover the repayment of borrowings and debt as part of project financing arrangements in certain subsidiaries.

Gains recognized in respect of "Cash and cash equivalents" amounted to €92 million at December 31, 2017 compared to €131 million at December 31, 2016.

15.1.5 Financial assets set aside to cover the future costs of dismantling nuclear facilities and managing radioactive fissile material

As indicated in Note 18.2 "Nuclear dismantling liabilities", the Belgian law of April 11, 2003, amended by the law of April 25, 2007, granted the Group's wholly-owned subsidiary Synatom responsibility for managing and investing funds received from operators of nuclear power plants in Belgium and designed to cover the costs of dismantling nuclear power plants and managing radioactive fissile material.

Pursuant to the law, Synatom may lend up to 75% of these funds to operators of nuclear plants provided that they meet certain financial criteria – particularly in terms of credit quality. The funds that cannot be lent to operators are either lent to entities meeting the credit quality criteria set by the law or invested in financial assets such as bonds and money market funds.

Loans to entities outside the Group and other cash investments are shown in the table below:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Loans to third parties	**516**	**562**
Loan to Eso/Elia	454	454
Loan to Ores Assets	41	82
Loan to Sibelga	22	26
Other cash investments	**1,507**	**1,464**
Money market funds	1,507	1,464
TOTAL	**2,023**	**2,026**

Loans to entities outside the Group are shown in the statement of financial position as "Loans and receivables at amortized cost". Bonds and money market funds held by Synatom are shown as "Available-for-sale securities".

15.1.6 Transfer of financial assets

At December 31, 2017, the outstanding amount of transferred financial assets (as well as the risks to which the Group remains exposed following the transfer of those financial assets) as part of transactions leading to either (i) all or part of those assets being retained in the statement of financial position, or (ii) their full deconsolidation while retaining a continuing involvement in these financial assets, was not material in terms of the Group's indicators.

In 2017, the Group carried out disposals without recourse of financial assets as part of transactions leading to full derecognition, for an outstanding amount of €928 million at December 31, 2017.

15.1.7 Financial assets and equity instruments pledged as collateral for borrowings and debt

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Financial assets and equity instruments pledged as collateral	3,602	4,177

This item mainly includes the carrying amount of equity instruments pledged as collateral for borrowings and debt.

15.2 Financial liabilities

Financial liabilities are recognized either:

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

The following table presents the Group's different financial liabilities at December 31, 2017, broken down into current and non-current items:

	Dec. 31, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings and debt	25,292	8,176	33,467	24,411	12,539	36,950
Derivative instruments	2,980	8,720	11,700	3,410	9,228	12,638
Trade and other payables	-	16,432	16,432	-	17,075	17,075
Other financial liabilities	32	-	32	200	-	200
TOTAL	**28,303**	**33,328**	**61,632**	**28,021**	**38,842**	**66,864**

15.2.1 Borrowings and debt

	Dec. 31, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Bond issues	20,062	2,175	22,237	18,617	3,360	21,977
Bank borrowings	4,231	928	5,159	4,501	977	5,478
Negotiable commercial paper		3,889	3,889		6,330	6,330
Drawdowns on credit facilities	26	21	47	12	30	43
Liabilities under finance leases	330	152	483	520	150	670
Other borrowings	65	56	121	90	249	339
TOTAL BORROWINGS	**24,714**	**7,221**	**31,935**	**23,740**	**11,097**	**34,837**
Bank overdrafts and current accounts		466	466		608	608
OUTSTANDING BORROWINGS AND DEBT	**24,714**	**7,688**	**32,401**	**23,740**	**11,705**	**35,444**
Impact of measurement at amortized cost	242	47	289	235	72	306
Impact of fair value hedges	336	29	365	436	31	468
Margin calls on derivatives hedging borrowings - liabilities		412	412		731	731
BORROWINGS AND DEBT	**25,292**	**8,176**	**33,467**	**24,411**	**12,539**	**36,950**

The fair value of gross borrowings and debt amounted to €35,568 million at December 31, 2017, compared with a carrying amount of €33,467 million.

Financial income and expenses relating to borrowings and debt are detailed in Note 9 “Net financial income/(loss)”.

Borrowings and debt are analyzed in Note 15.3 “Net debt”.

15.2.2 Derivative instruments

Derivative instruments recorded in liabilities are measured at fair value and broken down as follows:

	Dec. 31, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	293	59	352	251	67	318
Derivatives hedging commodities	1,475	8,544	10,018	1,461	9,038	10,499
Derivatives hedging other items(1)	1,212	118	1,329	1,698	123	1,821
TOTAL	**2,980**	**8,720**	**11,700**	**3,410**	**9,228**	**12,638**

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

15.2.3 Trade and other payables

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Trade payables	16,011	16,327
Payable on fixed assets	422	748
TOTAL	**16,432**	**17,075**

The carrying amount of these financial liabilities represents a reasonable estimate of their fair value.

15.2.4 Other financial liabilities

At December 31, 2017, other financial liabilities amounted to €32 million (compared to €200 million at December 31, 2016), mainly corresponding to debt resulting from uncalled share capital of entities accounted for using the equity method, notably Cameron LNG.

The change over the period is mainly due to the exercise of the put option granted by the Group on the non-controlling interest in La Compagnie du Vent related to the agreement concluded on April 4, 2017 for the acquisition by the Group of SOPER's 41% non-controlling interest in La Compagnie du Vent (*see Note 4.3.3*).

15.3 Net debt

15.3.1 Net debt by type

	Dec. 31, 2017			Dec. 31, 2016		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings and debt outstanding	24,714	7,688	32,401	23,740	11,705	35,444
Impact of measurement at amortized cost	242	47	289	235	72	306
Impact of fair value hedge(1)	336	29	365	436	31	468
Margin calls on derivatives hedging borrowings - liabilities		412	412		731	731
BORROWINGS AND DEBT	**25,292**	**8,176**	**33,467**	**24,411**	**12,539**	**36,950**
Derivatives hedging borrowings - carried in liabilities(2)	293	59	352	251	67	318
GROSS DEBT	**25,585**	**8,234**	**33,820**	**24,662**	**12,606**	**37,268**
Assets related to financing	(59)	(1)	(60)	(58)	(1)	(58)
ASSETS RELATED TO FINANCING	**(59)**	**(1)**	**(60)**	**(58)**	**(1)**	**(58)**
Financial assets at fair value through income (excluding margin calls)		(1,108)	(1,108)		(816)	(816)
Margin calls on derivatives hedging borrowings - carried in assets		(500)	(500)		(622)	(622)
Cash and cash equivalents		(8,931)	(8,931)		(9,825)	(9,825)
Derivatives hedging borrowings - carried in assets(2)	(610)	(63)	(673)	(888)	(250)	(1,138)
NET CASH	**(610)**	**(10,602)**	**(11,212)**	**(888)**	**(11,514)**	**(12,402)**
NET DEBT	**24,916**	**(2,369)**	**22,548**	**23,716**	**1,091**	**24,807**
Borrowings and debt outstanding	24,714	7,688	32,401	23,740	11,705	35,444
Assets related to financing	(59)	(1)	(60)	(58)	(1)	(58)
Financial assets at fair value through income (excluding margin calls)		(1,108)	(1,108)		(816)	(816)
Cash and cash equivalents		(8,931)	(8,931)		(9,825)	(9,825)
NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, CASH COLLATERAL AND AMORTIZED COST	**24,655**	**(2,352)**	**22,303**	**23,682**	**1,062**	**24,744**

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

Net debt, excluding internal E&P debt of €1,612 million (see *Note 4.1.2*) amounted to €20,936 million at December 31, 2017 compared to €23,080 million at December 31, 2016.

15.3.2 Reconciliation between net debt and cash flow from financing activities

In millions of euros	Dec. 31, 2016	Cash flow from financing activities	Cash flow from operating and investing activities and variation of cash and cash equivalents	Change in fair value	Translation adjustments	Change in scope of consolidation and others	Dec. 31, 2017
Borrowings and debt outstanding	35,444	(1,193)			(1,087)	(762)	32,401
Impact of measurement at amortized cost	306	(68)		43	(11)	19	289
Impact of fair value hedge	468			(102)			365
Margin calls on derivatives hedging borrowings - liabilities	731	(319)					412
BORROWINGS AND DEBT	**36,950**	**(1,580)**		**(60)**	**(1,099)**	**(743)**	**33,467**
Derivatives hedging borrowings - carried in liabilities	318	(78)		1	112	(1)	352
GROSS DEBT	**37,268**	**(1,659)**		**(58)**	**(987)**	**(744)**	**33,820**
Assets related to financing	(58)	(19)			9	9	(60)
ASSETS RELATED TO FINANCING	**(58)**	**(19)**			**9**	**9**	**(60)**
Financial assets at fair value through income (excluding margin calls)	(816)	(285)				(7)	(1,108)
Margin calls on derivatives hedging borrowings - carried in assets	(622)	123					(500)
Cash and cash equivalents	(9,825)		324		249	321	(8,931)
Derivatives hedging borrowings - carried in assets	(1,138)	277		114	72	1	(673)
NET CASH	**(12,402)**	**115**	**324**	**114**	**321**	**315**	**(11,212)**
NET DEBT	**24,807**	**(1,562)**	**324**	**55**	**(657)**	**(419)**	**22,548**

6

15.3.3 Main events of the period

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

In 2017, changes in exchange rates resulted in a €657 million decrease in net debt (including a €486 million decrease in relation to the US dollar and a €117 million decrease in relation to the Brazilian real).

Changes in the scope of consolidation (including the cash impact of acquisitions and disposals) led to a €3,659 million decrease in net debt, reflecting:

- disposals of assets over the period, which reduced net debt by €4,791 million, including the disposal of the thermal merchant power plant portfolio in the United States, the Polaniec power plant in Poland, the Group's 30% interest in Opus Energy in the United Kingdom, its 10% interest in Petronet LNG in India, its 38,1% interest in NuGen, the transfer of 100% of Elengy to GRTgaz and the the classification of the Loy Yang B coal-fired power plant under "Assets held for sale" (*see Note 4.2 "Disposals carried out in 2017"*) ;
- several acquisitions carried out over the period (notably Keepmoat Regeneration, Icomera and Tabreed, which increased net debt by €1,168 million (*see Notes 4.3.1, 4.3.2, 4.3.4 and 4.3.3*).

15.3.3.2 Financing and refinancing transactions

The Group carried out the following main transactions in 2017:

- on March 23 and September 19, 2017 ENGIE SA issued €2,750 million worth of green bonds:
  - a €700 million tranche maturing in 2024 with a 0.875% coupon,
  - a €800 million tranche maturing in 2028 with a 1.5% coupon,
  - a €500 million tranche maturing in 2023 with a 0.375% coupon,
  - a €750 million tranche maturing in 2029 with a 1.375% coupon;
- on September 19, 2017, ENGIE SA also issued:
  - a €750 million tranche maturing in 2037 with a 2% coupon;
- on June 1, September 27 and October 20 and 24, 2017, ENGIE SA carried out private issues in the amounts of €100 million, HKD 1.4 billion and HKD 900 million (outstandings of €153 million and €98 million respectively at the hedged rate), and €100 million;
- on November 10, 2017, ENGIE Brasil Energia issued €581 million worth of bonds;
- on March 15, 2017, ENGIE Brasil Energia took out four bank loans totaling BRL 217 million (€63 million) that will mature in May 2033;
- on November 10, 2017, ENGIE Brasil Energia took out a bank loan totaling €529 million;
- the redemption of the following bonds, which matured in 2017:
  - €500 million worth of ENGIE SA bonds with a coupon of 0% which matured on March 13, 2017,
  - €750 million worth of ENGIE SA bonds with a coupon of 1.5% which matured on July 20, 2017,
  - €564 million worth of ENGIE SA bonds with a coupon of 2.75% which matured on October 18, 2017,
  - CHF 300 million (€262 million) worth of ENGIE SA bonds with a coupon of 1.5% which matured on October 20, 2017,
  - USD 750 million (€635 million) worth of ENGIE SA bonds with a coupon of 1.625% which matured on October 10, 2017,
  - €350 million worth of ENGIE SA bonds with a coupon of 0% which matured on December 7, 2017;
- refinancing transactions:
  - on March 27, 2017, the Group launched an offer to buy back bonds for a nominal amount of €538 million.

15.4 Fair value of financial assets by level in the fair value hierarchy

15.4.1 Financial assets

The table below shows the allocation of financial instruments carried in assets to the different levels in the fair value hierarchy:

	Dec. 31, 2017				Dec. 31, 2016			
In millions of euros	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities	2,656	1,558		1,098	2,997	1,977		1,020
Derivative instruments	10,325	21	9,992	313	12,650	68	12,560	22
Derivatives hedging borrowings	*673*		*673*		*1,138*		*1,138*	
Derivatives hedging commodities - relating to portfolio management activities	*2,001*		*1,969*	*32*	*2,504*	*68*	*2,414*	*22*
Derivatives hedging commodities - relating to trading activities	*6,763*	*21*	*6,461*	*281*	*8,083*		*8,083*	
Derivatives hedging other items	*888*		*888*		*925*		*925*	
Financial assets at fair value through income (excluding margin calls)	1,108		1,108		816	1	816	
Financial assets qualifying as at fair value through income	*1,108*		*1,108*		*816*	*1*	*816*	
TOTAL	**14,090**	**1,579**	**11,100**	**1,411**	**16,464**	**2,046**	**13,376**	**1,042**

A definition of these three levels is presented in Note 1.4.11.3 "Derivatives and hedge accounting".

Available-for-sale securities

Listed securities – measured at their market price at the reporting date – are included in level 1.

Unlisted securities – measured using valuation models based primarily on recent market transactions, the present value of future dividends/cash flows or net asset value – are included in level 3.

At December 31, 2017, changes in level 3 available-for-sale securities can be analyzed as follows:

In millions of euros	**Available-for-sale securities**
At December 31, 2016	**1,020**
Acquisitions	136
Disposals - carrying amount excluding changes in fair value recorded in "Other comprehensive income"	11
Disposals - "Other comprehensive income" derecognized	
Other changes in fair value recorded in equity	25
Changes in fair value recorded in income	(46)
Changes in scope of consolidation, foreign currency translation and other changes	(47)
At December 31, 2017	**1,098**
Gains/(losses) recorded in income relating to instruments held at the end of the period	(5)

A 10% gain or loss in the market price of unlisted shares would generate a gain or loss (before tax) of around €110 million on the Group's comprehensive income.

Loans and receivables at amortized cost (excluding trade and other receivables)

Loans and receivables at amortized cost (excluding trade and other receivables) in a designated fair value hedging relationship are presented in level 2 in the above table. Only the interest rate component of these items is remeasured, with fair value determined by reference to observable data.

Derivative instruments

Derivative instruments included in level 1 are mainly futures traded on organized markets with clearing houses. They are measured at fair value based on their quoted price.

The measurement at fair value of other derivative instruments is based on commonly-used models in the trading environment, and includes directly or indirectly observable inputs. These instruments are included in level 2 of the fair value hierarchy.

The measurement at fair value of derivative instruments included in level 3 is based on non-observable inputs and internal assumptions, usually because the maturity of the instruments exceeds the observable period of the underlying forward price, or because certain inputs such as the volatility of the underlying were not observable at the measurement date.

These primarily consist mainly in long-term gas supply contracts and in a power contract that are measured at fair value and which relate to trading activities.

At December 31, 2017, changes in level 3 derivative instruments can be analyzed as follows:

In millions of euros	**Net Asset/(Liability)**
At December 31, 2016	**(11)**
Changes in fair value recorded in income[(1)]	(170)
Settlements	15
Transfer out of level 3	(7)
Net fair value recorded in income	**(173)**
Deferred Day-One gains/(losses)	(15)
At December 31, 2017	**(188)**

(1) This amount includes the initial non-recurring impact relating to the October 1, 2017 change in accounting treatment for a negative amount of €155 million.

Financial assets qualifying or designated as at fair value through income

Financial assets qualifying as at fair value through income for which the Group has regular net asset value data are included in level 1. If net asset values are not available on a regular basis, these instruments are included in level 2.

Financial assets designated as at fair value through income are included in level 2.

15.4.2 Financial liabilities

The table below shows the allocation of financial instruments carried in liabilities to the different levels in the fair value hierarchy:

	Dec. 31, 2017				**Dec. 31, 2016**			
In millions of euros	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Borrowings used in designated fair value hedges	4,860		4,860		4,691		4,691	
Borrowings not used in designated fair value hedges	30,709	19 835	10 874		34 652	20 144	14 508	
Derivative instruments	11,700	26	11,173	501	12,638	121	12,483	34
Derivatives hedging borrowings	*352*		*352*		*318*		*318*	
Derivatives hedging commodities - relating to portfolio management activities	*2,210*		*2,140*	*70*	*2,411*	*119*	*2,258*	*34*
Derivatives hedging commodities - relating to trading activities	*7,808*	*26*	*7,351*	*431*	*8,088*	*3*	*8,085*	
Derivatives hedging other items	*1,329*		*1,329*		*1,821*		*1,821*	
TOTAL	**47,269**	**19,861**	**26,907**	**501**	**51,982**	**20,266**	**31,682**	**34**

Borrowings used in designated fair value hedges

This caption includes bonds in a designated fair value hedging relationship which are presented in level 2 in the above table. Only the interest rate component of the bonds is remeasured, with fair value determined by reference to observable inputs.

Borrowings not used in designated fair value hedges

Listed bond issues are included in level 1.

Other borrowings not used in a designated hedging relationship are presented in level 2 in the above table. The fair value of these borrowings is determined on the basis of future discounted cash flows and relies on directly or indirectly observable data.

Derivative instruments

The classification of derivative instruments in the fair value hierarchy is detailed in Note 15.4.1 "Financial assets".

15.5 Offsetting of derivative instrument assets and liabilities

The net amount of derivative instruments after taking into account enforceable master netting arrangements or similar agreements, whether or not they are set off in accordance with Section 42 of IAS 32, are presented in the table below:

AT DECEMBER 31, 2017

In millions of euros		Gross amount	Net amount recognized in the statement of financial position(1)	Other offsetting agreements(2)	Total net amount
Assets	Derivatives hedging commodities	9,177	8,763	(5,061)	3,703
	Derivatives hedging borrowings and other items	1,562	1,562	(315)	1,247
Liabilities	Derivatives hedging commodities	(10,432)	(10,018)	7,221	(2,798)
	Derivatives hedging borrowings and other items	(1,682)	(1,682)	393	(1,289)

(1) Net amount recognized in the statement of financial position after taking into account offsetting agreements that meet the criteria set out in Section 42 of IAS 32.
(2) Other offsetting agreements include collateral and other guarantee instruments, as well as offsetting agreements that do not meet the criteria set out in Section 42 of IAS 32

AT DECEMBER 31, 2016

In millions of euros		Gross amount	Net amount recognized in the statement of financial position(1)	Other offsetting agreements(2)	Total net amount
Assets	Derivatives hedging commodities	10,948	10,587	(7,981)	2,607
	Derivatives hedging borrowings and other items	2,063	2,063	(596)	1,467
Liabilities	Derivatives hedging commodities	(10,860)	(10,499)	9,867	(632)
	Derivatives hedging borrowings and other items	(2,139)	(2,139)	390	(1,750)

(1) Net amount recognized in the statement of financial position after taking into account offsetting agreements that meet the criteria set out in Section 42 of IAS 32.
(2) Other offsetting agreements include collateral and other guarantee instruments, as well as offsetting agreements that do not meet the criteria set out in Section 42 of IAS 32.

NOTE 16 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 Chapter 2 “Risk factors” of the Registration Document.

16.1 Market risks

16.1.1 Commodity risk

Commodity risk arises primarily from the following activities:

- portfolio management;

and

- trading.

The Group has identified two types of commodity risks: price risk resulting from fluctuations in market prices, and volume risk inherent to the business.

In the ordinary course of its operations, the Group is exposed to commodity risks on natural gas, electricity, coal, oil and oil products, other fuels, CO2 and other “green” products. The Group is active on these energy markets either for supply purposes or to optimize and secure its energy production chain and its energy sales. The Group also uses derivatives to offer hedging instruments to its clients and to hedge its own positions.

16.1.1.1 Portfolio management activities

Portfolio management seeks to optimize the market value of assets (power plants, gas and coal supply contracts, energy sales and gas storage and transmission) over various time frames (short-, medium- and long-term). Market value is optimized by:

- guaranteeing supply and ensuring the balance between needs and physical resources;
- managing market risks (price, volume) to unlock optimum value from portfolios within a specific risk framework.

The risk framework aims to safeguard the Group’s financial resources over the budget period and smooth out medium-term earnings (over three or five years, depending on the maturity of each market). It encourages portfolio managers to take out economic hedges on their portfolio.

Sensitivities of the commodity-related derivatives portfolio used as part of the portfolio management activities as at December 31, 2017 are detailed in the table below. They are not representative of future changes in consolidated earnings and equity, insofar as they do not include the sensitivities relating to the purchase and sale contracts for the underlying commodities.

SENSITIVITY ANALYSIS[(1)]

		Dec. 31, 2017		Dec. 31, 2016	
In millions of euros	Changes in price	Pre-tax impact on income	Pre-tax impact on equity	Pre-tax impact on income	Pre-tax impact on equity
Oil-based products	+USD 10/bbl	307	197	475	(49)
Natural gas	+€3/MWh	(17)	(48)	(23)	(97)
Electricity	+€5/MWh	145	(30)	84	(39)
Coal	+USD 10/ton	33	2	67	3
Greenhouse gas emission rights	+€2/ton	53		64	
EUR/USD	+10%	102	(233)	(89)	(7)
EUR/GBP	+10%	69	2	(42)	8

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

16.1.1.2 Trading activities

The Group’s trading activities are primarily conducted within:

- ENGIE Global Markets and ENGIE Energy Management. The purpose of these wholly-owned companies is to (i) assist Group entities in optimizing their asset portfolios; (ii) create and implement energy price risk management solutions for internal and external customers;
- ENGIE SA for the optimization of part of its long-term gas supply contracts and of a power exchange contract (*see Note 8.5 “Other non-recurring items*).

Revenues from trading activities totaled €332 million at December 31, 2017 (€427 million at December 31, 2016).

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 global VaR of the Group's trading entities.

Value at Risk

In millions of euros	Dec. 31, 2017	2017 average(1)	2017 maximum(2)	2017 minimum(2)	2016 average 1)
Trading activities	12	9	19	1	10

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

16.1.2 Hedges of commodity risks

The Group enters into cash flow hedges as defined by IAS 39, using derivative instruments (firm or option contracts) contracted over-the-counter or on organized markets. These instruments may be settled net or involve physical delivery of the underlying.

The fair values of commodity derivatives at December 31, 2017 and December 31, 2016 are indicated in the table below:

	Dec. 31, 2017				Dec. 31, 2016			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Derivative instruments relating to portfolio management activities	1,532	468	(1,475)	(736)	1,875	629	(1,461)	(949)
Cash flow hedges	186	62	(208)	(110)	87	101	(231)	(283)
Other derivative instruments	1,346	406	(1,267)	(625)	1,788	528	(1,230)	(666)
Derivative instruments relating to trading activities		6,763		(7,808)		8,083		(8,088)
TOTAL	**1,532**	**7,231**	**(1,475)**	**(8,544)**	**1,875**	**8,712**	**(1,461)**	**(9,038)**

See also Notes 15.1.3 "Other financial assets at fair value through income" and 15.2.2 "Derivative instruments".

The fair values shown in the table above reflect the amounts for which assets could be exchanged, or liabilities settled, at the end of the reporting period. They are not representative of expected future cash flows insofar as positions (i) are sensitive to changes in prices; (ii) can be modified by subsequent transactions; and (iii) can be offset by future cash flows arising on the underlying transactions.

16.1.2.1 Cash flow hedges

The fair values of cash flow hedges by type of commodity are as follows:

	Dec. 31, 2017				Dec. 31, 2016[(1)]			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Natural gas	14	12		(10)	36	25	(106)	(81)
Electricity	3	7	(44)	(52)	5	9	(42)	(37)
Coal	8	4			5	4		
Oil	145	1		(1)	1	2	(62)	(152)
Other[(2)]	16	38	(164)	(47)	40	61	(21)	(14)
TOTAL	**186**	**62**	**(208)**	**(110)**	**87**	**101**	**(231)**	**(283)**

(1) Comparative data at December 31, 2016 have not been restated for the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 4.1.1 "Disposal of exploration-production business").

(2) Includes mainly foreign currency hedges on commodities.

NOTIONAL AMOUNTS (NET)[(1)]

Notional amounts and maturities of cash flow hedges are as follows:

	Unit	Total at Dec. 31, 2017	2018	2019	2020	2021	2022	Beyond 5 years
Natural gas	GWh	9,500	5,780	2,703	1,017			
Electricity	GWh	(7,309)	(3,515)	(3,168)	(626)			
Coal	Thousands of tons	289	128	128	32			
Oil-based products	Thousands of barrels	45,182	607	14,083	30,492			
Forex	Millions of euros	2,914	153	1,011	1,436	314		
Greenhouse gas emission rights	Thousands of tons	2,064	930	934	200			

(1) Long/(short) position.

At December 31, 2017, a loss of €24 million was recognized in equity in respect of cash flow hedges, versus a loss of €372 million at December 31, 2016. A loss of €185 million was reclassified from equity to income in 2017, compared to a gain of €167 million in 2016.

Gains and losses arising from the ineffective portion of hedges are taken to income. The impact recognized in income represented a gain of €2 million in 2017, compared to a nil impact in 2016.

16.1.2.2 Other commodity derivatives

Other commodity derivatives include embedded derivatives, commodity purchase and sale contracts which were not entered into within the ordinary course of business at the statement of financial position date, as well as derivative financial instruments not eligible for hedge accounting in accordance with IAS 39.

16.1.3 Currency risk

The Group is exposed to currency risk, defined as the impact on its statement of financial position and income statement of fluctuations in exchange rates affecting its operating and financing activities. Currency risk comprises (i) transaction risk arising in the ordinary course of business, (ii) specific transaction risk related to investments, mergers-acquisitions or disposal projects, (iii) translation risk related to assets outside the Eurozone, and (iv) the risk arising on the consolidation in euros of subsidiaries' financial statements with a functional currency other than the euro. The three mains translation and consolidation risk exposures correspond, in order, to assets in American dollars, Brazilian real and pound sterling.

16.1.3.1 Analysis of financial instruments by currency

The following tables present a breakdown by currency of outstanding gross debt and net debt, before and after hedging:

Outstanding gross debt

	Dec 31, 2017		Dec. 31, 2016	
	Before hedging	After hedging	Before hedging	After hedging
EUR	69%	79%	65%	77%
USD	12%	11%	16%	10%
GBP	7%	0%	7%	2%
Other currencies	12%	10%	12%	11%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	Dec. 31, 2017		Dec. 31, 2016	
	Before hedging	After hedging	Before hedging	After hedging
EUR	65%	80%	59%	77%
USD	16%	14%	21%	13%
GBP	9%	-1%	10%	3%
Other currencies	10%	7%	10%	7%
TOTAL	**100%**	**100%**	**100%**	**100%**

16.1.3.2 Currency risk sensitivity analysis

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 hedged 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.

Impact on income after currency hedges

Changes in exchange rates only affect income via gains and losses on expositions denominated in a currency other than the functional currency of companies carrying the assets and liabilities on their statements of financial position, and when the expositions in question are neither hedged nor constitute currency risk hedges. The impact of a uniform appreciation (or depreciation) of 10% in foreign currencies against the euro would ultimately be a loss (or gain) of €6 million (€2 million).

Impact on equity

For financial instruments (debt and derivatives) designated as net investment hedges, a depreciation of 10% in foreign currencies against the euro would have a positive impact of €252 million on equity. An appreciation of 10% in foreign currencies against the euro would have a negative impact of €252 million on equity. These impacts are countered by the offsetting change in the net investment hedged.

16.1.4 Interest rate risk

The Group seeks to manage its borrowing costs by limiting the impact of interest rate fluctuations on its income statement. It does this by ensuring a balanced interest rate structure in the medium-term (five years). The Group's aim is therefore to use a mix of fixed rates, floating rates and capped floating rates for its net debt. The interest rate mix may shift within a range defined by the Group Management in line with market trends.

In order to manage the interest rate structure for its net debt, the Group uses hedging instruments, particularly interest rate swaps and options. At December 31, 2017, the Group had a portfolio of interest rate options (caps) protecting it from a rise in short-term interest rates for the euro.

In 2014, the Group contracted 2019 forward interest rate pre-hedges with an 18 years maturity in order to protect the refinancing interest rate on a portion of its debt.

16.1.4.1 Analysis of financial instruments by type of interest rate

The following tables present a breakdown by type of interest rate of outstanding gross debt and net debt before and after hedging.

Outstanding gross debt

	Dec. 31, 2017		Dec. 31, 2016	
	Before hedging	After hedging	Before hedging	After hedging
Floating rate	29%	39%	36%	41%
Fixed rate	71%	61%	64%	59%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt

	Dec. 31, 2017		Dec. 31, 2016	
	Before hedging	After hedging	Before hedging	After hedging
Floating rate	(1)%	14%	11%	17%
Fixed rate	101%	86%	89%	83%
TOTAL	**100%**	**100%**	**100%**	**100%**

16.1.4.2 Interest rate risk sensitivity analysis

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 with year-end interest rates.

Impact on income after hedging

A uniform rise of 100 basis points in short-term interest rates (across all currencies) on the nominal amount of floating-rate net debt and the floating-rate leg of derivatives, would increase net interest expense by €31 million. A fall of 100 basis points in short-term interest rates would reduce net interest expense by €30 million.

In the income statement, a uniform rise of 100 basis points in interest rates (across all currencies) on derivative instruments not qualifying for hedge accounting would result in a gain of €55 million attributable to changes in the fair value of derivatives. However, a fall of 100 basis points in interest rates would generate a loss of €75 million. The asymmetrical impacts are partly attributable to the interest rate options portfolio.

Impact on equity

A uniform rise of 100 basis points in interest rates (across all currencies) would generate a gain of €232 million on equity, attributable to changes in the fair value of derivative instruments designated as cash flow hedges. However, a fall of 100 basis points in interest rates would have a negative impact of €289 million.

16.1.4.3 Currency and interest rate hedges

The fair values of derivatives (excluding commodity instruments) at December 31, 2017 and December 31, 2016 are indicated in the table below:

	Dec. 31, 2017				Dec. 31, 2016			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Derivatives hedging borrowings	610	63	(293)	(59)	888	250	(251)	(67)
Fair value hedges	*449*	*9*	*(38)*		*683*		*(19)*	
Cash flow hedges	*15*	*1*	*(191)*		*68*	*166*	*(90)*	*(1)*
Derivative instruments not qualifying for hedge accounting	*147*	*53*	*(64)*	*(59)*	*137*	*84*	*(142)*	*(66)*
Derivatives hedging other items	805	83	(1,212)	(118)	840	85	(1,698)	(123)
Fair value hedges								
Cash flow hedges	*128*	*5*	*(375)*	*(37)*	*13*	*6*	*(976)*	*(55)*
Net investment hedges	*54*		*(8)*		*37*		*(118)*	
Derivative instruments not qualifying for hedge accounting	*623*	*78*	*(830)*	*(80)*	*791*	*79*	*(604)*	*(68)*
TOTAL	**1,416**	**146**	**(1,505)**	**(177)**	**1,728**	**335**	**(1,949)**	**(190)**

See also Notes 15.1.3 "Other financial assets at fair value through income" and 15.2.2 "Derivative instruments".

The fair values shown in the table above reflect the amounts for which assets could be exchanged, or liabilities settled, at the end of the reporting period. They are not representative of expected future cash flows insofar as positions (i) are sensitive to changes in prices or to changes in credit ratings, (ii) can be modified by subsequent transactions, and (iii) can be offset by future cash flows arising on the underlying transactions.

The table below shows the fair values and notional amounts of derivative instruments designated as currency or interest rate hedges:

CURRENCY DERIVATIVES

	Dec. 31, 2017		Dec. 31, 2016	
In millions of euros	Fair value	Nominal amount	Fair value	Nominal amount
Fair value hedges	5	411		
Cash flow hedges	(166)	3,285	(146)	4,513
Net investment hedges	47	3,370	(81)	6,281
Derivative instruments not qualifying for hedge accounting	(76)	5,161	(102)	9,796
TOTAL	**(191)**	**12,227**	**(329)**	**20,591**

INTEREST RATE DERIVATIVES

	Dec. 31, 2017		Dec. 31, 2016	
In millions of euros	Fair value	Nominal amount	Fair value	Nominal amount
Fair value hedges	415	8,313	664	10,163
Cash flow hedges	(288)	1,550	(724)	3,520
Derivative instruments not qualifying for hedge accounting	(56)	18,008	313	20,567
TOTAL	**71**	**27,871**	**253**	**34,250**

The fair values shown in the table above are positive for an asset and negative for a liability.

The Group qualifies foreign currency derivatives hedging firm foreign currency commitments and interest rate swaps transforming fixed-rate debt into floating-rate debt as fair value hedges.

Cash flow hedges are mainly used to hedge foreign currency cash flows, floating-rate debt as well as future refinancing requirements.

Net investment hedging instruments are mainly cross currency swaps.

Derivative instruments not qualifying for hedge accounting correspond to instruments that do not meet the definition of hedges from an accounting perspective, even though they are used as economic hedges of borrowings and foreign currency commitments.

Fair value hedges

At December 31, 2017, the net impact of fair value hedges recognized in the income statement was not significant.

Cash flow hedges

Foreign currency and interest rate derivatives designated as cash flow hedges can be analyzed as follows by maturity:

AT DECEMBER 31, 2017

In millions of euros	Total	2018	2019	2020	2021	2022	Beyond 5 years
Fair value of derivatives by maturity date	(454)	(49)	(31)	(62)	(29)	(22)	(261)

At December 31, 2017, a loss of €392 million was recognized in equity.

The amount reclassified from equity to income in the period represented a loss of €23 million.

The ineffective portion of cash flow hedges recognized in income represented a loss of €25 million at December 31, 2017.

AT DECEMBER 31, 2016

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Fair value of derivatives by maturity date	(870)	84	(80)	(84)	(84)	(65)	(641)

Net investment hedges

The ineffective portion of net investment hedges recognized in income was not significant at December 31, 2017.

16.2 Counterparty risk

The Group is exposed to counterparty risk from customers, suppliers, partners, intermediaries and banks on its operating and financing activities, when such parties are unable to honor their contractual obligations. Counterparty risk results from a combination of payment risk (failure to pay for services or deliveries carried out), delivery risk (failure to deliver services or products paid for) and the risk of replacing contracts in default (known as mark-to-market exposure, i.e. the cost of replacing the contract in conditions other than those initially agreed).

16.2.1 Operating activities

Counterparty risk arising on operating activities is managed via standard mechanisms such as third-party guarantees, netting agreements and margin calls, using dedicated hedging instruments or special prepayment and debt recovery procedures, particularly for retail customers.

Under the Group's policy, each business unit is responsible for managing counterparty risk, although the Group continues to manage the biggest counterparty exposures.

The credit rating of large- and mid-sized counterparties with which the Group has exposures above a certain threshold is measured based on a specific rating process, while a simplified credit scoring process is used for commercial customers with which the Group has fairly low exposures. These processes are based on formally documented, consistent methods across the Group. Consolidated exposures are monitored by counterparty and by segment (credit rating, sector, etc.) using standard indicators (payment risk, mark-to-market exposure).

The Group's Energy Market Risk Committee consolidates and monitors the Group's exposure to its main energy counterparties on a quarterly basis and ensures that the exposure limits set for these counterparties are respected.

16.2.1.1 Trade and other receivables

Past-due trade and other receivables are analyzed below:

	Past due assets not impaired at the reporting date				Impaired assets	Assets neither impaired nor past due	
In millions of euros	0-6 months	6-12 months	Beyond 1 year	Total	Total	Total	Total
At December 31, 2017	939	122	241	1,301	1,366	18,390	21,058
At December 31, 2016	920	196	268	1,384	1,279	19,234	21,897

The age of receivables that are past due but not impaired may vary significantly depending on the type of customer with which the Group does business (private corporations, individuals or public authorities). The Group decides whether or not to recognize impairment on a case-by-case basis according to the characteristics of the customer categories concerned. The Group does not consider that it is exposed to any material concentration of credit risk.

16.2.1.2 Commodity derivatives

In the case of commodity derivatives, counterparty risk arises from positive fair value. Counterparty risk is taken into account when calculating the fair value of these derivative instruments.

	Dec. 31, 2017		Dec. 31, 2016	
In millions of euros	Investment Grade[3]	Total	Investment Grade[3]	Total
Gross exposure[1]	7,309	8,764	9,626	10,588
Net exposure[2]	2,913	3,705	2,347	2,571
% of credit exposure to "Investment Grade" counterparties	78.6%		91.3%	

(1) Corresponds to the maximum exposure, i.e. the value of the derivatives shown under assets (positive fair value).
(2) After taking into account the liability positions with the same counterparties (negative fair value), collateral, netting agreements and other credit enhancement techniques.
(3) Investment Grade corresponds to transactions with counterparties that are rated at least BBB- by Standard & Poor's, Baa3 by Moody's, or equivalent by Dun & Bradstreet. "Investment Grade" is also determined based on an internal rating tool that has been rolled out within the Group, and covers its main counterparties.

16.2.2 Financing activities

For its financing activities, the Group has put in place procedures for managing and monitoring risk based on (i) the accreditation of counterparties according to external credit ratings, objective market data (credit default swaps, market capitalization) and financial structure, and (ii) counterparty risk exposure limits.

To reduce its counterparty risk exposure, the Group drew increasingly on a structured legal framework based on master agreements (including netting clauses) and collateralization contracts (margin calls).

The oversight procedure for managing counterparty risk arising from financing activities is managed by a middle office that operates independently of the Group's Treasury department and reports to the Finance division.

16.2.2.1 Counterparty risk arising from loans and receivables at amortized cost (excluding trade and other receivables)

Loans and receivables at amortized cost (excluding trade and other receivables)

The balance of outstanding past due loans and receivables at amortized cost (excluding trade and other receivables) is analyzed below:

	Past due assets not impaired at the reporting date				Impaired assets	Assets neither impaired nor past due	
In millions of euros	0-6 months	6-12 months	Beyond 1 year	Total	Total	Total	Total
At December 31, 2017	2			3	254	3,539	3,795
At December 31, 2016			2	2	238	2,832	3,071

The balance of outstanding loans and receivables carried at amortized cost (excluding trade and other receivables) presented in the above table does not include the impact of impairment losses or changes in fair value and the application of amortized cost, which totaled a negative €220 million, at December 31, 2017 (compared to a negative €227 million at December 31, 2016). Changes in these items are presented in Note 15.1.2 "Loans and receivables at amortized cost".

16.2.2.2 Counterparty risk arising from investing activities and the use of derivative financial instruments

The Group is exposed to counterparty risk arising from investments of surplus cash and from the use of derivative financial instruments. In the case of financial instruments at fair value through income, counterparty risk arises on instruments with a positive fair value. Counterparty risk is taken into account when calculating the fair value of these derivative instruments.

At December 31, 2017, total outstandings exposed to credit risk amounted to €10,009 million.

	Dec. 31, 2017				Dec. 31, 2016			
In millions of euros	Total	Investment Grade(1)	Unrated(2)	Non Investment Grade(2)	Total	Investment Grade(1)	Unrated(2)	Non Investment Grade(2)
Exposure	10,009	84.0%	9.0%	7.0%	10,664	89.0%	4.0%	7.0%

(1) Counterparties that are rated at least BBB- by Standard & Poor's or Baa3 by Moody's.
(2) Most of these two exposures is carried by consolidated companies that include non-controlling interests, or by Group companies that operate in emerging countries, where cash cannot be pooled and is therefore invested locally.

At December 31, 2017, Crédit Agricole Corporate and Investment Bank (CACIB) is the main Group counterparty and represents 22% of cash surpluses. This relates mainly to a depositary risk.

16.3 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. As well as the risks inherent in managing working capital, margin calls are required in certain market activities.

The Group has set up a quarterly committee tasked with managing and monitoring liquidity risk throughout the Group, by maintaining a broad range of investments and sources of financing, preparing forecasts of cash investments and divestments, and performing stress tests on the margin calls put in place when commodity, interest rate and currency derivatives are negotiated.

The Group centralizes virtually all financing needs and cash flow surpluses of the companies it controls, as well as most of their medium- and long-term external financing requirements. Centralization is provided by financing vehicles (long-term and short-term) and by dedicated Group cash pooling vehicles based in France, Belgium and Luxembourg.

Surpluses held by these structures are managed in accordance with a uniform policy. Unpooled cash surpluses are invested in instruments selected on a case-by-case basis in light of local financial market imperatives and the financial strength of the counterparties concerned.

The onslaught of successive financial crises since 2008 and the ensuing rise in counterparty risk prompted the Group to tighten its investment policy with the aim of keeping an extremely high level of liquidity and protecting invested capital and a daily monitoring of performance and counterparty risks for both investment types, allowing the Group to take immediate action where required in response to market developments. Consequently, 88% of cash pooled at December 31, 2017 was invested in overnight bank deposits and standard money market funds with daily liquidity.

The Group's financing policy is based on:

- centralizing external financing;
- diversifying sources of financing between credit institutions and capital markets;
- achieving a balanced debt repayment profile.

The Group seeks to diversify its sources of financing by carrying out public or private bond issues within the scope of its Euro Medium Term Notes program. It also issues negotiable commercial paper in France and in the United States.

At December 31, 2017, bank loans accounted for 18% of gross debt (excluding overdrafts and the impact of derivatives and amortized cost), while the remaining debt was raised on capital markets (including €22,237 million in bonds, or 70% of gross debt).

Outstanding negotiable commercial paper issues represented 12% of gross debt, or €3,889 million at December 31, 2017. As negotiable commercial paper is relatively inexpensive and highly liquid, it is used by the Group in a cyclical or structural fashion to finance its short-term cash requirements. However, the refinancing of all outstanding negotiable commercial paper remains secured by confirmed bank lines of credit allowing the Group to continue to finance its activities if access to this financing source were to dry up.

Available cash, comprising cash and cash equivalents and financial assets measured at fair value through income (excluding margin calls), totaled €10,039 million at December 31, 2017, of which 65% was invested in the Eurozone.

The Group also has access to confirmed credit lines. These facilities are appropriate for the scale of its operations and for the timing of contractual debt repayments. Confirmed credit facilities had been granted for a total of €13,431 million at December 31, 2017, of which €13,384 million was available. 94% of available credit facilities are centralized. None of these centralized facilities contain a default clause linked to covenants or minimum credit ratings.

At December 31, 2017, all the entities of the Group whose debt is consolidated comply with the covenants and declarations included in their financial documentation, except for some non-significant entities for which compliance actions are being implemented.

