Half-year financial report 2016

Including :

- Half-year management Report
- Consolidated Financial Statements period ended June 30, 2016
- Statutory Auditors’ review Report on the 2016 half-year financial information
- Statement by the persons responsible for the 2016 interim financial report

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Half-year management report

Consolidated financial accounts as at June 30, 2016

Key figures

(€m)	H1 2015	**H1 2016**	**Change**	**Change** like-for-like
Sales	19,860	**19,549**	**-1.6%**	**+2.9%**
EBITDA	1,886	**1,957**	**+3.8%**	
Operating income	1,275	**1,368**	**+7.3%**	**+10.2%**
Recurring net income[2]	552	**624**	**+13.0%**	
Free cash flow[3]	728	**823**	**+13.0%**	

- Organic growth at 2.9% with a sharp 3.5% improvement in volumes buoyed partly by the positive impact of a greater number of working days
- Negative 0.6% price impact in a still deflationary environment in terms of prices and raw material and energy costs
- Negative 3.5% currency impact on sales and negative 1.0% Group structure impact
- Operating income up 7.3% on a reported basis and up 10.2% like-for-like
- Significant 13.0% rise in recurring net income and free cash flow
- Buyback and cancellation of around 11 million shares in the first half
- Recurring EPS[1] up 16.5%
- Objectives for full-year 2016 confirmed; like-for-like improvement in operating income expected in the second half versus second-half 2015

1. *Recurring earnings per share from continuing operations.*
2. *Recurring net income from continuing operations excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.*
3. *Cash flow from continuing operations excluding the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions less capital expenditure*

Operating performance

First-half **sales** came in at **€19,549 million**, including a significant 3.5% negative **currency impact** resulting namely from the depreciation of Latin American currencies – and to a lesser extent the pound sterling – against the euro.
The negative 1.0% **Group structure impact** is a result of the disposals carried out in 2015 aimed at optimizing the Building Distribution portfolio.

On a like-for-like basis, sales were up **2.9%** on the back of 3.5% volume growth driven partly by the positive impact of a greater number of working days in the second quarter (estimated impact of just over +1% in the first half). All Business Sectors and regions delivered volume growth. In a still deflationary environment in terms of raw material and energy costs, prices remained slightly down, losing 0.6% over the six months to June 30.

The Group's operating income climbed 7.3% on a reported basis and 10.2% like-for-like. **The Group's operating margin[1] rallied to 7.0%**, gaining 0.6 percentage points compared to first-half 2015. All Business Sectors reported margin growth, particularly in industry and to a lesser extent Building Distribution, which was hit by the deflationary environment.

Performance of Group Business Sectors

Innovative Materials like-for-like sales moved up 4.4%, powered by Flat Glass. There was a further significant improvement in the Business Sector's operating margin, which came in at 11.2% versus 10.2% one year earlier.

- The second quarter confirmed the upbeat trends seen early in the year in **Flat Glass**, which posted 6.5% organic growth over the first half. Automotive glass continued to enjoy good momentum in all regions except Brazil. Construction markets remained upbeat in Asia and emerging countries and benefited from the upturn in volumes in Western Europe and a rise in float glass prices. The operating margin continued to recover, at 8.8% versus 7.4% in first-half 2015, buoyed by additional volumes and improved operating leverage.
- **High-Performance Materials (HPM)** like-for-like sales rose 2.0% over the first six months of 2016. Plastics and Textile Solutions performed well; Abrasives delivered organic growth led by prices. Ceramics contracted in the three months to June 30 after a first quarter boosted by high levels in refractories. The operating margin widened to 14.0% from 13.5% in first-half 2015.

Construction Products (CP) like-for-like sales advanced 1.6% over the first half lifted by Interior Solutions, which drove a significant improvement in the Business Sector's operating margin, up to 9.4% compared to 8.7% for the same period in 2015.

- **Interior Solutions** posted 5.2% organic growth in the first half on the back of strong market positions, which allowed it to benefit from good trading in all regions. In a still deflationary environment, volumes proved upbeat in Western Europe (partly helped by the positive impact of a greater number of working days) and in North America. Asia and emerging countries confirmed their good performance as well as the merits of the growth operations carried out in this region over the past few years. The operating margin climbed to 10.2% from 9.0% in first-half 2015.

1. Operating margin = operating income expressed as a percentage of sales.

- **Exterior Solutions** like-for-like sales retreated 2.0% over the first half, due solely to the expected decline in Pipe, which was hit by contracting markets in its main regions. However, Exterior Solutions stabilized in the second quarter, helped by an acceleration in volumes for Roofing in the US. Mortars reported organic growth led by Asia and emerging countries and by the improvement in Western Europe, which offset tougher conditions in Brazil. Overall, the operating margin steadied at 8.3%.

Building Distribution like-for-like sales rose 3.1%, with the second-quarter performance buoyed by the positive impact of a greater number of working days. Trading in France benefited from the first signs of an upturn in new-builds, while the renovation market remains sluggish. Germany, the UK and especially Nordic countries continued to report good volume trends. Amid a fall in the cost of goods sold in Europe, prices were down – particularly in France and the UK. The sharp economic slowdown in Brazil continued to take its toll on trading.
The operating margin came in at 2.8% versus 2.6% in first-half 2015, benefiting from an upturn in volumes in Europe but affected by a deflationary environment.

Analysis by region

The Group delivered organic growth in all of its regions in the first half, as trends observed earlier in the first quarter continued in the three months to June 30.