16.3.1 Undiscounted contractual payments relating to financial activities

At December 31, 2017, undiscounted contractual payments on net debt (excluding the impact of derivatives, margin calls and amortized cost) break down as follows by maturity:

AT DECEMBER 31, 2017

In millions of euros	Total	2018	2019	2020	2021	2022	Beyond 5 years
Bond issues	22,237	2,175	864	2,468	1,897	2,574	12,259
Bank borrowings	5,159	928	395	792	263	486	2,294
Negotiable commercial paper	3,889	3,889					
Drawdowns on credit facilities	47	21	3	22			1
Liabilities under finance leases	483	152	135	86	75	8	27
Other borrowings	121	56	11	12	4	2	35
Bank overdrafts and current accounts	466	466					
OUTSTANDING BORROWINGS AND DEBT	**32,401**	**7,688**	**1,408**	**3,380**	**2,239**	**3,070**	**14,617**
Assets related to financing	(60)	(1)		(2)	(2)		(54)
Financial assets at fair value through income (excluding margin calls)	(1,108)	(1,108)					
Cash and cash equivalents	(8,931)	(8,931)					
NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, MARGIN CALLS AND AMORTIZED COST	**22,303**	**(2,352)**	**1,408**	**3,377**	**2,237**	**3,070**	**14,563**

AT DECEMBER 31, 2016

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
OUTSTANDING BORROWINGS AND DEBT	**35,444**	**11,705**	**2,602**	**1,574**	**3,402**	**2,543**	**13,619**
Assets related to financing, financial assets at fair value through income (excluding margin calls) and cash and cash equivalents	(10,700)	(10,644)	(1)	(1)	(3)	(4)	(47)
NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, MARGIN CALLS AND AMORTIZED COST	**24,744**	**1,061**	**2,601**	**1,573**	**3,399**	**2,539**	**13,572**

6

At December 31, 2017, undiscounted contractual interest payments on outstanding borrowings and debt break down as follows by maturity:

AT DECEMBER 31, 2017

In millions of euros	Total	2018	2019	2020	2021	2022	Beyond 5 years
Undiscounted contractual interest flows on outstanding borrowings and debt	9,500	930	808	741	651	531	5,839

AT DECEMBER 31, 2016

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Undiscounted contractual interest flows on outstanding borrowings and debt	9,688	982	846	773	694	599	5,793

At December 31, 2017, undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in assets and liabilities break down as follows by maturity (net amounts):

AT DECEMBER 31, 2017

In millions of euros	Total	2018	2019	2020	2021	2022	Beyond 5 years
Derivatives (excluding commodity instruments)	(105)	(156)	(106)	(62)	(55)	(12)	286

AT DECEMBER 31, 2016

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Derivatives (excluding commodity instruments)	(843)	(223)	16	(32)	(83)	(85)	(436)

To better reflect the economic substance of these transactions, the cash flows linked to the derivatives recognized in assets and liabilities shown in the table above relate to net positions.

The maturities of the Group's undrawn credit facility programs are analyzed in the table below:

AT DECEMBER 31, 2017

In millions of euros	Total	2018	2019	2020	2021	2022	Beyond 5 years
Confirmed undrawn credit facility programs	13,384	704	540	1,421	5,018	5,515	186

The maturity of the €5.5 billion syndicated loan was extended by one year to November 2022.

Of these undrawn programs, an amount of €3,889 million is allocated to covering commercial paper issues.

At December 31, 2017, no single counterparty represented more than 6% of the Group's confirmed undrawn credit lines.

AT DECEMBER 31, 2016

In millions of euros	Total	2017	2018	2019	2020	2021	Beyond 5 years
Confirmed undrawn credit facility programs	13,559	1,517	483	538	376	10,525	120

16.3.2 Undiscounted contractual payments relating to operating activities

The table below provides an analysis of undiscounted fair values due and receivable in respect of commodity derivatives recorded in assets and liabilities at the statement of financial position date.

The Group provides an analysis of residual contractual maturities for commodity derivative instruments included in its portfolio management activities. Derivative instruments relating to trading activities are considered to be liquid in less than one year, and are presented under current items in the statement of financial position.

AT DECEMBER 31, 2017

In millions of euros	**Total**	**2018**	**2019**	**2020**	**2021**	**2022**	**Beyond 5 years**
Derivative instruments carried in liabilities							
relating to portfolio management activities	*(2,179)*	*(713)*	*(858)*	*(374)*	*(172)*	*(49)*	*(12)*
relating to trading activities	*(7,801)*	*(7,801)*					
Derivative instruments carried in assets							
relating to portfolio management activities	*2,018*	*463*	*794*	*433*	*220*	*56*	*52*
relating to trading activities	*6,770*	*6,770*					
TOTAL AT DECEMBER 31, 2017	**(1,192)**	**(1,281)**	**(64)**	**59**	**48**	**7**	**40**

AT DECEMBER 31, 2016

In millions of euros	**Total**	**2017**	**2018**	**2019**	**2020**	**2021**	**Beyond 5 years**
Derivative instruments carried in liabilities							
relating to portfolio management activities	*(2,404)*	*(935)*	*(731)*	*(513)*	*(170)*	*(36)*	*(19)*
relating to trading activities	*(8,085)*	*(8,085)*					
Derivative instruments carried in assets							
relating to portfolio management activities	*2,514*	*606*	*1,082*	*501*	*211*	*71*	*42*
relating to trading activities	*8,081*	*8,081*					
TOTAL AT DECEMBER 31, 2016	**106**	**(332)**	**352**	**(12)**	**42**	**34**	**22**

16.3.3 Commitments relating to commodity purchase and sale contracts entered into within the ordinary course of business

Some Group operating companies have entered into long-term contracts, some of which include "take-or-pay" clauses. These consist of firm commitments to purchase (sell) specified quantities of gas, electricity or steam as well as and related services, in exchange for a firm commitment from the other party to deliver (purchase) said quantities and services. These contracts were documented as falling outside the scope of IAS 39. The table below shows the main future commitments arising from contracts entered into by the GEM & GNL, Latin America and North America reportable segments (expressed in TWh):

In TWh	Total at Dec. 31, 2017	2018	2019-2022	Beyond 5 years	Total at Dec. 31, 2016
Firm purchases	(5,680)	(792)	(2,117)	(2,771)	(6,214)
Firm sales	2,046	394	644	1,017	2,051

16.4 Equity risk

At December 31, 2017, available-for-sale securities held by the Group amounted to €2,656 million *(see Note 15.1.1 "Available-for-sale securities")*.

A fall of 10% in the market price of listed shares would have a negative impact (before tax) of around €156 million on the Group's comprehensive income.

The Group's main unlisted security corresponds to its 9% interest in the Nordstream pipeline, which is measured by reference to the Discounted Dividend Method (DDM).

The Group's portfolio of listed and unlisted securities is managed within the context of a specific investment procedure and its performance is reported on a regular basis to Executive Management.

NOTE 17 Equity

17.1 Share capital

	Number of shares			Value *(in millions of euros)*		
	Total	Treasury stock	Outstanding	Share capital	Additional paid-in capital	Treasury stock
AT DECEMBER 31, 2015	**2 435 285 011**	**(39 407 541)**	**2 395 877 470**	**2,435**	**32,506**	**(822)**
Purchase/disposal of treasury stock		1 884 703	1 884 703			61
AT DECEMBER 31, 2016	**2 435 285 011**	**(37 522 838)**	**2 397 762 173**	**2,435**	**32,506**	**(761)**
Purchase/disposal of treasury stock		(9 335 181)	(9 335 181)			(122)
AT DECEMBER 31, 2017	**2 435 285 011**	**(46 858 019)**	**2 388 426 992**	**2,435**	**32,506**	**(883)**

17.1.1 Potential share capital and instruments providing a right to subscribe for new ENGIE SA shares

At December 31, 2017 the last stock subscription option plan came to an end.

Shares to be allocated under bonus share plans, performance share award plans as well as the stock purchase option plans, described in Note 22 “Share-based payments”, will be covered by existing ENGIE SA shares.

17.1.2 Treasury stock

The Group has a stock repurchase program as a result of the authorization granted to the Board of Directors by the Ordinary and Extraordinary Shareholders’ Meeting of May 12, 2017. This program provides for the repurchase of up to 10% of the shares comprising the share capital of ENGIE SA at the date of said Shareholders’ Meeting. The aggregate amount of acquisitions net of expenses under the program may not exceed the sum of €9.7 billion, and the purchase price must be less than €40 per share excluding acquisition costs.

At December 31, 2017, the Group held 46.9 million treasury shares, allocated in full to cover the Group’s share commitments to employees and corporate officers.

The liquidity agreement signed with an investment service provider assigns to the latter the role of operating on the market on a daily basis, to buy or sell ENGIE SA shares, in order to ensure liquidity and an active market for the shares on the Paris and Brussels stock exchanges. To date, the resources allocated to the implementation of this agreement amount to €150.0 million.

17.2 Other disclosures concerning additional paid-in capital, consolidated reserves and issuance of deeply-subordinated perpetual notes (Group share)

Total additional paid-in capital, consolidated reserves and issuance of deeply-subordinated perpetual notes (including net income for the fiscal year), amounted to €37,090 million at December 31, 2017, including €32,506 million of additional paid-in capital.

Consolidated reserves include the cumulated income of the Group, the legal and statutory reserves of the company ENGIE SA and the cumulative actuarial differences, net of tax.

Under French law, 5% of the net income of French companies must be allocated to the legal reserve until the latter reaches 10% of share capital. This reserve can only be distributed to shareholders in the event of liquidation. The ENGIE SA legal reserve amounts to €244 million.

The cumulative actuarial differences Group share represent losses of €3,095 million at December 31, 2017 (losses of €3,235 million at December 31, 2016); deferred taxes on these actuarial differences amount to €744 million at December 31, 2017 (€846 million at December 31, 2016).

17.2.1 Issuance of deeply-subordinated perpetual notes

ENGIE SA carried out two issues of deeply-subordinated perpetual notes, the first on July 3, 2013 and the second on May 22, 2014. These transactions were divided into several tranches, offering an average coupon of 3.4% (2014) and 4.4% (2013).

In accordance with the provisions of IAS 32 – *Financial Instruments – Presentation*, and given their characteristics, these instruments were accounted for in equity in the Group’s consolidated financial statements for a total amount of €1,907 million in 2014 and €1,657 million in 2013.

The coupons ascribed to the owners of these notes, for which €144 million was paid in 2017, are accounted for as a deduction from equity in the Group’s consolidated financial statements; the relating tax saving is accounted for in the income statement.

17.2.2 Distributable capacity of ENGIE SA

ENGIE SA’s distributable capacity totaled €33,969 million at December 31, 2017 (compared with €34,741 million at December 31, 2016), including €32,506 million of additional paid-in capital.

17.2.3 Dividends

The table below shows the dividends and interim dividends paid by ENGIE SA in respect of 2016 and 2017.

	Amount distributed *(in millions of euros)*	Net dividend per share *(in euros)*
In respect of 2016		
Interim dividend (paid on October 14, 2016)	1,198	0.50
Remaining dividend (paid on May 18, 2017)	1,199	0.50
Remaining dividend (paid on May 18, 2017)	14	0.10
In respect of 2017		
Interim dividend (paid on October 13, 2017)	836	0.35

The additional 3% contribution, introduced by France's 2012 Finance Law and payable in respect of the dividend and interim dividend, has been invalidated by Constitutional Court dated October 6, 2017. The Group has been reimbursed of almost the entire contributions paid in the past. In 2016, the distribution amounted to €74 million and was accounted for in the income statement.

The Shareholders' Meeting of May 12, 2017 approved the distribution of a total dividend of €1 per share in respect of 2016. In accordance with Article 26.2 of the bylaws, a dividend increase of 10% (€0.10 per share) has been distributed to on registrated shares held for at least two years at December 31, 2016 provided they are held in this form by the same shareholder until the payment date. This increase of 10% may only apply, for any one shareholder, for a number of shares not representing more than 0.5% of the capital.

As an interim dividend of €0.50 per share was paid on October 14, 2016, for an amount of €1,198 million, ENGIE SA settled the remaining dividend balance of €0.50 per share in cash on May 18, 2017, for an amount of €1,213 million, for shares benefitting from ordinary dividend, as well as the remaining €0.60 per share for shares benefitting from the bonus dividend. In addition, the Board of Directors' Meeting of July 27, 2017 approved the payment of an interim dividend of €0.35 per share payable on October 13, 2017 for a total amount of €836 million.

Proposed dividend in respect of 2017

Shareholders at the Shareholders' Meeting convened to approve the ENGIE Group financial statements for the year ended December 31, 2017, will be asked to approve a dividend of €0.70 per share, representing a total payout of €1,672 million based on the number of shares outstanding at December 31, 2017. This dividend will be increased by 10% for all shares held for at least two years on December 31, 2017 and up to the 2017 dividend payment date. Based on the number of outstanding shares on December 31, 2017, this increase is valued at €12 million. An interim dividend of €0.35 per share was paid on October 13, 2017, representing a total amount of €836 million.

Subject to approval by the Shareholders' Meeting, this dividend, net of the interim dividend paid, will be detached and paid on May 24, 2018 for an amount of €848 million. It is not recognized as a liability in the financial statements at December 31, 2017, since the financial statements at the end of 2017 are presented before the appropriation of earnings.

17.3 Total gains and losses recognized in equity (Group share)

All the items shown in the table below correspond to cumulative gains and losses (Group share) at December 31, 2017 and December 31, 2016, which are recyclable to income in subsequent periods.

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Available-for-sale securities	206	587
Net investment hedges	(320)	(647)
Cash flow hedges (excl. commodity instruments)	(521)	(900)
Commodity cash flow hedges	(47)	(64)
Deferred taxes on the items above	194	378
Share of entities accounted for using the equity method in recyclable items, net of tax	(389)	(401)
Translation adjustments	(1,134)	1,075
Recyclable items relating to discontinued operations, net of tax	6	130
TOTAL RECYCLABLE ITEMS	**(2,003)**	**159**

17.4 Capital management

ENGIE SA seeks to optimize its financial structure at all times by pursuing an optimal balance between its net debt and its EBITDA. The Group's key objective in managing its financial structure is to maximize value for shareholders, and reduce the cost of capital, while ensuring that the Group has the financial flexibility required to continue its expansion. The Group manages its financial structure and makes any necessary adjustments in light of prevailing economic conditions. In this context, it may choose to adjust the amount of dividends paid to shareholders, reimburse a portion of capital, carry out share buybacks *(see Note 17.1.2 "Treasury stock")*, issue new shares, launch share-based payment plans, recalibrate its investment budget, or sell assets in order to scale back its net debt.

The Group's policy is to maintain an "A" rating by the rating agencies. To achieve this, it manages its financial structure in line with the indicators usually monitored by these agencies, namely the Group's operating profile, financial policy and a series of financial ratios. One of the most commonly used ratios is the ratio where the numerator includes operating cash flows less net financial expense and taxes paid, and the denominator includes adjusted net financial debt. Net debt is mainly adjusted for nuclear provisions, provisions for unfunded pension plans and operating lease commitments.

The Group's objectives, policies and processes for managing capital have remained unchanged over the past few years.

ENGIE SA is not obliged to comply with any minimum capital requirements except those provided for by law.

NOTE 18 Provisions

In millions of euros	Dec. 31, 2016	Additions	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Impact of unwinding discount adjustments	Translation adjustments	Other	Dec. 31, 2017	Non-current	Current
Post-employment and other long-term benefits	6,422	274	(410)	3	1,790	125	(23)	(2,039)	6,142	5,994	148
Back-end of the nuclear fuel cycle	5,630	146	(59)			197			5,914	5,859	55
Dismantling of plant and equipment[(1)]	5,671	(1)	(6)	(11)	(6)	214	(21)	(110)	5,728	5,728	
Site rehabilitation[(2)]	1,487	(4)	(59)	(14)	307	31	(44)	(1,390)	313	313	1
Litigation, claims, and tax risks	1,133	294	(514)	(80)	4	5	(35)	(54)	753	19	734
Other contingencies	1,865	1,605	(653)	(80)	518	16	(17)	(337)	2,917	515	2,402
TOTAL PROVISIONS	**22,208**	**2,314**	**(1,701)**	**(181)**	**2,612**	**587**	**(140)**	**(3,930)**	**21,768**	**18,428**	**3,340**

(1) Of which €5,159 million in provisions for dismantling nuclear facilities, compared to €4,997 million at December 31, 2016.
(2) Of which €1,290 million decrease included in the "Other" culumn and relating to the classification of E&P activities under discontinued operations.

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 interest income on plan assets.

The "Other" column mainly comprises actuarial gains and losses arising on post-employment benefit obligations in 2017 which are recorded in "Other comprehensive income" as well as provisions recorded against a dismantling or site rehabilitation asset.

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

In millions of euros	Dec. 31, 2017
Income/(loss) from operating activities	(334)
Other financial income and expenses	(587)
Income taxes	(97)
TOTAL	**(1,018)**

The different types of provisions and the calculation principles applied are described below.

6

18.1 Post-employment benefits and other long-term benefits

See Note 19 "Post-employment benefits and other long-term benefits".

18.2 Nuclear power generation activities

In the context of its nuclear power generation activities, the Group assumes obligations relating to the back-end of the nuclear fuel cycle and the dismantling of nuclear facilities.

18.2.1 Legal framework

The Belgian law of April 11, 2003 granted Group subsidiary Synatom responsibility for managing provisions set aside to cover the costs of dismantling nuclear power plants and managing radioactive fissile material from such plants. The tasks of the Commission for Nuclear Provisions set up pursuant to the above-mentioned law is to oversee the process of computing and managing these provisions. The Commission also issues opinions on the maximum percentage of funds that Synatom can lend to operators of nuclear plants and on the types of assets in which Synatom may invest its outstanding funds *(see Note 15.1.5 "Financial assets set aside to cover the future costs of dismantling nuclear facilities and managing radioactive fissile material")*.

To enable the Commission for Nuclear Provisions to carry out its work in accordance with the above-mentioned law, Synatom is required to submit a report every three years describing the core inputs used to measure these provisions.

If any changes are observed from one triennial report to another that could materially impact the financial inputs used, i.e., the industrial scenario, estimated costs and timing, the Commission may revise its opinion.

Synatom submitted its triennial report to the Commission for Nuclear Provisions on September 12, 2016. The Commission issued its opinion on December 12, 2016 based on the opinion given by ONDRAF, the Belgian agency for radioactive waste and enriched fissile material.

For 2017, core inputs for measuring provisions including management scenarios, implementation program and timetable, detailed technical analyses (physical and radiological inventories), estimation methods and timing of expenditures, as well as discount rates, correspond to those which have been approved by the Commission for Nuclear Provisions and the Group has made sure that these assumptions remain reasonable. Changes in provisions in 2017 therefore mainly relate to recurring items linked to the passage of time (the unwinding of discounting adjustments) and provisions for fuel spent during the year.

The provisions recognized by the Group were measured taking into account the prevailing contractual and legal framework, which sets the operating life of the Tihange 1 reactor and the Doel 1 and 2 reactors at 50 years, and the other reactors at 40 years.

The provisions set aside take into account all existing or planned environmental regulatory requirements on a European, national and regional level. If new legislation were to be introduced in the future, the cost estimates used as a basis for the calculations could vary. However, the Group is not aware of any planned legislation on this matter which could materially impact the amount of the provisions.

The estimated provision amounts include margins for contingencies and other risks that may arise in connection with dismantling and radioactive spent fuel management procedures. These margins are estimated by the Group for each cost category. The contingency margins relating to the disposal of waste are determined by ONDRAF and built into its tariffs.

The Group considers that the provisions approved by the Commission take into account all currently available information to manage the contingencies and other risks associated with the processes of dismantling nuclear facilities and managing radioactive spent fuel.

18.2.2 Provisions for nuclear fuel processing and storage

When spent nuclear fuel is removed from a reactor, it remains radioactive and requires processing. There are two different procedures for managing radioactive spent fuel: reprocessing or conditioning without reprocessing. The Belgian government has not yet decided which scenario will be made compulsory in Belgium.

The Commission for Nuclear Provisions has adopted a "mixed" scenario in which around one-quarter of total fuel is reprocessed, and the rest disposed of directly without reprocessing.

The provisions booked by the Group for nuclear fuel processing and storage cover all of the costs linked to this "mixed" scenario, including on-site storage, transportation, reprocessing by an accredited facility, conditioning, storage and removal. They are calculated based on the following principles and inputs:

- storage costs primarily comprise the costs of building and operating additional dry storage facilities, along with the costs of purchasing containers;
- part of the spent fuel is transferred for reprocessing. The resulting plutonium and uranium is sold to a third party;
- spent fuel that has not been reprocessed is to be conditioned, which requires conditioning facilities to be built according to ONDRAF's approved criteria;
- the reprocessing residues and conditioned spent fuel are transferred to ONDRAF;
- the cost of burying fuel in deep geological repositories is estimated by ONDRAF;
- the long-term obligation is calculated using estimated internal costs and external costs assessed based on offers received from third parties or fee proposals from independent organizations;
- the discount rate used is 3.5% and was calculated based on an inflation rate of 2.0% (actual rate of 1.5%). It is based on an analysis of trends in and average, past and prospective benchmark long-term rates;
- allocations to the provision are computed based on the average unit cost of the quantities used up to the end of the operating life of the plant;
- an annual allocation is also recognized with respect to unwinding the discount on the provision.

The costs effectively incurred in the future may differ from the estimates in terms of their nature and timing of payment. The provisions may be subsequently adjusted in line with changes in the above-mentioned inputs and related cost estimates. However, these components are based on information and estimates which the Group deems reasonable to date and which have been approved by the Commission for Nuclear Provisions.

Belgium's current legal framework does not prescribe methods for managing nuclear waste. The reprocessing of spent fuel was suspended following a resolution adopted by the House of Representatives in 1993. The scenario adopted is based on the assumption that the Belgian government will allow Synatom to reprocess uranium and that an agreement will be reached between Belgium and France designating Areva as responsible for these reprocessing operations. The Commission's 2016 opinion recommends that the necessary steps be officially initiated to ensure that this partial reprocessing scenario is implemented.

A scenario assuming the direct disposal of waste without reprocessing would lead to a decrease in the provision compared to the provision resulting from the "mixed" scenario currently used and approved by the Commission for Nuclear Provisions.

The Belgian government has not yet taken a decision as to whether the waste should be buried in a deep geological repository or stored over the long term. In accordance with the European Directive, in 2015 the government drew up its national program for the management of spent fuel and radioactive waste. The program remains subject to approval by a ministerial order. The scenario adopted by the Commission for Nuclear Provisions is based on the assumption that the waste will be buried in a deep geological repository at the Boom clay facility, as recommended in ONDRAF's waste management program. To date, there is no accredited site in Belgium where the waste may be buried. The Commission's 2016 opinion requires developing a scenario that includes the creation of a storage facility concept that the authorities are likely to deem as fit for authorization.

The Group does not expect that demonstrating the feasibility of these facilities will challenge the industrial scenario that is being adopted since it has been reviewed and validated by both national and international experts who, to date, have not raised any objections as to the technical implementation of the proposed solution of burying waste in a deep geological repository.

In these conditions, on February 9, 2018, ONDRAF proposed that geological storage be adopted as the national policy for managing this waste over the long term. Once the Government has ratified the proposal after obtaining the opinion of the Belgian Federal Agency for Nuclear Control (FANC), ONDRAF will launch a decision-making process with all the stakeholders, which will be included in the analysis of the Commission for Nuclear Provisions

18.2.3 Provisions for dismantling nuclear facilities

Nuclear power plants have to be dismantled at the end of their operating life. Provisions are set aside in the Group's accounts to cover all costs relating to (i) the shutdown phase, which involves removing radioactive fuel from the site and (ii) the dismantling phase, which consists of decommissioning and cleaning up the site.

The dismantling strategy has is based on the facilities being dismantled (i) immediately after the reactor is shut down (ii) "serial" rather than on a site-by-site basis, and (iii) completely, the land being subsequently returned to greenfield status.

Provisions for dismantling nuclear facilities are calculated based on the following principles and inputs:

- costs payable over the long term are calculated by reference to the estimated costs for each nuclear facility, based on a study conducted by independent experts under the assumption that the facilities will be dismantled "in series";
- an inflation rate of 2.0% is applied until the dismantling obligations expire in order to determine the value of the future obligation;
- a discount rate of 3.5% (including inflation of 2.0%) is applied to determine the present value (NPV) of the obligation. This rate is the same as that used to calculate the provision for processing spent nuclear fuel;
- the operating life is 50 years for Tihange 1 and Doel 1 and 2, and 40 years for the other facilities;
- the start of the technical shutdown procedures depends on the facility concerned and on the timing of operations for the nuclear reactor as a whole. The shutdown procedures are immediately followed by dismantling operations;
- the present value of the obligation when the facilities are commissioned represents the initial amount of the provision. The matching entry is an asset recognized for the same amount within the corresponding property, plant and equipment category. This asset is depreciated over the remaining operating life of the facilities;
- an annual allocation to the provision, reflecting the interest cost on the provision carried in the books at the end of the previous year, is calculated at the discount rate used to estimate the present value of the obligation.

The costs effectively incurred in the future may differ from the estimates in terms of their nature and timing of payment. The provisions may be subsequently adjusted in line with changes in the above-mentioned inputs. The assumptions used have a significant impact on the related implementation costs. However, these inputs and assumptions are based on information and estimates which the Group deems reasonable to date and which have been approved by the Commission for Nuclear Provisions.

The scenario adopted is based on a dismantling program and on timetables that have to be approved by the nuclear safety authorities.

Provisions are also recognized for the Group's share of the expected dismantling costs for the nuclear facilities in which it has drawing rights.

18.2.4 Sensitivity to discount rates

The remaining balance at end-2017 of provisions for the back-end of the nuclear fuel cycle came to €5.9 billion. The obligation, expressed in current euros and estimated at the share of spent fuel to date amounted to approximately €11.7 billion.

Provisions for dismantling nuclear facilities in Belgium amounted to €5.2 billion at end-2017. The obligation, expressed in current euros, totaled approximately €7.5 billion.

Based on currently applied inputs for estimating costs and the timing of payments, a change of 10 basis points in the discount rate used could lead to an adjustment of around €150 million in dismantling and nuclear fuel processing and storage provisions. A fall in discount rates would lead to an increase in outstanding provisions, while a rise in discount rates would reduce the provision amount.

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

Sensitivity to discount rates as presented above in accordance with the applicable standards, is an automatic calculation and should therefore be interpreted with appropriate caution in view of the variety of other inputs – some of which may be interdependent – included in the evaluation. The frequency with which these provisions are reviewed by the Commission for Nuclear Provisions in accordance with applicable regulations ensures that the overall obligation is measured accurately.

18.3 Dismantling of non-nuclear plant and equipment and site rehabilitation

18.3.1 Dismantling obligations arising on other non-nuclear plant and equipment

Certain plant and equipment, including conventional power stations, transmission and distribution pipelines, storage facilities and LNG terminals, have to be dismantled at the end of their operational lives. This obligation is the result of prevailing environmental regulations in the countries concerned, contractual agreements, or an implicit Group commitment.

Based on estimates of proven and probable gas reserves through 2260 using current production levels, dismantling provisions for gas infrastructures in France have a present value near zero.

18.3.2 Hazelwood Power Station & Mine (Australia)

Following the Group and its partner Mitsui's announcement in November 2016 of their decision to close the coal-fired Hazelwood Power Station, the adjoining mine was shut down in late March 2017. The Group holds a 72% interest in the 1,600 MW power station, which is fully consolidated.

At end-2017, the provision covering the obligation to dismantle and rehabilitate the mine amounted to €446 million (including €282 million of mine rehabilitation and €164 million of power station dismantling costs).

Dismantling and site rehabilitation work was initiated in 2017 and includes mine rehabilitation, with the purpose of ensuring long-term land and wall stability, the demolition and dismantling of all of the site's industrial facilities, the monitoring of environmental incidents and any related remediation plans, as well as long-term site monitoring.

The applicable laws and regulations are currently undergoing reform by the State of Victoria. The final regulations adopted could change the nature of the work to be carried out, the timing and, consequently, the provisions recorded to cover the related costs.

The average discount rates used to determine the amount of the provision were 4.26% and 4.14% for mine restoration work and power station dismantling work, respectively.

The amount of the provision recognized is based on the Group's best current estimate of the dismantling and rehabilitation costs that Hazelwood is expected to incur. However, the amount of this provision may be adjusted in the future to take into account any changes in the key inputs.

18.4 Contingencies and tax risks

This caption includes essentially provisions for commercial contingencies, and claims and tax disputes.

18.5 Other contingencies

This caption includes notably provisions for onerous contracts relating to storage and transport capacity reservation contracts *(see Note 8.5).*

NOTE 19 Post-employment benefits and other long-term benefits

19.1 Description of the main pension plans

The Group's main pension plans are described below.

19.1.1 Companies belonging to the Electricity and Gas Industries sector in France

Since January 1, 2005, the CNIEG (*Caisse Nationale des Industries Électriques et Gazières*) has operated the pension, disability, death, occupational accident and occupational illness benefit plans for electricity and gas industry (hereinafter "EGI") companies in France. The CNIEG is a social security legal entity under private law placed under the joint responsibility of the ministries in charge of social security and the budget.

Employees and retirees of EGI sector companies have been fully affiliated to the CNIEG since January 1, 2005. The main affiliated Group entities are ENGIE SA, GRDF, GRTgaz, ELENGY, STORENGY, ENGIE Thermique France, CPCU, CNR and SHEM.

Following the funding reform of the special EGI pension plan introduced by Law No. 2004-803 of August 9, 2004 and its implementing decrees, specific benefits (pension benefits on top of the standard benefits payable under ordinary law) already vested at December 31, 2004 ("past specific benefits") were allocated between the various EGI entities. Past specific benefits (benefits vested at December 31, 2004) relating to regulated transmission and distribution businesses ("regulated past specific benefits") are funded by the levy on gas and electricity transmission and distribution services (*Contribution Tarifaire d'Acheminement*) and therefore no longer represent an obligation for the ENGIE Group. Unregulated past specific benefits (benefits vested at December 31, 2004) are funded by EGI sector companies to the extent defined by Decree No. 2005-322 of April 5, 2005.

The special EGI pension plan is a legal pension plan available to new entrants.

The specific benefits vested under the plan since January 1, 2005 are wholly financed by EGI sector companies in proportion to their respective weight in terms of payroll costs within the EGI sector.

As this plan represents a defined benefit plan, the Group has set aside a pension provision in respect of specific benefits payable to employees of unregulated activities and specific benefits vested by employees of regulated activities since January 1, 2005. This provision also covers the Group's early retirement obligations. The provision amount may be subject to fluctuations based on the weight of the Group's companies within the EGI sector.

Pension benefit obligations and other "mutualized" obligations are assessed by the CNIEG.

At December 31, 2017, the projected benefit obligation in respect of the special pension plan for EGI sector companies amounted to €3.4 billion.

The duration of the pension benefit obligation of the EGI pension plan is 20 years.

19.1.2 Companies belonging to the electricity and gas sector in Belgium

In Belgium, the rights of employees in electricity and gas sector companies, principally Electrabel, Laborelec, ENGIE CC and some ENGIE Energy Management Trading employee categories, are governed by collective bargaining agreements.

These agreements, applicable to "wage-rated" employees recruited prior to June 1, 2002 and managerial staff recruited prior to May 1, 1999, specify the benefits entitling employees to a supplementary pension equivalent to 75% of their most recent annual income, for a full career and in addition to the statutory pension. These top-up pension payments provided under defined benefit plans are partly reversionary. In practice, the benefits are paid in the form of a lump sum for the majority of plan participants. Most of the obligations resulting from these pension plans are financed through pension funds set up for the electricity and gas sector and by certain insurance companies. Pre-funded pension plans are financed by employer and employee contributions. Employer contributions are calculated annually based on actuarial assessments.

The projected benefit obligation relating to these plans represented around 14% of total pension obligations and related liabilities at December 31, 2017. The average duration is 9 years.

"Wage-rated" employees recruited after June 1, 2002 and managerial staff (i) recruited after May 1, 1999 or (ii) or having opted for the transfer through defined contribution plans, are covered under defined contribution plans. Prior to January 1, 2017, the law specified a minimum average annual return (3.75% on wage contributions and 3.25% on employer contributions) when savings are liquidated.

The law on supplementary pensions, approved on December 18, 2016 and enforced on January 1, 2017 henceforth specifies a minimum rate of return, depending on the actual rate of return of Belgian government bonds, within a range of 1.75%-3.25% (the rates are now identical for employee and employer contributions). In 2016, the minimum rate of return stood at 1.75%.

An expense of €31 million was recognized in 2017 in respect of these defined contribution plans (€24 million at December 31, 2016).

19.1.3 Multi-employer plans

Employees of some Group companies are affiliated to multi-employer pension plans.

Under multi-employer plans, risks are pooled to the extent that the plan is funded by a single contribution rate determined for all affiliated companies and applicable to all employees.

Multi-employer plans are particularly common in the Netherlands, where employees are normally required to participate in a compulsory industry-wide plan. These plans cover a significant number of employers, thereby limiting the impact of potential default by an affiliated company. In the event of default, the vested rights are maintained in a special compartment and are not transferred to the other members. Refinancing plans may be set up to ensure the funds are balanced.

The ENGIE Group accounts for multi-employer plans as defined contribution plans.

An expense of €70 million was recognized in 2017 in respect of multi-employer pension plans (€69 million at December 31, 2016).

19.1.4 Other pension plans

Most other Group companies also grant their employees retirement benefits. In terms of financing, pension plans within the Group are almost equally split between defined benefit and defined contribution plans.

The Group's main pension plans outside France, Belgium and the Netherlands concern:

- the United Kingdom: the large majority of defined benefit pension plans is now closed to new entrants and future benefits no longer vest under these plans. All entities run a defined contribution scheme. The pension obligations of International Power's subsidiaries in the United Kingdom are covered by the special Electricity Supply Pension Scheme (ESPS). The assets of this defined benefit scheme are invested in separate funds. Since June 1, 2008, the scheme has been closed and a defined contribution plan was set up for new entrants;
- Germany: the Group's German subsidiaries have closed their defined benefit plans to new entrants and now offer defined contribution plans;
- Brazil: ENGIE Brasil Energia operates its own pension scheme. This scheme has been split into two parts, one for the (closed) defined benefit plan, and the other for the defined contribution plan that has been available to new entrants since the beginning of 2005.

19.2 Description of other post-employment benefit obligations and otherlong-term benefits

19.2.1 Other benefits granted to current and former EGI sector employees

Other benefits granted to EGI sector employees are:

Post-employment benefits:

- reduced energy prices;
- end-of-career indemnities;
- bonus leave;
- death capital benefits.

Long-term benefits:

- allowances for occupational accidents and illnesses;
- temporary and permanent disability allowances;
- long-service awards.

The Group's main obligations are described below.

19.2.1.1 Reduced energy prices

Under Article 28 of the national statute for electricity and gas industry personnel, all employees (current and former employees, provided they meet certain length-of-service conditions) are entitled to benefits in kind which take the form of reduced energy prices known as "employee rates".

This benefit entitles employees to electricity and gas supplies at a reduced price. For retired employees, this provision represents a post-employment defined benefit. Retired employees are only entitled to the reduced rate if they have completed at least 15 years' service within EGI sector companies.

In accordance with the agreements signed with EDF in 1951, ENGIE provides gas to all current and former employees of ENGIE and EDF, while EDF supplies electricity to these same beneficiaries. ENGIE pays (or benefits from) the balancing contribution payable in respect of its employees as a result of energy exchanges between the two utilities.

The obligation to provide energy at a reduced price to current and former employees is measured as the difference between the energy sale price and the preferential rate granted.

The provision set aside in respect of reduced energy prices amounts to €3.1 billion at December 31, 2017. The duration of the obligation is 21 years.

19.2.1.2 End-of-career indemnities

Retiring employees (or their dependents in the event of death during active service) are entitled to end-of-career indemnities which increase in line with the length of service within the EGI sector.

19.2.1.3 Compensation for occupational accidents and illnesses

EGI sector employees are entitled to compensation for accidents at work and occupational illnesses. These benefits cover all employees or the dependents of employees who die as a result of occupational accidents or illnesses, or injuries suffered on the way to work.

The amount of the obligation corresponds to the likely present value of the benefits to be paid to current beneficiaries, taking into account any reversionary annuities.

19.2.2 Other benefits granted to employees of the gas and electricity sector in Belgium

Electricity and gas sector companies also grant other employee benefits such as the reimbursement of medical expenses, electricity and gas price reductions, as well as length-of-service awards and early retirement schemes. These benefits are not prefunded, with the exception of the special "*allocation transitoire*" termination indemnity, considered as an end-of-career indemnity.

19.2.3 Other collective agreements

Most other Group companies also grant their staff post-employment benefits (early retirement plans, medical coverage, benefits in kind, etc.) and other long-term benefits such as jubilee and length-of-service awards.

19.3 Defined benefit plans

19.3.1 Amounts presented in the statement of financial position and statement of comprehensive income

In accordance with IAS 19, the information presented in the statement of financial position relating to post-employment benefit obligations and other long-term benefits results from the difference between the gross projected benefit obligation and the fair value of plan assets. A provision is recognized if this difference is positive (net obligation), while a prepaid benefit cost is recorded in the statement of financial position when the difference is negative, provided that the conditions for recognizing the prepaid benefit cost are met.

Changes in provisions for post-employment benefits and other long-term benefits, plan assets and reimbursement rights recognized in the statement of financial position are as follows:

In millions of euros	Provisions	Plan assets	Reimbursement rights
AT DECEMBER 31, 2015	**(5,785)**	**62**	**167**
Exchange rate differences	(51)	(1)	-
Changes in scope of consolidation and other	46	(12)	-
Actuarial gains and losses	(663)	(7)	2
Periodic pension cost of continued activities	(411)	(44)	3
Periodic pension cost of discontinued activities	(19)	-	-
Asset ceiling	41		-
Contributions/benefits paid	420	76	(42)
AT DECEMBER 31, 2016	**(6,422)**	**69**	**130**
Exchange rate differences	31	17	
Transfert to “Liabilities directly associated with assets classified as held for sale”	233		
Changes in scope of consolidation and other	(86)	8	
Actuarial gains and losses	92	5	13
Periodic pension cost of continued activities	(427)	(50)	3
Periodic pension cost of discontinued activities	(28)	-	-
Asset ceiling	2		-
Contributions/benefits paid	464	53	13
AT DECEMBER 31, 2017	**(6,142)**	**101**	**159**

Plan assets and reimbursement rights are presented in the statement of financial position under “Other non-current assets” or “Other current assets”.

The cost recognized for the period adjusted due to the classification of ENGIE E&P International under "Discountinued operations" on May 11,2017 *(see Note 30 "Restatement of 2016 comparative data")* amounted to €477 million in 2017 (€460 million in 2016). The components of this defined benefit cost in the period are set out in Note 19.3.4 “Components of the net periodic pension cost”.

The Eurozone represents 96% of the Group’s net obligation at December 31, 2017 (compared to 95% at December 31, 2016).

Cumulative actuarial gains and losses recognized in equity amounted to €3,327 million at December 31, 2017, compared to €3,469 million at December 31, 2016.

Net actuarial differences arising in the period and presented on a separate line in the statement of comprehensive income represented a net actuarial gain totaling €99 million in 2017 and a net actuarial loss of €670 million in 2016.

19.3.2 Change in benefit obligations and plan assets

The table below shows the amount of the Group's projected benefit obligations and plan assets, changes in these items during the periods presented, and their reconciliation with the amounts reported in the statement of financial position:

In millions of euros		Dec. 31, 2017 Pension benefit obligations(1)	Dec. 31, 2017 Other post-employment benefit obligations(2)	Dec. 31, 2017 Long-term benefit obligations(3)	Dec. 31, 2017 Total	Dec. 31, 2016 Pension benefit obligation(1)	Dec. 31, 2016 Other post-employment benefit obligations(2)	Dec. 31, 2016 Long-term benefit obligations(3)	Dec. 31, 2016 Total
A - CHANGE IN PROJECTED BENEFIT OBLIGATION									
Projected benefit obligation at January 1		**(7,944)**	**(3,731)**	**(556)**	**(12,232)**	**(7,197)**	**(3,394)**	**(530)**	**(11,121)**
Service cost		(278)	(57)	(46)	(381)	(234)	(50)	(45)	(329)
Interest expense		(189)	(73)	(9)	(271)	(208)	(84)	(11)	(303)
Contributions paid		(13)			(13)	(14)			(14)
Amendments		(7)			(7)	8			8
Changes in scope of consolidation		3	1	5	9	(6)	(3)		(10)
Curtailments/settlements		6			6	1			1
Non-recurring items			(2)		(2)				
Financial actuarial gains and losses		23	(53)	23	(8)	(825)	(261)	(15)	(1,102)
Demographic actuarial gains and losses		(195)	1	(8)	(201)	106	(51)	(2)	52
Benefits paid		498	129	46	673	434	113	46	594
Transfer to "liabilities directly associated with assets classified as held for sale		404	44	6	454				
Other (of which translation adjustments)		39	1		40	(8)	(1)		(8)
Projected benefit obligation at December 31	A	**(7,653)**	**(3,739)**	**(538)**	**(11,931)**	**(7,944)**	**(3,731)**	**(556)**	**(12,232)**
B - CHANGE IN FAIR VALUE OF PLAN ASSETS									
Fair value of plan assets at January 1		**5,919**	**1**	**-**	**5,920**	**5,445**	**1**	**-**	**5,446**
Interest income on plan assets		144			144	162			162
Financial actuarial gains and losses		321			321	361			361
Contributions received		298	21		318	267			267
Changes in scope of consolidation						1			1
Settlements		(9)	(1)		(10)				
Benefits paid		(441)	(21)		(461)	(352)			(352)
Transfer to "liabilities directly associated with assets classified as held for sale		(222)			(222)				
Other (of which translation adjustments)		(105)			(105)	33			33
Fair value of plan assets at December 31	B	**5,904**	**-**	**-**	**5,904**	**5,919**	**1**	**-**	**5,920**
C - FUNDED STATUS	A+B	**(1,749)**	**(3,739)**	**(538)**	**(6,027)**	**(2,026)**	**(3,731)**	**(556)**	**(6,313)**
Asset ceiling		(14)			(14)	(42)			(42)
NET BENEFIT OBLIGATION		**(1,763)**	**(3,739)**	**(538)**	**(6,041)**	**(2,067)**	**(3,731)**	**(556)**	**(6,354)**
ACCRUED BENEFIT LIABILITY		**(1,865)**	**(3,739)**	**(538)**	**(6,142)**	**(2,136)**	**(3,731)**	**(556)**	**(6,422)**
PREPAID BENEFIT COST		**101**			**101**	**68**	**1**		**68**

(1) Pensions and retirement bonuses.
(2) Reduced energy prices, healthcare, gratuities and other post-employment benefits.
(3) Length-of-service awards and other long-term benefits.

19.3.3 Change in reimbursement rights

Changes in the fair value of reimbursement rights relating to plan assets managed by Contassur are as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Fair value at January 1	**130**	**167**
Interest income on plan assets	3	3
Financial actuarial gains and losses	13	2
Actual return	16	5
Curtailments/settlements		
Employer contributions	16	15
Employee contributions		
Benefits paid	(3)	(14)
Other		(43)
FAIR VALUE AT DECEMBER 31	**159**	**130**

19.3.4 Components of the net periodic pension cost

The net periodic cost recognized in respect of defined benefit obligations for the years ended December 31, 2017 and 2016 breaks down as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)
Current service cost	360	314
Actuarial gains and losses(2)	(14)	17
Plan amendments	6	(8)
Gains or losses on pension plan curtailments, terminations and settlements	2	(1)
Non-recurring items	1	1
Total recognized for under current operating income after share in net income of entities accounted for using the equity method	**355**	**324**
Net interest expense	122	136
Total accounted for under net financial income/(loss)	**122**	**136**
TOTAL	**477**	**460**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").
(2) On the long-term benefit obligation.

19.3.5 Funding policy and strategy

When defined benefit plans are funded, the related plan assets are invested in pension funds and/or with insurance companies, depending on the investment practices specific to the country concerned. The investment strategies underlying these defined benefit plans are aimed at striking the right balance between return on investment and acceptable levels of risk.

The objectives of these strategies are twofold: to maintain sufficient liquidity to cover pension and other benefit payments; and as part of risk management, to achieve a long-term rate of return higher than the discount rate or, where appropriate, at least equal to future required returns.

When plan assets are invested in pension funds, investment decisions are the responsibility of the fund management concerned. For French companies, where plan assets are invested with an insurance company, the latter manages the investment portfolio for unit-linked policies or euro-denominated policies, in a manner adapted to the risk and long-term profile of the liabilities.

The funding of these obligations at December 31 for each of the periods presented can be analyzed as follows:

In millions of euros	Projected benefit obligation	Fair value of plan assets	Asset ceiling	Total net obligation
Underfunded plans	(5,876)	4,505	(9)	(1,380)
Overfunded plans	(1,286)	1,399	(5)	108
Unfunded plans	(4,768)			(4,768)
AT DECEMBER 31, 2017	**(11,930)**	**5,904**	**(14)**	**(6,041)**
Underfunded plans	(6,593)	5,078	(42)	(1,557)
Overfunded plans	(804)	842		38
Unfunded plans	(4,835)			(4,835)
AT DECEMBER 31, 2016	**(12,232)**	**5,920**	**(42)**	**(6,354)**

The allocation of plan assets by principal asset category can be analyzed as follows:

In %	Dec. 31, 2017	Dec. 31, 2016
Equity investments	27	29
Sovereign bond investments	24	17
Corporate bond investments	28	31
Money market securities	3	10
Real estate	2	4
Other assets	17	9
TOTAL	**100**	**100**

All plan assets were quoted on an active market at December 31, 2017.

The actual return on assets of EGI sector companies stood at 4% in 2017.

The actual return on plan assets of Belgian entities amounted to approximately 3% in Group insurance and 6% in pension funds.

The allocation of plan assets categories by geographic area of investment can be analyzed as follows:

In %	Europe	North America	Latin America	Asia - Oceania	Rest of the World	Total
Equity investments	60	23	2	12	3	100
Sovereign bond investments	72	26			1	100
Corporate bond investments	78	14	2	4	2	100
Money market securities	69	6		23	2	100
Real estate	91	8		2		100
Other assets	22	10	3	3	62	100

19.3.6 Actuarial assumptions

Actuarial assumptions are determined individually by country and company in conjunction with independent actuaries. Weighted discount rates for the main actuarial assumptions are presented below:

		Pension benefit obligations		Other post-employment benefit obligations		Long-term benefit obligations		Total benefit obligations	
		2017	2016	2017	2016	2017	2016	2017	2016
Discount rate	Eurozone	1.9%	1.7%	2.0%	2.0%	1.8%	1.5%	1.9%	1.8%
	UK Zone	2.6%	2.7%	-	-	-	-	-	-
Inflation rate	Eurozone	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
	UK Zone	3.2%	3.3%	-	-	-	-	-	-

19.3.6.1 Discount and inflation rate

The discount rate applied is determined based on the yield, at the date of the calculation, on top-rated corporate bonds with maturities mirroring the term of the plan.

The rates were determined for each monetary area based on data for AA corporate bonds yields. For Eurozone, data (from Bloomberg) are extrapolated on the basis of government bond yields for long maturities.

According to the Group's estimates, a 100-basis-point increase or decrease in the discount rate would result in a change of approximately 15% in the projected benefit obligation.

The inflation rates were determined for each monetary area. A 100-basis-point increase or decrease in the inflation rate (with an unchanged discount rate) would result in a change of approximately 14% in the projected benefit obligation.

19.3.6.2 Other assumptions

The increase in the rate of medical costs (including inflation) was estimated at 2.8%.

A 100-basis-point change in the assumed increase in medical costs would have the following impacts:

In millions of euros	**100 basis point increase**	**100 basis point decrease**
Impact on expenses		
Impact on pension obligations	7	(6)

19.3.7 Estimated employer contributions payable in 2018 under defined benefit plans

The Group expects to pay around €227 million in contributions into its defined benefit plans in 2018, including €85 million for EGI sector companies. Annual contributions in respect of EGI sector companies will be made by reference to rights vested in the year, taking into account the funding level for each entity in order to even out contributions over the medium term.

19.4 Defined contribution plans

In 2017, the Group recorded a €142 million expense in respect of amounts paid into Group defined contribution plans (€137 million in 2016). These contributions are recorded under "Personnel costs" in the consolidated income statement.

NOTE 20 Finance leases

20.1 Finance leases for which ENGIE acts as lessee

The carrying amounts of property, plant and equipment held under finance leases are broken down into different categories depending on the type of asset concerned.

The main finance lease agreements entered into by the Group primarily concern power plants in the Latin America segment (mostly ENGIE Energía Perú – Peru) and Cofely’s cogeneration plants.

The undiscounted and present values of future minimum lease payments break down as follows:

	Dec. 31, 2017		Dec. 31, 2016	
In millions of euros	Undiscounted value	Present value	Undiscounted value	Present value
Year 1	155	151	158	153
Years 2 to 5 inclusive	334	306	539	493
Beyond year 5	27	20	32	22
TOTAL	**516**	**477**	**728**	**668**

The following table provides a reconciliation of liabilities under finance leases as reported in the statement of financial position *(see Note 15.2.1 “Borrowings and debt”)* with undiscounted future minimum lease payments by maturity:

In millions of euros	Total	Year 1	Years 2 to 5 inclusive	Beyond year 5
Liabilities under finance leases	483	152	303	27
Impact of discounting future repayments of principal and interest	33	3	31	
UNDISCOUNTED FUTURE MINIMUM LEASE PAYMENTS	**516**	**155**	**334**	**27**

20.2 Finance leases for which ENGIE acts as lessor

These leases fall mainly within the scope of IFRIC 4 guidance on the interpretation of IAS 17. They concern (i) energy purchase and sale contracts where the contract conveys an exclusive right to use a production asset; and (ii) certain contracts with industrial customers relating to assets held by the Group.

The Group has recognized finance lease receivables, notably for cogeneration plants for Wapda and NTDC (Uch Pakistan), Bowin (Glow Thailand) and Lanxess (Electrabel Belgium).

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Undiscounted future minimum lease payments	1,013	1,116
Unguaranteed residual value accruing to the lessor	27	46
TOTAL GROSS INVESTMENT IN THE LEASE	**1,041**	**1,163**
Unearned financial income	**197**	**166**
NET INVESTMENT IN THE LEASE (STATEMENT OF FINANCIAL POSITION)	**844**	**997**
Of which present value of future minimum lease payments	*828*	*962*
Of which present value of unguaranteed residual value	*16*	*35*

Amounts recognized in the statement of financial position in connection with finance leases are detailed in Note 15.1.2 “Loans and receivables at amortized cost”.

Undiscounted future minimum lease payments receivable under finance leases can be analyzed as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Year 1	130	115
Years 2 to 5 inclusive	456	450
Beyond year 5	427	552
TOTAL	**1,013**	**1,116**

NOTE 21 Operating leases

21.1 Operating leases for which ENGIE acts as lessee

The Group has entered into operating leases mainly in connection with LNG tankers, and miscellaneous buildings and fittings.

Operating lease income and expenses for 2017 and 2016 can be analyzed as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)
Minimum lease payments	(819)	(864)
Contingent lease payments	(17)	(15)
Sub-letting income	(1)	
Sub-letting expenses	(35)	(28)
Other operating lease expenses	(95)	(179)
TOTAL	**(967)**	**(1,085)**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under “Discontinued activities” on May 11, 2017 (see Note 30 “Restatement of 2016 comparative data”).

The present values of future minimum lease payments under non-cancelable operating leases can be analyzed as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Year 1	609	611
Years 2 to 5 inclusive	1,642	1,694
Beyond year 5	1,211	1,339
TOTAL	**3,463**	**3,644**

At December 31, 2017 they included €1,148 million relating to contracts (primarily LNG tankers) carried by liquefied natural gas upstream activities for which the disposal process has been initiated. At December 31, 2016, they included €103 million relating to contracts carried by discontinued exploration-production activities. The contracts carried by discontinued exploration-production activities are not displayed at December 31, 2017.

21.2 Operating leases for which ENGIE acts as lessor

These leases fall mainly within the scope of IFRIC 4 guidance on the interpretation of IAS 17. They primarily concern power plants operated in the Africa/Asia segment.

Operating lease income for 2017 and 2016 can be analyzed as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)
Minimum lease payments	307	388
Contingent lease payments	22	24
TOTAL	**329**	**412**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued activities" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

The present values of future minimum lease payments receivable under non-cancelable operating leases can be analyzed as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016(1)
Year 1	286	335
Years 2 to 5 inclusive	58	264
Beyond year 5	3	
TOTAL	**347**	**598**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued activities" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

NOTE 22 Share-based payments

Expenses recognized in respect of share-based payments break down as follows:

		Expense for the year	
In millions of euros	Note	Dec. 31, 2017	Dec. 31, 2016
Employee share issues(1)	22.2	1	2
Bonus/performance share plans	22.3	36	36
Other Group companies' plans		1	22
TOTAL		**38**	**60**

(1) Including Share Appreciation Rights set up within the scope of employee share issues in certain countries.

22.1 Stock option plans[1]

No new ENGIE stock option grants were approved by the Group's Board of Directors in either 2017 or 2016.

At December 31, 2017, the last stock purchase plan expired and 5 million options were cancelled.

Plan	Date of authorizing General Share-holders' Meeting	Vesting date	Adjusted exercise price (in euros)	Number of benefi-ciaries per plan	Number of options granted to members of the Executive Committee	Outstanding options at Dec. 31, 2016	Options cancelled or expired	Outstanding options at Dec. 31, 2017	Expiration date	Residual life
Nov. 10, 2009	May 4, 2009	Nov. 10, 2013	29.4	4,036		4,775,429	4,775,429		Nov. 9, 2017	-
TOTAL					**2,615,000**	**4,775,429**	**4,775,429**			

22.1.1 Link

ENGIE did not issue any new shares to employees in 2017.

The only impact of employee share issues on 2017 income relate to cash-settled *Share Appreciation Rights*, resulting from the fair value of warrants hedging the liability towards employees issued as part of the Link 2014 subscription plan. This charge amounted to €1 million in 2017.

22.2 Bonus shares and performance shares

22.2.1 New awards in 2017

ENGIE Performance Share plan of December 13, 2017

On December 13, 2017, the Board of Directors approved the allocation of 5 million performance shares to members of the Group's executive and senior management, breaking down into three tranches:

- performance shares vesting on March 14, 2021, subject to a further one-year lock-up period;
- performance shares vesting on March 14, 2021, without a lock-up period; and
- performance shares vesting on March 14, 2022, without a lock-up period.

In addition to a condition requiring employees to be employed with the Group at the vesting date, each tranche is made up of instruments subject to three different conditions, excluding the first 150 performance shares granted to beneficiaries (excluding top management) which are exempt from performance conditions. The performance conditions, each of which accounts for one-third of the total grant, are as follows:

- a market performance condition relating to ENGIE's total shareholder return compared to that of a reference panel of six companies, as assessed between November 2017 and January 2021;
- two internal performance conditions relating to Group net recurring income Group share and to Return On Capital Employed (ROCE) in 2019 and 2020.

As part of this plan, performance shares without conditions were also awarded to the winners of the Innovation and Incubation programs (21,900 shares allocated).

22.2.2 Fair value of bonus share plans with or without performance conditions

The following assumptions were used to calculate the fair value of the new plans awarded by ENGIE in 2017:

Allocation date	Vesting date	End of the lock-up period	Price at the award date	Expected dividend	Financing cost for the employee	Non-transferability cost	Market-related performance condition	Fair value per unit
December 13, 2017	March 14, 2021	March 14, 2022	14.7	0.7	4.6%	0.4	yes	11.03
December 13, 2017	March 14, 2021	March 14, 2021	14.7	0.7	4.6%	0.4	yes	11.53
December 13, 2017	March 14, 2021	March 14, 2021	14.7	0.7	4.6%	0.5	no	12.58
December 13, 2017	March 14, 2022	March 14, 2022	14.7	0.7	4.6%	0.4	yes	10.88
Weighted fair value of the December 13, 2017 plan								**11.64**

22.2.3 Review of internal performance conditions applicable to the plans

In addition to the condition of continuing employment within the Group, eligibility for certain bonus share and performance share plans is subject to an internal performance condition. When this condition is not fully met, the number of bonus shares granted to employees is reduced in accordance with the plans' regulations, leading to a decrease in the total expense recognized in relation to the plans in accordance with IFRS 2.

Performance conditions are reviewed at each reporting date. Volume reduction was recorded in 2017 due to a failure to meet performance criteria the December 2013 performance plan, resulting in a €1 million e profit.

(1) *The terms and conditions of plans set up in the past are described in previous Registration Documents prepared by GDF SUEZ.*

6

22.2.4 Free share plans with or without performance conditions in force at December 31, 2017, and impact on income

The expense recorded during the year on plans in effect was as follows:

	Expense for the year	
(In millions of euros)	**Dec. 31, 2017**	**Dec. 31, 2016**
Bonus share plans		5
Performance share plans	36	31
Of which expense for the year	*37*	*31*
Of which reversal for performance conditions not achieved	*(1)*	
TOTAL	**36**	**36**

NOTE 23 Related party transactions

This note describes material transactions between the Group and related parties.

Compensation payable to key management personnel is disclosed in Note 24 “Executive compensation”.

Transactions with joint ventures and associates are described in Note 3 "Investments in entities accounted for using the equity method".

Only material transactions are described below.

23.1 Relations with the French State and with entities owned or partly owned by the French State

23.1.1 Relations with the French State

Until January 10, 2017, the French State owned 32.76% of ENGIE and appointed five representatives to the Group’s 19-member Board of Directors. At this date, the French State sold 4.1% of ENGIE by way of a private placement to institutional investors. On September 5, 2017, the French State sold once again 4.1% of ENGIE by way of an accelerated institutional placement, while simultaneously selling to ENGIE a 0.46% share of its capital. Pursuant to these transactions, the French State now owns 24.10% of ENGIE and 28.07% of the Group’s voting rights.

The French State holds a golden share aimed at protecting France’s critical interests and ensuring the continuity and safeguarding of supplies in the energy sector. The golden share is granted to the French State indefinitely and entitles it to veto decisions taken by ENGIE if it considers they could harm France’s interests.

Public service engagements in the energy sector are defined by the law of January 3, 2003.

On November 6, 2015, the French State and ENGIE renewed the public service contract which sets out how such engagements are implemented, the Group's public service obligations and the conditions for rate regulation in France:

- as part of its public service obligations, the Group reaffirmed its commitments in terms of security of supply, quality of customer relations, solidarity and assistance to low-income customers, sustainable development and protection of the environment, as well as in terms of research;
- regarding the conditions for rate regulation in France, the contract confirms the overall regulatory framework for setting and changing natural gas tariffs in France, according to the Decree of December 18, 2009, which notably forecasts rate changes based on costs incurred, while also defining the transitional framework following the elimination of regulated natural gas tariffs for business customers.

Transmission rates on the GRTgaz transportation network and the gas distribution network in France, as well as rates for accessing the French LNG terminals, are all regulated.

23.1.2 Relations with EDF

Following the creation on July 1, 2004 of the French gas and electricity distribution network operator (EDF Gaz de France Distribution), Gaz de France SA and EDF entered into an agreement on April 18, 2005 setting out their relationship as regards the distribution business. The December 7, 2006 law on the energy sector reorganized the natural gas and electricity distribution networks. Enedis SA (previously ERDF SA), a subsidiary of EDF SA, and GRDF SA, a subsidiary of ENGIE SA, were created on January 1, 2007 and January 1, 2008, respectively, and act in accordance with the agreement previously signed by the two incumbent operators.

23.2 Relations with the CNIEG (Caisse Nationale des Industries Électriques et Gazières)

The Group’s relations with the CNIEG, which manages all old-age, death and disability benefits for active and retired employees of the Group who belong to the special EGI pension plan, employees of EDF and Non-Nationalized Companies (*Entreprises Non Nationalisées* – ENN), are described in Note 19 “Post-employment benefits and other long-term benefits”.

NOTE 24 Executive compensation

The executive compensation presented below includes compensation of the members of the Group's Executive Committee and Board of Directors.

The Executive Committee had 12 members in 2017 (12 members in 2016).

Their compensation breaks down as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Short-term benefits	17	18
Post-employment benefits	8	6
Shared-based payments	6	5
Termination benefits		11
TOTAL	**31**	**40**

NOTE 25 Working capital requirements, inventories, other assets and other liabilities

25.1 Composition of change in working capital requirements

In millions of euros	Change in working capital requirements at Dec. 31, 2017	Change in working capital requirements at Dec. 31, 2016(1)
Inventories	(542)	502
Trade and other receivables, net	521	(732)
Trade and other payables, net	132	709
Tax and employee-related receivables/payables	101	219
Margin calls and derivative instruments hedging commodities relating to trading activities	878	1,077
Other	161	66
TOTAL	**1,251**	**1,842**

(1) Comparative data at December 31, 2016 have been restated due to the classification of ENGIE E&P International under "Discontinued operations" on May 11, 2017 (see Note 30 "Restatement of 2016 comparative data").

25.2 Inventories

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Inventories of natural gas, net	1,423	1,169
Inventories of uranium	575	581
CO2 emission rights, green certificates and certificates of energy efficiency commitment, net	650	384
Inventories of commodities other than gas and other inventories, net	1,507	1,522
TOTAL	**4,155**	**3,656**

25.3 Other assets and other liabilities

Other current assets (€8,492 million) and other non-current assets (€567 million) mainly comprise tax receivables. Other non-current assets also include at December 31, 2017 a receivable towards EDF Belgium in respect of nuclear provisions amounting to €75 million (€69 million at December 31, 2016).

Other current liabilities (€14,756 million) and other non-current liabilities (€1,009 million) mainly include tax and employee-related liabilities.

NOTE 26 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 €753 million at December 31, 2017 (€1,133 million at December 31, 2016).

The main disputes and investigations presented hereafter are recognized as liabilities or give rise to contingent assets or liabilities.

In the normal course of its business, the Group is also involved in a number of disputes and investigations before state courts, arbitral tribunals or regulatory authorities. The disputes and investigations that could have a material impact on the Group are presented below.

26.1 Latin America

26.1.1 Concessions in Buenos Aires and Santa Fe

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

On April 9, 2015, the ICSID ordered the Argentinean State to pay USD 405 million (of which USD 367 million to ENGIE and its subsidiaries) in respect of the termination of the Buenos Aires water distribution and treatment concession contracts, and on December 4, 2015, to pay USD 211 million (ICSID subsequently reassessed the initial amount, which increased to USD 225 million) in respect of the termination of the Santa Fe concession contracts. The Argentinean State is seeking the annulment of these awards. By decision dated May 5, 2017, the claim for the annulment of the Buenos Aires award was rejected and the award became final. The claim for the annulment of the Sante Fe award is still pending.

As a reminder, prior to the stock market listing of SUEZ Environnement Company, ENGIE and SUEZ (formerly SUEZ Environnement) entered into an agreement providing for the economic transfer to SUEZ of the rights and obligations relating to the ownership interest held by ENGIE in Aguas Argentinas and Aguas Provinciales de Santa Fe.

26.1.2 Planned construction of an LNG terminal in Uruguay

GNLS SA, a joint subsidiary of Marubeni and ENGIE, was selected in 2013 to build an offshore LNG terminal in Uruguay. On November 20, 2013, GNLS contracted out the design and construction of the terminal to Construtora OAS SA. Following a number of problems and defects, GNLS terminated the contract in March 2015 and made use of its guarantees. OAS challenged the termination of the contract but did not take action against GNLS. OAS went bankrupt on April 8, 2015. In September 2015, GNLS and the authorities agreed to cancel the planned construction.

On May 24, 2017, OAS and GNLS appeared before the Uruguayan courts in a conciliation process at the request of OAS. The conciliation process was unsuccessful. OAS then threatened to call GNLS before the Uruguayan courts to claim damages. Since GNLS had incurred significant losses as a result of the termination of the contract, it filed a request for arbitration on August 22, 2017 in accordance with the terms of the contract providing for dispute resolution by the ICC International Court of Arbitration, claiming a principal amount of USD 373 million. OAS responded by summonsing GNLS before the Montevideo Commercial Court, claiming USD 311 million in damages. Both proceedings are still pending.

26.2 Benelux

26.2.1 Resumption and extension of operations at the 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. Some of these proceedings are still pending. In addition, some German local authorities and various organizations have challenged the authorization to restart operations at the Tihange 2 reactor. These actions are also pending.

26.2.2 Nuclear capacity swap with E.ON

On November 26, 2014, E.ON, via its subsidiary PreussenElektra GmbH submitted a request for arbitration to the ICC International Court of Arbitration against Electrabel. E.ON was seeking (i) the payment by Electrabel of a portion of the German nuclear contribution in the amount of approximately €100 million plus interest and (ii) the repayment of the Belgian nuclear contribution paid by E.ON representing a total of €199 million plus interest. Electrabel disputed these claims and has filed counterclaims seeking: (i) the payment of the full amount invoiced by Electrabel for the Belgian nuclear contribution in the amount of €120 million plus interest and (ii) the repayment of the German nuclear tax paid by Electrabel in theamount of €189 million plus interest.

On June 7, 2017, the German Federal Constitutional Court ruled that the German nuclear tax was illegal.

The court of arbitration delivered a final award on December 21, 2017, ordering both Electrabel and E.ON to pay back their respective portions of the Belgian and German taxes. After payment from Electrabel and having taken interest into account, E.ON is liable to pay the outstanding balance of €27.9 million to Electrabel.

26.2.3 Claim by the Dutch tax authorities

Based on a disputable interpretation of a statutory modification that came into force in 2007, the Dutch tax authorities refuse the deductibility of a portion of the interest paid on financing contracted for the acquisition of investments made in the Netherlands since 2000. At the end of March 2016, the Dutch tax authorities rejected the claim lodged by ENGIE Energie Nederland Holding BV against the tax assessment for the 2007 fiscal year. On May 5, 2016, an appeal was filed against this decision. The total amount of tax and default interest assessed at December 31, 2012 amounted to €259 million. Following the Dutch Tax Authorities' rejection of the administrative claim against the 2007 tax assessment, action was brought before the Arnhem Court of First Instance in June 2016.

26.3 France

26.3.1 La Compagnie du Vent

Since 2011, ENGIE has been involved in a number of disputes with Jean-Michel Germa, founder of La Compagnie du Vent (LCV) and SOPER, minority shareholder of LCV, the main one being the action brought by SOPER on January 18, 2013 seeking payment by ENGIE of about €250 million in compensation for the alleged breach of the agreement and the shareholders' agreement signed in 2007. Pursuant to the agreement dated April 4, 2017, all disputes involving SOPER,and Jean-Michel Germa and the Group are being closed.

26.3.2 Practices in the gas and electricity supply markets

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

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

On March 21, 2017, the competition authorities, ruling on the merits, endorsed the settlement reached by ENGIE, which involves no admission of guilt. ENGIE paid the settlement payment of €100 million. The competition authorities' decision is final.

On October 26, 2015, the competition authorities informed ENGIE that another claim of alleged abuse of a dominant position by ENGIE on the gas and electricity supply markets had been referred to them by Direct Energie, as well as another request for protective interim measures. By decision of May 2, 2016, the competition authority ordered ENGIE, as a protective interim measure and pending a decision on the merits, to comply with certain protective interim measures. Direct Energie challenged this decision before the Paris Appeal Court, which, on July 28, 2016, dismissed Direct Energie's claim. Substantively, ENGIE proposed certain commitments which were approved by the competition authorities in their final and binding decision dated September 7, 2017.

26.3.3 Withholding tax

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

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

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

26.3.4 Regulated natural gas tariffs

On June 24, 2013, ANODE, the French national energy retailers association (Association nationale des opérateurs détaillants en énergie) filed an appeal before the Conseil d'État seeking the annulment of Decree No. 2013-400 of May 16, 2013 amending Decree No. 2009-1603 of December 18, 2009 relating to regulated natural gas tariffs. ANODE contends in substance that the regulated natural gas tariff framework is inconsistent with the objectives of Directive 2009/73/EC concerning common rules for the internal market in natural gas, and article 106.1 of the Treaty on the Functioning of the European Union.

On December 15, 2014, the Conseil d'État ordered a stay of proceedings pending the Court of Justice of the European Union's preliminary ruling on these matters. The Court of Justice of the European Union delivered its ruling on September 7, 2016. On July 19, 2017, the Conseil d'État annulled the Decree of May 16, 2013, considering it to be contrary to European law. However, in light of the risk of legal uncertainty related to the annulment during the Decree's application period (2013-2015), the Conseil d'État ruled that the effects generated by the Decree are final and the contracts concerned cannot therefore be called into question.

26.4 Europe excluding France & Benelux

26.4.1 Spain – Punica

In the Punica case (investigation into the awarding of contracts), 12 Cofely España employees as well as the company itself were placed under investigation by the examining judge in charge of the case. The criminal investigation is in progress. It is expected to be closed by December 6, 2018 at the latest.

26.4.2 Hungary – ICSID arbitration

On April 4, 2016, ENGIE, GDF International and ENGIE International Holdings filed a request for arbitration before the International Center for Settlement of Investment Disputes (ICSID). In essence, the Group accused the Hungarian State of not fulfilling its obligations under the Energy Charter Treaty by taking various fiscal and regulatory measures that breached the principle of fair and equitable treatment and the ban on forceful expropriation, and is requesting compensation for the damage it has suffered. In an agreement signed on October 13, 2017, ENGIE initiated the sale of its gas distribution business to NKM, a Hungarian state-owned company, which was completed on January 11, 2018 (see. "Note 27 Subsequent events"). On November 21, 2017, ENGIE and the Hungarian state agreed to bring the ICSID arbitration to an end upon closing of the sale. The arbitration proceedings were officially closed on February 23, 2018.

26.4.3 Italy – Vado Ligure

On March 11, 2014, the Court of Savona seized and closed down the VL3 and VL4 coal-fired production units at the Vado Ligure thermal power plant belonging to Tirreno Power S.p.A. (TP), a company which is 50%-owned by the ENGIE Group. This decision was taken as part of a criminal investigation against the present and former executive managers of TP into environmental infringements and public health risks. The investigation was closed on July 20, 2016. The preliminary hearing to determine whether or not to refer the matter back to the Court of Savona to rule on the merits began on October 26, 2017.

26.5 Infrastructures Europe

26.5.1 Access to gas infrastructures

On May 22, 2008, the European Commission announced its decision to initiate formal proceedings against Gaz de France for a suspected breach of European Union rules pertaining to abuse of dominant position and restrictive business practices. The proceedings relate to a combination of long-term transport capacity reservation and a network of import agreements, as well as potential underinvestment in transport and import infrastructure capacity.

On October 21, 2009, the Group submitted proposed commitments aimed at facilitating access to and enhancing competition on the French natural gas market. On December 3, 2009, the Commission adopted a decision that rendered these commitments legally binding. This decision by the Commission put an end to the proceedings initiated in May 2008. The commitments (which are valid until 2024 and as far as 2029 in certain cases) are being fulfilled under the supervision of a trustee approved by the European Commission.

26.5.2 Commissioning

In the dispute between GRDF and various gas suppliers, in a decision dated June 2, 2016, the Paris Appeal Court (i) recalled that the risk of unpaid compensation for the "transmission" part of the agreement with the end customer should be borne by the grid manager and not the gas supplier; (ii) held that the compensation for customer management services provided by the supplier on behalf of the grid manager should be fair and commensurate with the grid manager's cost savings and (iii) ordered GRDF to bring its transmission agreements into compliance with these principles. GRDF appealed the decision handed down by the Court of Appeal before the Court of Cassation. On January 18, 2018, the 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. Furthermore, GRDF is awaiting a decision from the French Standing Committee for Disputes and Sanctions (*Comité de règlement des différends et des sanctions* – CoRDiS) regarding the dispute on the same subject between GRDF and Direct Énergie.

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* has also ruled that the same principle whereby the grid manager pays compensation to the supplier should apply. In the same decision, the *Conseil d'État* denied the Energy Regulatory Commission (*Commission de Régulation de l'Énergie* – CRE) the right to set a customer threshold beyond which the compensation would not be payable, which has hitherto prevented ENGIE from receiving any compensation. 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.

26.5.3 Fos Cavaou

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

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

On February 13, 2015, the arbitration court delivered its award and Fosmax LNG accordingly paid STS net compensation (including interest) of €70 million before tax on April 30, 2015. However, on February 18, 2015, Fosmax LNG brought an action before the *Conseil d'État* seeking the annulment of this decision.

In a decision dated November 9, 2016, the *Conseil d'État* partially annulled the arbitral award of February 13, 2015, considering that Fosmax LNG was entitled to put the work out to public contract. Fosmax LNG sent a formal notice to STS requesting a refund of the sum of €36 million corresponding to the unduly paid portion of the award. After STS failed to respond to the notice, Fosmax LNG initiated further ICC arbitration proceedings on June 14, 2017.

26.6 Other

26.6.1 Luxembourg – State aid investigation

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

26.6.2 United Kingdom – State aid investigation regarding Gibraltar

On October 7, 2016, the European Commission announced its decision to open a state aid investigation against the United Kingdom with regard to Gibraltar's tax system. The decision covers Gibraltar's tax ruling practices and cited 165 tax rulings, which if obtained, could constitute State aid. One of the rulings was obtained by a subsidiary of International Power Ltd in 2011 as part of the dismantling of a facility in Gibraltar. ENGIE contested this decision on November 25, 2016, pending the Commission's final decision.

NOTE 27 Subsequent events

Disposal of the distribution business in 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 around €0.1 billion.

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 (*see Note 4.1.3*), for which it received a payment of AUD 0.7 billion (€0.5 billion) corresponding to the sale price of all of the shares in Loy Yang B. An amount corresponding to 30% of this price was paid to Mitsui in the form of dividends.

The disposal gain mainly corresponds to the recycling of items relating to the portfolio from other comprehensive income to the income statement (translation adjustments and net investment hedges of around €0.1 billion). The transaction also reduced the Group's net debt by around €0.6 billion (the derecognition of Loy Yang B's net debt totaling €0.3 billion following its classification under "Assets held for sale" at December 31, 2017, plus the payment of €0.3 million for the 70% interest sold).

Disposal of the exploration-production business

On February 15, 2018, the Group completed the sale of its 70% interest in EPI to Neptune Energy (*see Note 4.1.1*) and received a payment of USD 1.1 billion (€1.0 billion), corresponding to the sale price of all of its shares.

At the financial statement's issuance, the combined effects of the transaction and of the cash generation from these exploration-production businesses since January 1, 2018 result in a reduction in the Group's net debt by around €1.9 billion excluding any additional future payments to be received.

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.

CRE decision on the regulation of natural gas storage in France

On February 22, 2018, the Energy Regulatory Commission (*Commission de Régulation de l'Energie – CRE*) published a decision setting the terms and conditions for the regulation of natural gas storage in France for a two-year period. The decision follows the publication in the Journal officiel on December 31, 2017 of the law on ending oil and gas exploration and production, Article 12 of which provides for the regulation of such activities. The impact of this decision on the 2017 consolidated financial statements is described in Note 8.2 "Impairment on Storengy CGU goodwill".

NOTE 28 Fees paid to the statutory auditors and to members of their networks

Pursuant to article 222-8 of the General Regulations of the French Financial Markets Authority (AMF), the following table presents information on the fees paid by ENGIE SA, its fully consolidated subsidiaries and joint operations to each of the auditors in charge of auditing the annual and consolidated financial statements of the ENGIE Group.

The Shareholders' Meeting of ENGIE SA of April 28, 2014 decided to renew the terms of office of Deloitte and EY as Statutory Auditors for a six-year period from 2014 to 2019.

	Deloitte			EY			
In million of euros	Deloitte & Associés	Network	Total	EY & Autres	Network	Total	Total
Statutory audit and review of consolidated and parent company financial statements	**5.2**	**8.2**	**13.3**	**6.0**	**4.3**	**10.4**	**23.7**
• ENGIE SA	2.3		2.3	2.9		2.9	5.3
• Controlled entities	2.8	8.2	11.0	3.1	4.3	7.4	18.5
Non-audit services	**0.7**	**2.1**	**2.8**	**1.3**	**2.0**	**3.3**	**6.1**
• ENGIE SA	0.6		0.6	1.1	0.1	1.2	1.7
Of which services related to legal and regulatory requirements	*0.4*		*0.4*	*0.3*		*0.3*	*0.7*
Of which ot her audit services	*0.2*		*0.2*	*0.8*		*0.8*	*1.0*
Of which reviews of internal control							
Of which due diligence services							
Of which tax services					*0.1*	*0.1*	*0.1*
• Controlled entities	0.2	2.1	2.3	0.1	1.9	2.1	4.4
Of which services related to legal and regulatory requirements		*0.1*	*0.1*	*0.1*	*0.2*	*0.2*	*0.4*
Of which other audit services	*0.2*	*0.6*	*0.8*	*0.1*	*0.5*	*0.6*	*1.4*
Of which reviews of internal control		*0.3*	*0.3*				*0.3*
Of which due diligence services		*0.5*	*0.5*		*0.3*	*0.3*	*0.8*
Of which tax services		*0.5*	*0.5*		*1.0*	*1.0*	*1.5*
TOTAL	**5.9**	**10.3**	**16.2**	**7.3**	**6.3**	**13.6**	**29.8**

NOTE 29 Information regarding Luxembourg and Dutch companies exempted from the requirements to publish annual financial statements

Some companies in the Benelux, GEM & LNG and Other segments do not publish annual financial statements pursuant to domestic provisions in Luxembourg law (article 70 of the Law of December 19, 2002) and Dutch law (article 403 of the Civil Code) relating to the exemption from the requirement to publish audited annual financial statements.

The companies exempted are: ENGIE Energie Nederland NV, ENGIE Energie Nederland Holding BV, ENGIE Nederland Retail BV, ENGIE United Consumers Energie BV, Epon Eemscentrale III BV, Epon Eemscentrale IV BV, Epon Eemscentrale V BV, Epon Eemscentrale VI BV, Epon Eemscentrale VII BV, Epon Eemscentrale VIII BV, Epon International BV, Epon Power Engineering BV, ENGIE Portfolio Management BV, IPM Energy Services BV, IPM Eagle Victoria BV, Electrabel Invest Luxembourg, ENGIE Corp Luxembourg SARL, ENGIE Treasury Management SARL and ENGIE Invest International SA.

NOTE 30 Restatement of 2016 comparative data

On May 11, 2017, the Group entered into exclusive negotiations with Neptune Energy for the sale of its entire 70% interest in its subsidiary ENGIE E&P International (EPI), which encompasses all the Group's activities relating to the exploration, development and operation of oil and gas fields (*see Note 4 "Main changes in Group structure"*).

In accordance with IFRS 5, EPI is presented as "discontinued operations" in the income statement, statement of comprehensive income and statement of cash flows. Its contribution is identified separately from other assets and liabilities in the statement of financial position at December 31, 2017 under "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale".

Restated financial statements at December 31, 2016 are presented hereafter.

30.1 Income statement at December 31, 2016

In millions of euros	Dec. 31, 2016 published	IFRS 5 adjustments	Dec. 31, 2016 restated
Revenues	66,639	(1,799)	64,840
Purchases	(36,688)	68	(36,620)
Personnel costs	(10,231)	235	(9,996)
Depreciation, amortization and provisions	(4,869)	646	(4,223)
Other operating expenses	(10,841)	434	(10,407)
Other operating income	1,399	(108)	1,291
CURRENT OPERATING INCOME	**5,408**	**(524)**	**4,884**
Share in net income of entities accounted for using the equity method	764	(12)	752
CURRENT OPERATING INCOME AFTER SHARE IN NET INCOME OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	**6,172**	**(536)**	**5,636**
Mark-to-market on commodity contracts other than trading instruments	1,254	25	1,279
Impairment losses	(4,192)	157	(4,035)
Restructuring costs	(476)	25	(450)
Changes in scope of consolidation	544		544
Other non-recurring items	(850)		(850)
INCOME/(LOSS) FROM OPERATING ACTIVITIES	**2,452**	**(328)**	**2,124**
Financial expenses	(2,245)	34	(2,210)
Financial income	865	24	889
NET FINANCIAL INCOME/(LOSS)	**(1,380)**	**58**	**(1,321)**
Income tax expense	(909)	428	(481)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS	**163**	**158**	**322**
NET INCOME/(LOSS) RELATING TO DISCONTINUED OPERATIONS		**(158)**	**(158)**
NET INCOME/(LOSS)	**163**		**163**
Net income/(loss) Group share	**(415)**	**-**	**(415)**
Of which Net income/(loss) relating to continued operations, Group share	*(415)*	*111*	*(304)*
Of which Net income/(loss) relating to discontinued operations, Group share		*(111)*	*(111)*
Non-controlling interests	**579**	**-**	**579**
Of which Non-controlling interests relating to continued operations	*579*	*47*	*626*
Of which Non-controlling interests relating to discontinued operations		*(47)*	*(47)*
BASIC EARNINGS/(LOSS) PER SHARE (EUROS)	**(0.23)**	**(0.00)**	**(0.23)**
Of which Basic earnings/(loss) relating to continued operations per share	*(0.23)*	*0.05*	*(0.19)*
Of which Basic earnings/(loss) relating to discontinued operations per share		*(0.05)*	*(0.05)*
DILUTED EARNINGS/(LOSS) PER SHARE (EUROS)	**(0.23)**	**(0.00)**	**(0.23)**
Of which Diluted earnings/(loss) relating to continued operations per share	*(0.23)*	*0.05*	*(0.19)*
Of which Diluted earnings/(loss) relating to discontinued operations per share		*(0.05)*	*(0.05)*

30.2 Statement of comprehensive income at December 31, 2016

In millions of euros	Dec. 31, 2016 published	IFRS 5 adjustments	Dec. 31, 2016 restated
NET INCOME/(LOSS)	**163**		**163**
Available-for-sale securities	146		146
Net investment hedges	(86)		(86)
Cash flow hedges (excl. commodity instruments)	(250)		(250)
Commodity cash flow hedges	(641)	612	(30)
Deferred tax on items above	386	(263)	123
Share of entities accounted for using the equity method in recyclable items, net of tax	108		108
Translation adjustments	474	(73)	402
Recyclable items relating to discontinued operations, net of tax		(276)	(276)
TOTAL RECYCLABLE ITEMS	**137**		**137**
Actuarial gains and losses	(670)	(8)	(677)
Deferred tax on actuarial gains and losses	47	5	52
Share of entities accounted for using the equity method in non-recyclable items from actuarial gains and losses, net of tax	(50)		(50)
Non-recyclable items relating to discontinued operations, net of tax		3	3
TOTAL NON-RECYCLABLE ITEMS	**(672)**		**(672)**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**(371)**		**(371)**
Of which owners of the parent	*(946)*		*(946)*
Of which non-controlling interests	*575*		*575*

30.3 Statement of cash flows at December 31, 2016

In millions of euros	Dec. 31, 2016 published	IFRS 5 adjustments	Dec. 31, 2016 restated
NET INCOME/(LOSS)	163		163
Net income/(loss) relating to discontinued operations		(158)	(158)
NET INCOME/(LOSS) RELATING TO CONTINUED OPERATIONS	163	158	322
Share in net income of entities accounted for using the equity method	(764)	12	(752)
Dividends received from entities accounted for using the equity method	469	(12)	457
Net depreciation, amortization, impairment and provisions	9,995	(743)	9,252
Impact of changes in scope of consolidation and other non-recurring items	(676)	(48)	(724)
Mark-to-market on commodity contracts other than trading instruments	(1,254)	(25)	(1,279)
Other items with no cash impact	41	(1)	40
Income tax expense	909	(428)	481
Net financial income/(loss)	1,380	(58)	1,321
Cash generated from operations before income tax and working capital requirements	**10,263**	**(1,146)**	**9,117**
Tax paid	(1,459)	562	(896)
Change in working capital requirements	**1,369**	**473**	**1,842**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO CONTINUED OPERATIONS	**10,174**	**(111)**	**10,063**
CASH FLOW FROM OPERATING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS	**-**	**111**	**111**
CASH FLOW FROM OPERATING ACTIVITIES	10,174		10,174
Acquisitions of property, plant and equipment and intangible assets	(6,230)	940	(5,290)
Acquisitions of controlling interests in entities, net of cash and cash equivalents acquired	(411)		(411)
Acquisitions of investments in entities accounted for using the equity method and joint operations	(208)		(208)
Acquisitions of available-for-sale securities	(391)		(391)
Disposals of property, plant and equipment, and intangible assets	202	(50)	153
Loss of controlling interests in entities, net of cash and cash equivalents sold	983		983
Disposals of investments in entities accounted for using the equity method and joint operations	1,457		1,457
Disposals of available-for-sale securities	768		767
Interest received on financial assets		12	12
Dividends received on non-current financial assets	145	(3)	142
Change in loans and receivables originated by the Group and other	30		30
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO CONTINUED OPERATIONS	**(3,655)**	**899**	**(2,756)**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS	**-**	**(899)**	**(899)**
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	(3,655)		(3,655)
Dividends paid	(3,155)		(3,155)
Repayment of borrowings and debt	(4,760)	8	(4,752)
Change in financial assets at fair value through income	(257)		(257)
Interest paid	(799)	(18)	(817)
Interest received on cash and cash equivalents	137		137
Cash flow on derivatives qualifying as net investment hedges and compensation payments on derivatives and on early buyback of borrowings	(236)		(236)
Increase in borrowings	2,994	(91)	2,904
Increase/decrease in capital	78	(87)	(9)
Hybrid issue of subordinated perpetual notes			
Purchase and/or sale of treasury stock	(11)		(11)
Changes in ownership interests in controlled entities	(26)		(26)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO CONTINUED OPERATIONS	**(6,034)**	**(188)**	**(6,222)**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES RELATING TO DISCONTINUED OPERATIONS	**-**	**188**	**188**
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	(6,034)		(6,034)
Effects of changes in exchange rates and other relating to continued operations	157	12	169
Effects of changes in exchange rates and other relating to discontinued operations		(12)	(12)
TOTAL CASH FLOW FOR THE PERIOD	642		642
Reclassification of cash and cash equivalents relating to discontinued operations			
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,183		9,183
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,825		9,825

6.3 Statutory Auditors' Report on the Consolidated Financial Statement

This is a free translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' Report on the Consolidated Financial Statement

To the Shareholders' Meeting of ENGIE,

Opinion

In compliance with the engagement entrusted to us by you, we have audited the accompanying consolidated financial statements of (the "Company" or the "Group") for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics for statutory auditors (*Code de déontologie*).

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific elements, accounts or items of the consolidated financial statements.

Accounting treatment about the change of the modality of the long-term supply contract portfolio, storage and transport capacity reservations

[notes 13.1.5, 8.5, 16.1.1.2 and 18.5]

Key audit matter	Our response
Given structural changes in gas markets in Europe, the Group decided to overhaul the management model of its midstream gas business (excluding LNG). During the 2017 second semester, a new organization was set for the activities, aimed at changing the model for managing long-term gas supply contracts, transport and storage capacity contracts, and an electricity exchange contract. These new modalities are designed to permit the relevant contracts to be managed individually rather than as part of a portfolio within the framework of risk management and performance monitoring applicable to the trading activities. As a consequence, as of October 1, 2017, implementation date of the new management methods, the Group : - has extended fair value accounting to the management activities of most long-term supply contracts; - has redefined an electricity exchange contract as a derivative contract, which is now recognized at fair value through profit or loss; - has identified the relevant contracts now recognized as useless for the Group industry activity and qualified as onerous regarding the normative perspective, within its transport and storage capacity contracts portfolio. As of December 31, 2017, the amount recorded in the framework of the settlement of these new management modalities impacts the operating income of (1,2) billion of euros, of which 0,8 billion of euros related to the increase of the onerous contracts provision. We have considered this topic as a key audit matter regarding the related amounts and also assumptions and estimations chosen to evaluate (i) the fair value of the different contracts and (ii) the provisions of these contracts' losses.	Our audit procedures consisted in : - examining the new modalities related to the gas transport and storage capacity and an electricity exchange contract; - assessing the accounting treatment applied by the Group to the relating contracts, and the procedures enabling the identification of the contracts useless for the Group activity and qualified as onerous; - assessing the relevance of the contracts valuation models regarding the accounting standards applicable; - examining the data and the assumptions used to determine the fair value for some contracts, assessing the sensivity of these valuations depending on the assumptions and checking the computation made by the Group including, for the most complex ones, the support of our valuation experts; - assessing the appropriateness of the disclosure given in the notes to consolidated financial statements.

Measurement of the recoverable amount of goodwill, intangible assets and property, plant & equipment

[notes 1.3.1.2, 1.4.8, 8.2 and 12]

Key audit matter	Our response

The Group has :
- €17.3 billion of goodwill, mainly allocated to the Benelux (€4.2 billion), GRDF (€4 billion), France B toC (€1 billion), France Renewable Energy (€1 billion), Generation Europe (€0.6 billion) and Storengy (€0.2 billion) Cash-Generating Units (CGU) ;
- €6.6 billion of intangible assets and €57.7 billion of property, plant & equipment;
- after the recognition of €1.4 billion of impairment losses in 2017.
For operating entities which the Group intends to hold on a long-term and going concern basis, the recoverable amount corresponds, in most cases, to the value in use, determined based on :
- cash flow projections on the basis of the 2018 budget and 2019-2020 medium-term business plan approved by the Group's Executive Committee and the Board of Directors and,
- beyond this time frame, extrapolated future cash flow projections determined on the basis of macroeconomic assumptions (inflation, exchange rates and growth rates) and price projections featured in the Group's reference scenario for 2017-2040 approved by the Executive Committee.
These recoverable amounts are based on key assumptions relating to market outlook and changes in the regulatory environment of which any modification could have a material impact on the amount of impairment losses to be recognized. Concerning the goodwill of the main CGU, measurement is based on the following assumptions :
- for the Benelux CGU, expected trends in the long-term electricity and gas demand, the price of CO2, the price of electricity and fuel as well as changes in the regulatory environment for nuclear capacities in Belgium beyond 2025 and the extension of drawing rights agreements for French nuclear plants beyond their current legal terms ;
- for the Renewable Energy CGU, prospects of renewing the hydropower concession agreements in France ;
- for the Storengy CGU, on the tariff for storage facilities agreed by the French Energy Regulation Commission (*Commission de Régulation de l'Énergie* – CRE) in 2018.
These measurements are sensitive to the discount rates to be applied.
For operating entities which the Group has decided to sell, the related recoverable amount of the assets concerned is based on market value less costs of disposal.
We considered the measurement of the recoverable amount of goodwill, intangible assets and property, plant & equipment, as well as the corresponding sensitivity analyses, to be a key audit matter due to their materiality in the Group's financial statements and because they require the use of assumptions and estimates to be assessed in a context which remains sensitive to trends in the energy market and whose consequences make the medium-term economic outlook difficult to anticipate.
	We have examined the data and the key assumptions used to determine the recoverable amount of assets, assessed the sensitivity of the measurements to these assumptions and reviewed the calculations performed by the Group with, for the most complex topics, the support of our valuation experts.
	Our work mainly covered :
	- the assumptions of the Group's long-term reference scenarios (trends in electricity and gas prices and demand, price of CO2, coal and oil, inflation) for which we have assessed the consistency with external studies carried out by international organizations or energy experts ;
	- the operational and regulatory assumptions used to prepare cash flow forecasts for which we have assessed the consistency of the asset's operating conditions and their intrinsic performance as well as the applicable regulations to date and their expected changes ;
	- methods for determining cash flow forecasts for which we have :
	  - assessed the consistency of the basic data with the budget, the medium-term business plan and beyond, the Group's long-term scenario ;
	  - assessed the consistency with past performances and market outlook ;
	- the discount rates for which we have verified the determination methods and the consistency with the underlying market assumptions, using internal specialists ;
	- Management's sensitivity analysis to the main price, operational and regulatory assumptions for which we have assessed the pertinence ;
	- the assessment of the highy probable nature of disposals decided by the Group and the elements considered to measure the recoverable amount
	- the appropriateness of the disclosure given in the notes, notably on sensitivity analyses carried out by the Group.

Measurement of provisions relating to the back-end of nuclear fuel cycle and to the dismantling of nuclear facilities in Belgium

[notes 1.3.1.3 and 18.2]

Key audit matter	Our response
The Group has obligations relating to the reprocessing and storage of radioactive nuclear fuel consumed and the dismantling of nuclear facilities operated in Belgium. Pursuant to the Belgian law of April 11, 2003, the management of corresponding provisions is entrusted to the Group's wholly-owned subsidiary Synatom which submits a report every three years to the Commission for Nuclear Provisions (CNP) describing the core inputs used to measure these provisions. The CNP issues its opinion based on the opinion issued by (NIRAS) the Belgian agency for radioactive waste and enriched fissile material which reviews all of the characteristics and technical parameters of the report. The provisions, which totaled respectively €5.9 billion for the management of radioactive nuclear fuel and €4.7 billion for the dismantling of nuclear facilities, are estimated based on the prevailing contractual and legal framework presented in the triennial report of Synatom approved by the CNP on December 12, 2016. We considered the measuremenf of these provisions to be a key audit matter due to their amounts and their sensitivity to industrial scenarious used and estimates of related costs such as, in particular: - concerning provisions relating to the back-end of nuclear fuel cycle, the decisions will be ultimately made by the Belgian governement relating to the management of radioactive spent fuel (reprocessing of a portion of spent fuel or direct removal, without prior reprocessing) and long-term management of fuel (cost of burying fuel in deep geological repositories or long-term on-site storage), - concerning the provisions for the dismantling of nuclear facilities, the dismantling program and the timetables approved, or not, by the nuclear safety authorities.	As of December 31, 2017, the amount recorded in the framework of the settlement of these new management modalities impacts the operating income of (1,2) billion of euros, of which 0,8 billion of euros related to the increase of the onerous contracts provision. We have considered this topic as a key audit matter regarding the related amounts and also assumptions and estimations chosen to evaluate (i) the fair value of the different contracts and (ii) the provisions of these contracts' losses. Our work mainly consisted in assessing : - the consistency of industrial scenarios used with regard to the current legal and regulatory environment for the choice of nuclear policy remaining to be made in Belgium ; - the consistency of forecasts of costs by nature and forecasts of cash outflows with available studies and quotes and, for dismantling, with a study of independent experts mandated by Synatom ; - the level of margins for uncertainities and contingencies included in the provisions to take into account the degree of technical control over dismantling and management of radioactive fuel ; - the consistency of volumes of spent fuel produced to date and the estimates of volumes of spent fuel remaining to be produced with the physical inventory and the Group's forecast data ; - the methods for determining the discount rate used and its consistency with the underlying market assumptions. With respect to 2017, our work mainly consisted in assessing: - the consistency of the industrial scenarios used with regard to the decisions made or actions planned by the Group or by the authorities and consistency of forecasts of costs by nature and forecasts of cash outflows with these assumptions ; - the consistency of the discount rates with underlying maket assumptions ; - the appropriateness of the disclosure given in the notes to the consolidated financial statements, notably on the sensitivity to measurement of the provisions to changes in key assumptions.

Valuation for provisions relating to litigations, claims and tax risks

[notes 1.4.15.2, 18.4 and 26]

Key audit matter	Our response
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, investigations before state courts, artbitral tribunals or regulated authorities, in the normal course of its business. The main disputes and investigations are recognized as liabilities or give rise to contingent liabilities, as it is indicated in the note 26 to the financial statements. We have considered this topic as a key audit matter, provided the amounts at stake and the jugement required to determine the provisions for litigations and tax risk, due to the regulatory context and the continuously changing market environment.	Our audit procedures consisted in : – examining the procedures implemented by the Group in order to identify all the litigations and risk exposures; – corroborating these analysis with the confirmations received from the lawyers; – assessing the analysis of the probability of occurrence performed by the Group, as well as the assumptions used, and the supporting documentation with, if any, consultations received by third parties. We have recourse to our experts for the most complex analysis; – assessing the appropriateness of the disclosure given in the notes to the consolidated financial statements.

Estimate of the unbilled and un-metered revenues (energy in the meter)

[notes 1.3.1.6 and 7.1]

Key audit matter	Our response
The Group uses an estimate in revenue, relating to the sales on networks generated from customers whose energy consumption is meterd during the accounting period. Indeed, the final allocations are sometimes only known several months down the line, which means that revenue figures are only an estimate. As of December 31, 2017, the receivables relating to the energy in the meter (gas and electricity un-metered and unbilled revenue) amount to 3.4 billion of euros. These receivables are calculated using a direct method, developed by the Group, taking into account estimated customers' consumption based on the previous bill, or the last metering not yet billed, supported by measuring and modelling tools allowing it to estimate revenue with a satisfactory degree of accuracy and subsequently. The volumes are measured at the average energy price, which takes account of the category of customers and the age of the energy in the meter. Provided the amount at stakes and the sensitivity of the volumes and the average energy price, we have determined that the estimate of the energy in the meter revenue is a key audit matter.	Our procedures, mainly performed for France and Belgium, consisted in : – considering the procedures implemented by the Group about the billing process, and the processus enabling the reliability of the estimate about the energy in the metered revenue; – assessing the models used by the Group and investigating the modality of the computation for the estimated volumes ; we include a specialist in our audit team. We have also : – compared the information about the volumes delivered and determined by the Group with the metering data provided by the grid operators; – ensured that the modality of the computation for the average price of the metered power take its anteriority and the different kinds of customers; – analyzed the coherence of the volumes delivered with the Energy Balance (which corresponds to the physical reality of the operations of allocations (revenues, injections and stocks) and resources (purchases, withdrawals and stocks) of energy on the networks) prepared by the Group; – assessed the regular clearance of the metered energy during the period; – assessed the anteriority of the metered energy at the closing date.

Specific Verification Concerning the Group Presented in the Management Report

As required by French law, we have also verified in accordance with professional standards applicable in France the information concerning the Group presented in the Board of Director's management report.

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

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed statutory auditors of ENGIE by your Shareholders' Meeting on May 19, 2008 for ERNST & YOUNG et Autres and on July 16, 2008 for Deloitte & Associés.

As of December 31, 2017, our firms were in their tenth year of uninterrupted engagement.

Ernst & Young Audit was previously statutory auditor between 1995 and 2007.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular as description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 15, 2018

The Statutory Auditors

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Pascal Pincemin	Stéphane Pédron

6.4 Parent company financial statements

6.4.1	Parent company financial statements	342
6.4.2	Notes to the parent company financial statements	346
NOTE 1	Summary of significant accounting policies	346
NOTE 2	Significant events during the year and comparability of periods presented	350
NOTE 3	Property, plant and equipment and intangible assets	351
NOTE 4	Financial fixed assets	352
NOTE 5	Inventories	358
NOTE 6	Receivables	358
NOTE 7	Marketable securities	359
NOTE 8	Accruals (assets) and unrealized foreign exchange losses	359
NOTE 9	Shareholders' equity	360
NOTE 10	Provisions	361
NOTE 11	Borrowings and debt	363
NOTE 12	Accruals (liabilities) and unrealized foreign exchange gains	367
NOTE 13	Net operating income/(loss)	367
NOTE 14	Net financial income/(loss)	368
NOTE 15	Non-recurring income/(loss)	369
NOTE 16	Tax position	369
NOTE 17	Off-balance sheet commitments (excluding employee benefit obligations)	371
NOTE 18	Pensions and other employee benefit obligations	379
NOTE 19	Legal and anti-trust proceedings	383
NOTE 20	Information concerning related parties	385
NOTE 21	Compensation due to members of the Board of Directors and Executive Committee	386
NOTE 22	Subsequent events	386
6.4.3	Total and partial transfers of assets, subsidiaries, and equity investments requiring statutory disclosure	386
6.4.4	Five-year financial summary	387

6

6.4.1 Parent company financial statements

Balance sheet

Assets

In millions of euros		Note	Dec. 31, 2017 Gross	Dec. 31, 2017 Depreciation, amortization and impairment	Dec. 31, 2017 Net	Dec. 31, 2016 Published Net	Dec. 31, 2016 Restatement Pro forma[(1)]	Dec. 31, 2016 Pro forma Net
NON-CURRENT ASSETS								
Intangible assets		3	1,482	1,040	442	420		420
Property, plant and equipment		3	987	601	386	418		418
Financial fixed assets		**4**	**-**	**-**	**-**		**-**	**-**
Equity investments			70,683	4,489	66,194	66,440		66,440
Other financial fixed assets			666	486	180	319		319
TOTAL NON-CURRENT ASSETS	I		73,818	6,617	67,202	67,597		67,597
CURRENT ASSETS								
Inventories		**5**						
Gas reserves			801		801	700		700
Energy savings certificates			116		116	119		119
Other			76		76	20		20
Advances and downpayments given on orders			**10**	**-**	**10**	**13**	**-**	**13**
Operating receivables		**6**						
Trade and other receivables			4,920	269	4,651	3,691		3,691
Other operating receivables			678		678	652		652
Miscellaneous receivables								
Current accounts with subsidiaries			6,185		6,185	3,077		3,077
Other miscellaneous receivables			3,130	15	3,114	1,314	7,182	8,496
Marketable securities		**7**	**2,293**	**70**	**2,223**	**1,570**	**-**	**1,570**
Cash and cash equivalents			**454**	**-**	**454**	**428**	**-**	**428**
TOTAL CURRENT ASSETS	II		18,664	355	18,309	11,584	7,182	18,766
ACCRUALS	III	8	2,712		2,712	732	7,078	7,810
UNREALIZED FOREIGN EXCHANGE LOSSES	IV		307		307	645		645
TOTAL ASSETS	(I TO IV)		95,502	6,971	88,530	80,558	14,260	94,818

(1) Restated on a pro forma basis for the change of method pursuant to the first-time application of ANC Regulation No. 2015-05 (see Note 2).
NB: Amounts in tables are generally expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals or changes.

Balance sheet

Equity and liabilities

In millions of euros		Note	Dec. 31, 2017	Dec. 31, 2016 Published	Restatement Pro forma(1)	Dec. 31, 2016 Pro forma
EQUITY						
SHAREHOLDERS' EQUITY		9				
Share capital			2,435	2,435		2,435
Additional paid-in capital			32,505	32,505		32,505
Revaluation adjustments			41	42		42
Legal reserve			244	244		244
Other reserves			313	295		295
Retained earnings			566	2,691		2,691
Net income			1,421	448	(144)	304
Interim dividend			(836)	(1,198)		(1,198)
Tax-driven provisions and investment subsidies		10.2	502	514		514
TOTAL SHAREHOLDERS' EQUITY	**I**		**37,191**	**37,976**	**(144)**	**37,832**
OTHER EQUITY	**II**		**8**	**8**		**8**
TOTAL EQUITY	**I + II**		**37,199**	**37,984**	**(144)**	**37,840**
PROVISIONS FOR CONTINGENCIES AND LOSSES	**III**	**10.1**	**2,878**	**2,487**	**144**	**2,631**
LIABILITIES		**11**				
BORROWINGS AND DEBT						
Borrowings			**27,615**	**30,155**	**-**	**30,155**
Amounts payable to equity investments			**4,400**	**-**	**-**	**-**
Current accounts with subsidiaries			**1,612**	**50**	**-**	**50**
Other borrowings and debt			627	503		503
TOTAL BORROWINGS AND DEBT	**IV**		**34,254**	**30,708**		**30,708**
CURRENT LIABILITIES						
Advances and downpayments received on orders			5	5		5
Trade and other payables			6,716	6,076		6,076
Tax and employee-related liabilities			1,065	1,079		1,079
Other liabilities			3,830	1,355	7,078	8,433
TOTAL CURRENT LIABILITIES	**V**		**11,617**	**8,515**	**7,078**	**15,593**
TOTAL LIABILITIES	**IV+V**		**45,871**	**39,223**	**7,078**	**46,301**
ACCRUALS	**VI**	**12**	**2,163**	**312**	**7,182**	**7,494**
UNREALIZED FOREIGN EXCHANGE GAINS	**VII**		**420**	**552**		**552**
TOTAL EQUITY AND LIABILITIES	**(I TO VII)**		**88,530**	**80,558**	**14,260**	**94,818**

(1) Restated on a pro forma basis for the change of method pursuant to the first-time application of ANC Regulation No. 2015-05 (see Note 2).
NB: Amounts in tables are generally expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the totals or changes.

6

Income statement

In millions of euros	Note	Dec. 31, 2017	Dec. 31, 2016 Published	Restatement Pro forma[(1)]	Dec. 31, 2016 Pro forma
Energy sales		18,339	15,776		15,776
Other production sold		2,246	2,163		2,163
REVENUES	**13.1**	**20,585**	**17,939**		**17,939**
Production taken to inventory					
Production for own use		10	11		11
TOTAL PRODUCTION		**20,596**	**17,950**		**17,950**
Energy purchases and change in gas reserves		(10,441)	(9,303)		(9,303)
Other purchases		(3,620)	(2,238)		(2,238)
Other external charges		(6,595)	(6,757)		(6,757)
VALUE ADDED		**(61)**	**(348)**		**(348)**
Subsidies received		122	125		125
Taxes and duties		(98)	(83)		(83)
Personnel costs	13.2	(587)	(588)		(588)
GROSS OPERATING INCOME/(LOSS)		**(624)**	**(895)**		**(895)**
Net additions to depreciation, amortization and impairment		(136)	(168)		(168)
Net additions to provisions	13.3	(368)	45	(144)	(99)
Expense transfers		20	26		26
Other operating income and expenses		(250)	(260)		(260)
NET OPERATING INCOME/(LOSS)		**(1,358)**	**(1,252)**	**(144)**	**(1,396)**
NET FINANCIAL INCOME/(LOSS)	**14**	**3,849**	**1,294**		**1,294**
NET RECURRING INCOME/(LOSS)		**2,491**	**42**	**(144)**	**(102)**
NON-RECURRING INCOME/(LOSS)	**15**	**(2,072)**	**(266)**		**(266)**
INCOME TAX EXPENSE	**16.2**	**1,001**	**672**		**672**
NET INCOME		**1,421**	**448**	**(144)**	**304**

(1) Restated on a pro forma basis for the change of method pursuant to the first-time application of ANC Regulation No. 2015-05 (see Note 2).
NB: Amounts in tables are generally expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the totals or changes.

Cash flow statement

In millions of euros		Dec. 31, 2017	Dec. 31, 2016
Cash flow from operations	**1**	**3,592**	**616**
Change in inventories		154	(293)
Change in trade receivables (net of trade receivables with a credit balance)		925	812
Change in trade payables		(668)	(1,073)
Change in other items		(518)	242
Change in working capital requirements	**2**	**(107)**	**(312)**
CASH FLOW FROM OPERATING ACTIVITIES	**(1 - 2) = I**	**3,698**	**928**
Property, plant and equipment and intangible assets		191	234
Financial fixed assets		2,523	1,461
Change in amounts payable on investments			
Cash flow used in investing activities	**1**	**2,714**	**1,695**
Third-party contributions		1	
Net proceeds from asset disposals		977	484
Decrease in financial fixed assets		158	20
Cash flow from investing activities	**2**	**1,135**	**504**
CASH FLOW FROM INVESTING ACTIVITIES	**(1 - 2) = II**	**1,579**	**1,191**
CASH FLOW AFTER OPERATING AND INVESTING ACTIVITIES	**(I - II) = III**	**2,120**	**(263)**
Increase/decrease in capital	**1**	**-**	**-**
Dividends and interim dividends paid to shareholders	**2**	**(2,049)**	**(2,397)**
Bonds		3,952	
Group long-term borrowings		4,400	
Short- and medium-term credit facilities and other borrowings		20	1,743
Financing raised on capital markets	**3**	**8,372**	**1,743**
Bonds and short- and medium-term credit facilities		(6,006)	(2,851)
Repayments and redemptions	**4**	**(6,006)**	**(2,851)**
CASH FLOW USED IN FINANCING ACTIVITIES	**(1 + 2 + 3 + 4) = IV**	**317**	**(3,505)**
CHANGE IN CASH AND CASH EQUIVALENTS	**(III + IV) = V**	**2,437**	**(3,768)**

NB: Amounts in tables are generally expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the totals or changes.

6.4.2 Notes to the parent company financial statements

NOTE 1 Summary of significant accounting policies

The 2017 financial statements have been drawn up in euros in compliance with the general principles prescribed by the French chart of accounts, as set out in Regulations No. 2014-03, No. 2015-05 and No. 2015-06 issued by the French accounting standards-setter (*Autorité des Normes Comptables* – ANC), and with the valuation methods described below.

Financial transactions involving equity investments, securities and the related receivables, especially impairment charges or reversals, are included in non-recurring items rather than financial items. In accordance with Article 121-3 of the French chart of accounts, ENGIE SA considers that although this classification diverges from French accounting standards, it gives a more faithful view of the income statement because all items of income and expenses relating to equity investments can be shown together with capital gains or losses on disposals under non-recurring items.

Use of estimates and judgment

The preparation of 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 income and expenses reported during the period.

The Company has taken the change in the economic environment and the significant market volatility into account in its business plans and in the various discount rates used to perform impairment tests. This environment led ENGIE SA to step up its risk oversight procedures and factor in a risk assessment process in its valuations.

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

The key estimates used in preparing ENGIE SA's financial statements relate mainly to:

- measurement of equity investments

  The recoverable amount of equity investments is based on estimates and assumptions, regarding in particular the expected market outlook and changes in the regulatory framework, which are used for the measurement of cash flows, whose sensitivity varies depending on the activity, and the determination of the discount rate. Any changes in these assumptions could have a material impact on the measurement of the recoverable amount and could result in adjustments to the impairment losses to be recognized;
- fair value of financial instruments

  To determine the fair value of financial instruments that are not listed on an active market, ENGIE SA uses valuation techniques that are based on certain assumptions. Any change in these assumptions could have a significant impact on the resulting calculations.

  In accordance with the principles reaffirmed by ANC Regulation No. 2015-05, derivative financial instruments used by ENGIE SA to hedge and manage its currency, interest rate and commodity risk are disclosed in off-balance sheet commitments.

  Changes in the fair value of these derivatives that do not qualify for hedge accounting are recognized in the balance sheet. A provision is taken for unrealized losses, valued based on homogeneous groups of financial instruments with an equivalent underlying asset or liability, whether they are traded over-the-counter or exchange-traded.

  In the case of contracts that qualify as hedging instruments, gains or losses are taken to income symmetrically with the gain or loss on the hedged items.

  If the hedged item ceases to exist, the contract is unwound and any gains or losses taken to income.

  ENGIE SA uses internal models representative of market practices to value financial derivative instruments that are not listed on financial markets.

  Option premiums are deferred and recognized in income over the life of the hedge. The premium or discount on forward currency transactions is recognized in income in the initial value of the hedged item;
- Measurement of provisions for contingencies and losses.

  Provisions for contingencies and losses are estimated on the basis of various assumptions. A change in those assumptions could lead to a significant adjustment to the amount of the provisions.
- Measurement of off-balance sheet pension and other employee benefit obligations.

  Pension commitments are measured on the basis of actuarial assumptions. Any change in the assumptions used by ENGIE SA could have a significant impact on the valuation of these commitments.
- Energy in the meter revenue.

  Revenue generated from customers whose energy consumption is metered during the accounting period, particularly customers supplied with low-voltage electricity or low-pressure gas, is estimated at the reporting date based on historical data, consumption statistics and estimated selling prices.

  For sales on networks used by a large number of grid operators, ENGIE SA is allocated a certain volume of energy transiting through the networks by the grid managers. The final allocations are sometimes only known several months down the line, which means that revenue figures are only an estimate.

  However, ENGIE SA has developed measuring and modeling tools allowing it to estimate revenue with a satisfactory degree of accuracy and subsequently ensure that risks of error associated with estimating quantities sold and the related revenue can be considered as not significant. In France, un-metered, unbilled revenue ("energy in the meter") is calculated using a direct method taking into account estimated customers' consumption based on the previous bill, or the last metering not yet billed. These estimates are in line with the volume of energy allocated by the grid managers over the same period. It is measured at the average energy price, which takes account of the category of customer and the age of the energy in the meter. The portion of unbilled revenue at year-end varies according to the assumptions about volume and average price.

Intangible assets

This caption mainly comprises the purchase cost or production cost of software, amortized over its estimated useful life.

A useful life of between five and seven years is generally used to calculate software amortization.

Other development costs are capitalized provided they meet specific criteria, particularly as regards the pattern in which the intangible asset is expected to generate future economic benefits.

Research costs are expensed in the year in which they are incurred.

Property, plant and equipment

All items of property, plant and equipment are carried at purchase cost or production cost, including ancillary expenses, with the exception of assets acquired prior to December 31, 1976, which are shown at their revalued amount at that date.

Almost all items of property, plant and equipment are depreciated on a straight-line basis.

Assets are depreciated over their useful lives, based on the period over which they are expected to be used. The useful lives for the main asset classes are as follows:

- buildings: 20 to 60 years;
- other: 3 to 15 years.

Borrowing costs incurred in financing an asset are recognized as an expense and amortized over the financing period.

Components

When the components of a given asset cannot be used separately, the overall asset is recognized. If one or more components have different useful lives at the outset, each component is recognized and depreciated separately.

Financial fixed assets

Equity investments

Equity investments represent long-term investments providing ENGIE SA with control or significant influence over the issuer, or helping it to establish business relations with the issuer.

Newly-acquired equity investments are recognized at purchase price plus directly attributable transaction fees.

Investments which ENGIE SA intends to hold on a long-term basis are written down if their value in use has fallen below their book value. Value in use is assessed by reference to (i) the intrinsic value, which corresponds to net assets plus unrealized gains, or (ii) the yield value, which corresponds to the average of the last twenty stock market prices of the year, or (iii) discounted cash flows or discounted dividends, taking into account any currency hedges.

Investments which ENGIE SA has decided to sell are written down if their estimated sale price is lower than their book value. If sale negotiations are ongoing at the end of the reporting period, the best estimate is used to determine the sale price.

Technical loss

In accordance with article 9 of ANC Regulation No. 2015-06, the technical loss arising on a merger is allocated to the underlying assets, which, in this case, are equity investments.

The portion of the loss allocated to an underlying asset is written down if the value of the asset falls below its net book value plus the portion of the loss allocated to it. The writedown is first allocated to the portion of the loss.

In the event of a disposal, the portion of the loss relating to the assets sold is reversed through income.

Amounts receivable from equity investments

This caption consists of loans granted by ENGIE SA to equity investments.

They are recognized at face value. In line with the treatment adopted for equity investments, these amounts are written down if their value in use falls below their face amount.

Provisions for contingencies may be booked if the Company considers that the cost of its commitment exceeds the value of the assets held.

Other financial fixed assets

This caption includes mainly investments other than equity investments that ENGIE SA intends to hold on a long-term basis but which do not meet the definition of equity investments.

A writedown may be taken against other financial fixed assets in accordance with the criteria described above for equity investments.

Liquidity agreement and treasury stock

A liquidity agreement signed with an investment service provider assigns to the latter the role of operating on the market on a daily basis, to buy or sell ENGIE SA shares, in order to ensure liquidity and an active market for the shares on the Paris and Brussels stock exchanges.

The amounts paid to the investment services provider are included in “Other long-term investments”. An impairment loss is recognized against the shares when their average price for the month in which the accounts are closed is lower than their book value.

Inventories

Natural gas reserves

Gas injected into underground reservoirs is included in inventories. It is measured at average purchase cost including domestic and international freight costs upon entering the transportation network regardless of its source, and including any regasification costs. Outflows are measured on a monthly basis using the weighted average unit cost method.

An impairment loss is recognized when the net realizable value of inventories, representing the selling price less costs directly and indirectly attributable to distribution, is lower than weighted average cost.

Energy savings certificates (ESC)

Energy savings certificates (ESC) are accounted for by ENGIE SA using the "energy savings" model: energy sales generate energy savings obligations, which are settled by:

- expenditure on energy savings (classified as production cycle costs) that qualify for certificates, or
- the purchase of certificates, or
- payment to the *Trésor Public* of the amount provided for in Article L. 221-4 of the French Energy Code (*Code de l'énergie*).

Inventory inflows: certificates obtained from the French State in exchange for qualifying energy savings are recorded at production cost in inventories. Certificates purchased are valued using the weighted average cost method.

Inventory outflows: certificates are derecognized as and when energy sales generate energy savings obligations, which are equivalent to one unit of energy consumed, and/or upon disposal. Capital gains and losses on disposal are recognized in operating income.

At December 31, 2017:

- an asset (inventories) is recognized when energy savings obligations are lower than energy savings. Inventories correspond to certificates that have been acquired, obtained or are in the process of being obtained, and that will cover future energy savings obligations. They will subsequently be consumed when energy sales are made, which generate energy savings obligations, or on disposal;
- a liability is recognized when energy savings obligations are higher than energy savings and corresponds to the cost of measures required to settle the obligations related to energy sales made. The liability will subsequently be settled by energy savings that qualify for certificates.

Capacity remuneration mechanism (CRM)

The capacity mechanism introduced by France's "NOME" (*Nouvelle organisation du marché de l'électricité*) law of December 7, 2010 came into effect on January 1, 2017. It aims to secure the supply of electricity in France on a sustainable basis, by ensuring a long-term balance between production and consumption.

For each calendar year:

- electricity suppliers have an obligation to hold capacity guarantees (certificates) in an amount sufficient to cover their customers' peak-period consumption;
- capacity, production and curtailment operators commit to a certain level of availability during winter peak periods and in exchange receive capacity certificates/guarantees which they can sell on the capacity market using a dedicated exchange managed by the European organization EPEX Spot.

EPEX Spot held two auctions for 2017 capacity on December 15, 2016 and April 27, 2017 for volumes of 22.6 GW and 0.5 GW respectively.

ENGIE SA has an obligation both as electricity supplier and production capacity operator.

In the absence of a specific ANC regulation on accounting for capacity certificates, ENGIE SA has adopted the accounting treatment applicable to ESC purchased for the production cycle.

Inventory inflows: inventories are measured based on the costs incurred during the period to purchase or obtain certificates, leading to the calculation of a weighted average unit cost of inventories.

Inventory outflows: certificates are derecognized as and when they are returned under the rebalancing mechanism.

Operating receivables

This caption includes all receivables arising on the sale of goods, and other receivables arising in the ordinary course of operations.

Energy delivered but not billed

Receivables also include unbilled revenues for energy delivered, regardless of whether or not the meters have been read.

This caption concerns customers not billed monthly (mainly residential customers) and customers whose billing period is not aligned with the consumption period of a given month.

The amounts receivable in respect of delivered unbilled gas and electricity ("energy in the meter") are calculated using a direct method taking into account estimated customer consumption based on the most recent customer bill or unbilled reading, in line with the allocation of the distribution grid manager over the same period. These amounts are measured at the average energy price. The average price used takes account of the category of customer and the age of the delivered unbilled "gas in the meter". The estimated portion of unbilled revenue at the reporting date is sensitive to the average price and volume assumptions used.

Customers (mainly residential customers) can opt to pay on a monthly basis. In this case, the Company recognizes a monthly advance and a bill is issued at the anniversary date of the contract giving rise to the payment (or refund) of any difference between the amount billed and the advance payments already received.

Unbilled revenues in respect of delivered unbilled natural gas are netted against the advances already collected by the Company from customers billed monthly. At December 31, 2017, unbilled, un-metered revenues (energy in the meter) amounted to €1,683 million.

Impairment of trade receivables

Bad debt risk is analyzed on a case-by-case basis for the Company's largest customers.

Receivables from other customers are written down using rates which increase in line with the age of the related receivables.

The potential bad debt risk arising on amounts receivable in respect of delivered unbilled natural gas is also taken into account.

Other operating receivables

Other operating receivables include the current account with ENGIE Finance, as well as margin calls. Items for which there is a risk of non-collection are written down.

Marketable securities

Marketable securities are shown on the balance sheet at cost.

When the market value of securities at December 31 is lower than their book value, a writedown is recognized for the difference.

For listed securities, market value is determined based on the market price at the end of the reporting period.

Subordinated perpetual notes

Subordinated perpetual notes issued by the Company in euros and currency are recognized in accordance with Opinion No. 28 issued by the French association of public accountants (*Ordre des experts-comptables*) in July 1994, taking into account their specific characteristics.

Accordingly, they are classified as debt as their redemption is not perpetual.

Shareholders' equity

Additional paid-in capital

External costs directly attributable to capital increases are deducted from additional paid-in capital. Other costs are expensed as incurred.

Merger premium

External expenses directly attributable to the merger between Gaz de France SA and SUEZ SA in 2008 are deducted from the merger premium.

Revaluation adjustments

This caption results from the legal revaluation of non-amortizable assets not operated under concessions carried out in 1959 and 1976.

Tax-driven provisions

Accelerated amortization

Accelerated depreciation is recognized whenever an asset's useful life (which is used in accounting for the depreciation of property, plant and equipment) differs from that used for tax purposes or when a different depreciation method is used.

Provision for price increases

The provision for price increases was introduced by Article 39-1-5 of the French Tax Code (*Code général des impôts*) to allow companies to temporarily deduct a portion of profits used for inventory replenishment from their tax base in the event of sharp price increases.

Provisions for contingencies and losses

A provision is recognized when the Company has a legal or constructive obligation resulting from a past event which is expected to result in an outflow of resources embodying economic benefits that can be measured reliably.

The provision represents the best estimate of the amount required to settle the present obligation at the end of the reporting period.

Provisions for rehabilitating land on which former gas production plants were located

A provision for site rehabilitation and cleanup costs for former gas production plants is set aside whenever the Company has a commitment to a third party, such as a binding agreement to sell such an asset. These provisions are assessed on an asset-by-asset basis and reflect the best estimate of the costs required to complete the rehabilitation work, based on current information relating to technical knowledge and regulatory requirements.

Movements in these provisions are shown under operating items.

Provision for employee bonus share awards and stock option plans

The provision for employee bonus share awards is recognized on a straight-line basis over the vesting period. The provision ultimately covers the disposal loss equal to the book value of treasury stock granted free of consideration to employees. Movements in this provision and any related costs are shown in personnel costs.

For stock options, a provision is set aside whenever the share price at the end of the reporting period is higher than the exercise price of the options granted. The provision is set aside on a straight-line basis over the vesting period, and ultimately covers the disposal loss equal to the purchase cost of the shares, less the exercise price paid by employees.

Pensions and other employee benefit obligations

Companies belonging to the electricity and gas industries sector

ENGIE SA employees qualify for the disability, pension and death benefits available under the special plan for companies belonging to the electricity and gas industries sector (*see Note 18*).

Accounting treatment

ENGIE SA recognizes provisions under liabilities solely for benefits granted to employees whose rights have already begun to vest (annuities for occupational accidents and illnesses, temporary incapacity or disability benefits), or benefits due during the employee's working life (long-service awards and exceptional end-of-career vacation).

As part of the 2008 merger between Suez and Gaz de France with retroactive effect from January 1, 2008, provisions for pensions and other employee benefits (pensions, retirement indemnities and healthcare) carried by Suez SA at December 31, 2007 were transferred to ENGIE SA.

In accordance with Opinion No. 2005-C of the CNC's Emerging Issues Taskforce and with the method applied by ENGIE SA and described above, no further amounts will be set aside to these provisions in respect of rights newly vested by employees or the unwinding of discounting adjustments on the provisions transferred within the scope of the merger. These provisions are written back in line with the settlement of the corresponding obligations.

No provisions are set aside in liabilities for other commitments. These are disclosed in Note 17 on off-balance sheet commitments.

Basis of measurement and actuarial assumptions

Benefit obligations are measured using the projected unit credit method. The present value of the obligations of ENGIE SA is calculated by allocating vested benefits to periods of service under the plan's benefit formula. When an employee's service in later years leads to a materially higher level of benefits than in earlier years, the Group allocates the benefits on a straight-line basis.

Future payments in respect of these benefits are calculated based on assumptions as to salary increases, retirement age, mortality and employee turnover.

The rate used to discount future benefit payments is determined by reference to the yield on investment grade corporate bonds based on maturities consistent with the benefit obligation.

Bond redemption premiums and issue costs

In accordance with the benchmark treatment prescribed by the French National Accounting Board (*Conseil National de la Comptabilité* – CNC), bond issue costs are recognized on a straight-line basis over the life of the instruments. These issue costs mainly consist of advertising expenses (for public issues) and fees due to financial intermediaries.

Bonds carrying a redemption premium are recognized in liabilities for their total amount including redemption premiums. The matching entry for these premiums is recorded in assets under accruals, and amortized over the life of the bonds pro rata to interest.

Derivative financial instruments

In accordance with the principles reaffirmed by ANC Regulation No. 2015-05 whose application is mandatory as of January 1, 2017 financial instruments used by ENGIE SA to hedge and manage its currency, interest rate and commodity risk are disclosed in off-balance sheet commitments.

Unrealized gains on transactions that do not qualify for hedge accounting are not recognized. A provision is recognized for unrealized losses on these transactions however.

In the case of contracts that qualify for hedge accounting, gains or losses are taken to income symmetrically with the gain or loss on the hedged items.

If the hedged item ceases to exist, the contract is unwound and any gains or losses taken to income.

ENGIE SA uses internal models representative of market practices to value financial derivative instruments that are not listed on financial markets.

Foreign currency transactions

Income and expenses denominated in foreign currencies are recorded at their equivalent value in euros at the transaction date.

Foreign currency receivables, payables and cash and cash equivalents are converted at the exchange rate prevailing at year-end.

Translation differences are taken to income when they arise on cash and cash equivalents, or to the balance sheet under unrealized foreign exchange gains or losses when they arise on receivables and payables. A provision is set aside for unrealized losses after taking account of any associated hedging instruments.

Income tax

Since January 1, 1988, ENGIE SA has been part of the tax consolidation regime introduced by Article 68 of Law No. 87-1060 of December 30, 1987. ENGIE SA is head of a tax consolidation group within the meaning of Articles 223 A *et seq.* of the French Tax Code (*Code général des impôts*).

The contribution of subsidiaries in the tax consolidation group to the Group’s income tax expense equals the amount of tax for which they would have been liable if they had not been members of the tax consolidation group.

The impacts of tax consolidation are recorded under the income tax expense of ENGIE SA, as parent company.

ENGIE SA also records a provision for any tax savings generated by subsidiaries’ tax losses. These savings initially benefit ENGIE SA as parent company, and are recovered by the subsidiaries once they return to profit (hence the provision booked).

Article 66 of Amending Finance Law No. 2012-1510 of December 29, 2012 introduced a tax credit aimed at boosting employment and competitiveness in France (*Crédit d’impôt pour la compétitivité et l’emploi* – CICE). This tax credit is recognized as a reduction of income tax expense.

NOTE 2 Significant events during the year and comparability of periods presented

Significant events during the year

- As part of a plan to restructure its head office, ENGIE SA initiated a voluntary departure plan for which an agreement was signed on July 20, 2017. The agreement was approved by the Regional Directorate for Enterprises, Competition Policy, Consumer Affairs, Labor and Employment (DIRECCTE) on September 22, 2017.
- During 2017, the French State Shareholding Agency (APE) sold a part of its holding in ENGIE SA, as follows:
  - January 2017: approximately 4.1% of the share capital;
  - September 2017: approximately 4.5% of the share capital, including 10% (i.e. 0.46%) directly to ENGIE SA.

  These divestments were made by way of private placement with institutional investors (apart from the 0.46% sold directly to ENGIE SA).

  Pursuant to Law No. 2015-990 of August 6, 2015 on growth, activity and equal opportunity, the 10% block of shares acquired from the State by ENGIE SA will be offered to employees and former employees of ENGIE SA.

Comparability of periods presented

The change of method further to the retrospective application of ANC Regulation No. 2015-05 reduced shareholders’ equity by €144 million at January 1, 2017.

Accordingly, ENGIE SA’s financial statements have been restated in accordance with the new regulation to present pro forma 2016 comparative data, details of which are provided in the relevant notes.

NOTE 3 Property, plant and equipment and intangible assets

3.1 Gross values

Changes in the gross value of these assets can be analyzed as follows:

In millions of euros	Dec. 31, 2016	Increases	Decreases	Reclassifications	Dec. 31, 2017
Intangible assets	**1,442**	**148**	**(104)**	**(5)**	**1,482**
Software	929		(103)	154	981
Other	365		(1)		364
Intangible assets in progress	148	148		(159)	137
Property, plant and equipment	**1,071**	**45**	**(134)**	**5**	**987**
Land	36		(1)		35
Buildings	519	2	(32)	14	504
Plant and equipment	244	1	(4)	16	256
General plant and equipment, and miscellaneous fixtures and fittings	183		(88)		95
Other	37		(9)	3	31
Property, plant and equipment in progress[1]	53	42		(28)	67
Advances and downpayments	-	-	-	-	-
TOTAL	**2,513**	**193**	**(238)**		**2,469**

(1) *Intangible assets in progress essentially concern IT projects.*

3.2 Depreciation, amortization and impairment

Changes in depreciation and amortization were as follows:

In millions of euros	Dec. 31, 2016	Increases	Decreases	Dec. 31, 2017
Intangible assets	**808**	**134**	**(101)**	**842**
Software	691	111	(101)	702
Other	117	23		140
Property, plant and equipment	**638**	**48**	**(103)**	**584**
Land				
Buildings	379	18	(26)	371
Plant and equipment	113	14	(4)	123
General plant and equipment, and miscellaneous fixtures and fittings	117	13	(66)	65
Other	29	3	(7)	25
Property, plant and equipment in progress				
TOTAL	**1,446**	**182**	**(204)**	**1,425**

Changes in impairment were as follows:

In millions of euros	Dec. 31, 2016	Additions	Reversals	Dec. 31, 2017
Intangible assets	214	5	(20)	198
Property, plant and equipment	15	15	(12)	18
TOTAL	**229**	**20**	**(32)**	**216**

Movements in depreciation, amortization and impairment can be broken down as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Depreciation, amortization and impairment	**161**	**153**
Straight-line method	159	150
Declining-balance method	2	1
Depreciation of dismantling assets		2
Exceptional amortization	**40**	**15**
Reversals	**-**	**(1)**

3.3 Net values

The net value of intangible assets and property, plant and equipment breaks down as follows:

In millions of euros	Gross value	Accumulated amortization/depreciation	Impairment	Net value at Dec. 31, 2017	Net value at Dec. 31, 2016
Intangible assets	**1,482**	**(842)**	**(198)**	**442**	**420**
Software	981	(702)	(4)	275	238
Technical loss					
Other	364	(140)	(194)	31	34
Intangible assets in progress	137			137	148
Property, plant and equipment	**987**	**(584)**	**(18)**	**385**	**418**
Land	35		(1)	34	34
Buildings	504	(371)	(17)	116	126
Plant and equipment	256	(123)		133	131
General plant and equipment, and miscellaneous fixtures and fittings	95	(65)		30	66
Other	31	(25)		6	8
Property, plant and equipment in progress	67			67	53
Advances and downpayments	-	-	-	-	-
TOTAL	**2,469**	**(1,426)**	**(216)**	**828**	**838**

NOTE 4 Financial fixed assets

4.1 Gross values

Changes in the gross value of these assets can be analyzed as follows:

In millions of euros	Dec. 31, 2016	Increases	Decreases	Other	Dec. 31, 2017
Equity investments	**69,393**	**2,208**	**(921)**	**3**	**70,683**
Consolidated equity investments	68,785	2,197	(921)	3	70,063
Consolidated equity investments – technical loss[1]	285				285
Non-consolidated equity investments	323	11			334
Other financial fixed assets	**773**	**1,051**	**(1,159)**	**-**	**666**
Other long-term investments	43	257	(261)		39
Amounts receivable from equity investments	681	34	(148)		567
Loans	15	10	(11)		14
Other financial fixed assets	34	750	(739)		46
TOTAL	**70,166**	**3,259**	**(2,080)**	**3**	**71,349**

(1) Technical loss arising on the 2008 merger of Suez with Gaz de France, involving Suez and Electrabel shares.

Movements in treasury stock are detailed in Note 9.1.

Equity investments and amounts receivable from these investments are detailed in Note 4.4.

The year-on-year change in equity investments at December 31, 2017 is essentially attributable to the following transactions:

- Electrabel's distribution of Electrabel France shares (€1,641 million);
- subscription to the capital increase made by Suez (formerly Suez Environnement) (€244 million);
- subscription to the capital increase made by ENGIE New Business (€80 million);
- subscription to the capital increase made by ENGIE China Investment Company (€9 million);
- sale of Elengy shares to subsidiary GRTgaz (€129 million);
- liquidation of NNB Development (negative €141 million).

4.2 Impairment

In millions of euros	Dec. 31, 2016	Additions	Reversals	Other	Dec. 31, 2017
Consolidated equity investments	2,628	2,034	(435)		4,227
Consolidated equity investments – technical loss[(1)]	93	31	(93)		31
Non-consolidated equity investments	232		(1)		231
Other long-term investments	4	2			6
Amounts receivable from equity investments	449	30			479
Loans	1				1
TOTAL	**3,407**	**2,097**	**(529)**		**4,975**

(1) Technical loss arising on the 2008 merger of Suez with Gaz de France, involving Suez and Electrabel shares.

The change in impairment mainly reflects:

- provisions for impairment against equity investments:
  - Electrabel (€1,401 million, including a technical loss of €31 million),
  - Storengy (€278 million),
  - Cogac (€284 million),
  - ENGIE China Investment Company (€58 million),
  - ENGIE Management Company (€22 million),
  - ENGIE IT (€15 million);
- reversals of impairment provisions against equity investments:
  - NNB Development (€111 million),
  - SUEZ (formerly SUEZ Environnement) technical loss (€93 million).

4.3 Net value

In millions of euros	Gross values Dec. 31, 2017	Impairment	Net value at Dec. 31, 2017	Net value at Dec. 31, 2016
Equity investments	**70,683**	**(4,489)**	**66,194**	**66,440**
Consolidated equity investments	70,063	(4,227)	65,836	66,157
Consolidated equity investments – technical loss[(1)]	285	(31)	255	192
Non-consolidated equity investments	334	(231)	103	91
Other financial fixed assets	**666**	**(486)**	**180**	**319**
Other long-term investments	39	(6)	34	39
Amounts receivable from equity investments	567	(479)	88	232
Loans	14	(1)	12	14
Other financial fixed assets	46		46	34
TOTAL	**71,349**	**(4,975)**	**66,374**	**66,759**

(1) Technical loss arising on the 2008 merger of Suez with Gaz de France, involving Suez and Electrabel shares.

In millions of euros	% interest	Carrying amount	Share of net asset value	Unrealized gain	Valuation method
Electrabel (incl. technical loss)	99.13%	32,747	32,747		Value-in-use – DCF
GRDF	100.00%	8,405	10,499	2,094	Value-in-use – DCF
ENGIE Finance	100.00%	5,567	5,604	37	Intrinsic value
GDFI	100.00%	3,972	5,672	1,700	Intrinsic value
ENGIE Energie Services (incl. technical loss)	100.00%	2,933	5,297	2,364	Value-in-use – DCF
Storengy	100.00%	2,388	2,388	-	Value-in-use – DCF
Suez (incl. technical loss)	31.96%	2,820	3,028	208	Yield value
GRTgaz	75.00%	2,240	3,837	1,597	Value-in-use – DCF
Cogac	100.00%	1,750	1,750		Intrinsic value
Electrabel France	100.00%	1,641	1,641		Intrinsic value
Genfina	100.00%	1,289	1,289		Intrinsic value
ENGIE New Business	100.00%	90	90		Intrinsic value
ENGIE New Ventures	100.00%	68	68		Intrinsic value
GIE ENGIE Alliance	100.00%	62	62		Intrinsic value
SFIG	98.61%	57	67	10	Intrinsic value
Other		**165**	**669**	**504**	
TOTAL		**66,194**	**74,708**	**8,514**	

The value in use of the equity investments set out in the table above is assessed by reference to:

- for private equity firms, the intrinsic value, which corresponds to net assets plus unrealized gains;
- for listed companies (including Suez), the average yield value, which corresponds to the average of the last twenty stock market prices of the year;
- for subsidiaries that directly or indirectly conduct operating activities, discounted cash flows or discounted dividends.

The projections on which these values are based were drawn from the 2018 budget and from the 2019-2020 medium-term business plan, as approved by the Group's Executive Committee and the Board of Directors, and on extrapolated cash flows beyond that time frame. Cash flow projections are determined on the basis of macroeconomic assumptions (inflation, exchange rates and growth rates) and price forecasts resulting from the Group's reference scenario for 2021-2040. The price forecasts that feature in the Group reference scenario were approved in December 2017. The forecasts and projections included in the reference scenario were determined on the basis of the following inputs:

- forward market prices over the short term for fuel (coal, oil and gas), CO_2 and electricity on different markets;
- beyond this period, medium- and long-term energy prices were determined based on macroeconomic assumptions and fundamental supply and demand equilibrium models, the results of which are regularly compared against forecasts prepared by external energy sector specialists. Long-term projections for CO_2 prices are those presented in the "Canfin, Grandjean et Mestrallet" report published in July 2016. More specifically, medium- and long-term electricity prices were determined by the Group using electricity demand forecasting models, medium- and long-term forecasts of fuel and CO_2 prices, and expected trends in installed capacity and in the technology mix of the production assets within each power generation system.

Electrabel

For Electrabel, whose carrying amount accounts for more than half of ENGIE SA's investment portfolio, the key assumptions used to assess its value in use concern:

- changes in the regulatory environment in every country in which Electrabel operates, and in particular the Belgian regulatory framework governing the operating life of existing nuclear reactors and the level of royalties and nuclear contributions paid to the Belgian State;
- changes in gas and electricity demand;
- changes in electricity prices;
- changes in exchange rates; and
- discount rates.

Electrabel owns, either directly or through equity investments in Europe or outside Europe, the following main operating activities:

- power generation and sales activities include:
  - nuclear power plants in Belgium,
  - thermal power plants, mainly in Belgium, the Netherlands, Italy, Greece, Spain, Portugal, Poland, the United Kingdom, Australia, Thailand, Singapore, Brazil, Puerto Rico, Chile, Mexico, Peru, the Middle East and Pakistan,
  - renewable power generation plants, mainly in Belgium, the Netherlands, Italy, Spain, Portugal, Poland, Germany, the United Kingdom, Brazil, Canada, Chile and Mexico;
- natural gas and power generation activities in Belgium, the Netherlands, Italy, Spain, Portugal, Poland, the United Kingdom, Australia, Thailand and Singapore;
- management and optimization of portfolios of physical and contractual assets.

Storengy

Storengy manages and sells underground natural gas storage capacity in France and through its equity investments in Germany and the United Kingdom.

Storage activities were impacted by changes in the regulatory environment in France and the downward revision of long-term spread forecasts in Germany.

In France, Article 12 of the Law on ending oil and gas exploration and production, published in the *Journal officiel* on December 31, 2017, provides for the regulation of natural gas activities in the country.

Following the consultations initiated by the public authorities alongside various industry stakeholders (storage operators and natural gas suppliers in France), the French Energy Regulation Commission (CRE) has, in a decision dated February 22, 2018, set the terms of the regulation, which will be valid for a period of two years based on:

- the amount of the Regulated Asset Base (RAB), corresponding to the value assigned by the regulator to the assets operated by the distributor;
- the rate of return guaranteed by the regulator;
- 2018 revenue levels.

The regulation covers all storage facilities, but its scope may be subsequently revised when the Multi-Annual Energy Plan is updated.

The value in use of ENGIE SA's investment in Storengy was determined on the basis of the following inputs:

- France: cash flow forecasts for the period 2018-2023 and a terminal value estimated on the basis of the expected Regulated Asset Base (RAB) with no premium at the end of 2023;
- Germany: cash flow forecasts projected up to 2025, which is when the Group estimates that seasonal spreads will have reached their long-term price equilibrium, and an estimated terminal value in 2026.

4.4 Subsidiaries and investments

In millions of euros	Share capital as per latest available balance sheet	Other equity as per latest available balance sheet	% capital held at Dec. 31, 2017
Name			
A - Detailed information concerning subsidiaries and investments whose gross value exceeds 1% of ENGIE SA capital (i.e., €24,352,850)			
1. Subsidiaries (more than 50%-owned by ENGIE SA)			
Aguas Provinciales de Santa Fe (data in local operating currency)	4	(168)	64.19%
Celizan	-	-	100.00%
Cogac	1,287	(96)	100.00%
Ecometering	22	(17)	99.00%
Electrabel	4,640	16,436	99.13%
Electrabel France	532	392	100.00%
ENGIE Alliance	100	(52)	64.00%
ENGIE China Invest Company	35	(13)	100.00%
ENGIE Energy Services	699	370	100.00%
ENGIE Finance	5,460	288	100.00%
ENGIE IT	45	(69)	100.00%
ENGIE Management Company	63	(75)	100.00%
ENGIE New Business	90	(2)	100.00%
ENGIE New Ventures	49	12	100.00%
ENGIE Rassembleur d'Energies	50	(4)	100.00%
GDF International	3,972	458	100.00%
Genfina	1,750	(467)	100.00%
GRDF	1,801	2,777	100.00%
GRTgaz (excluding Elengy)	619	3,791	74.78%
SFIG	55	8	98.61%
Sopranor	-	5	100.00%
Storengy	345	1,205	100.00%
2. Equity investments (less than 50%-owned by ENGIE SA)			
Aguas Argentinas	15	(467)	48.19%
Suez (formerly Suez Environnement)	2,258	5,321	31.96%
B - Information concerning other subsidiaries and investments			
1. Subsidiaries not included in section A			
French companies	-	-	-
Foreign companies (data in local operating currency)	-	-	-
2. Equity investments not included in section A			
French companies	-	-	-
Foreign companies (data in local operating currency)	-	-	-
3. Other long-term investments not included in section A			
French companies	-	-	-
Foreign companies (data in local operating currency)	-	-	-
TOTAL			

Book value of shares held at Dec. 31, 2017 Gross	Provisions	Loans and advances granted by ENGIE SA	Sureties and endorsements given by ENGIE SA	Revenues for the latest available period	Net income (+) or loss (-) for the latest available period	Dividends received by ENGIE SA during the period	Year-end of last available period (unaudited provisional accounts)
39	(39)	78	-	-	(65)	-	12/2016
31	(31)	-	-	-	-	-	12/2017
2,434	(684)	-	-	-	(251)	-	12/2017
38	(34)	-	-	15	-	-	12/2017
34,148	(1,401)	-	-	10,575	(1,361)	1,641	12/2016
1,641	-	-	-	46	131	-	12/2017
62	-	-	1,000	-	(52)	-	12/2017
95	(73)	-	-	-	(13)	-	12/2017
2,933	-	-	-	2,248	172	450	12/2017
5,567	-	5,829	-	670	211	389	12/2017
78	(78)	-	-	262	(42)	-	12/2017
115	(115)	-	-	163	(32)	-	12/2017
90	-	-	-	-	(1)	-	12/2017
72	(4)	-	-	-	(2)	-	12/2017
50	(1)	-	-	-	(1)	-	12/2017
3,972	-	88	-	-	127	87	12/2017
2,627	(1,338)	-	-	-	8	-	12/2017
8,405	-	-	-	3,562	150	1,007	12/2017
2,240	-	-	-	1,865	200	286	12/2017
57	-	-	-	23	2	1	12/2017
245	(240)	-	-	-	-	-	12/2017
2,666	(278)	-	-	767	(38)	83	12/2017
145	(145)	354	-	-	(237)	-	12/2016
2,820	-	-	-	71	463	119	12/2016
55	(21)	-	-	-	-	110	
19	-	-	-	-	-	-	
64	(14)	-	-	-	-	41	
-	-	-	-	-	-	-	
28	-	-	-	-	-	-	
-	-	-	-	-	-	-	
70,736	**(4,496)**					**4,214**	

NOTE 5 Inventories

In millions of euros	Gross values Dec. 31, 2016	Increases	Decreases	Gross values Dec. 31, 2017
Natural gas	700	1,120	(1,019)	801
Energy savings certificates	119	119	(122)	116
Other	20	56		76
TOTAL	**839**	**1,295**	**(1,141)**	**993**

5.1 Natural gas reserves

Gas reserves at end-December 2017 were a considerable €101 million higher than at end-December 2016.

This year-on-year change was due mainly to an increase in stocks of LNG.

5.2 Energy savings certificates

National energy savings targets for the third three-year period from January 1, 2015 to December 31, 2017 have risen sharply and have been fixed at 700 TWh for all energy suppliers for the period. Pursuant to Decree No. 2014-1668, ENGIE SA's annual target is determined by applying the following coefficients to its sales: 0.153 kWh cumac/kWh sold for natural gas and 0.238 for electricity ("cumac" means updated cumulative kilowatt-hours (kWh) annualized over the lifespan of the equipment).

An additional ESC obligation of 150 TWh for the 2016-2017 period has been introduced by Article 30 of the energy transition for green growth act (*Loi relative à la transition énergétique pour la croissance verte* – LTECV) in order to help households affected by fuel poverty ("fuel poverty" ESCs). The new obligation is divided up among energy suppliers on a pro rata basis according to their current energy savings obligations.

NOTE 6 Receivables

6.1 Maturity of receivables

		Due		
In millions of euros	Gross amount at Dec. 31, 2017	End-2018	Between 2019 and 2023	2024 and beyond
Non-current assets	**666**	**26**	**71**	**570**
Amounts receivable from equity investments	567	25	67	476
Loans	14	1	4	9
Liquidity agreements				
Other financial fixed assets	85			85
Current assets	**14,923**	**14,790**	**57**	**76**
Trade and other receivables(1)	4,920	4,878	42	
Current accounts with subsidiaries	6,185	6,185		
Other operating receivables	678	677		
Other receivables	3,130	3,039	15	76
Advances and downpayments made on orders	10	10		
TOTAL	**15,589**	**14,815**	**127**	**646**

(1) *Gas in the meter net of advances from customers billed on a monthly basis totaled €484.5 million at December 31, 2017 (€220.6 million at December 31, 2016). Electricity in the meter net of advances from customers billed on a monthly basis totaled €153.3 million at December 31, 2017 (€98.8 million at December 31, 2016).*

6.2 Impairment of receivables

In millions of euros	Dec. 31, 2016	Additions	Reversals	Dec. 31, 2017
Other operating receivables	299	101	(132)	269
Miscellaneous receivables	15			15
Marketable securities	115		(44)	70
TOTAL	**429**	**101**	**(176)**	**355**

NOTE 7 Marketable securities

In millions of euros	Gross value at Dec. 31, 2017	Impairment	Net value at Dec. 31, 2017	Net value at Dec. 31, 2016
Treasury shares held to cover bonus share plans	883	(70)	812	634
Money-market funds	968		968	675
Term deposits	443		443	261
TOTAL	**2,293**	**(70)**	**2,223**	**1,570**

Treasury shares break down into two categories:

- shares not yet allocated to a future plan (€513 million). Since the average share price over the last twenty trading days of the year was lower than the purchase price, an impairment loss of €70 million was recognized;
- shares allocated to a plan (€370 million). These shares are measured at cost and impairment provisions are recognized in liabilities (*see Note 10.1.2*).

NOTE 8 Accruals (assets) and unrealized foreign exchange losses

In millions of euros	Dec. 31, 2016 Published	Dec. 31, 2016 Pro forma(1)	Increases	Decreases	Dec. 31, 2017
Loan redemption premiums	132	132	36	(24)	144
Deferred loan issuance costs	63	63		(13)	50
Financial instruments	537	7,615	2,480	(7,577)	2,518
ACCRUALS (ASSETS)	**732**	**7,810**	**2,516**	**(7,614)**	**2,712**
UNREALIZED FOREIGN EXCHANGE LOSSES	**645**	**645**	**307**	**(645)**	**307**

(1) Restated on a pro forma basis for the change of method pursuant to the first-time application of ANC Regulation No. 2015-05 (see Note 2).

Accruals

Accruals related to financial instruments comprise:

- premiums and issue costs to be amortized on ENGIE SA bonds;
- premiums on options intended to hedge commodity risk and/or interest rate and currency risk on debt;
- measurement at fair value of interest rate, currency and commodity derivatives not qualifying as hedges, and the currency portion of derivatives hedging the risk on debt denominated in foreign currencies.

The application of ANC Regulation No. 2015-05 increased the valuation of derivative financial instruments at January 1, 2017 by €7,078 million. The change in fair value of financial instruments in 2017 was a negative €4,914 million.

Unrealized foreign exchange losses

Unrealized foreign exchange gains and losses arise upon the translation at the year-end exchange rate of payables denominated in a currency other than the euro upon the currency portion of derivatives hedging debt denominated in foreign currencies and/or commodity purchases and sales.

NOTE 9 Shareholders' equity

9.1 Share capital – shares issued and outstanding

Share capital is fully paid up. Each €1 share carries a single voting right.

Share capital

Shares comprising the share capital at January 1, 2017	2,435,285,011
Total number of shares comprising the share capital	**2,435,285,011**

In 2017, a total of 18,384,410 shares were purchased and 19,384,410 shares were sold under the liquidity agreement, generating a net capital gain of €838 million. At December 31, 2017, ENGIE SA no longer held any treasury shares under the liquidity agreement.

At December 31, 2017, ENGIE SA held 46,858,019 shares in connection with bonus share awards (*see Note 9.3*).

9.2 Change in shareholders' equity

In millions of euros

Shareholders' equity at December 31, 2016 - Reported	**37,976**
Change of method at January 1, 2017 pursuant to ANC Regulation No. 2015-05 (*see Note 2*)	(144)
Shareholders' equity at December 31, 2016 - Pro forma	**37,832**
Dividends and interim dividends paid	(2,049)
Tax-driven provisions	(13)
Income	1,421
Shareholders' equity at December 31, 2017	**37,191**

In 2017, ENGIE SA paid:

- a dividend of €0.50 per share (net of the interim dividend paid in 2016) in respect of 2016, representing a total amount of €1,198 million, less the treasury shares held at the dividend payment date (€18 million). The total 2016 dividend was €1.0 per share, representing a total payout of €2,416 million;
- a loyalty dividend of €0.10 per share, representing a total payout of €14 million;
- a cash interim dividend of €0.35 per share in respect of 2017, representing a total amount of €836 million.

9.3 Employee bonus share awards and stock option plans

Bonus share policy and stock option policy

Bonus share awards are intended to involve all employees more closely in the Group's growth and performance. They are awarded to employees upon a decision of the Board of Directors, in accordance with decisions taken by the Shareholders' Meeting, subject to a minimum seniority of two years and a number of performance conditions.

The stock option policy aims to closely involve executive and senior management, as well as high-potential managers, in the future development of the Company and in creating shareholder value. Conditions for the award of options and the list of beneficiaries are approved by the Board of Directors in accordance with authorizations granted at Shareholders' Meetings. Certain stock option awards have been replaced by bonus share awards, made available to more employees than were previously eligible for stock options.

In 2017, ENGIE SA granted 5,427,223 bonus shares to ENGIE Group employees.

In 2017, ENGIE SA delivered 736,866 shares to Group employees.

Based on all existing share plans, the number of beneficiaries and staff turnover assumptions, at December 31, 2017 ENGIE SA considered that it had an obligation to deliver 16,632,263 shares.

In view of the shares delivered in 2017, the company holds 46,858,019 shares to cover its bonus share obligations at December 31, 2017, representing a total amount of €813 million net of provisions. The market value of these shares at end-2017 was €672 million.

Details of bonus share and stock option plans in force	Number of shares awarded	Number of shares delivered	Per share value	Expense (in millions of euros) 2017	2016
Bonus shares awarded					
ENGIE Plan of December 5, 2012	214,300	186,100	25.34	(5.18)	(66.70)
ENGIE Plan of February 27, 2013	5,435	5,435	25.34	(0.13)	-
ENGIE Plan of December 11, 2013	1,828,278	435,452	25.07	(54.05)	19.30
ENGIE Plan of February 26, 2014	44,356	44,120	24.53	(1.02)	0.40
ENGIE Plan of December 10, 2014	3,108,734	-	24.72	22.34	22.80
Link Abondement Plan of December 10, 2014	110,117	-	24.53	0.75	0.40
ENGIE Plan of February 25, 2015	136,606	65,759	24.53	(0.99)	1.40
ORS 2015 Plan of December 10, 2015	80,062	-	24.53	0.53	0.30
ENGIE Plan of December 16, 2015	3,078,468	-	24.53	23.41	20.10
ENGIE Plan of February 24, 2016	124,328	-	24.94	1.37	1.00
ENGIE Plan of December 14, 2016	4,903,711	-	20.18	30.30	1.40
ENGIE Plan of March 1, 2017	139,948	-	22.26	1.09	-
ENGIE Plan of December 13, 2017	4,888,789	-	19.93	1.48	-
TOTAL	**18,663,132**	**736,866**		**19.91**	**0.40**

NOTE 10 Provisions

10.1 Provisions for contingencies and losses

In millions of euros	Dec. 31, 2016	Additions	Reversals (used provisions)	Reversals (surplus provisions)	Other	Dec. 31, 2017
Provisions for site rehabilitation (Note 10.1.1)	20	5	(6)	-	2	21
Provisions relating to employees (Note 10.1.2)	248	85	(68)		(2)	263
Provisions for taxes (Note 10.1.3)	22		(12)			11
Provisions for tax consolidation (Note 10.1.4)	1,326	111	(195)			1,242
Risks arising on subsidiaries	17	37	(1)			52
Other provisions for contingencies and losses (Note 10.1.5)	854	963	(630)	(42)	144	1,288
TOTAL	**2,487**	**1,201**	**(912)**	**(42)**	**145**	**2,878**

6

10.1.1 Provisions for site rehabilitation

Provisions for site rehabilitation totaled €21 million at December 31, 2017 versus €20 million at end-2016. They chiefly relate to the rehabilitation of sites on which gas production plants were located and mainly cover safety requirements at the sites (ground water, air pollution, etc.) based on their current use. They also include refurbishment of the La Défense and Lyon (Monolyte) premises.

In 2015, ENGIE SA implemented a five-year national property asset disposal program (*Plan National de Cessions immobilières* – PNC) covering 236 non-strategic sites.

Whenever a binding agreement is entered into to sell an asset, a provision for dismantling costs is recognized under liabilities with a matching entry to dismantling assets depreciated over their residual life.

In millions of euros	Dec. 31, 2016	Additions	Reversals (used provisions)	Matching entry to dismantling assets	Reclassifications	Dec. 31, 2017
Provisions for site rehabilitation (excluding PNC assets)	12	5	(6)			11
Provisions for site rehabilitation (PNC assets)	8			2		10
TOTAL	**20**	**5**	**(6)**	**2**		**21**

At December 31, 2017, provisions for site rehabilitation broke down as follows:

- provisions with a matching entry to dismantling assets: €6 million;
- provisions for the prior year: €4 million

10.1.2 Provisions relating to employees

Provisions for employee benefits

Pension obligations are covered by insurance funds. At end-2017, the corresponding provisions amounted to €7 million.

Other post-employment benefits amounted to €17 million.

Provisions have been set aside for the full amount of disability benefits and allowances for occupational accidents, illnesses of active employees at year-end, long-service awards and asbestos, representing a total amount of €80 million.

The provisions for pensions and other employee benefit obligations carried by SUEZ SA at the time of the 2008 merger are written back as and when the corresponding liabilities for which they were set aside at end-2007 are extinguished. No further amounts are set aside to these provisions in respect of rights newly vested or the unwinding of discounting adjustments.

These provisions represented a total amount of €103 million at December 31, 2017. Note 18.4 analyzes changes in these provisions in the periods presented.

The full amount of end-of-career indemnities is partially covered by insurance funds; the shortfall amounted to €30 million at December 31, 2017.

Provisions for employee bonus share awards and stock option plans

At December 31, 2017, provisions for employee bonus share awards and stock option plans amounted to €156 million (end-2016: €135 million).

In 2017, ENGIE SA set aside a further €83 million to this provision to cover rights vested by employees. It also wrote back €62 million of the provision following the expiration of certain bonus share plans.

In addition to presence in the Group at the vesting date, eligibility for certain bonus share and performance share plans is subject to an internal performance condition. When this condition is not fully met, the number of bonus shares granted to employees is reduced in accordance with the plans' regulations.

10.1.3 Provisions for taxes

Following various tax audits, ENGIE SA set aside several provisions for tax risks.

At end-2017, the provision for income taxes amounted to €11 million versus €22 million at end-2016, mainly in respect of tax audits related to 2013 and 2014, and primarily concerning LNG transfer prices.

At end-2017, other provisions for reassessments of other levies and taxes (VAT, construction effort, CVAE business value-added, etc.) amounted to €8 million.

10.1.4 Provisions for tax consolidation

ENGIE SA has chosen to file consolidated tax returns. As a result, it sets aside a provision reflecting its obligation to transfer back to subsidiaries any tax losses utilized. As a result, it sets aside a provision covering the tax savings generated by loss-making subsidiaries to cover the risk of having to return the tax savings if the subsidiaries subsequently become profitable. In 2017, ENGIE SA recognized a provision charge of €111 million and a reversal of €32 million, bringing the total provision up to €525 million at the year-end.

At December 31, 2007, the capital gain on the disposal of the gas distribution activity had no impact on tax, since GRDF was part of the tax consolidation group. Since 2008, the subsidiary's statutory financial statements show tax savings relating to the amortizable component of the capital gain arising on the disposal of the gas distribution business. This excess amortization is canceled out at the level of the tax consolidation group. In accordance with the tax consolidation agreements signed with its subsidiaries, ENGIE SA recognized a provision for tax consolidation with respect to GRDF for a definitive amount of €1,938 million, based on the amortizable component. In 2017, the Company wrote back an amount of €105 million (€105 million in 2016), corresponding to the neutralization of the excess amortization on the amortizable component arising in the year.

An amount of €57 million was written back in 2017 to reflect the decrease in the corporate income tax rate from 2018 to 2022.

Provisions for tax consolidation amounted to €1,242 million at end-2017, including €717 million relating to the amortizable component of GRDF's intangible assets.

10.1.5 Other provisions for contingencies and losses

This item mainly includes provisions for contingencies arising on other third parties, provisions for disputes, and provisions for currency and interest rate risk. Movements in these provisions chiefly impact non-recurring and financial items.

Given structural changes in gas markets, ENGIE decided to overhaul the management model of its midstream gas business (excluding LNG). To this end, in 2017 a new organization was put in place aimed at changing the methods for managing long-term gas supply contracts, transport and storage capacity contracts, and a power exchange contract. These new methods are designed to permit the relevant contracts to be managed individually rather than as part of a portfolio. The initial accounting impact of this change was a negative €678 million.

Provisions for other contingencies and losses totaled €1,288 million at December 31, 2017 versus €854 million at end-2016.

The remaining balance at end-2017 chiefly concerns provisions for capacity reservation contracts classified as loss-making (€981 million), litigation (€32 million), subsidiaries' risks (€52 million), restructuring (€133 million), foreign exchange losses (€29 millions) and interest rate risk (€56 million).

10.2 Tax-driven provisions and investment subsidies

In millions of euros	Dec. 31, 2016	Additions taken through the income statement	Reversals taken through the income statement	Dec. 31, 2017
Tax-driven provisions	**512**	**228**	**(241)**	**499**
Accelerated depreciation and amortization	397	228	(198)	426
Provision for price increases	115		(43)	73
Provision for investments				
Investment subsidies	**2**	**1**	**-**	**3**
TOTAL	**514**	**229**	**(241)**	**502**

NOTE 11 Borrowings and debt

11.1 Summary of borrowings and debt

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Borrowings	*27,615*	*30,155*
Hybrid bonds	3,688	3,700
Bonds	18,953	18,948
Other loans	4,973	7,507
Amounts payable to equity investments	**4,400**	**-**
Current accounts with subsidiaries	**1,612**	**50**
Other borrowings and debt	**627**	**503**
Deposits received from customers	29	33
Tax consolidation		3
Current portion of interest due	427	429
Bank overdrafts	135	4
Miscellaneous	35	34
TOTAL	**34,254**	**30,708**

The €3,545 million increase in borrowings and debt chiefly reflects:

- new loans obtained from ENGIE Finance (€4,400 million);
- increase in the credit balance on current accounts with subsidiaries (€1,562 million) following the transfer of the ENGIE Global Markets cash pooling mechanism previously operated by ENGIE Finance;
- these increases were partially offset by a decrease in Negotiable European Commercial Paper (NEUCP) and US Commercial Paper (USCP) (€2,441 million).

11.2 Maturities of borrowings, debt and payables

In millions of euros	Dec. 31, 2017	Due End-2018	Due Between 2019 and 2023	Due 2024 and beyond
Borrowings and debt	**34,254**	**8,251**	**15,674**	**10,326**
Hybrid bonds	3,688	600	2,088	1,000
Bonds	18,953	1,523	8,436	8,994
Other loans	4,973	3,889	750	332
Amounts payable to equity investments	4,400		4,400	
Current accounts with subsidiaries	1,612	1,612		
Other borrowings and debt	627	627		
Trade and other payables	**6,716**	**6,716**	**-**	**-**
Tax and employee-related liabilities	**1,065**	**1,065**	**-**	**-**
Other liabilities	**3,830**	**3,830**	**-**	**-**
Advances from customers	778	778		
Other	3,053	3,053		
Advances and downpayments received on orders	**5**	**5**	**-**	**-**
TOTAL	**45,871**	**19,867**	**15,674**	**10,326**

11.2.1 Breakdown of hybrid bonds

	Dec. 31, 2017	Issue date	Interest repricing date	Interest	Listing
Public issues					
In millions of euros	600	07/2013	07/2018	3.875%	Paris
In millions of euros	750	07/2013	07/2021	4.750%	Paris
In millions of euros	1,000	06/2014	06/2019	3.000%	Paris
In millions of euros	1,000	06/2014	06/2024	3.875%	Paris
In millions of pounds sterling	300	07/2013	01/2019	4.625%	Paris

11.2.2 Breakdown of bonds

	Dec. 31, 2017	Issue date	Maturity date	Interest	Listing
Public issues					
In millions of euros	643	02/2003	02/2018	5.125%	Paris/Luxembourg
In millions of euros	775	10/2008	01/2019	6.875%	Luxembourg
In millions of euros	900	01/2009	01/2021	6.375%	Luxembourg
In millions of euros	693	10/2010	10/2022	3.500%	Paris
In millions of euros	300	03/2011	03/2111	5.950%	Paris
In millions of euros	424	11/2011	01/2020	3.125%	Paris
In millions of euros	742	06/2012	02/2023	3.000%	Paris
In millions of euros	729	06/2012	06/2018	2.250%	Paris
In millions of euros	410	07/2012	07/2022	2.625%	Paris
In millions of euros	1,200	05/2014	05/2020	1.375%	Paris
In millions of euros	1,300	05/2014	05/2026	2.375%	Paris
In millions of euros	750	03/2015	03/2022	0.500%	Paris
In millions of euros	750	03/2015	03/2026	1.000%	Paris
In millions of euros	500	03/2015	03/2035	1.500%	Paris
In millions of euros	700	03/2017	03/2024	0.875%	Paris
In millions of euros	800	03/2017	03/2028	1.500%	Paris
In millions of euros	500	09/2017	02/2023	0.375%	Paris
In millions of euros	750	09/2017	02/2029	1.375%	Paris
In millions of euros	750	09/2017	09/2037	2.000%	Paris
In millions of pounds sterling	500	10/2008	10/2028	7.000%	Luxembourg
In millions of pounds sterling	226	02/2009	02/2021	6.125%	Luxembourg
In millions of pounds sterling	700	10/2010	10/2060	5.000%	Paris
In millions of pounds sterling	400	10/2011	10/2060	5.000%	Paris
In millions of Swiss francs	275	10/2012	10/2020	1.125%	Zurich
In millions of Swiss francs	175	10/2012	10/2024	1.625%	Zurich
In millions of US dollars	750	10/2012	10/2022	2.875%	None
Private placements					
In millions of yen	15,000	12/2008	10/2023	3.180%	None
In millions of euros	150	10/2011	10/2018	3.046%	Paris
In millions of euros	100	10/2011	10/2023	CMS10YR+0.505%	Paris
In millions of euros	400	07/2012	01/2020	2.500%	None
In millions of yen	10,000	07/2012	07/2022	1.260%	Paris
In millions of euros	100	03/2013	03/2033	3.375%	None
In millions of euros	200	04/2013	04/2020	Euribor3M+0.58%	Paris
In millions of euros	81	04/2013	04/2038	3.703%	None
In millions of US dollars	50	04/2013	04/2033	3.750%	Paris
In millions of Norwegian krone	500	04/2013	04/2024	4.020%	Paris
In millions of euros	50	10/2015	10/2027	1.764%	Paris
In millions of euros	50	10/2015	10/2027	1.764%	Paris
In millions of euros	100	11/2015	11/2045	2.750%	Paris
In millions of euros	50	11/2015	11/2045	2.750%	Paris
In millions of Australian dollars	115	11/2015	11/2025	4.235%	Paris
In millions of US dollars	50	11/2015	11/2021	2.681%	Paris
In millions of yen	20,000	09/2015	01/2024	0.535%	Paris
In millions of euros	100	06/2017	06/2032	1.625%	Paris
In millions of Hong Kong dollars	1,400	09/2017	09/2032	2.650%	Paris
In millions of Hong Kong dollars	900	10/2017	10/2027	2.630%	Paris
In millions of euros	100	10/2017	09/2037	2.000%	Paris

11.2.3 Other borrowings and amounts payable to equity investments

At December 31, 2017, other borrowings comprised mainly NEUCP (€3,175 million, including €1,080 million at floating rates and €2,095 million at fixed rates) and US commercial paper at fixed rates (USD 857 million, equivalent value of €715 million). These borrowings all fall due in less than one year.

ENGIE SA also had a credit facility on which €832 million had been drawn and a USD 300 million bank loan (equivalent value of €250 million).

ENGIE SA obtained two new long-term loans from ENGIE Finance in 2017. The amount outstanding at end-2017 was €4,400 million.

11.2.4 Other borrowings and debt

Other borrowings and debt (accrued interest on borrowings and debt, current accounts with a credit balance, deposits received from customers, bank overdrafts, bank facilities, etc.) are chiefly denominated in euros.

11.3 Analysis of borrowings and debt by currency and interest rate

11.3.1 Analysis by interest rate

	After hedging		Before hedging	
In millions of euros	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Floating rate				
Bonds	4,724	5,716	300	650
Amounts payable to equity investments	4,400	-	4,400	-
Other loans	3,679	5,115	1,830	2,727
Current accounts with subsidiaries	1,612	50	1,612	50
Other borrowings and debt	627	503	627	503
Fixed rate				
Hybrid bonds	3,688	3,700	3,688	3,700
Bonds	14,229	13,232	18,653	18,298
Amounts payable to equity investments		-		-
Other loans	1,292	2,392	3,141	4,780
TOTAL	**34,251**	**30,708**	**34,251**	**30,708**

11.3.2 Analysis by currency

	After hedging		Before hedging	
In millions of euros	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
In euros				
Hybrid bonds	3,350	3,350	3,350	3,350
Bonds	18,953	18,948	15,097	14,003
Amounts payable to equity investments	4,400	-	4,400	-
Other loans	4,971	7,507	4,006	5,549
Current accounts with subsidiaries	1,434	50	1,434	50
Other borrowings and debt	566	503	566	503
In foreign currency				
Hybrid bonds	338	350	338	350
Bonds		-	3,856	4,945
Amounts payable to equity investments		-		-
Other loans		-	965	1,958
Current accounts with subsidiaries	178		178	
Other borrowings and debt	61	-	61	-
TOTAL	**34,251**	**30,708**	**34,251**	**30,708**

NOTE 12 Accruals (liabilities) and unrealized foreign exchange gains

In millions of euros	Dec. 31, 2016 Published	Dec. 31, 2016 Pro forma(1)	Increases	Decreases	Dec. 31, 2017
Options contracts	138	138	230	(262)	107
Financial instruments	174	7,356	2,057	(7,356)	2,056
ACCRUALS (LIABILITIES)	**312**	**7,494**	**2,287**	**(7,618)**	**2,163**
UNREALIZED FOREIGN EXCHANGE GAINS	**552**	**552**	**420**	**(552)**	**420**

(1) Restated on a pro forma basis for the change of method pursuant to the first-time application of ANC Regulation No. 2015-05 (see Note 2).

Accruals

Accruals related to financial instruments comprise:

- premiums on options intended to hedge commodity and/or interest rate and currency risk on on debt;
- measurement at fair value of interest rate, currency and commodity derivatives not qualifying as hedges, and the currency portion of derivatives hedging the risk on debt denominated in foreign currencies.

  A contingency and loss provision is recognized in respect of unrealized foreign exchange losses on contracts that do not qualify for hedge accounting (*see Note 10.1.5*).

The application of ANC regulation No. 2015-05 increased the valuation of financial instruments at January 1, 2017 by €7,182 million. The change in fair value of financial instruments in 2017 was a negative €-5,363 million.

Unrealized foreign exchange gains

Unrealized foreign exchange gains and losses arise upon the translation at the year-end exchange rate of payables denominated in a currency other than the euro and upon the currency portion of derivative financial instruments intended to hedge currency risk on debt and/or commodity purchases and sales.

NOTE 13 Net operating income/(loss)

13.1 Breakdown of revenues

REVENUES BY REGION

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Energy sales		
• France	6,065	9,147
• International	12,274	6,629
Works, research and services provided	1,725	1,638
Revenues from non-core activities and other	521	525
TOTAL	**20,585**	**17,939**

The increase in revenues from international energy activities was due to an increase in volumes sold. The decrease in revenue from energy activities in France was due to a decrease in volumes sold and a general decrease in prices.

REVENUES BY BUSINESS ACTIVITY

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Energy sales		
• Natural gas	13,737	12,948
• Electricity	4,602	2,828
Other production sold		
• Works, research and services provided	1,725	1,638
• Revenues from non-core activities and other	521	525
TOTAL	**20,585**	**17,939**

13.2 Personnel costs

CHANGE IN HEADCOUNT BY CATEGORY

In number of employees	Dec. 31, 2016	Change	Dec. 31, 2017
Operating staff	319	(28)	291
Senior technicians and supervisory staff	1,650	(113)	1,537
Managerial-grade staff	3,035	(125)	2,910
TOTAL	**5,004**	**(266)**	**4,738**

The average number of employees was 4,873 in 2017 and 5,182 in 2016.

Personnel costs break down as follows:

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Wages and salaries	(317)	(332)
Payroll expenses	(169)	(171)
Profit sharing	(26)	(24)
Other	(74)	(61)
TOTAL	**(587)**	**(588)**

Employee profit sharing

An employee profit-sharing agreement based on performance criteria was set up in compliance with the legal conditions prescribed by Order 86-1134 of October 21, 1986.

These profit-sharing mechanisms are treated as personnel costs.

13.3 Net additions to provisions

In millions of euros	Dec. 31, 2017	Dec. 31, 2016
Provision for capital renewal and replacement liabilities regarding concessions		
Provision for site rehabilitation	(1)	7
Provisions relating to employees	15	(1)
Other contingency and loss provisions for operating items	354	(51)
TOTAL	**368**	**(45)**

Other contingency and loss provisions mainly include the net provision charge for loss-making contracts (€636 million) and the reversal of provisions related to the first-time application of ANC Regulation No. 2015-05, which does not permit netting of underlying elements (€248 million).

13.4 Operating expense transfers

Expense transfers are included in other operating income and amounted to €20 million in 2017 and €26 million in 2016.

NOTE 14 Net financial income/(loss)

In millions of euros	2017 Expenses	2017 Income	2017 Net	2016 Net
Other interest income and expenses	(1,108)	562	(546)	(621)
Interest on current accounts and amounts receivable from equity investments		39	39	37
Foreign exchange gains/(losses)	(1,171)	1,312	140	3
Dividends received		4,214	4,214	2,043
Movements in provisions for financial items	(43)	44	2	(168)
TOTAL	**(2,322)**	**6,171**	**3,849**	**1,294**

NOTE 15 Non-recurring income/(loss)

In millions of euros	2017 Expenses	2017 Income	2017 Net	2016 Net
Disposals of property, plant and equipment and intangible assets	(28)	25	(3)	
Disposals of financial fixed assets	(1,182)	952	(231)	(1)
Provision for price increases		43	43	18
Accelerated depreciation and amortization	(228)	198	(30)	(39)
Movements in provisions relating to equity investments	(2,134)	530	(1,604)	(57)
Other	(423)	176	(247)	(187)
TOTAL	**(3,995)**	**1,924**	**(2,072)**	**(266)**

"Other" mainly includes various expenses and provisions for personnel and real estate restructuring operations and the impact of debt restructuring (mainly early repayments).

NOTE 16 Tax position

16.1 Tax consolidation

The current option to file consolidated tax returns is automatically renewed every five years.

16.2 Income tax expense

The income tax rate in 2017 was 34.43%, including the 3.3% social contribution.

The 2017 amended finance act introduced two new 15% surcharges as a transitional measure in 2017, payable by companies with revenues of more than €3 billion, bringing the overall tax rate up to 44.43%. The two surcharges apply only to financial years closed between December 31, 2017 and December 31, 2018 and are intended to partly offset the tax refunds made following the French Constitutional Court's ruling that the 3% tax on dividend distributions was unconstitutional (Soparfi ruling).

	2017			2016		
In millions of euros	Income before tax	Income tax*	Net income/ (loss)	Income before tax	Income tax*	Net income/ (loss)
Income tax due by ENGIE SA for the period (excluding tax consolidation group)					-	
• Of which Tax on recurring income	2,491		2,491	42		42
• Of which Tax on non-recurring income	(2,071)		(2,071)	(266)		(266)
Income tax expense (income tax payable by subsidiaries/provision for transfer of tax savings to entities in the tax consolidation group)		**1,001**	**1,001**		**672**	**672**
• Of which Income tax relating to subsidiaries within the tax consolidation group		420			405	
• Of which 3% tax on dividends		375				
• Of which Net change in provisions for income tax		95			256	
• Of which Other (mainly adjustments to research and CICE tax credits held in 2017)		111			11	
TOTAL	**420**	**1,001**	**1,421**	**(224)**	**672**	**448**

* *A positive figure signifies a tax benefit.*

6

In 2017 and 2016, ENGIE SA generated a tax loss on an individual company level. Dividends received from equity investments are eligible for “parent/subsidiary” tax treatment and are therefore exempt, subject to adding back a share of expenses equal to 1% or 5% as applicable. Tax on recurring income includes €3 million relating to the CICE tax credit (*Crédit Impôt pour la Compétitivité et l'Emploi*).

In 2016, the CICE tax credit amounted to €3 million. In 2017, this amount helped finance R&D projects, in particular to finance pilots and demonstrators relating to the energy transition, initiated in 2016.

The income tax benefit amounted to €1,001 million in 2017 versus an income tax benefit of €672 million in 2016, chiefly reflecting:

- savings resulting from tax consolidation (€420 million in 2017 versus €405 million in 2016), attributable to the difference between:
  - the €413 million contribution to group income tax due to ENGIE SA by subsidiaries reporting a profit (€403 million in 2016),
  - tax credits relating to the tax consolidation group amounting to €46.7 million in 2017 versus €1.8 million in 2016, and
  - income tax due by the tax consolidation group and similar contributions amounting to €39.2 million in 2017 (nil in 2016);
- a net reversal of €95 million from the income tax provision in 2017 compared with a reversal of €256 million in 2016, chiefly reflecting:
  - €78.6 million in net additions in respect of the utilization of tax losses by consolidated subsidiaries of ENGIE SA versus €45.2 million in net additions in 2016,
  - €11.5 million reversal of provisions for tax risks chiefly related to the transfer price of LNG,
  - €162.4 million reversal of provisions relating to the excess amortization during the period of the amortizable component of the capital gain generated on the sale of gas distribution activities in 2007 (including €57 million in tax rate effects).

This amount includes a €57.3 million provision reversal to reflect the progressive decrease in the corporate income tax rate from 2019 to 2022 introduced in the 2018 finance act:

- a refund by the French State of the 3% tax on dividends paid from 2013 to 2017, which was held unconstitutional by the French Constitutional Court, i.e. total of €422 million (€375 million in principal and €47 million in interest on arrears);
- other miscellaneous items representing a net tax credit of €111 million in 2017, mainly due to changes in research and CICE tax credits between 2016 and 2017.

16.3 Deferred tax

Future tax liabilities as shown in the table below result from temporary differences between the treatment of income and expenses for tax and accounting purposes.

This takes into account the impact of the progressive decrease in the corporate income tax rate from 2019 to 2022 introduced in the 2018 finance act.

	2017					2016	
In millions of euros	34.43%	32.02%	28.92%	27.37%	25.83%	34.43%	28.92%
Deferred tax liabilities							
• Unrecognized deductible expenses	307					646	
• Untaxed income recognized	34	32	30	27	109	102	166
Deferred tax assets							
• Temporary non-deductible expenses recognized	239	62	155	155	686	553	321
• Unrecognized taxable income	364				40	510	39
Net deferred tax base	**262**	**30**	**125**	**128**	**617**	**225**	**284**
• Theoretical impact of deferred tax	90	10	36	35	159	78	82

NOTE 17 Off-balance sheet commitments (excluding employee benefit obligations)

17.1 Financial commitments

The ENGIE Group's Finance Division is responsible for managing all financial risks (interest rate, currency, liquidity and credit risks).

17.1.1 Liquidity risk

The Group's financing policy is based on:

- centralizing external financing;
- diversifying sources of financing between credit institutions and capital markets;
- achieving a balanced debt repayment profile.

The centralization of financing needs and cash flow surpluses for the Group is provided by its financing vehicles (long-term and short-term) and its cash pooling vehicles.

Short-term cash requirements and cash surpluses for Europe are managed by dedicated financial vehicles in France (ENGIE Finance) and Luxembourg (ENGIE Treasury Management). These vehicles centralize virtually all of the cash requirements and surpluses of companies controlled by the Group, ensuring that counterparty risk and investment strategies are managed consistently.

The Group seeks to diversify its long-term sources of financing by carrying out public or private bond issues within the scope of its Euro Medium Term Notes program. It also issues Negotiable European Commercial Paper (NEUCP) as well as commercial paper in the United States.

Long-term capital markets are accessed chiefly by ENGIE SA in connection with the Group's new bond issues, and in connection with commercial paper.

As commercial paper is relatively inexpensive and highly liquid, it is used by the Group in a cyclical or structural fashion to finance its short-term cash requirements. However, outstanding commercial paper is backed by confirmed bank lines of credit so that the Group could continue to finance its activities if access to this financing source were to dry up.

The Group's liquidity is based on maintaining cash and cash equivalents and access to confirmed credit facilities. ENGIE SA can therefore access facilities readily convertible into cash, enabling it to meet its cash requirements in the ordinary course of business or to serve as a bridge to finance external growth operations:

- ENGIE SA has credit facilities with various banks under which €13,462 million remains undrawn. These facilities include two syndicated credit lines, respectively for €5,500 million and €5,000 million, maturing in November 2022 and March 2021. At December 31, 2017, ENGIE SA had drawn €832 million on these facilities. These facilities are not subject to any covenants or credit rating requirements;
- ENGIE SA also has access to short-term debt markets through short-term debt issues: US commercial paper for USD 4,500 million (of which USD 857 million had been drawn at end-2017, i.e. equivalent to €714 million), and NEUCP for €5,000 million (€3,175 million drawn at end-2017).

17.1.2 Counterparty risk

ENGIE SA is exposed to counterparty risk arising on its operating and financing activities.

To manage counterparty risk arising on operating activities, the Group has put in place monitoring procedures adapted to the characteristics of the counterparties concerned (private corporations, individuals, and public authorities). Customers representing a major counterparty for the Company are covered by procedures applicable to the financial activities described below, thereby providing broad-ranging oversight of the corresponding counterparty risk.

For its financing activities, ENGIE SA has put in place procedures for managing and monitoring risk based on (i) the accreditation of counterparties according to external credit ratings, objective market data (credit default swaps, market capitalization) and financial structure, and (ii) risk exposure limits. ENGIE SA also draws on a structured legal framework based on master agreements (including netting clauses) and collateralization contracts (margin calls) to reduce its exposure to counterparty risk. The oversight procedure for managing counterparty risk arising from financing activities is managed by a middle office that operates independently of the Group's Treasury department and reports to the Finance Division.

17.1.3 Interest rate risk

Based on its net debt position, ENGIE SA has adopted a policy for optimizing borrowing costs using a combination of financial instruments (interest swaps and options) according to market conditions.

ENGIE SA takes care to ensure that the difference between its floating-rate debt and its cash surpluses invested at a floating rate has a low degree of exposure to adverse changes in short-term interest rates.

Positions are managed centrally and are reviewed each quarter or whenever any new financing is raised. Management must approve in advance any transaction that causes the interest rate mix to change significantly.

In millions of euros	Notional amount at Dec. 31, 2017						Notional amount at Dec. 31, 2016
	Due in 1 year or less	Due in 1 to 5 years	Due in 6 to 10 years	Due after 10 years	Total	Fair value	
Interest rate swap							
Fixed-rate borrower/floating-rate lender	1,036	2,116	3,958		7,110	(920)	9,976
Floating-rate borrower/fixed-rate lender	2,063	2,771	4,813	1,038	10,685	954	11,221
Sale of swaption							
Fixed-rate borrower/floating-rate lender							
Purchase of cap							
Fixed-rate borrower/floating-rate lender		1,000			1,000		1,000
Purchase of FRA							
Fixed-rate borrower/floating-rate lender							
TOTAL EUR	**3,099**	**5,887**	**8,771**	**1,038**	**18,795**	**34**	**22,197**
Interest rate swap							
Fixed-rate borrower/floating-rate lender							
TOTAL NOK							
Interest rate swap							
Fixed-rate borrower/floating-rate lender		759			759	7	778
TOTAL USD		**759**			**759**	**7**	**778**
TOTAL	**3,099**	**6,646**	**8,771**	**1,038**	**19,554**	**41**	**22,975**

In millions of euros	Notional amount at Dec. 31, 2017						Notional amount at Dec. 31, 2016
	Due in 1 year or less	Due in 1 to 5 years	Due in 6 to 10 years	Due after 10 years	Total	Fair value	
Currency swap							
Fixed-rate borrower/fixed-rate lender		250		1,929	2,179	(99)	2,271
Fixed-rate borrower/floating-rate lender							
TOTAL GBP		**250**		**1,929**	**2,179**	**(99)**	**2,271**
Currency swap							
Floating-rate borrower/fixed-rate lender			149		149	(38)	229
Floating-rate borrower/fixed-rate lender		101	129		230	(7)	149
TOTAL JPY		**101**	**278**		**379**	**(45)**	**378**
Currency swap							
Fixed-rate borrower/fixed-rate lender							246
Floating-rate borrower/fixed-rate lender		227	144		371	28	371
TOTAL CHF		**227**	**144**		**371**	**28**	**617**
Currency swap							
Fixed-rate borrower/fixed-rate lender		46		38	84	(7)	664
Fixed-rate borrower/floating-rate lender		274			274	(22)	274
Floating-rate borrower/floating-rate lender		122			122	29	183
Fixed-rate borrower/floating-rate lender		580			580	3	580
TOTAL USD		**1,022**		**38**	**1,060**	**3**	**1,701**
Currency swap							
Fixed-rate borrower/fixed-rate lender			67		67	(17)	67
TOTAL NOK			**67**		**67**	**(17)**	**67**
Currency swap							
Fixed-rate borrower/fixed-rate lender			75		75	(2)	75
TOTAL AUD			**75**		**75**	**(2)**	**75**
Currency swap							
Fixed-rate borrower/fixed-rate lender			98	153	251	(11)	
TOTAL HKD			**98**	**153**	**251**	**(11)**	
Currency swap							
Fixed-rate borrower/fixed-rate lender		9			9	(3)	
TOTAL MXN		**9**			**9**	**(3)**	
TOTAL		**1,609**	**662**	**2,120**	**4,391**	**(146)**	**5,109**

Interest rate hedges outstanding at December 31, 2017 are described below:

- ENGIE SA entered into short-term swaps (maturing in less than six months) to hedge the interest rate risk on its short-term cash management transactions (NEUCP issues). These are floating-rate borrower (Eonia)/fixed-rate lender swaps with a notional amount of €2,099 million at December 31, 2017;
- ENGIE SA uses floating-rate borrower swaps when issuing bonds unless management decides otherwise. Interest rate risk is subsequently managed centrally through the use of interest rate swaps and options with due reference to market conditions;
- as part of the Group's interest rate risk management policy, in 2009, ENGIE SA set up macro-hedges fixing the interest rate on the Group's USD debt. The nominal amount totaled USD 910 million at end-2017.

17.1.4 Currency risk

ENGIE SA is exposed to currency risk, particularly including:

- commercial transactions involving the purchase and sale of natural gas, since several gas purchase and sale contracts are indexed to the price of oil-based products, mostly listed in US dollars;
- specific transactional risks related to investment, merger-acquisition or disposal projects.

The exposure to currency risk on these transactions is managed and monitored as follows:

- pass-through mechanisms are applied in determining sale prices for eligible customers, and regulated rates;
- the margin on fixed-price sale contracts or contracts indexed by financial swaps is hedged.

There is a time lag between the impact of fluctuations in the US dollar on procurement costs and their repercussion onto sales prices, reflecting mainly the effect of rolling averages and the inventory cycle.

To manage its exposure to fluctuations in exchange rates, ENGIE SA uses forward currency purchase or sale contracts to hedge its gas purchases and its financing activities.

To limit the impact of translation risk on certain amounts receivable from equity investments and on future foreign currency purchases, and to hedge the net asset risk arising on consolidation, ENGIE SA has taken new positions or reinforced existing positions in forward currency transactions that allow it to cancel out or minimize translation adjustments on deposits and loans or other future operations.

At December 31, 2017, commitments under these contracts were as follows:

In millions of euros	Fixed portion of commitments at Dec. 31, 2017					
	Maturity					
Forward contracts	2018	2019	2020 and beyond	Euro equivalent at Dec. 31, 2017	Exchange rate fluctuations at Dec. 31, 2017	Fixed portion of commitments at Dec. 31, 2016
Long positions						
AUD	54	54	201	332	23	
CHF						
EUR	4		1	6	1	52
GBP	123	231		360	6	160
NOK	95			96	1	1,120
MXN						
HUF	5			5		11
RON						
USD	2,146	1,188	1,848	5,107	(75)	6,792
CZK						
Short positions						
AUD	332			329	(3)	
CHF	163			164	1	378
EUR	5	11	1	118	1	55
GBP	221			221		242
NOK	96			95	(1)	79
MXN						
HUF	83			82		1,124
RON						
USD	2,472	134	4	2,660	50	8,933
CZK						

17.1.5 Other financial commitments given

In millions of euros	Total at Dec. 31, 2017	Maturity End-2018	Between 2019 and 2023	2024 and beyond
Market-related commitments				
Performance and other guarantees	4,388	113	4,193	82
Performance and other guarantees given on behalf of subsidiaries	3,043	237	127	2,679
Financing commitments				
Personal sureties given	898	398	111	389
Guarantees and endorsements given to subsidiaries	3,923	558	2,672	693
Collateral given				
Credit lines				
Other commitments given				
Contractual guarantees for sales of businesses	6,058	1,094		4,964
Operating lease commitments	179	54	108	17
Finance lease commitments	1	1		
Commitments relating to LNG tankers				

Market-related commitments totaling €3,043 million at end-2017 comprise performance and other guarantees given by ENGIE SA with respect to operating contracts, both on its own behalf and on behalf of its subsidiaries.

Personal sureties totaling €898 million relate mainly to payment guarantees granted to counterparties of ENGIE SA.

Guarantees and endorsements to subsidiaries totaling €3,923 million correspond to payment guarantees granted by ENGIE SA to third parties on behalf of its subsidiaries.

Contractual guarantees for sales of businesses totaling €6,058 million relate mainly to commitments given on the disposals of:

- Nalco (US water business), for which ENGIE SA is counter-guarantor until 2018 in the event of default by the sellers, Léo Holding and Nalco International SAS;
- ENGIE Exploration & Production (EPI), following the sale of the 30% minority interest to CIC in 2011, for an amount of up to €3,778 million expiring in 2026;
- 10% of train 1 of the Atlantic LNG facility in Trinidad and Tobago, for an amount of up to €1,019 million expiring in 2026;
- EFOG (North Sea oil fields), for which ENGIE SA acts as guarantor towards Elf Exploration UK Limited further to the December 2011 sale of its 22.5% interest. The guarantee is valid for a seven-year period for tax disputes.

Operating lease commitments totaling €179 million relate to the present value of lease payments outstanding through to maturity of the property leases within the scope of ENGIE SA's operations. As certain property lease expenses are rebilled to Group subsidiaries, the corresponding commitments are shown in commitments received.

Other commitments have been given in respect of performance and completion guarantees:

- to the Hong Kong authorities, in respect of contracts awarded to Sita (which became SUEZ Environnement and then SUEZ), which counter-guaranteed ENGIE SA for the same amounts. These contracts relate to:
  - the operation of the Nent landfill in partnership with the Newworld and Guandong groups until 2063,
  - the operation of various landfill sites, including Went and NWNT until 2033 and Pillar Point until 2036, initially in partnership with Swire Pacific Ltd. Since Swire Pacific sold its interest in its joint subsidiary in December 2009 to SUEZ Environnement – which now owns the entire share capital of the venture – these guarantees were reissued by ENGIE SA. However, if a guarantee is called in respect of the period during which the subsidiary was under joint control, Swire has pledged an indemnity ensuring that ultimate responsibility is split 50-50 between the two groups;
- to two Scottish companies, Ayr Environmental Services and Caledonian Environmental Services, for contracts for the construction of wastewater purification and sludge treatment plants awarded to the Degrémont SA/AMEC Capital Projects Ltd. group of construction companies;
- to the Lord Mayor, Aldermen and Burgesses of Cork, in respect of a contract for the construction and operation until 2024 of the Cork City wastewater purification plant awarded to a consortium comprising two ENGIE SA subsidiaries, Vinci subsidiary Dumez GTM, PJ Hegarty & Sons and Electrical & Pump Services. Each consortium member and Vinci agreed to counter-guarantee ENGIE SA;
- in 2008, SUEZ Environnement (which became SUEZ in 2016) undertook to counter-guarantee all of the guarantees given by ENGIE SA for the environment business that it had not yet counter-guaranteed;
- as part of the spin-off of water and wastewater activities in 2000, a performance guarantee expiring in 2028 was granted by ENGIE SA in the context of its transfer of local public service franchise contracts to Lyonnaise des Eaux. There were some 92 such contracts at end-2017;
- in Exploration-Production activities, it is customary for the parent company to provide local authorities with unlimited guarantees covering the obligations and environmental risks of subsidiaries and ENGIE SA has provided numerous such guarantees in accordance with the practices of the sector.

In addition, following Société d'Infrastructures Gazières (SIG) July 2011 acquisition of a 25% stake in GRTgaz, ENGIE SA agreed to stand as guarantor for a period of 20 years and in proportion to its shareholding, against all losses incurred due to inaccurate representations regarding the non-pollution of the land owned or exploited by GRTgaz and the cost of the resulting clean-up work payable by GRTgaz not covered by the tariffs.

17.1.6 Other financial commitments received

In millions of euros	Total at Dec. 31, 2017	Maturity		
		End-2018	Between 2019 and 2023	2024 and beyond
Market-related commitments				
Guarantees received				
Financing commitments				
Undrawn credit facilities	12,631	400	11,685	546
Other financing commitments received				
Other financing commitments received in relation to subsidiaries				
Other commitments received				
Counter-guarantees for personal sureties	1,030	30	1,000	
Counter-guarantees for trading commitments				
Operating lease commitments	314	39	174	101
Finance lease commitments	1	1		
Commitments relating to LNG tankers				

ENGIE SA has negotiated two revolving lines of credit: (i) a €5.5 billion line secured in May 2005 whose maturity has been extended from 2012 to November 2022, and (ii) a €5 billion line secured in April 2014, whose maturity has been extended from 2019 to March 2021. The lending banks may opt out of the syndicate on an individual basis in the event of a change in the Company's controlling shareholder.

Counter-guarantees given on personal sureties concern guarantees received from members of GIE ENGIE Alliance.

17.2 Commodity-related commitments

17.2.1 Natural gas and electricity commitments

Gas supplies in Europe are still based primarily on long-term "take-or-pay" contracts. These long-term commitments make it possible to finance costly production and transmission infrastructures. Under these contracts, the seller makes a long-term commitment to serve the buyer, subject to a commitment by the latter to buy minimum quantities regardless of whether or not it takes delivery of them. These commitments are combined with backup measures (force majeure) and flexible volume arrangements, making it possible to manage any uncertainties (primarily weather conditions) affecting demand as well as any technical contingencies that may arise.

These types of contracts can run up to 25 years and are used by ENGIE SA to meet the demands of its customers for natural gas in the medium and long term.

The contracts provide for reciprocal commitments regarding specified quantities of gas:

- a commitment by ENGIE SA to purchase quantities of gas above a minimum threshold;
- a commitment by suppliers to provide these quantities at competitive prices.

The appeal of these contracts is provided by indexed price formulas and price adjustment mechanisms. ENGIE SA makes the bulk of its purchases under such contracts.

At December 31, 2017, ENGIE SA had commitments to purchase a minimum of 487 terawatt-hours (TWh) within one year, 1,698 TWh between two and five years, and 2,156 TWh after five years.

ENGIE SA also entered into forward purchases and sales of natural gas, primarily at maturities of less than one year, as part of its trading activities. These consist of purchases and sales on short-term markets and offers featuring engineered prices for other operators.

At December 31, 2017, commitments given by ENGIE SA totaled 312 TWh under forward sale contracts.

To meet its commitments to take delivery of specified volumes, ENGIE SA has entered into long-term contracts to reserve land and sea transmission capacities.

At December 31, 2017, commitments given by ENGIE SA totaled 74 TWh under forward electricity purchase contracts and 39 TWh under forward electricity sale contracts. As part of its CO_2 brokerage activities, ENGIE SA has also entered into the same volume of purchases of CO_2 emissions allowances for 347 kilos of CO_2 quotas.

17.2.2 Commodity derivatives

As part of its energy brokerage activities, ENGIE uses energy derivatives to adjust its exposure to fluctuations in prices of natural gas, electricity and oil products.

Commodity derivatives (natural gas, oil and electricity) consist mainly of swaps, futures and options set up to manage price risk within the scope of the trading activities of ENGIE SA. These instruments are traded with third parties by the Company's specialized subsidiary, ENGIE Global Markets on organized or over-the-counter markets.

These derivatives are contracted to manage risks arising on:

- price engineering transactions designed to meet the growing demand among customers for tight controls on gas and electricity price risk. These products are primarily intended to guarantee a commercial margin regardless of trends in the commodity indexes included in the prices offered to customers, even when they differ from the commodity indexes to which ENGIE SA purchases are pegged. Options (calls and puts) are set up to guarantee maximum and minimum prices;
- measures taken to optimize procurement costs. Energy procurement costs, assets used in electricity production and reservations of available transmission and storage capacity not required to supply customers are systematically valued on the market.

The exposure to commodity price risk on these commercial transactions is managed and monitored as follows:

- pass-through mechanisms are applied in determining (i) sale prices for eligible customers, and (ii) regulated rates;
- the margin on fixed-price sale contracts or contracts indexed by financial swaps is hedged.

Depending on the nature of the hedged items, gains and losses on these transactions are recognized either in revenue or in energy purchase cost.

There is a time lag between the impact of changes in commodity prices on procurement costs and their repercussion onto sales prices, reflecting mainly the effect of rolling averages and the inventory stocking/run-down cycle.

17.2.2.1 Instruments not recognized as hedges

	Notional amount at Dec. 31, 2017				Fair value at Dec. 31, 2017 In millions of euros	Notional amount at Dec. 31, 2016 In GWh
	In GWh by maturity			In millions of euros		
	x < 1 year	1 year < x < 2 years	x > 2 years			
SWAPS (long positions)						
Natural gas	757,553	160,948	67,279	19,382	1,311	2,027,228
Oil-based products	99,464	33,886	26,916	5,887	333	253,965
Electricity	7,011	3,811	521	412	93	12,495
CER EUA – CO_2[(1)]	-	-	-	-	-	23,472
SWAPS (short positions)						
Natural gas	(862,989)	(251,253)	(262,179)	(26,448)	(1,321)	(2,134,387)
Oil-based products	(90,604)	-	-	(867)	(49)	(169,945)
Electricity	(5,729)	(2,177)	(2,697)	(334)	(46)	(2,973)
CER EUA – CO_2[(1)]	-	-	-	-	-	(896)
OPTIONS (long positions)						
Natural gas	25,865	12,498	11,290	(3)	42	-
Oil-based products	-	-	-	-	-	-
Electricity	-	-	-	-	-	-
OPTIONS (short positions)						
Natural gas	(25,466)	(12,498)	(11,290)	23	(20)	(601)
Oil-based products	-	-	-	-	-	-
Electricity	-	-	-	-	-	-

(1) In kilos of CO_2 quotas.

17.2.2.2 Instruments recognized as hedges

	Notional amount at Dec. 31, 2017				Fair value at Dec. 31, 2017 In millions of euros	Notional amount at Dec. 31, 2016 In GWh
	In GWh by maturity			In millions of euros		
	x < 1 year	1 year < x < 2 years	x > 2 years			
SWAPS (long positions)						
Oil-based products		23,681	51,274	4,016	152	30,652
SWAPS (short positions)						
Oil-based products						

17.2.2.3 Physical delivery contracts

	Notional amount at Dec. 31, 2017				Fair value at Dec. 31, 2017 In millions of euros	Notional amount at Dec. 31, 2016 In GWh
	In GWh by maturity			In millions of euros		
	x < 1 year	1 year < x < 2 years	x > 2 years			
FORWARDS (long positions)						
Natural gas	368,754	77,695	31,974	8,849	429	60,751
Oil-based products						
Electricity	46,564	21,200	6,109	2,835	513	82,088
CER EUA – CO_2 (1)	164	164	19			12,618,896
FORWARDS (short positions)						
Natural gas	(407,081)	(90,975)	(26,299)	(9,597)	(777)	(104,996)
Oil-based products						
Electricity	(31,370)	(4,597)	(3,362)	(1,564)	(138)	(49,847)
CER EUA – CO_2 (1)						(563,800)
OPTIONS (long positions)						
Natural gas	27,277	3,419	1,010	26	(1)	
Oil-based products						
Electricity	2,198	943	3,763	53	(25)	
OPTIONS (short positions)						
Natural gas	(38,696)	(7,800)	(1,932)	(36)	3	
Oil-based products						
Electricity	(4,829)	(608)		(71)	12	

(1) In kilos of CO_2 quotas.

17.3 Insurance of eligible risks

ENGIE SA systematically transfers all material risks based on an identification of risks eligible for insurance - particularly relating to Company assets and damages caused to third parties. Insurance policies offer extensive coverage in order to limit the financial impact of any claims on the Group's accounts.

To ensure a consistent approach, insurance policies are managed at Group level. As a result, new projects developed by subsidiaries can be incorporated within existing policies to enable the parent company to fully assume its role for its majority-owned subsidiaries.

NOTE 18 Pensions and other employee benefit obligations

OVERVIEW OF OBLIGATIONS

In millions of euros	EGI sector plan Dec. 31, 2017[1]	EGI sector plan Dec. 31, 2016	Non-EGI sector plans Dec. 31, 2017	Non-EGI sector plans Dec. 31, 2016	Total Dec. 31, 2017	Total Dec. 31, 2016
Pensions	**2,156**	**2,211**	**267**	**316**	**2,423**	**2,527**
Pension plan	2,156	2,211	267	316	2,423	2,527
End-of-career and other post-employment benefits	**297**	**333**	**30**	**33**	**327**	**366**
Reduced energy and water prices	172	207	6	6	178	213
End-of-career indemnities	57	56			57	56
Immediate bereavement benefits	53	54			53	54
Other[2]	15	16	24	27	39	43
Other employee benefit obligations	**88**	**93**	**-**	**-**	**88**	**93**
Disability benefits and other	80	85			80	85
Long-service awards	8	8			8	8
TOTAL	**2,542**	**2,637**	**297**	**349**	**2,839**	**2,986**

(1) Including €103 million covered by a provision in the parent company financial statements (see Note 18.4).
(2) Indemnities for the partial reimbursement of educational expenses, exceptional end-of-career vacation and the former SUEZ supplementary healthcare plan.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions were determined together with independent actuaries. Weighted discount rates for the main actuarial assumptions are presented below:

	Pension benefit obligations		Other post-employment benefit obligations		Long-term benefit obligations		Total benefit obligations	
EGI sector plan	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Discount rate	2.04%	2.10%	2.04%	2.10%	1.66%	1.70%	2.04%	2.10%
Inflation rate	1.81%	1.80%	1.81%	1.80%	1.79%	1.80%	1.81%	1.80%
Average remaining working years	19 years	19 years	19 years	19 years	19 years	12 years	19 years	18 years

Non-EGI sector plan	Pension benefit obligations		Other post-employment benefit obligations		Long-term benefit obligations		Total benefit obligations	
Suez	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Discount rate	1.60%	1.10%	N/A	N/A	N/A	N/A	1.60%	1.10%
Inflation rate	1.80%	1.70%	N/A	N/A	N/A	N/A	1.80%	1.70%
Average remaining working years	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Non-EGI sector plan	Pension benefit obligations		Other post-employment benefit obligations		Long-term benefit obligations		Total benefit obligations	
Cie Financière	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Discount rate	1.60%	1.10%	1.60%	1.10%	N/A	N/A	1.60%	1.10%
Inflation rate	1.80%	1.70%	1.80%	1.70%	N/A	N/A	1.80%	1.70%
Average remaining working years	2 years	2 years	N/A	N/A	N/A	N/A	2 years	2 years

According to the Group's estimates, a 1% increase or decrease in the discount rate would result in a change of 17% in the projected benefit obligation.

18.1 Pensions

The main defined-benefit plans operated by ENGIE SA comprise:

- pensions falling within the scope of the special plan for companies belonging to the electricity and gas industries sector ("EGI");
- pension plans taken over following the merger of Suez SA into ENGIE SA:
  - the 1953 supplementary pension plan, closed since December 31, 1988,
  - plans operated by the former Compagnie de SUEZ (annuity plans based on end-of-career salaries),
  - supplementary pension plans for senior managers operated by all water companies (annuity plans based on end-of-career salaries).

Pension plan for electricity and gas utilities

Salaried employees and retirees of EGI sector companies have been fully affiliated to the *Caisse Nationale des Industries Électriques et Gazières* (CNIEG) since January 1, 2005. The CNIEG is a private welfare body placed under the joint responsibility of the ministries in charge of social security and the budget. The conditions for calculating benefit entitlements under the EGI plan are set out in the national statute for EGI sector employees (Decree of June 22, 1946) and determined by the government. By law, companies cannot amend any of these conditions.

Unregulated past specific benefits (at December 31, 2004) are funded by EGI sector entities to the extent defined by Decree No. 2005-322 of April 5, 2005. For ENGIE SA, this funding obligation represents 3.25% of the past specific benefit obligations of all EGI sector companies.

The specific benefits vested under the plan since January 1, 2005 are wholly financed by EGI sector companies in proportion to their respective share of the electricity and gas market as measured in terms of total payroll costs.

Calculation of pension obligations

ENGIE SA's pension obligations are calculated using a yield-to-maturity method in line with ANC Recommendation 2013-02 of November 7, 2013. The method used is known as the projected unit credit method and is based on assumptions regarding end-of-career salaries, retirement ages, changes in the population of retired employees and payment of benefits to surviving spouses.

The obligations are calculated as follows:

- based on the rights vested at the measurement date, under both the EGI plan and statutory pension plans;
- for all active and retired employees in the EGI sector, and all employees and eligible beneficiaries for former Suez plans;
- actuarial gains and losses are recognized immediately.

18.2 Other employee benefit obligations

Benefits payable to active and retired employees of EGI sector companies (excluding pensions) are described below:

- post-employment benefits:
  - reduced energy prices,
  - end-of-career indemnities,
  - exceptional end-of-career vacation,
  - death in service benefits (*régime des capitaux décès*),
  - assistance with educational expenses;
- long-term benefits:
  - allowances for occupational accidents and illnesses,
  - temporary and permanent disability allowances,
  - long-service awards,
  - asbestos benefit.

Retired employees of Suez SA are eligible for post-employment benefits consisting of a cash contribution to the costs of their water supply and complementary healthcare insurance.

The obligation is calculated using the projected unit credit method.

The Group's main obligations are described below.

18.2.1 Reduced energy prices

Under Article 28 of the national statute for EGI sector personnel, all current and former employees are entitled to benefits in kind which take the form of energy. This benefit entitles employees to electricity and gas supplies at a reduced price.

The amount of the obligation regarding gas supplied to ENGIE SA and EDF employees corresponds to the likely present value of the power (kWh) supplied to the employees or their dependents during the retirement phase, assessed based on the unit cost of the energy. The amount of the obligation also takes account of the likely value of the price of the energy exchange agreement with EDF.

18.2.2 End-of-career indemnities

As of July 1, 2008, retiring employees (or their dependents in the event of death during active service) are entitled to end-of-career indemnities which increase in line with the length-of-service within the EGI sector.

18.2.3 Allowances for occupational accidents and illnesses

Like other employees under the standard pension plan, EGI sector employees are entitled to compensation for accidents at work and other occupational illnesses. These benefits cover all employees or the dependents of employees who die as a result of occupational accidents or illnesses, or injuries suffered on the way to work.

The amount of the obligation corresponds to the likely present value of the benefits to be paid to current beneficiaries, taking into account any reversionary annuities.

18.3 Change in present value of benefit obligations

	EGI sector plan						Non-EGI sector plans							
	Pension benefit obligations		End-of-career and other post-employment benefits		Long-term benefit obligations		Pension benefit obligations		End-of-career and other post-employment benefits		Long-term benefit obligations		Total	
In millions of euros	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Present value of benefit obligation at January 1	**2,211**	**2,047**	**333**	**343**	**94**	**89**	**316**	**314**	**33**	**29**	**-**	**-**	**2,986**	**2,822**
Impact of mergers and spin-offs	(5)	(1)	(5)	(2)	(2)								(12)	(3)
Past service cost: plan amendments														
Current service cost	31	35	8	7	11	11	1	1					51	54
Interest cost	43	51	7	9	1	2	4	6		1			55	68
Actuarial gains and losses on the obligation	(36)	160	(44)	(20)	(7)		(36)	25	(2)	5			(125)	170
Benefits paid under all plans (funded and unfunded)[1]	(88)	(81)	(1)	(4)	(9)	(8)	(18)	(30)	(2)	(2)			(118)	(125)
Other														
Present value of benefit obligation at December 31	**2,156**	**2,211**	**298**	**333**	**88**	**94**	**267**	**316**	**29**	**33**	**-**	**-**	**2,838**	**2,986**

(1) The aggregate impact on income of benefits paid under all plans totaled €118 million in 2017 versus €125 million in 2016.

18.4 Provisions

At year-end, ENGIE SA sets aside provisions in respect of allowances for occupational accidents and illnesses, and temporary and permanent disability benefits for active employees, as well as for benefits due during employees' active working lives (long-service awards and exceptional end-of-career vacation). Provisions for pensions and other employee benefit obligations transferred by Suez SA at the time of the 2008 merger are also recognized by ENGIE SA in liabilities. These provisions are written back as and when the corresponding liabilities for which they were set aside at end-2007 are extinguished. No further amounts are set aside to these provisions in respect of rights newly vested or the unwinding of discounting adjustments.

At December 31, 2017, ENGIE SA booked provisions of €103 million compared to €111 million at end-2016, representing a decrease of €8 million in employee-related provisions.

CHANGES IN PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS

	EGI sector plan						Non-EGI sector plans							
	Pensions[(1)]		End-of-career and other post-employment benefits[(2)]		Long-term benefits[(3)]		Pensions[(1)]		End-of-career and other post-employment benefits[(2)]		Long-term benefits[(3)]		Total	
In millions of euros	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Present value of benefit obligation at January 1 (provisioned)	**-**	**-**	**14**	**15**	**86**	**83**	**7**	**7**	**5**	**7**	**-**	**-**	**112**	**112**
Impact of mergers and spin-offs					(1)								(1)	
Current service cost			1	1	11	11							12	12
Interest cost					1	2							1	2
Actuarial gains and losses on the obligation				1	(7)								(7)	1
Benefits paid under all plans (funded and unfunded)			(2)	(3)	(10)	(8)			(2)	(2)			(14)	(14)
Other						(2)								(2)
Present value of benefit obligation at December 31 (provisioned)	**-**	**-**	**13**	**14**	**80**	**86**	**7**	**7**	**3**	**5**	**-**	**-**	**103**	**112**

(1) Excluding EGI sector companies in both 2017 and 2016.
(2) Exceptional vacation (€14 million), complementary health insurance for retired Suez employees (€2 million) and water bonus (€1 million).
(3) Allowances for occupational accidents and illness (€53 million), temporary and permanent disability allowances (€16 million), asbestos (€2.5 million) and long-service awards (€8.5 million).

18.5 Insurance contracts

ENGIE SA has taken out insurance contracts with several insurance firms to cover its obligations in respect of pensions and end-of-career indemnities. An amount of €80 million was paid to these insurance firms in 2017.

The value of these insurance contracts stood at €1,937 million at December 31, 2017 (€1,925 million at December 31, 2016).

18.6 Change in the fair value of plan assets

	EGI sector plan						Non-EGI sector plans							
	Pensions		End-of-career and other post-employment benefits		Long-term benefit obligations		Pensions		End-of-career and other post-employment benefits		Long-term benefit obligations		Total	
In millions of euros	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Fair value of plan assets at January 1	**1,696**	**1,693**	**28**	**30**	**-**	**-**	**201**	**198**	**-**	**-**	**-**	**-**	**1,925**	**1,921**
Impact of mergers and spin-offs														
Expected return on plan assets	33	43					2	3					35	46
Premiums net of handling fees							16	23					16	23
Actuarial gains and losses on plan assets	32	19	(1)	(2)			10	2					41	19
Benefits paid out of plan assets	(65)	(59)					(15)	(25)					(80)	(84)
Fair value of plan assets at December 31	**1,696**	**1,696**	**27**	**28**	**-**	**-**	**214**	**201**	**-**	**-**	**-**	**-**	**1,937**	**1,925**

RETURN ON PLAN ASSETS

	EGI sector plan						Non-EGI sector plans					
	Pensions		End-of-career and other post-employment benefits		Long-term benefit obligations		Pensions		End-of-career and other post-employment benefits		Long-term benefit obligations	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Actual return on plan assets	4.1%	3.8%	4.1%	3.7%	0.0%	0.0%	2.8%	2.9%	0.0%	0.0%	0.0%	0.0%

The expected return on plan assets for 2017 is 4.05% in respect of pensions and 4.05% in respect of other obligations for IEG sector plans.

The expected return on plan assets for 2017 is 2.8% in respect of pensions for non-IEG sector plans.

The allocation of plan assets by principal asset category can be analyzed as follows:

	EGI sector plan		Non-EGI sector plans	
	2017	2016	2017	2016
Equities	29%	31%	10%	10%
Bonds	63%	51%	82%	81%
Other (including money market securities)	8%	18%	8%	9%
	100%	100%	100%	100%

Collective life insurance policies contracted with insurers to cover employee-related liabilities under the EGI sector plan are unit-linked. These contracts are available to ENGIE SA and to Group subsidiaries belonging to the "Group employee benefits management agreement". A small portion of these contracts may be invested in financial instruments issued by ENGIE SA, mainly equities.

Based on unit-linked contracts attributable to ENGIE SA, the portion of plan assets invested in financial instruments issued by ENGIE SA amounted to €5 million at December 31, 2017, representing less than 1% of the total value of the fund at that date. Plan assets are not invested in properties occupied by ENGIE SA or in other assets used by ENGIE SA.

18.7 Supplementary defined-contribution plan

Employees eligible for the EGI plan also benefit from an additional defined-contribution plan set up in 2009. Employer contributions paid in respect of this scheme totaled €5.5 million in 2017 and €6 million in 2016.

NOTE 19 Legal and anti-trust proceedings

19.1 Concessions in Buenos Aires and Santa Fe

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

On April 9, 2015, the ICSID ordered the Argentinean State to pay USD 405 million (of which USD 367 million to ENGIE SA and its subsidiaries) in respect of the termination of the Buenos Aires water distribution and treatment concession contracts, and on December 4, 2015, to pay USD 211 million (ICSID subsequently reassessed the initial amount, which increased to USD 225 million) in respect of the termination of the Santa Fe concession contracts. The Argentinean State is seeking the annulment of these awards. By decision dated May 5, 2017, the claim for the annulment of the Buenos Aires award was rejected and the decision became final. The claim for the annulment of the Santa Fe award is still pending.

As a reminder, prior to the stock market listing of SUEZ Environnement Company, ENGIE SA and SUEZ (formerly SUEZ Environnement) entered into an agreement providing for the economic transfer to SUEZ of the rights and obligations relating to the ownership interest held by ENGIE in Aguas Argentinas and Aguas Provinciales de Santa Fe.

19.2 Regulated natural gas tariffs

On June 24, 2013, ANODE, the French national energy retailers association (*Association nationale des opérateurs détaillants en énergie*) filed an appeal before the *Conseil d'État* seeking the annulment of Decree No. 2013-400 of May 16, 2013 amending Decree No. 2009-1603 of December 18, 2009 relating to regulated natural gas tariffs. ANODE contends in substance that the regulated natural gas tariff framework is inconsistent with the objectives of Directive 2009/73/EC concerning common rules for the internal market in natural gas, and Article 106.1 of the Treaty on the Functioning of the European Union.

On December 15, 2014, the *Conseil d'État* ordered a stay of proceedings pending the Court of Justice of the European Union's preliminary ruling on these matters. The Court of Justice of the European Union delivered its ruling on September 7, 2016. On July 19, 2017, the *Conseil d'État* annulled the Decree of May 16, 2013, considering it to be contrary to European law. However, in light of the risk of legal uncertainty related to the annulment during the Decree's application period (2013-2015), the *Conseil d'État* ruled that the effects generated by the Decree are final and the contracts concerned cannot therefore be called into question.

19.3 La Compagnie du Vent

Since 2011, ENGIE SA has been involved in a number of disputes with Jean-Michel Germa, founder of La Compagnie du Vent (LCV) and SOPER, minority shareholder of LCV, the main one being the action brought by SOPER on January 18, 2013 seeking payment by ENGIE SA of about €250 million in compensation for the alleged breach of the agreement and the shareholders' agreement signed in 2007. Pursuant to the agreement dated April 4, 2017, all of the disputes involving SOPER, Jean-Michel Germa and ENGIE SA are in the course of being resolved.

19.4 Practices in the gas and electricity supply markets

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

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

On March 21, 2017, the competition authorities, ruling on the merits, endorsed the settlement reached by ENGIE SA, which involves no admission of guilt. ENGIE SA paid the settlement payment of €100 million. The competition authorities' decision is final.

On October 26, 2015, the competition authorities informed ENGIE that another claim of alleged abuse of a dominant position by ENGIE SA on the gas and electricity supply markets had been referred to them by Direct Énergie, as well as another request for protective interim measures. By decision of May 2, 2016, the competition authority ordered ENGIE SA, as a protective interim measure and pending a decision on the merits, to comply with certain protective interim measures. Direct Énergie challenged this decision before the Paris Appeal Court, which, on July 28, 2016, dismissed Direct Énergie's claim. Substantively, ENGIE SA proposed certain commitments which were approved by the competition authorities in their final and binding decision dated September 7, 2017.

19.5 Commissioning

In the dispute between GRDF and various gas suppliers, in a decision dated June 2, 2016, the Paris Appeal Court (i) recalled that the risk of unpaid compensation for the "transmission" part of the agreement with the end customer should be borne by the grid manager and not the gas supplier; (ii) held that the compensation for customer management services provided by the supplier on behalf of the grid manager should be fair and commensurate with the grid manager's cost savings and (iii) ordered GRDF to bring its transmission agreements into compliance with these principles. GRDF appealed the decision handed down by the Court of Appeal before the Court of Cassation. The CRE published a decision on January 18, 2018 setting the rate for access to the grids for management services provided to single contract customers as of January 1, 2018. This charge is therefore taken into account in the costs covered by the transmission rate and is therefore ultimately borne by the users. Furthermore, GRDF is awaiting a decision from the French Standing Committee for Disputes and Sanctions (*Comité de règlement des différends et des sanctions* – CoRDiS) regarding the dispute on the same subject between GRDF and Direct Énergie.

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 SA, in a decision of July 13, 2016, the *Conseil d'État* has also ruled that the same principle whereby the grid manager pays compensation to the supplier should apply. In the same decision, the *Conseil d'État* denied the Energy Regulatory Commission (*Commission de Régulation de l'Énergie* – CRE) the right to set a customer threshold beyond which the compensation would not be payable, which has hitherto prevented ENGIE SA from receiving any compensation. In light of this decision, ENGIE SA brought an action against ENEDIS with the purpose of obtaining payment for these customer management services. ENGIE SA 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.

19.6 Hungay - Icsid arbitration

On April 4, 2016, ENGIE SA, GDF International and ENGIE International Holdings filed a request for arbitration before the International Center for Settlement of Investment Disputes (ICSID). In essence, the Group accused the Hungarian State of not fulfilling its obligations under the Energy Charter Treaty by taking various fiscal and regulatory measures that breached the principle of fair and equitable treatment and the ban on forceful expropriation, and is requesting compensation for the damage it has suffered. In an agreement signed on October 13, 2017, ENGIE SA initiated the sale of its gas distribution business to NKM, a Hungarian state-owned company. The sale was finalized on January 11, 2018 (*see Note 27 "Subsequent events"*). On November 21, 2017, ENGIE SA and the Hungarian state agreed to bring the ICSID arbitration to an end upon closing of the sale. The arbitration proceedings were officially closed on February 23, 2018.

19.7 Access to gas infrastructures

On May 22, 2008, the European Commission announced its decision to initiate formal proceedings against Gaz de France for a suspected breach of European Union rules pertaining to abuse of dominant position and restrictive business practices. The proceedings relate to a combination of long-term transport capacity reservation and a network of import agreements, as well as potential underinvestment in transport and import infrastructure capacity.

On October 21, 2009, the Group submitted proposed commitments aimed at facilitating access to and enhancing competition on the French natural gas market. On December 3, 2009, the Commission adopted a decision that rendered these commitments legally binding. This decision by the Commission put an end to the proceedings initiated in May 2008. The commitments (which are valid until 2024 and as far as 2029 in certain cases) are being fulfilled under the supervision of a trustee approved by the European Commission.

19.8 Withholding tax

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

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

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

NOTE 20 Information concerning related parties

All material transactions between ENGIE SA and related parties were carried out on an arm's length basis. Accordingly, no disclosures are required pursuant to the amending decree of Article R. 123-198-11 of March 9, 2009.

Relations with the French State

Until January 10, 2017, the French State owned 32.76% of ENGIE SA, giving it the right to appoint five representatives to the Group's 19-member Board of Directors. At that date, the French State sold 4.1% of ENGIE SA by way of a private placement to institutional investors. On September 5, 2017, the State sold a further 4.1% of ENGIE SA under an accelerated private placement to institutional investors, while concurrently selling 0.46% of the capital to ENGIE SA itself. As a result of these various transactions, the French State now owns 24.1% of ENGIE and 28.07% of the Group's voting rights.

The French State holds a golden share aimed at protecting France's critical interests and ensuring the continuity and safeguarding of supplies in the energy sector. The golden share is granted to the French State indefinitely and entitles it to veto decisions taken by ENGIE SA if it considers they could harm France's interests.

Public service engagements in the energy sector are defined by the law of January 3, 2003.

On November 6, 2015, the French State and ENGIE SA renewed the public service contract which sets out how such engagements are implemented, the Group's public service obligations and the conditions for rate regulation in France:

- as part of its public service obligations, ENGIE SA reaffirmed its commitments in terms of the safeguarding of supplies, the quality of customer relations, solidarity and assistance to low-income customers, sustainable development and protection of the environment, as well as in terms of research;
- regarding the conditions for rate regulation in France, the contract confirms the overall regulatory framework for setting and changing natural gas tariffs in France, according to the Decree of December 18, 2009, which notably forecasts rate changes based on costs incurred, while also defining the transitional framework following the elimination of regulated natural gas tariffs for business customers.

Transmission rates on the GRTgaz transportation network and the gas distribution network in France, as well as rates for accessing the French LNG terminals, are all regulated.

Relations with EDF

Following the creation on July 1, 2004 of the French gas and electricity distribution network operator (EDF Gaz de France Distribution), Gaz de France SA and EDF entered into an agreement on April 18, 2005 setting out their relationship as regards the distribution business. The December 7, 2006 law on the energy sector reorganized the natural gas and electricity distribution networks. ENEDIS SA (previously ERDF SA), a subsidiary of EDF SA, and GRDF SA, a subsidiary of ENGIE SA, were created on January 1, 2007 and January 1, 2008, respectively, and act in accordance with the agreement previously signed by the two incumbent operators.

Relations with the CNIEG (*Caisse Nationale des Industries Électriques et Gazières*)

The Group's relations with the CNIEG, which manages all old-age, death and disability benefits for active and retired employees of ENGIE SA who belong to the special EGI pension plan, employees of EDF and Non-Nationalized Companies (*Entreprises Non Nationalisées* – ENN), are described in Note 18, "Pensions and other employee benefit obligations".

NOTE 21 Compensation due to members of the Board of Directors and Executive Committee

Total compensation (gross salary, bonuses, profit-sharing incentives and benefits in kind, including related employer contributions) paid to the Chief Executive and members of the Executive Committee came to €15 million for 2017.

Post-employment benefits accruing to these same people totaled €29 million at December 31, 2017.

Members of the Board of Directors elected by the Shareholders' Meeting, except for the corporate officers, the Directors from the public sector appointed on the proposal of the French State and the Director representing employees, received €0.9 million in attendance fees for 2017.

NOTE 22 Subsequent events

No significant subsequent events have occurred since the closing of the accounts at December 31, 2017.

6.4.3 Total and partial transfers of assets, subsidiaries, and equity investments requiring statutory disclosure

TOTAL AND PARTIAL TRANSFERS OF ASSETS

	% at Dec. 31, 2016	% at Dec. 31, 2017	Reclassification within the Group	Sale outside the Group	Net book value of shares held *(in euros)*	Business sector
Subsidiaries[(1)]						
Elengy	100.00		X		516,370,093	LNG terminals
La Compagnie du Vent	59.00		X		343,107,500	Renewable energy
NNB Development Cy	100.00			X	29,327,141	Holding co.
CMG 2015	47.50			X	475	Other
Equity investments[(2)]						
Groupement forestier du Beauséjour	1.55			X	217,653	Other
Sté Immobilière rue J. Ozenfant	0.32			X	4,810	Real estate

(1) More than 50%-owned by ENGIE SA.
(2) Less than 50%-owned by ENGIE SA.

TOTAL AND PARTIAL PURCHASES OF ASSETS

	% at Dec. 31, 2016	% at Dec. 31, 2017	Reclassification within the Group	Acquisition outside the Group	Net book value of shares held *(in euros)*	Business sector
Subsidiaries[(1)]						
Electrabel France		100.00	X		1,640,999,692	Energy
ENGIE Biogaz		50.00		X	18,500	Energy
50five		100.00		X	10,250,000	Ecommerce
Equity investments[(2)]						
Raise Investissemet		7.00		X	11,025,000	Finance
PV Cycle		18.52		X	10,000	Other

(1) More than 50%-owned by ENGIE SA.
(2) Less than 50%-owned by ENGIE SA.

6.4.4 Five-year financial summary

	2017	2016	2015	2014	2013
Capital at year-end					
Share capital *(in euros)*	2,435,285,011	2,435,285,011	2,435,285,011	2,435,285,011	2,412,824,089
Number of ordinary shares issued and outstanding	2,435,285,011	2,435,285,011	2,435,285,011	2,435,285,011	2,412,824,089
Maximum number of shares to be issued:					
• by converting bonds	-	-	-	-	-
• by exercising stock options	-	4,775,429	10,777,079	20,823,223	10,083,705
Results of operations for the year *(in millions of euros)*					
Revenues, excluding VAT	20,585	17,939	19,891	24,562	28,608
Income before tax, employee profit-sharing, depreciation, amortization, provisions and transfer of concession termination amortization	2,431	245	391	390	424
Income tax (negative figures = benefit)	(1,001)	(672)	(540)	(378)	(768)
Employee profit-sharing and incentive payments for the year	-	-	-	-	-
Income after tax, employee profit-sharing, depreciation, amortization, provisions and transfer of concession termination amortization	1,421	448	268	411	663
Total dividends paid (including on treasury shares)	1,700	2,416	2,414	2,402	3,576
Earnings per share *(in euros)*					
Earnings per share after tax and employee profit-sharing, but before depreciation, amortization, provisions and transfer of concession termination amortization	1.41	0.38	0.38	0.32	0.49
Earnings per share after tax, employee profit-sharing, depreciation, amortization, provisions and transfer of concession termination amortization	0.58	0.18	0.11	0.17	0.27
Dividend per share	0.70	1.00	1.00	1.00	1.50
Headcount					
Average number of employees during the year	4,873	5,182	5,461	5,879	6,367
Total payroll	317	332	343	357	377
Total employee benefit obligations paid (social security taxes and contributions to pension plans, welfare plans, etc.)	269	256	262	330	396

Shareholders at the AGM held to approve the 2017 financial statements will be asked to approve a dividend of €0.70 per share, representing a total amount of €1,700 million, based on the number of outstanding shares at December 31, 2017. The dividend per share will be increased by 10% for all shares held by the same person for more than two years as of December 31, 2017 provided they are still held on the dividend payment date.

6.5 Statutory auditors' report on the parent company financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' Report on the Consolidated Financial Statement

To the Shareholder's Meeting of ENGIE,

Opinion

In compliance with the engagement entrusted to us by your Shareholder's Meetings, we have audited the accompanying financial statements of ENGIE ("the Company") for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics *(Code de déontologie)* for statutory auditors.

Emphasis of matter

We draw your attention to the note 1 General Principles to the financial statements relating to the first application of the new accounting standard, effective January 1, 2017 on financial and hedging instruments (Regulation ANC 2015-05).

Our opinion is not modified in respect of this matter.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Estimate of the unbilled and un-metered revenues (energy in the meter)

[notes 1 and 13]

Key audit matter	Our response
The Company uses an estimate in revenue, relating to the sales on networks generated from customers whose energy consumption is meterd during the accounting period. Indeed, the final allocations are sometimes only known several months down the line, which means that revenue figures are only an estimate. As of December 31, 2017, the receivables relating to the energy in the meter (gas and electricity un-metered and unbilled revenue) amount to 1,683 thousand of euros. These receivables are calculated using a direct method, developed by the Company, taking into account estimated customers' consumption based on the previous bill, or the last metering not yet billed, supported by measuring and modelling tools allowing it to estimate revenue with a satisfactory degree of accuracy and subsequently. These estimates are in line with the volume of energy allocated by grid managers. The volumes are measured at the average energy price, which takes account of the category of customers and the age of the energy in the meter. Provided the amount at stakes and the sensitivity of the volumes and the average energy price, we have determined that the estimate of the energy in the meter revenue is a key audit matter.	Our procedures consisted in : - considering the procedures implemented by the Company about the billing process, and the processus enabling the reliability of the estimate about the energy in the metered revenue; - assessing the models used by the Company and investigate the modality of the computation for the estimated volumes ; we include a specialist in our audit team. We have also : - compared the information about the volume determined by the Company with the metering data provided by the grid operators; - ensured that the modality of the computation for the average price of the metered power take its anteriority and the different kinds of customers; - analyzed the coherence of the volumes delivered with the Energy Balance (which corresponds to the physical reality of the operations of allocations (revenues, injections and stocks) and resources (purchases, withdrawals and stocks) of energy on the networks) prepared by the Company; - assessed the regular clearance of the metered energy during the period; - assessed the anteriority of the metered energy at the closing date.

Measurement of equity investments

[notes 1 and 4]

Key audit matter	Our response

Equity investments totaled €70,683 million as of December 31, 2017 (€66,194 million in net value) and including the share of the technical loss arising from the 2008 merger of Suez with Gaz de France for which €285 milion was allocated (€255 million in net value).
Newly-acquired equity investments are recognized at purchase price plus directly attributable transaction fees.
As indicated in the section « Financial fixed assets », Note 1 to the financial statements, equity investments which ENGIE intends to hold on a long-term basis are written down if their value in use has fallen below their book value.
Value in use is determined by reference to the intrinsic value which corresponds to restated net assets plus unrealized gains, or the yield value which corresponds to the average of the last 20 stock market prices of the period or expected cash flows (« Discounted Cash Flow » or « Dividend Discount Model »), and by taking into account any currency hedges.
As indicated in Note 4.3, expected cash flows are drawn from the 2018 budget and 2019-2020 medium-term business plan approved by the Executive Committee and the Board of Directors and beyond this period, extrapolated future cash flow projections are determined on the basis of macroeconomic assumptions (inflation, exchange rates and growth rates) and price projections featured in the Group's reference scenario for 2017-2040 approved by the Executive Committee.
As mentioned in Note 4.2, the impairment recognized in 2017 for €2,065 million mainly covers the equity investments in Electrabel (€1,401 million), COGAC (€284 million), and Storengy (€278 million).
The measurement of equity investments is considered a key audit matter given their importance on the balance sheet (75% of total assets) and due to the judgments necessary to estimate their value in use.
	We have assessed Management's procedures for approving estimates.
	We have examined the main data and key assumptions used to determine the values in use, assessed the sensitivity of measurements to these assumptions and verified the calculations made by the Company with, for the most complex topics, the suppport of our valuation experts. Our work mainly consisted in :
	- examining the measurement methods used to estimate values in use ;
	- assessing the consistency of assumptions with the Group's long-term reference scenarios (trends in electricity and gas prices and demand, price of CO_2, coal and oil, inflation) with external studies carried out by international organizations or energy experts;
	- assessing the consistency of the operational and regulatory assumptions used to prepare cash flow forecasts for each of the entities in the scope;
	- assessing the consistency of the basic data with the budget, the medium-term business plan and beyond, the Group's long-term scenario;
	- assessing the consistency with past performances and market outlook
	- Methods for determining cash flow forecasts:
	  - assessing the consistency of the basic data with the budget, the medium-term business plan and beyond, the Group's long-term scenario;
	  - assessing the consistency with past performances and market outlook
	- examining the discount rates for which we have verified the determination methods and the consistency with the underlying market assumptions, using internal specialists ;
	- assessing the appropriateness of the disclosure given in the notes to the financial statements.

Accounting treatment about the change of the modality of the long-term supply contract portfolio, storage and transport capacity reservations

[notes 1, 10.1.5, and 13.3]

Key audit matter	Our response
Given structural changes in gas markets in Europe, the Company decided to overhaul the management model of its midstream gas business (excluding LNG). During the 2017 second semester, a new organization was set for the activities, aimed at changing the model for managing long-term gas supply contracts, transport and storage capacity contracts, and an electricity exchange contract. These new modalities are designed to permit the relevant contracts to be managed individually rather than as part of a portfolio within the framework of risk management and performance monitoring applicable to the trading activities as indicated in the Note 10.1.5. As a consequence, as of October 1, 2017, implementation date of the new management methods, the Company identified the relevant contracts now recognized as useless for the Company industry activity and qualified as onerous regarding normative purpose, within its transport and storage capacity contracts portfolio. As of December 31, 2017, the additional provision related to the contracts losses and impacting the operating income amounts to 678 million of euros. We have considered this topic as a key audit matter provided the amounts at stake and the assumptions and estimations chosen to evaluate the provisions of these contracts' losses.	Our audit procedures consisted in : - examining the new modalities related to the gas transport and storage capacity; - assessing the procedures enabling the identification of the contracts useful for the Company activity and qualified as onerous; - assessing the relevance of the contracts evaluation models regarding the accounting standards applicable; - examining the data and the assumptions used to determine the fair value for some contracts, assessing the sensivity of these valuations depending on the assumptions and checking the computation made by the Company including, for the most complex ones, the support of our valuation experts; - assessing the appropriateness of the disclosure given in the notes to the financial statements.

Valuation for provisions relating to litigations, claims and tax risks

[notes 1, 10 and 19]

Key audit matter	Our response
The Company is party to a number of legal and anti-trust proceedings with third parties or with legal and / or administrative authorities, including tax authorities, investigations before state courts, arbitral tribunals or regulated authorities, in the normal course of its business. The main disputes and investigations are recognized as liabilities or give rise to contingent liabilities, as it is indicated in the note 19 to the financial statements. We have considered this topic as a key audit matter, provided the amounts at stake and the jugement required to determine the provisions for litigations and tax risk, due to the regulatory context and the continuously changing market environment.	Our audit procedures consisted in : - examining the procedures implemented by the Company in order to identify all the litigations and risk exposures; - corroborating these analysis with the confirmations received from the lawyers; - assessing the analysis of the probability of occurrence performed by the Company, as well as the assumptions used, and the supporting documentation with, if any, consultations received by third parties. We have recourse to our experts for the most complex analysis; - assessing the appropriateness of the disclosure given in the notes to the financial statements.

Verification of the Management Report and of the Other Documents Provided to the Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information provided in the Management Report and in the Other Documents provided to the Shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

Information related to Corporate Governance

We confirm the existence of the information, required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*), in a section of the Board of Directors' management report dedicated to Corporate Governance.

Concerning the information provided in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, when applicable, with the information obtained by your Company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

Regarding the information on items that your Company considered could have a potential incidence in case of public takeover or swap bid, given in accordance with the requirements of Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have verified they are in accordance with the underlying documentation provided to us. Based on these procedures, we have no matter to report on this information.

Other inforation

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the Shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of ENGIE by the Shareholder's Meeting on May 19, 2008 for ERNST & YOUNG et Autres and on July 16, 2008 for DELOITTE & ASSOCIES.

As of December 31, 2017, our firms were in the tenth year of uninterrupted engagement.

Previously, ERNST & YOUNG Audit was statutory auditor between 1995 and 2007.

Responsabilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

Statutory Auditor's Responsabilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the relating audit program implemented, as well as the results of our audit procedures. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. When appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 15, 2018

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Pascal Pincemin	Stéphane Pédron

6

7 Additional information

7.1	**Specific statutory provisions and bylaws**	**396**
7.1.1	Issuer's corporate purpose	396
7.1.2	Corporate governance bodies	396
7.1.3	Rights, privileges and restrictions attached to shares	398
7.1.4	Changes in rights attached to shares	399
7.1.5	Shareholders' Meetings	399
7.1.6	Provisions relating to the disclosure of interests	400
7.1.7	Changes in share capital	400
7.2	**Litigation, arbitration and investigative procedures**	**401**
7.3	**Public documents**	**401**
7.3.1	Corporate information policy	401
7.3.2	Financial reporting schedule	401
7.4	**Parties responsible for the Registration Document**	**402**
7.4.1	Party responsible for the Registration Document	402
7.4.2	Declaration by the party responsible for the Registration Document containing the Annual Financial Report	402
7.5	**Statutory Auditors**	**403**
7.5.1	Statutory Auditors	403
7.5.2	Alternate Statutory Auditors	403

7.1 Specific statutory provisions and bylaws

The main provisions of the law, the Company's bylaws and the Board's internal regulations are set out below. These documents are available on its website: engie.com and at the Company's head office.

7.1.1 Issuer's corporate purpose

The Company's purpose is the management and development of its current and future assets, in all countries, by all means and especially to:

- prospect, produce, process, import, export, buy, transmit, store, distribute, supply and market combustible gas, electricity and all other energy;
- trade in gas, electricity and all other energy;
- supply services related to the aforementioned activities;
- carry out the public service missions assigned to it under current law and regulations, in particular the Energy Code, the Electricity and Gas Nationalization Act No. 46-628 of April 8, 1946, the Gas and Electricity Markets and the Public Service of Energy Act No. 2003-8 of January 3, 2003, the Public Service of Electricity, Gas and Electrical and Gas Companies Act No. 2004-803 of August 9, 2004;
- study, design and implement all projects and all public or private works on behalf of all local authorities and individuals; prepare and enter into all agreements, contracts and transactions related to the implementation of the said projects and works;
- participate directly or indirectly in all operations or activities of any kind that may be connected to one of the aforementioned objects or that are likely to further the development of the company's assets, including research and engineering activities, by setting up new companies or undertakings, by contribution, subscription or purchase of securities or rights with respect to entities, by acquiring interests or holdings, in any form whatsoever, in all existing or future undertakings or companies, via mergers, partnerships or any other form;
- create, acquire, rent, take in lease management all property, real estate and businesses, rent, install and operate all establishments, businesses, plants or workshops connected with one of the aforementioned objects;
- register, acquire, operate, grant or sell all processes, patents and patent licenses relating to the activities connected with one of the aforementioned objects;
- obtain, acquire, rent and operate, mainly via subsidiaries and holdings, all concessions and undertakings relating to the supply of drinking water to towns or water to industry, to the evacuation and purification of waste water, to drainage and wastewater treatment operations, to irrigation and transport, to protection and pondage structures as well as to all sales and service activities to public authorities and individuals in the development of towns and the management of the environment;
- and in general to carry out all industrial, commercial, financial, personal property or real estate operations and activities of any kind, including services, in particular insurance intermediation, acting as an agent or delegated agent in a complementary, independent or research position; these operations and activities being directly or indirectly related, in whole or in part, to any one of the aforementioned objects, to any similar, complementary or related objects and to those that may further the development of the Company's business.

7.1.2 Corporate governance bodies

Regarding the composition and operations of corporate governance bodies, see Section 4 "Corporate Governance."

Board of Directors

ENGIE is managed by a Board of Directors.

The Board has an Internal Regulations document that specifies its operating procedures.

The Board's Internal Regulations and the Directors' Charter are intended for every Director, every permanent representative of a member of the Board that is a legal entity, every non-voting Director, the representative of the Central Works Council or the body acting in lieu, the Government Commissioner, and, more generally, any person taking part in or attending Board meetings, either on a one-time basis or on every occasion.

Appointment of Directors

The Company is managed by a Board of Directors comprising no more than twenty-two members, in accordance with articles L. 225-17, L. 225-23 and L. 225-27 of the French Commercial Code.

Directors are appointed by the General Shareholders' Meeting, subject to special rules applicable to Directors proposed by or representing the French State, Directors representing employees and the Director representing employee shareholders.

Directors proposed by and representing the French State are appointed in accordance with articles 4 and 6 of Order No. 2014-948 of August 20, 2014 relating to the governance of, and capital transactions in, partly state-owned enterprises. Directors representing employees and the Director representing employee shareholders are appointed in accordance with articles L. 225-27 et seq. and L. 225-23 of the French Commercial Code and the bylaws.

Under article 4 of the Order, the State may appoint a representative to the governing bodies of companies in which it holds over 10% of the share capital. In addition, article 6 of the Order provides that one or more seats on the Board of Directors, in a number proportionate to its shareholding, are reserved for members proposed by the State.

Rights and responsibilities of the Directors

The Board represents all shareholders, regardless of its composition and the origin of its members.

Directors must act at all times in the Company's corporate interest. They must carry out their duties independently, fairly and professionally. They must seek, in all circumstances, to maintain their independence of analysis, judgment, decision and action. They must refrain from being influenced by any information that is not related to the Company's interest and must warn the Board of any information of which they become aware that seems to them likely to affect the Company's interests.

Directors have an obligation of absolute confidentiality with regard to the information provided to them within the framework of their duties or discussed at Board meetings. They undertake to maintain the confidentiality of any disclosed information. In particular, the discussions themselves, the minutes recording the terms of such discussions and the reports and documents sent to the Board are confidential and may not be circulated. In the event of a proven breach of a confidentiality obligation by one of the Directors, the Chairman of the Board shall consider the action to be taken, possibly before the courts, with regard to such breach.

Directors undertake to devote the necessary time and attention to their duties. They must stay informed of the activities and the specifics of the Company, its issues and values, including by talking with principal officers. They must assiduously and diligently attend Board meetings. They must attend Shareholders' Meetings.

They must seek to obtain the information they consider essential in order to deliberate on the Board with full knowledge of the facts within suitable time limits and must seek to update the knowledge that they deem to be useful and may request that the Company provide them with the training they need to perform their duties properly.

Directors contribute to the collegial administration and efficacy of the proceedings of the Board and of any specialized committees set up within the Board. They make recommendations that they feel may improve the operating procedures of the Board, particularly during the Board's periodic evaluation.

They agree, along with the other members of the Board of Directors, to ensure that their supervisory duties are accomplished with efficiency and without any obstacles. In particular, they shall ensure that procedures are put in place in the Company to verify compliance with laws and regulations, both in letter and in spirit.

They ensure that the positions adopted by the Board, in particular relating to the approval of the financial statements, the budget, resolutions to be put to the Annual Shareholders' Meeting as well as to important matters relating to the companies' operations, are the subject of formal decisions that are properly substantiated and recorded in the minutes of the Board's meetings.

The rights and responsibilities of the Directors are described in detail in the Directors' Charter appended to the Internal Regulations of the Board of Directors and published in full on the Group's website.

Term of office of Directors

All Directors serve a four-year term. The terms of office of Directors elected by the General Shareholders' Meeting expire at the close of the General Shareholders' Meeting convened in the year during which the term expires to approve the financial statements for the previous year.

The replacement of Directors appointed by the General Shareholders' Meeting whose positions have become vacant during the term of office, due to death or the resignation of one or more Directors' seats, is subject to the laws and regulations in force. Note that these measures may not be applied in the event of the vacancy, for any reason, of the seat of a Director elected by the employees or of the seat of the Director representing the employee shareholders.

Chairman and Vice-Chairmen

The Board of Directors elects a chairman and one or more vice-chairmen from among its members.

In accordance with article 16 of the bylaws, meetings of the Board of Directors must be chaired by the Chairman or, in the Chairman's absence, by one of the Vice-Chairmen, or else by the Deputy Chief Executive Officer, if he or she is a Director, or by a Director chosen by the Board at the beginning of the meeting.

Directors representing employees and employee shareholders

The Directors representing the employees and employee shareholders have the same status, powers and responsibilities as the other Directors.

The terms of office of Directors elected by employees expire either at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the previous year and held after the announcement of the results of the election organized by the Company under the conditions set out in article 13.3.1 of the bylaws, or in the event of the termination of their employment contract or in the event of removal from office under the terms provided for in the applicable law or regulations or for other reasons provided for by law for Directors appointed by the Shareholders' Meeting.

In the event of a vacancy of a seat of a Director elected by the employees, the vacant seat is filled pursuant to the provisions of article L. 225-34 of the French Commercial Code.

With the exception of the rules relating to co-optation, which do not apply to him/her, the termination of office of a Director representing employee shareholders shall be subject to the same rules as those applicable to other Directors. Moreover, his/her term of office shall end automatically in the event of loss of (i) his/her capacity as employee of the company or companies or consortia affiliated to it within the meaning of article L. 225-180 of the French Commercial Code or (ii) his/her capacity as shareholder of the Company, individually or via a company mutual fund, unless, in the latter case, he/she brings his/her situation into compliance within a three-month period.

In the event of the vacancy of the seat of a Director representing employee shareholders for any reason, the candidates to replace such a Director shall be appointed in accordance with article 13.3 of the bylaws at the latest prior to the next Shareholders' Meeting or, if that meeting is held less than four months after the position has become vacant, then prior to the next Shareholders' Meeting after that. The Board of Directors may validly meet and deliberate up to the date of such an appointment.

Government Commissioner

In accordance with article L. 111-70 of the French Energy Code, the Minister of Energy appoints a Government Commissioner to the Company who attends meetings of the Board of Directors and its committees in an advisory capacity and may present his/her observations to any Shareholders' Meeting.

General Management

Subject to the powers expressly granted by law to Shareholders' Meetings, powers that it grants specifically to the Board of Directors and within the scope of the Company's corporate purpose, as well as those mentioned in articles 13 to 15 of Act No. 2004-803 of August 9, 2004, either the Chairman of the Board of Directors or another natural person appointed by the Board of Directors and holding the title of Chief Executive Officer shall be responsible for the general management of the Company.

ENGIE chose to separate the functions of Chairman of the Board of Directors and Chief Executive Officer.

The Chairman of the Board of Directors organizes and directs the work of the Board, and reports on this to the General Shareholders' Meeting. He/she ensures the smooth running of the Company's corporate bodies and in particular sees that the Directors are able to perform their duties.

The Chief Executive Officer is vested with the broadest powers to act in the Company's name in all circumstances. He/she exercises his/her powers within the scope of the Company's corporate purpose and subject to the powers expressly granted by law to Shareholders' Meetings and to the Board of Directors.

Information on the duties of General Management is provided in Section 4.4 "General Management" and the Chairman's report in Section 4.1 "Report by the Chairman of the Board of Directors on corporate governance and internal control and risk management procedures".

Decisions of the Board of Directors

The Board meets when it is convened by the Chairman of the Board of Directors, who sets the meeting's venue and agenda. Any Director who wishes to discuss any matter with the Board that is not on the agenda must notify the Chairman prior to the meeting; the Chairman is then responsible for informing the Board.

When the Board of Directors has not met for over two months, at least one-third of the members of the Board may request that the Chairman call a meeting on a specific agenda.

The Chairman may take the initiative of organizing meetings of the Board of Directors by videoconference, by web conference, or by any other means of telecommunication, within the limits and subject to the conditions set under the current law and regulations and, where applicable, the Internal Regulations.

Resolutions of the Board of Directors are adopted under the conditions of quorum and majority provided by law. In the event of a tie, the meeting Chairman shall have the casting vote.

Regulated agreements

Any agreement made directly or through an intermediary between ENGIE and a member of the Board of Directors, its Chief Executive Officer, its Deputy Chief Executive Officer or a shareholder holding more than 10% of the voting rights, or if the shareholder is a company, the company controlling it within the meaning of article L. 233-3 of the French Commercial Code, must be submitted to the Board of Directors for prior approval. This authorization is also required for agreements involving ENGIE in which one of the persons mentioned in the preceding paragraph is indirectly involved, and to agreements between ENGIE and another company, if one of the Directors, the Chief Executive Officer or one of the Deputy Chief Executive Officers of the company is an owner, partner with unlimited liability, legal manager, Director, member of the Supervisory Board or, in general, a manager of the company concerned.

Without prejudice to the formalities of prior authorization and control laid down by law and the bylaws, the Company's Directors must promptly disclose to the Chairman any agreement entered into by the Company and in which they are directly or indirectly involved.

The above provisions shall not apply to agreements relating to current transactions concluded under normal conditions, nor to the agreements between two companies of which one directly or indirectly holds all of the capital of the other minus, where applicable, the minimum number of shares required to satisfy the requirements of section 1832 of the French Civil Code or sections L. 225-1 and L. 226-1 of the French Commercial Code.

Compensation of Directors

The General Shareholders' Meeting determines the annual general amount of directors' attendance fees allocated to the Board of Directors which, on the recommendation of the Appointments, Compensation and Governance Committee, allocates said compensation between its members by deduction from the annual budget for directors' attendance fees.

The Company reimburses Directors for expenses incurred in the performance of their duties upon presentation of substantiating documents.

7.1.3 Rights, privileges and restrictions attached to shares

Voting rights (Articles 10, 11, 12 and 20 of the bylaws)

Unless otherwise provided for by law, each shareholder has as many voting rights and may cast as many votes at meetings as he or she holds shares, which are fully paid up. Effective April 2, 2016, in accordance with article L. 225-123 of the French Commercial Code, all registered and fully paid-up shares registered in the name of the same beneficiary for at least two years are automatically entitled to a double voting right (see Section 5.1.1.3 "Voting rights").

The shares are indivisible with regard to the Company. Where the shares are subject to a right of usufruct, voting rights attached to shares belong to the beneficial owner of the shares in the case of Ordinary Shareholders' Meetings, and to the bare owner in the case of Extraordinary Shareholders' Meetings.

Any time it is necessary to own several shares in order to exercise any right whatsoever, the owners of isolated shares or an insufficient number of shares may exercise such a right provided that they combine or, as the case may be, buy or sell the necessary shares or rights.

Any shareholder may cast a vote by proxy in accordance with the terms and conditions provided for by the law and regulations in all Meetings. The owners of securities mentioned in the seventh paragraph of article L. 228-1 of the French Commercial Code may be represented, in accordance with the conditions provided for by law, by a registered intermediary. Any shareholder may cast a vote by proxy in accordance with the terms and conditions provided for by the law and regulations. The shareholders may, in accordance with the terms and conditions provided for by the law and regulations, send their postal proxy form either as a printed form or, further to a decision of the Board of Directors published in the notice of meeting and the notice to attend the meeting, by electronic transmission.

Dividends (Article 26.2 of the bylaws)

Any shareholder who can, at the end of a fiscal year, provide proof of registration for at least two years and continuation thereof on the dividend payment date for the fiscal year in question, shall receive a 10% increase in the dividend for the shares so registered, over the dividend paid on other shares. This increase will be capped at 0.5% of the share capital for a single shareholder.

The provisions of article 26.2 were applied for the first time to the payment of the dividend to be distributed for the year ended December 31, 2016, determined by the 2017 Annual Shareholders' Meeting.

Golden share (Article 6 of the bylaws)

In accordance with the French Energy Code and Decree No. 2015-1823 of December 30, 2015, the share capital includes a golden share resulting from the conversion of one ordinary share, which is held by the French State and is aimed at protecting France's critical interests in the energy sector and ensuring the continuity and safeguarding of energy supplies (see Section 5.2.4 "Golden share").

In accordance with the French Energy Code and Act No. 2014-384 of March 29, 2014, the French State is required to hold a minimum equity stake or minimum number of voting rights (see Section 5.1.1.3 "Voting rights").

7.1.4 Changes in rights attached to shares

Except where otherwise specified by law, the rights attached to the Company's shares may be modified only by the Extraordinary Shareholders' Meeting, subject to the special terms relating to the French State's golden share under article 6 of the bylaws (see also Section 5.2.4 "Golden share").

In accordance with the applicable law and regulations, any amendment of the bylaws that defines the rights attached to ENGIE shares must be approved by a two-thirds majority at the Extraordinary Shareholders' Meeting. All increases in the commitments of the shareholders must be unanimously approved by all shareholders.

7.1.5 Shareholders' Meetings

Notice to attend Meetings (Articles 20, 21 and 22 of the bylaws)

Ordinary and Extraordinary Shareholders' Meetings and, where applicable, Special Shareholders' Meetings, are called, meet and deliberate in accordance with the conditions provided for by law. The party issuing the notice convening the meeting also draws up the meeting agenda. However, one or more shareholders may, in accordance with the conditions provided for by law, request that draft resolutions be entered on the agenda.

The meeting may take place at the Company's head office or at any other location stated in the notice.

Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by the Vice-Chairman of the Board of Directors, the Deputy Chief Executive Officer if he or she is also director, or, in the absence of the Deputy Chief Executive Officer, by a Director specially authorized by the Board for this purpose. Otherwise, the Meeting elects its own Chairman.

The two members of the General Shareholders' Meeting present who accept the duties thereof and who hold the greatest number of votes act as vote tellers. The officers of the meeting appoint the Secretary, who may be chosen from outside the shareholders.

An attendance sheet is kept in accordance with the conditions provided for by law. Minutes of meetings are drawn up and copies thereof are issued and certified in accordance with the conditions provided for by law.

Attendance at Meetings (Article 20 of the bylaws)

All shareholders have the right to attend the meetings provided their shares are paid in full.

The right to attend meetings or to be represented therein is subject to the registration of the securities in the shareholder's name by midnight (CET) of the second business day prior to the meeting, either in the registered securities' accounts held by the Company or in bearer securities' accounts held by the authorized intermediary.

The Board of Directors may, if it deems necessary, send to the shareholders individualized admission cards in each shareholder's name and require them to be presented in order to gain access to the Shareholders' Meeting.

If the Board of Directors so decides at the time of calling the meeting, the shareholders may participate in the meeting by videoconference or by any telecommunication or remote transmission means, including via the Internet, that permits their identification in accordance with the terms and conditions set under current regulations. Where applicable, this decision shall be announced in the notice convening the meeting published in the Bulletin des Annonces Légales Obligatoires (Bulletin of Mandatory Legal Announcements or BALO).

7.1.6 Provisions relating to the disclosure of interests

Duty of disclosure upon crossing thresholds (Article 9 of the bylaws)

In addition to the thresholds provided for under article L. 233-7 of the French Commercial Code, any natural person or legal entity acting alone or in concert, who happens to hold a share of the capital, voting rights or securities, directly or indirectly, that may be converted in the future to capital of the Company – equal or in excess of 0.5% – must inform the Company thereof by recorded delivery letter with acknowledgment of receipt, within five (5) trading days of crossing the said 0.5% threshold, by specifying his/her/its identity, as well as that of the natural persons or legal entities acting in concert therewith, and by specifying the total number of shares, voting rights or share equivalents providing future access to capital that he/she/it owns directly or indirectly or else in concert. This duty of disclosure relates also to the possession of each additional share of 0.5% of the capital or voting rights or share equivalents providing access in time to the capital of the Company. It is noted that thresholds to be declared under this paragraph shall be determined pursuant to the provisions of articles L. 233-7 and L. 233-9 of the French Commercial Code and current regulations. This same duty of disclosure applies in accordance with the same time limits, in the event of crossing under the 0.5% threshold or a multiple thereof.

The intermediary registered as a holder of shares pursuant to the seventh paragraph of article L. 228-1 of the French Commercial Code is bound, without prejudice to the obligations of shareholders, to make the declarations provided for in this article, for all shares for which he/she/it is registered in account.

Pursuant to the provisions of article L. 233-7 of the French Commercial Code, in the event of any breach of the foregoing provisions, one or more shareholders holding more than 0.5% of the capital or voting rights may request that the penalties provided for in the first two paragraphs of article L. 233-14 of the French Commercial Code be applied.

Identification of bearer securities (Article 9 of the bylaws)

In order to identify bearer securities, the Company may, in accordance with the law and regulations and subject to the penalties provided for under the French Commercial Code, ask the central depository that manages the issue account of its securities for information that allows identification of holders of Company securities that grant, immediately or in the future, the right to vote at its Shareholders' Meetings and, in particular, the quantity of securities held by each of them.

If they are registered securities that may be converted immediately or in the future to capital, the intermediary registered in accordance with the conditions provided for under the French Commercial Code must reveal the identity of owners of the said securities on simple request from the Company or its agent, which may be presented at any time.

The breach by holders of securities or intermediaries of their duty to disclose the information provided for above may, in accordance with the conditions provided for by law, entail the suspension or loss of voting rights and the right to the payment of dividends attached to the shares.

7.1.7 Changes in share capital

The share capital may be increased, reduced or amortized in accordance with the conditions provided for by law, subject to the special provisions relating to the French State's stake and its golden share pursuant to article 6 of the bylaws (see also Section 7.1.3 "Rights, privileges and restrictions attached to shares").

7.2 Litigation, arbitration and investigative procedures

In the course of its operations, the Group is engaged in a certain number of legal disputes and arbitration procedures and is also subject to investigations and procedures under competition law. The principal investigations and procedures are described in Note 26, Section 6.2 “Consolidated financial statements” and Note 19, Section 6.4 “Parent company financial statements.”

7.3 Public documents

The documents relating to ENGIE that must be made available to the public (bylaws, reports, historical financial information on ENGIE, as well as on the Group subsidiaries included or mentioned in this Registration Document and those relating to each of the two years prior to the filing of this Registration Document) may be consulted at the Corporate headquarters for as long as this Registration Document remains valid. These documents may also be obtained in electronic format from the ENGIE website and some of them may be obtained from the AMF website (amf-france.org).

7.3.1 Corporate information policy

Ana Busto

Executive Vice-President in charge of Brand and Communications of the ENGIE group

Telephone: +33 (0)1 44 22 00 00

Address: 1 place Samuel de Champlain – 92400 Courbevoie – France

Website: engie.com

The ENGIE Registration Document is translated into English. In case of contradiction, the original French version shall prevail.

In addition to this Registration Document filed with the AMF, the Group publishes integrated report annually.

7.3.2 Financial reporting schedule

Publication of annual earnings 2017	March 8, 2018
Publication of Q1 results 2018	May 15, 2018
Annual Shareholders’ Meeting	May 18, 2018
Publication of the 2018 half-year results	July 27, 2018

7.4 Parties responsible for the Registration Document

7.4.1 Party responsible for the Registration Document

Isabelle Kocher, Chief Executive Officer

7.4.2 Declaration by the party responsible for the Registration Document containing the Annual Financial Report

"I hereby certify, after having taken all reasonable measures to this effect, that the information contained in this Registration Document is, to my knowledge, in accordance with the facts and makes no omission likely to affect its import.

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and all the undertakings included in the consolidation, and that the management report, whose items are mentioned in Appendix B of this Registration Document, presents a fair review of the development and performance of the business and financial position of the Company and all the undertakings included in the consolidation as well as a description of the main risks and uncertainties to which they are exposed.

I have received a completion letter from the Statutory Auditors stating that they have audited the information relating to the financial position and financial statements contained in this Registration Document, which they have read in its entirety. This letter contains no comments."

Courbevoie, March 27, 2018

The Chief Executive Officer

Isabelle Kocher

7.5 Statutory Auditors

7.5.1 Statutory Auditors

Deloitte & Associés

Represented by Pascal Pincemin

185 avenue Charles-de-Gaulle, 92524 Neuilly-sur-Seine Cedex

Deloitte & Associés has been a Statutory Auditor for the Company since July 16, 2008. Its term of office was renewed at the Combined Shareholders' Meeting of April 28, 2014 for a period of six years and will expire at the close of the 2020 Ordinary Shareholders' Meeting held to approve the financial statements for the fiscal year ending December 31, 2019.

Ernst & Young et Autres

Represented by. Stéphane Pedron

1/2 place des Saisons, 92400 Courbevoie – Paris La Défense 1

Ernst & Young et Autres has been a Statutory Auditor for the Company since May 19, 2008. Its term of office was renewed at the Combined Shareholders' Meeting of April 28, 2014 for a period of six years and will expire at the close of the 2020 Ordinary Shareholders' Meeting held to approve the financial statements for the fiscal year ending December 31, 2019. Previously, ERNST & YOUNG Audit was an auditor between 1995 and 2007.

7.5.2 Alternate Statutory Auditors

AUDITEX (for Ernst & Young et Autres)

1/2 place des Saisons, 92400 Courbevoie – Paris La Défense 1

Auditex has been an alternate Statutory Auditor for the Company since May 19, 2008. Its term of office was renewed at the Combined Shareholders' Meeting of April 28, 2014 for a period of six years and will expire at the close of the 2020 Ordinary Shareholders' Meeting held to approve the financial statements for the fiscal year ending December 31, 2019.

BEAS (for Deloitte & Associés)

195 avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine

BEAS has been an alternate Statutory Auditor for the Company since July 16, 2008. Its term of office was renewed at the Combined Shareholders' Meeting of April 28, 2014 for a period of six years and will expire at the close of the 2020 Ordinary Shareholders' Meeting held to approve the financial statements for the fiscal year ending December 31, 2019.

Appendix A - Lexicon

Conversion Table	406
Units of Measurement	406
Short forms and acronyms	407
Glossary	409

A

Conversion Table

1 kWh	0.09 m^3 of natural gas (i.e. 1 m^3 of gas = 11 kWh)
1 GWh	91,000 m^3 of natural gas
1 TWh or 1 billion kWh	91 million m^3
1 billion m^3 of gas	6.2 million barrels of oil equivalent (Mboe)

The units of conversion mentioned above are those routinely used by professionals in the energy sector. In this document they are provided solely for information purposes.

Units of Measurement

A	Ampere
Bar	Unit of measurement of fluid pressure, particularly for natural gas (1 bar = 105 Pascal)
BOE	Barrel of oil equivalent (1 barrel = 159 liters)
G	Giga (1 billion)
GBq	Giga becquerel
Gm^3	Giga m^3 (1 billion cubic meters)
GW	Gigawatt (1 billion watts)
GWh	Gigawatt-hour (1 million kilowatt-hours)
GWheeq	GWh electric equivalent
J	Joule
k	Kilo (one thousand)
kW	Kilowatt (one thousand watts)
kWh	Kilowatt-hour (one thousand watt-hours)
m	Meter
m^2	Square meter
m^3	Cubic meter
M	Mega (one million)
Mboe	Million barrels oil equivalent
Mtpa	Million metric tons per annum
MW	Megawatt (one million watts)
MWp	Megawatt-peak (unit of measurement for the power of solar photovoltaic installations)
MWe	Megawatt electric
MWh	Megawatt-hour (one thousand kilowatt-hours)
T	Tera (one thousand billion)
TBq	Terabecquerel
t/h	Metric tons per hour
TWh	Terawatt-hour (1 billion kilowatt-hours)
V	Volt
W	Watt
Wh	Watt-hour

Short forms and acronyms

ACP	*Autorité de Contrôle Prudentiel des établissements bancaires* (French prudential control authority for banking institutions)
AGM	Combined Shareholders' Meeting
AMF	*Autorité des marchés financiers* (French Financial Markets Authority)
BtoB	Business to Business
BtoC	Business to Consumer
BtoT	Business to Territories
BU	Business Unit
Capex	Capital expenditure
CER	Certified Emission Reduction – see Glossary
CNIL	*Commission Nationale de l'Informatique et des Libertés* (French national data protection and privacy commission)
CO2	Carbon dioxide
CRE	*Commission de Régulation de l'Énergie* (French energy regulator) – see Glossary
CSR	Corporate Social Responsibility
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EGI	Electric and Gas Industries – see Glossary
EM	Entities consolidated by the equity method
EMAS	Eco Management and Audit Scheme – see Glossary
EMTN	Euro Medium Term Notes
E&P	Exploration & Production of hydrocarbon
ERM	Enterprise Risk Management
EU	European Union
EUA	European Union Allowance
EWC	European Works Council
FC	Full Consolidation
FLNG	Floating Liquefied Natural Gas
FSRU	Floating LNG storage and regasification unit
GES	Gas Exchange Point Greenhouse Gas – see Glossary
GIE	*Groupement d'intérêt économique* – Economic Interest Group (EIG)
HR	Human Resources
IAS	International Accounting Standards, drawn up internationally by the IASB until 2002
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards, drawn up internationally by the IASB since 2002
INCOME	Internal Control Management and Efficiency (ENGIE program)
IoT	Internet of things
IPP	Independent Power Producer – see Glossary
ISO	International Organization for Standardization – see Glossary
ISP	Investment Services Provider – see Glossary
LNG	Liquefied Natural Gas – see Glossary
LPG	Liquefied Petroleum Gas – see Glossary
NGO	Non-governmental organization
NGV	Natural Gas Vehicle – see Glossary
NOx	Nitrogen oxide
NRE	New and renewable energy sources: wind, solar, hydro, etc.
OECD	Organization for Economic Cooperation and Development
Opex	Operating expenses
PC	Proportional Consolidation
PEG	*Plan d'Épargne Groupe*, Group Employee Savings Plan
PPA	Power Purchase Agreement (often long-term)

RAB	Regulated Asset Base – see Glossary
R&D	Research and Development
ROCE	Return on capital employed
ROE	Return on equity
SME	Small and medium-sized enterprises
SO2	Sulfur dioxide
SRV	Shuttle Regasification Vessel (LNG carrier fitted with onboard regasifiers that can connect to an underwater buoy. This enables the regasified LNG to be directly injected into a pipeline network).
TMO	*Taux mensuel obligataire* – a monthly bond yield measured on the basis of the gross yield-to-maturity on fixed-rate bonds with at least 7 years to maturity issued on the French market in a given month.
TPA-d	Third Party Access to the distribution network – see Glossary
TSR	Total Shareholder Return – see Glossary
UCITS	Undertakings for Collective Investment in Transferable Securities (mutual funds)
VaR	Value at Risk – see Glossary
VPP	Virtual Power Plant – see Glossary

Glossary

2P reserves	Proven and probable reserves: estimate of the hydrocarbon quantities (crude oil, natural gas and natural gas liquids) that can be extracted in the future, based on existing deposits and with a probability of at least 50% according to geological and technical data. Extraction must meet economic criteria that take into account future price changes, the appreciation of hydrocarbons and exchange rates.
Afep-Medef Code	Code of corporate governance for listed companies (in France), in the version published by Afep-Medef in November 2015
Balancing area	The set of entry points, delivery points and a trading point of gas within which the consignor must achieve a balance.
Biogas	All gases, such as methane and carbon dioxide, resulting from the fermentation of organic waste in a depleted air environment such as landfills and wastewater treatment plants. Such fermentation is the result of a natural or controlled bacterial activity. As such, biogas is classified as a renewable energy source.
Biomass	Mass of non-fossil organic matter of biological origin. Part of these stocks may be used as an energy source.
Branch	Transmission installation ensuring delivery between the transmission grid and one or more delivery points, and aimed exclusively or primarily at supplying a customer or a distribution network. Connections are components of the network.
Certified Emission Reduction (CER)	Certificate issued to industries that have invested in developing countries to reduce greenhouse gas emissions there. CERs cannot be directly traded, but may be used in place of CO2 quotas, with one CER equal to one quota.
Chartering	A contract whereby a ship owner (the owner) commits to make a vessel available to a third-party (the charterer) in exchange for the payment of a sum (the freight charge). Several kinds of charters exist: • demise charter: the vessel is delivered without any crew, fuel, or provisions; • voyage charter: the owner commits to transfer a cargo from one port to another at an agreed price; • time charter: the owner provides the charterer with the vessel for a specific time period (up to 20 years) together with crew, in return for a monthly fee based on tonnage.
Cogeneration	A technique that uses a single fuel, which may be natural gas, to simultaneously produce thermal energy (steam or overheated water or a mixture of air and combustion products) and electricity.
Combined cycle plant	A power plant comprising a gas turbine generator whose exhaust gases power a steam boiler. The steam produced in the boiler drives a turbo-generator.
Commission de Régulation de l'Électricité et du Gaz – CREG (Belgium)	The Belgian Gas and Electricity Regulation Commission is an independent body that advises public authorities on the organization and operation of the deregulated electricity and gas markets. CREG also monitors and supervises the enforcement of related laws and regulations. A General Council, composed of federal and regional government representatives, representatives of labor organizations, employers and the middle classes, environmental associations and producers, distributors and consumers, supervises this body's operations.
Commission de Régulation de l'Énergie – (French energy regulator)	The French Energy Regulation Commission is an independent administrative authority. It was created by the Act of February 10, 2000 to regulate electricity and its scope was extended to include the gas sector with the Act of January 3, 2003. Its main mission is to ensure the effective, transparent and non-discriminatory implementation of access to electricity and gas infrastructures. More generally, its role is to ensure that the gas and electricity markets operate properly.
Compression station	Industrial facility that compresses natural gas to optimize the flow of fluids in the pipes.
Connection structures	All the structures that connect a consumption site or distribution network to the transmission grid. Connection structures are made up of one or more distribution lines and one or more substations.
Cushion gas	Quantity of gas stored underground that cannot be fully retrieved after it has been injected.
Dark spread	Gross margin of a coal plant, equal to the difference between the sale price of electricity and the purchase price of the fuel needed to produce it. The "dark spread" must cover the aggregate of other costs (including operation, maintenance, cost of capital and financial charges).
Desalination	A process used to reduce the salt concentration of sea water in order to make it fit for human or animal consumption as well as for other uses, especially industrial uses.

Developed proven reserves	Proven reserves that can be produced from existing facilities.
Distribution	Distribution networks are groups of physical structures consisting mainly of medium or low-pressure pipes. They route natural gas to consumers who are not directly connected to the main network or to a regional transmission network.
EBITDA at Risk	EBITDA at Risk measures the potential loss of EBITDA, at a given probability, under the impact of various prices and volatilities over a given time horizon. This indicator is especially well-suited for measuring market risks for portfolio management activities. If the time horizon provided is one calendar year, and the confidence interval is 95%, an EBITDA at Risk of €100 million indicates that there is a 5% probability of losing more than €100 million in EBITDA between January 1 and December 31 due to fluctuations in commodities prices.
Eco Management and Audit Scheme (EMAS)	Based on ISO 14001 certification and an environmental statement certified by European auditors accredited and published by the European Commission.
Electric and Gas Industries (EGI)	All the companies that produce, transmit or distribute electricity or gas in France and which meet the requirements of the Nationalization Act of April 8, 1946. The EGI sector includes all companies with employees that fall under the status of EGI employees
Energy trading	Trading of physical or financial contracts on the short-term energy markets (over-the-counter markets and stock exchanges).
Exploration	All methods put to use to discover new hydrocarbon deposits.
Facilities Management	All the outsourced service and utility management services that accompany the supply of energy to an industrial client. These services concern the management of the client's environment. They include guard services, waste and hygiene, operation and maintenance of technical equipment, project management for construction work, management of safety equipment and telephone and reception services.
Gas Exchange Point	Virtual hub attached to a balancing area where a consignor can sell gas to another consignor.
Gas hub	Point of entry (connection point of a gas transmission network supplied from several sources. It enables operators to exchange gas physically between these sources and end users).
Gas pipeline	A pipeline that conveys fuel gas.
Green electricity	Certified electricity produced from renewable energy sources.
Greenhouse Gases (GHG)	Atmospheric gas that contributes to the retention of solar heat. Industries, automobiles, heating systems, livestock farming and other activities produce gases, some of which heighten the greenhouse effect. The greenhouse gas build-up produced by human activity is one of the causes of global warming and its impacts on the ecosystem.
Independent Power Producer (IPP)	An electricity production company independent of public sector control. IPPs are classified exclusively on the basis of the projects developed outside the country of origin.
Investment Services Provider (ISP)	Investment services provider approved by the Committee of European Bank Supervisors to transmit and process market orders.
ISO 14001	An international standard that verifies a company's organizational procedures and methods, as well as the effective implementation of environmental policy and objectives.
ISO 9001	An international standard establishing quality criteria for work procedures. It applies to product design, control of the production and the manufacturing process and the quality control of the end product.
ISO (International Standards Organization)	Organization that defines reference systems (industrial standards used as benchmarks).
Liquefied Natural Gas (LNG)	Natural gas put into the liquid phase by lowering its temperature to -162°C, which makes it possible to reduce its volume by a factor of 600.
Liquefied Petroleum Gas (LPG)	Light hydrocarbons that are gaseous under normal temperature and pressure conditions and maintained in a liquid state by raising the pressure or lowering the temperature.
LNG tanker	A ship that transports liquefied natural gas (LNG) cooled to -163°C in its holds.
LNG terminal	Industrial facility that receives, unloads, stores, regasifies LNG and sends natural gas in the gaseous state to the transmission grid. Harbor facility with additional facilities, intended to receive ships that transport liquefied natural gas (LNG).
Load-matching	Term referring to the discrepancy between the actual conditions of a customer's gas consumption and those corresponding to standard purchases over the year of their average daily consumption. Variations (daily, weekly or seasonal) in consumption are generally covered by underground storage, to which customers and their suppliers may have access, either directly (in countries where third-party access to the facilities – regulated or negotiated – is provided) or via a load-matching service (as in the US).
Main network	All the high-pressure and large-diameter structures for transmitting natural gas that link the interconnection points with neighboring transmission grids, storage facilities and LNG terminals. These structures are connected to regional networks as well as certain industrial consumers and distribution networks.
Marketer	Seller of energy to third parties (end customer, distributor, etc.).

Natural Gas for Vehicles (NGV)	Entirely composed of natural gas, NGV is primarily used in urban transportation and waste treatment vehicles.
Natural gas liquefaction	Transformation of natural gas from gaseous form to liquid form to be transported by ship and/or stored.
Proven reserves	Estimates of crude oil, natural and liquid gas quantities based on geological and technical data with the reasonable assurance that these quantities will be extracted in coming years from existing deposits. Extraction must meet economic criteria that take into account future price changes, the appreciation of hydrocarbons and exchange rates.
Public-Private Partnership (PPP)	The PPP is a contractual arrangement whereby the public sector authority assigns certain tasks to a private operator and specifies objectives. The public sector partner defines the service objectives for the private operator, while retaining ownership of the infrastructure and regulatory control. Local authorities are increasingly resorting to PPP agreements in managing their water services.
Pumping station	Power plant or facility that operates by moving water between reservoirs at different elevations. When electricity prices are low, typically overnight, electricity from the grid system is used to pump water into a raised reservoir and then at times of peak demand, when electricity prices are higher, the water is released back into the lower reservoir through a turbine.
Regional network	All the high-pressure and large-diameter structures that link the interconnection points with neighboring transmission grids, storage facilities and LNG terminals. Regional networks, distribution networks and certain industrial consumers are connected to them.
Regulated Asset Base (RAB)	The regulated asset base is the economic value, recognized by the regulator, of assets utilized by an operator of regulated infrastructures.
Rights in kind of licensors	The “Rights in kind of licensor” line item is an item specifically pertaining to companies that are utility operators. It offsets “fixed assets held under concession” on the balance sheet. Its valuation expresses the operator’s obligation at the end of the contract to assign to the licensor, at no cost, the fixed assets assigned to the licensed utilities, such that at the end of a given contract, the value of the “Rights in kind of licensor” is equal to the carrying amount of fixed assets that are to be returned to the licensor.
Spark spread	Gross margin of a natural gas plant, equal to the difference between the sale price of electricity and the purchase price of the fuel needed to produce it. The “spark spread” must cover all other costs (including operation, maintenance, cost of capital and financial costs).
Spot market	A market for the short-term purchase and sale of energy (for the day or up to three years).
Storage	Facility that allows natural gas to be stored in the summer when consumption is at its lowest and to take natural gas out of storage in winter when consumption is higher. Gas storage is an industrial facility, mainly underground, that enables natural gas suppliers to have a natural gas reserve.
Stress test	Test performed in order to assess resistance to a disaster scenario.
Take-or-Pay	Long-term contract where the producer guarantees the supply of gas to an operator and the operator guarantees payment, regardless of whether or not the operator takes delivery.
Thermal power plant	Facility in which the chemical energy contained in solid, liquid, or gaseous fossil fuel is transformed exclusively into electricity using boilers and steam turbines.
Third Party Access to the distribution network	The recognized right of each user (eligible customer, distributor, producer) to access a transmission or distribution network in return for payment for access rights.
Well head	All the connections, valves, pipes, manometers, thermometers, etc. installed at the production well top.
Tolling	Contract for the transformation of a fuel (e.g. natural gas) into electricity on behalf of a third party.
Total Shareholder Return (TSR)	Return of a share over a given period that includes dividends paid and capital gains realized.
Transmission	Transmission networks are groups of structures consisting of high-pressure pipes. They convey natural gas to industrial consumers who are directly connected and to distribution networks.
Transmission capacity	The highest permissible continuous load of the transmission equipment with respect to the stability of its operating parameters and voltage drop.
Treasury stock	Shares of the Company purchased by the latter, by virtue of authorization given by the General Shareholders’ Meeting. These shares do not have voting rights attached.

Treasury stock (in subsidiaries)	Shares of a company owned by subsidiaries controlled by the Company. They do not carry voting rights.
Underground storage	Use of porous geological formations, natural or artificial cavities (saline or aquifer) to store liquid or gaseous hydrocarbons.
Undeveloped proven reserves	Proven reserves that require new wells to be drilled on virgin territory, or significant extra investment in existing facilities, such as a compression unit.
Value at Risk (VaR)	Value-at-Risk is a global indicator that measures the portfolio's exposure to risks of price fluctuations and market volatility. It indicates maximum potential loss that should only be exceeded with a given probability over a given time horizon. This indicator is especially well-suited for measuring market risks for trading activities. For example, for a one-day time horizon and 99% confidence interval, a VaR of €5 million indicates that there is a 1% probability of losing more than €5 million a day, i.e. two to three times a year.
Virtual Power Plant (VPP)	Virtual production capacity. This is a system that makes a production capacity band available to a third party, in exchange for remuneration, without the third party owning a share in an asset or being the asset operator.
Working volume	Gas available in underground storage and capable of being tapped.

Appendix B – Comparison Tables

Comparison table with Regulation (EC) 809/2004	414
Corporate, environmental and social information	417
Information relating to the management report	420
Information relating to the Annual Financial Report	422
Information relating to the Board of Directors' report on corporate governance	423

B

Comparison table with Regulation (EC) 809/2004

This Registration Document includes all the items required by Appendix 1 of Regulation (EC) 809/2004, as presented in the table below:

Information required under Appendix 1 of Regulation (EC) 809/2004	Section of the Registration Document	Page
1. Parties responsible	7.4 Parties responsible for the Registration Document	402
1.1 Parties responsible	7.4.1 Parties responsible for the Registration Document	402
1.2 Declaration by the parties responsible	7.4.2 Declaration by the parties responsible for the Registration Document containing the Annual Financial Report	402
2. Statutory Auditors	7.5 Statutory Auditors	403
2.1 Statutory Auditors	7.5 Statutory Auditors	403
2.2 Resignation or departure of Statutory Auditors	N/A	
3. Selected financial information	1.2.1 Group financial data	13
4. Risk factors	2. Risk factors	45
5. Information about the issuer		
5.1 History and evolution of the Company	1.1.2 History and evolution of the Company	6
5.2 Investments		
5.2.1 Principal investments	6.1.1.6.2 Net investments	198
5.2.2 Major investments in progress	1.1.4. Strategic priorities	9
	1.3 Description of the Group's activities	15
5.2.3 Major investments planned by the issuer	1.1.4. Strategic priorities	9
6. Business overview		
6.1 Principal activities	1.1.1. General presentation	6
	1.1.3. Organization	7
	1.2 Key figures	13
	1.1.4. Strategic priorities	9
	1.3 Description of the Group's activities	15
6.2 Main markets	1.1.7 Competitive positioning	12
	1.1.4. Strategic priorities	9
	1.3 Description of the Group's activities	15
6.3 Exceptional events	N/A	
6.4 Degree of dependence on patents, licenses or contracts	1.5 Innovation, research and technologies policy	41
	2.3 Operating risks	52
6.5 Competitive position	1.1.7 Competitive positioning	12
7. Organizational structure		
7.1 Brief description of the Group	1.1.3. Organization	7
7.2 List of significant subsidiaries	6.2 Financial statements – Note 2 (Main subsidiaries at December 31, 2017)	227
8. Real estate, plant and equipment		
8.1 Material tangible fixed assets	1.4 Real estate, plant and equipment	39
8.2 Environmental issues potentially affecting the use of tangible fixed assets	3.5 Environmental information	88
9. Operating and financial review	6.1.1 Management report	186
10. Capital resources	6.1.2 Cash and shareholders' equity	202
10.1 Shareholders' equity	6.1.1.6 Other items in the statement of financial position	199
10.2 Cash flow	6.1.1.5 Changes in net debt	197
10.3 Borrowing conditions and financial structure	6.1.2.1 Borrowing conditions and financial structure applicable to the issuer	202
	5.1.6 Non-equity securities	176
	6.2 Consolidated financial statements – Note 15 (Financial instruments)	282
10.4 Restrictions on the use of capital	6.1.2.2 Restrictions on the use of capital	202
10.5 Expected sources of financing to honor commitments relating to investment decisions	6.1.2.3 Expected sources of financing to honor commitments relating to investment decisions	202
11. Research and development, patents and licenses	1.5 Innovation, research and technologies policy	41

Information required under Appendix 1 of Regulation (EC) 809/2004	Section of the Registration Document	Page
12. Information about trends		
12.1. Significant recent trends in production, sales and inventory, and costs and selling prices	1.1.4. Strategic priorities	9
	6.1.1.3 Consolidated revenues and earnings trends	187
12.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	6.1.1.2 Outlook	187
13. Earnings forecasts or estimates	N/A	
14. Administrative, management, and supervisory bodies and general management		
14.1 Information concerning the members of the corporate governance bodies and general management	4.1.1 Board of Directors: Composition – Terms of office – Information – Independence	106
	4.4 General Management	129
14.2 Conflicts of interest in administrative, management, and supervisory bodies and general management	4.1.1.7 Independence of Directors in office – Conflicts of interest	119
15. Compensation and benefits		
15.1 Amount of compensation paid and benefits in kind	4.6 Compensation and benefits paid to members of corporate governance and management bodies	135
15.2 Total amounts set aside or accrued to provide pension, retirement or similar benefits	4.6.3 Retirement provision	148
16. Board practices		
16.1 Term of office of Directors	4.1.1.2 Directors in office	107
16.2 Service contracts with the Directors providing for benefits upon their termination	4.8.3 Service contracts binding members of corporate governance bodies	187
16.3 Audit Committee and Compensation Committee	4.1.4 Standing committees of the Board of Directors	123
16.4 Compliance with applicable corporate governanceregime(s)	4.1.3.2 Organization and operating procedures of the Board of Directors	120
17. Employees		
17.1 Number of employees and breakdown by category	3.4.7 Social data	68
17.2 Shareholding and stock options	4.1.1.6 Number of ENGIE shares and stock options held by Directors in office	119
	4.6 Compensation and benefits paid to members of corporate governance and management bodies	135
17.3 Arrangements for involving employees in the capital of the issuer	3.4.4 Employee savings plans and employee shareholding	66
18. Major shareholders		
18.1 Statutory disclosure thresholds	5.2.3 Statutory disclosure thresholds	182
18.2 Voting rights	5.1.1 Share capital and voting rights	170
18.3 Control	5.2.2 Breakdown of share capital	182
	5.2.4 Golden share	183
18.4 Agreements relating to change of control	5.2.4 Golden share	183
19. Related party transactions	4.8 Statutory Auditors' special report on regulated agreements and commitments, transactions with related parties, and service contracts	165
20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
20.1 Historical financial information	6.2 Consolidated financial statements	203
	6.3 Statutory Auditors' report on the consolidated financial statements	334
	6.4 Parent company financial statements	341
	6.5 Statutory Auditors' report on the parent company financial statements	388
20.2 Pro forma financial information	N/A	
20.3 Consolidated financial statements	6.2 Consolidated financial statements	203
	6.3 Statutory Auditors' report on the consolidated financial statements	334
20.4 Auditing of historical annual financial information		

Information required under Appendix 1 of Regulation (EC) 809/2004	Section of the Registration Document	Page
20.4.1 Statement of audit of historical financial information	6.3 Statutory Auditors' report on the consolidated financial statements	334
	6.5 Statutory Auditors' report on the parent company financial statements	388
20.4.2 Other information in the Registration Document which has been audited by the Statutory Auditors	N/A	
20.4.3 Source of financial information appearing in the Registration Document which is not extracted from the issuer's audited financial statements	N/A	
20.5 Age of latest financial information	6.2 Consolidated financial statements	203
	6.4 Parent company financial statements	341
20.6 Interim and other financial information	N/A	
20.7 Dividend distribution policy	5.2.5. Dividend distribution policy	183
20.8 Legal and arbitration proceedings	6.2 Consolidated financial statements – Note 26 (Legal and anti-trust proceedings)	326
	2.3.3. Legal risks	54
	7.2 Litigation, arbitration and investigative procedures	401
20.9 Significant change in the issuer's financial or trading position	6.2 Consolidated financial statements – Note 27 (Subsequent events)	329
21. Additional information		
21.1 Share capital	5.1 Information on the share capital and non-equity instruments	169
21.1.1 Authorized capital and shares not issued	5.1.1 Share capital and voting rights	170
	5.1.2 Potential capital and share equivalents	170
	5.1.3 Authorizations and their utilization related to share capital and share equivalents	171
21.1.2 Shares not representing capital	5.1.6 Non-equity securities	176
21.1.3 Shares held by the issuer or its subsidiaries	5.1.5 Stock repurchase	175
21.1.4 Convertible securities, exchangeable securities or securities with warrants	N/A	
21.1.5 Vesting rights and/or obligations attached to authorized but unissued capital or an undertaking to increase the capital	N/A	
21.1.6 Options on the capital of members of the Group	5.2.4 Golden share	183
21.1.7 History of share capital	5.1.4 Five-year summary of changes in the share capital	174
21.2 Memorandum and Articles of Association	7.1 Specific statutory provisions and bylaws	396
21.2.1 Issuer's objects and purposes	7.1.1 Issuer's corporate purpose	396
21.2.2 Corporate governance bodies	7.1.2 Corporate governance bodies	396
21.2.3 Rights, privileges and restrictions attached to shares	7.1.3 Rights, privileges and restrictions attached to shares	398
21.2.4 Amending the rights of shareholders	7.1.4 Changes in rights attached to shares	399
21.2.5 Shareholders' meetings	7.1.5 Shareholders' meetings	399
21.2.6 Provisions having an effect of delaying, deferring or preventing a change in control of the issuer	5.2.4 Golden share	183
	7.1.3 Rights, privileges and restrictions attached to shares	398
21.2.7 Disclosure of crossing statutory thresholds	7.1.6 Provisions relating to the disclosure of interests	400
21.2.8 Changes in share capital	7.1.7 Changes in share capital	400
22. Material contracts	6.1.2 Cash and shareholders' equity	202
	6.2 Consolidated financial statements – Note 4 (Main changes in Group structure)	244
	6.2 Consolidated financial statements – Note 27 (Subsequent events)	329
23. Third party information, statements by experts and declarations of interest	N/A	
24. Documents accessible to the public	7.3 Documents accessible to the public	401
25. Information on holdings	6.2 Consolidated financial statements – Note 3 (Investments in entities accounted for using the equity method)	235

Corporate, environmental and social information

This Registration Document includes all items required under Article R. 225-105-1 of the French Commercial Code, as presented in the following table:

Items required		Section of the Registration Document	Page
Social Information			
Employment	The total number and distribution of employees by sex, age and geographical area	3.4.7 Social data	68
	Recruitment and dismissals	3.4.1.2 Internal mobility to support the Group's transformation	63
		3.4.7 Social data	68
	Compensation and changes in compensation	3.4 Social Information	63
		3.4.4 Employee savings plans and employee shareholding	66
		3.4.7 Social data	68
		6.2 Consolidated financial statements – Note 24 (Executive compensation)	325
Work organization	Work time organization	3.4.7 Social data	68
	Absenteeism	3.4.7 Social data	68
Social relations	The organization of social dialog, including procedures for informing and consulting staff, and negotiating therewith.	3.4.3 Social commitment: Building a company committed to corporate citizenship, diversity and solidarity	64
	Summary of collective bargaining agreements	3.4.3 Social commitment: Building a company committed to corporate citizenship, diversity and solidarity	64
Health and safety	Occupational health and safety conditions	3.4.6 Health and safety policy	67
	Summary of collective bargaining agreements with trade unions or staff representatives on matters of occupational health and safety	3.4.6 Health and safety policy	67
	Occupational accidents, including their frequency and severity, and occupational illnesses	3.4.7 Social data	68
Training	Policies implemented for training	3.4.1.3 Developing employee skills and employability through training	63
	Total number of training hours	3.4.7 Social data	68
Equal treatment	Measures taken to promote gender equality	3.4.1 Human resources development and mobility policies	63
	Measures taken to promote the employment and integration of persons with disabilities	3.4.3 Social commitment: Building a company committed to corporate citizenship, diversity and solidarity	64
	Anti-discrimination policy	3.4.7 Social data	68
Promotion and compliance with the fundamental conventions of the International Labor Organization regarding:	Respect for freedom of association and the right to collective bargaining	3.4.5.2 Group collective bargaining agreements	67
		4.4 Ethics and compliance	130
	Elimination of discrimination in matters of employment and occupation	3.4.5.2 Group collective bargaining agreements	67
		4.4 Ethics and compliance	130
	Elimination of forced or compulsory labor	3.4.5.2 Group collective bargaining agreements	67
		4.4 Ethics and compliance	130
	Effective abolition of child labor	3.4.5.2 Group collective bargaining agreements	67
		4.4 Ethics and compliance	130

B

Items required		Section of the Registration Document	Page
Environmental information			
General environmental policy	The organization of the Company to take into account environmental issues and, where appropriate, environmental evaluation or certification procedures	3.5.2 The environmental management system	88
	Training and information for employees on environmental protection	Apart from training in the use of technical tools in the field, the environment is not the subject of specific training but rather is integrated into other training courses such as those in the health and safety area.	
	Resources allocated to the prevention of environmental risks and pollution	3.5.4.9 Active prevention of environmental risks	95
	Amount of provisions and guarantees for environmental risks, provided that such information is not likely to cause serious prejudice to the Company in an ongoing dispute	6.2 Consolidated financial statements – Note 18 (Provisions) 3.5.4.4 Nuclear energy 3.5.4.9 Active prevention of environmental risks 3.5.4.11 Land use	309 93 95 96
Pollution and wastemanagement	Measures for the prevention, reduction or repair of discharges into air, water and soil seriously affecting the environment	3.5.4.6 Waste	94
	Consideration of noise and all other forms of pollution specific to an activity	3.5.4.10 Noise and odors	96
Circular economy	Waste prevention and management	3.5.4.6 Waste	94
	Measures for the prevention, recycling, reuse, other forms of recovery and disposal of waste	3.5.4.1 Climate change 3.5.4.6 Waste	91 94
	Actions against food waste	3.5.4.6 Waste	94
	Sustainable use of resources	3.5.4.5 Water 3.5.4.6 Waste	93 94
	Water consumption and supply based on local restrictions	3.5.4.5 Water	93
	Consumption of raw materials and measures taken to improve efficiency in their use	3.5.4.2 Renewable energy 3.5.4.3 Energy efficiency	92 93
	Energy consumption, measures taken to improve energy efficiency and the use of renewable energy	3.5.4.2 Renewable energy 3.5.4.3 Energy efficiency	92 93
	Land use	3.5.4.11 Land use	96
Climate change	Greenhouse gas emissions	3.5.4.1 Climate change	91
	Adapting to the consequences of climate change	3.5.4.1 Climate change	91
Protection of biodiversity	Measures taken to conserve or enhance biodiversity	3.5.4.8 Management of biodiversity	95

Items required		Section of the Registration Document	Page
Corporate social commitments			
Territorial, economic and social impact of the Company's business	In terms of employment and regional development	3.6.1 Socio-economic development in local communities	97
	On neighboring or local populations	3.6.1 Socio-economic development in local communities	97
Relations with people or organizations affected by the Company's activity, including associations for social integration, educational institutions, environmental protection associations, consumer associations and local residents	Conditions for dialog with these people or organizations	3.6.2 Stakeholders dialog and partnerships	97
	Partnership or philanthropy actions	3.6.3 Community philanthropy, solidarity and combating energy poverty	98
Subcontracting and suppliers	Consideration given in the purchasing policy to social and environmental issues	3.7 Purchasing and Suppliers	99
	The importance of subcontracting and consideration given to suppliers and subcontractors' social and environmental responsibility policies	3.7 Purchasing and Suppliers	99
	Actions taken to prevent corruption	4.4 Ethics and compliance	130
Fairness of commercialpractices	Measures taken to promote the health and safety of consumers	4.4 Ethics and compliance	130
	Other actions taken as part of this Item 3 to promote human rights	4.4 Ethics and compliance	130

B

Information relating to the management report

This Registration Document includes all items of the management report that are required under current laws and regulations (article L. 225-100-1 of the French Commercial Code).

The following table presents items from the ENGIE Management Report as at December 31, 2017:

Legislative or regulatory reference	Items required	Section of the Registration Document	Page
I – Activity			
L. 232-1-II of the French Commercial Code	Company's situation over the past fiscal year	6.1.1 Management report 6.2 Consolidated financial statements	196 203
	Foreseeable developments and future outlook	6.1.1.2 Outlook	197
	Significant events, which have occurred between the date the fiscal year ended and the date on which the Management Report was drawn up	6.2 Consolidated financial statements – Note 27 (Subsequent events)	329
	Research and development activities	1.5 Innovation, research and technologies policy 6.2 Consolidated financial statements – Note 13.2 (Research and development costs)	41 279
R. 225-102, para. 1 of the French Commercial Code	Activities of the Company and its subsidiaries over the past fiscal year	1.1.1. General presentation 1.1.3. Organization 1.2 Key figures 1.1.4. Strategic priorities 1.3 Description of the Group's activities	6 7 13 9 15
L. 233-6, para. 2 of the French Commercial Code	Activities and results of the Company and its subsidiaries by business line	6.1.1.3 Consolidated revenue and earnings 6.1.1.4 Reportable segment business trends	187 189
L. 225-100-1 of the French Commercial Code	Information relating to business trends, results and financial situation of the Company and the Group (particularly debt situation)	6.1.1 Management report 6.1.2.1 Borrowing conditions and financial structure applicable to the issuer	186 202
L. 225-100-1 of the French Commercial Code	Key indicators of financial and non financial natures	1.2 Key figures	13
L. 225-100-1 of the French Commercial Code	Description of the main risks and uncertainties and indications as to the use of financial instruments, for the Company and the Group	2 Risk factors 6.2 Consolidated financial statements – Note 16 (Risks arising from financial instruments)	45 294
L. 441-6-1 of the French Commercial Code D. 441-4 of the French Commercial Code	Information on terms of payment with suppliers	6.1.1.8 Parent company financial statements	200
II – Financial information			
L. 233-13 of the French Commercial Code	Breakdown of and changes in shareholding structure	5.2.2 Breakdown of share capital 5.2.3 Statutory disclosure thresholds 5.2.4 Golden share	182 182 183
	Names of controlled companies with a stake in the Company's treasury stock and proportion of capital thereby held	N/A	
L. 233-6, para. 1 of the French Commercial Code	Significant equity stakes over the fiscal year in companies with their head office in France	6.2 Consolidated financial statements – Note 4 (Main changes in Group structure) 6.4.3 Total and partial transfers of assets, subsidiaries, and equity investments requiring statutory disclosure	244 386
R. 225-102, para. 2 of the French CommercialCode	Table showing the Company's results for each of the last five fiscal years	6.4.4. Five-year financial summary of the Company	387
L. 225-211 of the French Commercial Code	Purchase and sale by the Company of its own shares	5.1.5 Stock repurchase 6.2 Consolidated financial statements – Note 17 (Equity)	175 306
L. 225-102, para. 1 L. 225-180 of the French Commercial Code	Employees' stake in share capital	5.2.2 Breakdown of share capital 3.4.4 Employee savings plans and employee shareholding	182 66
L. 225-102, para. 2 of the French Commercial Code	Equity acquired by employees in an employee buyout	N/A	
R. 228-90 and R. 228-91 of the French Commercial Code	Any adjustments for share equivalents in the event of share buybacks or financial transactions	N/A	

Legislative or regulatory reference	Items required	Section of the Registration Document	Page
III – Legal and tax information			
Article 243 (a) of the French Tax Code	Amount of dividends distributed for the previous three fiscal years	5.2.5. Dividend distribution policy	183
L. 464-2, I, para. 5 of the French Commercial Code	Injunctions or financial sanctions for anti-trust practices	6.2 Consolidated financial statements - Note 26 (Legal and anti-trust proceedings) 2.3.3. Legal risks 7.2 Litigation, arbitration and investigative procedures	326 54 401
L. 225-100-1 of the French Commercial Code	Information on control and risk management procedures	4.7 Internal control and risk management procedures implemented by the Company	160
IV – Information relating to corporate officers			
L. 225-185, para. 4 of the French Commercial Code	In the event that stock options are awarded, details of information upon which the Board of Directors based their decision: ▪ either to prohibit Directors from exercising their options before leaving office; or ▪ or to oblige them to hold all or part of the shares resulting from options already exercised until they leave office.	4.6.5.1 Availability of performance shares and shares resulting from the exercise of stock options	151
L. 621-18-2 of the French Monetary and Financial Code Article 223-26 of the AMF General Regulations	Information on transactions by directors and related parties involving the Company's shares	4.6.10. Summary of transactions disclosed by executive management and corporate officers in fiscal 2017	159
L. 225-197-1, II, para. 4 of the French Commercial Code	In the event that bonus shares are awarded, details of information upon which the Board of Directors based their decision: • either to prohibit Directors from selling shares awarded to them free of charge before leaving office; • or to establish the quantity of such shares that they are obliged to hold until they leave office.	4.6.5.1 Availability of performance shares and shares resulting from the exercise of stock options	151
V– Environmental and Social information			
L. 225-100-1, para. 4, L. 225-102-1, para. 3 and R. 225-105 of the French Commercial Code	Environmental information	2.4 Industrial risks 2.2.3 Impact of climate 3.5 Environmental information	56 51 88
L. 225-102-1, para. 4 and R. 225-104 of the French Commercial Code	Social Information	3.4 Social Information	
L. 225-102-2 of the French Commercial Code	Specific information for companies operating at least one site classified as "high threshold" Seveso	2.4.1 Industrial facilities and Seveso sites 3.5 Environmental information	56 88
L. 225-102-4 of the French Commercial Code	Vigilance Plan	4.5 Vigilance Plan	133

B

Information relating to the Annual Financial Report

This Registration Document includes all items of the Annual Financial Report, as mentioned in Articles L. 451-1-2 of the French Monetary and Financial Code and as required by Article 222-3 of the AMF's General Regulations.

The following table summarizes items in the Annual Financial Report:

Items required	Section of the Registration Document	Page
Parent company financial statements	6.4 Parent company financial statements	341
Group consolidated financial statements	6.2 Consolidated financial statements	203
Management report	See specific comparison table above	
Declaration by the parties responsible for the Annual Financial Report	7.4.2 Declaration by the parties responsible for the Registration Document containing the Annual Financial Report	402
Statutory Auditors' report on the parent company financial statements	6.5 Statutory Auditors' report on the parent company financial statements	388
Statutory Auditors' report on the consolidated financial statements	6.3 Statutory Auditors' report on the consolidated financial statements	334
Statutory Auditors' fees	6.2 Consolidated financial statements – Note 28 (Fees paid to Statutory Auditors and members of their networks)	330
Board of Directors' report on the conditions of preparation and organization of the Board's work	4.1 Board of Directors' report on corporate governance	105
Internal control procedures implemented by the Company	4.7 Internal control and risk management procedures	160
Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code, on the report prepared by ENGIE's Board of Directors	4.8 Statutory Auditors' special report on regulated agreements and commitments, transactions with related parties and service contracts	165
	6.5 Statutory auditors' report on the parent company financial statements (Verification of the Management Report and of the Other Documents Provided to the Shareholders)	388

Information relating to the Board of Directors' report on corporate governance

This Registration Document contains all the items of the Board of Directors' report on corporate governance required by Article L. 225-37 of the French Commercial Code, as shown in the table below:

Items required	Section of the Registration Document	Page
Article L.225-37-2 of the French Commercial Code		
Principles and criteria for determining, structuring and awarding the fixed, variable and extraordinary components of total compensation and benefits of any kind attributable to the executive corporate officers commensurate with their office	4.6.1.9 Principles and criteria for determining, structuring and awarding the fixed, variable and extraordinary components of total compensation and benefits of any kind attributable to the executive corporate officers commensurate with their office	146
Article L.225-37-3 of the French Commercial Code		
Total compensation and benefits of any kind paid to each corporate officer during the fiscal year and commitments of any kind made to corporate officers	4.6.1 Compensation of executive corporate officers	135
Article L.225-37-4 of the French Commercial Code		
List of all offices and positions held in any company by each corporate officer	4.1.1.3 Information about Directors in office	109
Regulated Agreements	4.8 Statutory Auditors' special report on regulated agreements and commitments, transactions with related parties, and service contracts	165
Table summarizing current authorizations granted by the Shareholders' Meeting for capital increases	5.1.3 Authorizations and their utilization related to share capital and share equivalents	171
General management procedures	4.3 General Management	129
Composition of the Board	4.1.1.1 Composition of the Board of Directors	106
Conditions of preparation and organizationof the Board's work	4.1.3 Board of Directors: Powers – Operating procedures – Activities	120
Application of the principle of balanced gender representation on the Board of Directors	4.1.1.1 Composition of the Board of Directors	106
Limits imposed by the Board of Directors on the powersof the Chief Executive Officer	4.1.3 Board of Directors: Powers – Operating procedures – Activities	120
Disclosure regarding the corporate governance code and reasons for which the provisions may not apply	4.1.6 Corporate Governance Code	126
Specific procedures relating to shareholders' participation in the Shareholders' Meeting	4.1.7 Provisions in the bylaws regarding the participation of shareholders at Shareholders' Meetings	127
Article L.225-37-5 of the French Commercial Code		
Factors likely to have an impact in the event of a public offer	3.4.4 Employee savings plans and employee shareholding	66
	4.1.1 Board of Directors: Composition – Terms of office – Information – Independence	106
	4.1.3 Board of Directors: Powers – Operating procedures – Activities	120
	4.6 Compensation and benefits paid to members of corporate governance and management bodies	135
	5.1.3 Authorizations and their utilization related to share capital and share equivalents	171
	5.2.2 Breakdown of share capital	182
	5.2.3 Statutory disclosure thresholds	182
	5.2.4 Golden share	183
	7.1 Specific statutory provisions and bylaws	396

Ce document a été réalisé par un imprimeur éco-responsable sur du papier d'origine certifiée. Il est disponible sur le site library.engie.com où l'ensemble des publications du Groupe peuvent être consultées, téléchargées ou commandées.

Conception & réalisation LABRADOR +33 (0)1 53 06 30 80

Société anonyme au capital de 2 435 285 011 euros
Siége social : 1 place Samuel de Champlain
92400 Courbevoie - France
Tél. : +33 (0)1 44 22 00 00
SIREN : 542 107 651 RCS NANTERRE
TVA FR 13 542 107 651

engie.com