- **France** saw confirmation of stabilizing business over the first half, posting organic growth of 0.6% buoyed by the positive impact of a greater number of working days in the second quarter. New-build activity showed the first signs of improvement, while the renovation market remains sluggish for the time being. The decline in Pipe weighed on first-half results. The operating margin narrowed slightly to 2.4%, hit by the deterioration in Pipe.
- **Other Western European countries** advanced 4.3% over the six months to June 30, with organic growth picking up pace in the second quarter. Besides the positive impact of a greater number of working days, this advance reflects good market conditions in all of the Group’s main countries. The region’s operating margin continued to rally, at 5.9% versus 5.4% in first-half 2015.
- **North America** reported a 3.6% rise in like-for-like sales in the first half, in line with the three months to March 31. Activity in the construction market again proved upbeat, while industrial markets remained uncertain. The operating margin rallied sharply, up to 11.6% versus 9.5% in first-half 2015, powered by the strong advance in Roofing.
- **Asia and emerging countries** reported further good organic growth, at 4.9% for the first half, led by Eastern Europe and Latin America, despite the slowdown in Brazil. Asia was up, with trading bullish in India, despite a downturn in China. The operating margin continued to improve, at 10.6% of sales versus 10.0% one year earlier.

Analysis of the consolidated financial statements for first-half 2016

The unaudited interim consolidated financial statements for first-half 2016 were subject to a limited review by the statutory auditors and were approved and adopted by the Board of Directors on July 28, 2016.

€m	H1 2015 (A)	H1 2016 (B)	% change (B)/(A)
Sales and ancillary revenue	**19,860**	**19,549**	**-1.6%**
Operating income	**1,275**	**1,368**	**7.3%**
Operating depreciation and amortization	611	589	-3.6%
EBITDA (op. inc. + operating depr./amort.)	1,886	1,957	3.8%
Non-operating costs	(154)	(180)	16.9%
Capital gains and losses on disposals, asset write-downs, corporate acquisition fees and earn-out payments	(41)	(32)	-22.0%
Business income	**1,080**	**1,156**	**7.0%**
Net financial expense	(328)	(287)	-12.5%
Income tax	(236)	(261)	10.6%
Share in net income of associates	0	2	n.s.
Net income from continuing operations	**516**	**610**	**18.2%**
Net income from discontinued operations	**69**	**0**	**n.s.**
Net income before minority interests	**585**	**610**	**4.3%**
Minority interests	27	14	-48.1%
Net attributable income	**558**	**596**	**6.8%**
Earnings per share[2] (in €)	0.98	1.08	10.2%
Net attributable income from continuing operations	**493**	**596**	**20.9%**
Recurring net income from continuing operations[1]	**552**	**624**	**13.0%**
Recurring earnings per share[2] from continuing operations[1] (in €)	0.97	1.13	16.5%
Cash flow from operations[3]	1,195	1,260	5.4%
Cash flow from operations (excluding capital gains tax)[4]	1,185	1,251	5.6%
Capital expenditure	457	428	-6.3%
Free cash flow[5]	**728**	**823**	**13.0%**
Investments in securities	92	68	-26.1%
Net debt	**7,995**	**6,624**	**-17.1%**

1. Excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.
2. Calculated based on the number of shares outstanding at June 30 (552,574,120 in 2016, versus 569,364,905 in 2015).
3. Cash flow from operations = operating cash flow from continuing operations excluding material non-recurring provisions.
4. Cash flow from operations excluding capital gains tax = (3) - tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions.
5. Free cash flow = (4) - capital expenditure of continuing operations.

Consolidated **sales** advanced 2.9% like-for-like, buoyed by volume growth and despite a negative 0.6% price effect in a deflationary environment. On a reported basis, sales were down 1.6%, with a negative 3.5% **currency impact** chiefly resulting from the depreciation of Latin America currencies – and to a lesser extent the pound sterling – against the euro. The negative 1.0% **Group structure impact** essentially reflected disposals carried out in the Building Distribution business in 2015.

Operating income climbed 7.3% based on reported figures, despite a negative currency impact. The operating margin improved to 7.0% of sales versus 6.4% in first-half 2015, buoyed by margin gains in all Business Sectors.
EBITDA (operating income + operating depreciation and amortization) was up 3.8% to €1,957 million, and the EBITDA margin came in at 10.0% of sales versus 9.5% in first-half 2015.

Non-operating costs totaled €180 million, with a rise in restructuring costs compared to the same period in 2015 owing to the roll-out of certain projects earlier than planned. The Group maintains its forecast of a slight decrease in restructuring costs for the year as a whole. The €45 million accrual to the provision for asbestos-related litigation involving CertainTeed in the US is unchanged from the last few half-year periods.
The net balance of capital gains and losses on disposals, asset write-downs and corporate acquisition fees was an expense of just €32 million versus an expense of €41 million in first-half 2015. In line with the increase in operating income, **business income** climbed 7.0% to €1,156 million.

Net financial expense improved significantly, down 12.5% to €287 million from €328 million, mainly reflecting the decrease in net debt; the cost of gross debt remained at 3.9% at June 30, 2016, in line with end-2015.
The income tax rate on recurring net income remained stable at 30%. **Income tax expense** totaled €261 million (€236 million in first-half 2015).
Recurring net income (excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions) jumped 13.0% to €624 million.
Net attributable income was up 6.8% to €596 million but jumped 20.9% excluding net income relating to Verallia in 2015.

Capital expenditure fell to €428 million including a negative currency impact (€457 million for the same period in 2015). Capex represented 2.2% of sales compared to 2.3% in the same period one year earlier.
Cash flow from operations rose 5.4% to €1,260 million; before the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions, cash flow from operations advanced 5.6% to €1,251 million and **free cash flow** rose 13.0% to €823 million (4.2% of sales versus 3.7% in first-half 2015).

The difference between EBITDA and capital expenditure improved, up 7.0% to €1,529 million (€1,429 million in first-half 2015), representing 7.8% of sales (7.2% in first-half 2015).
Operating working capital requirements (operating WCR) totaled €4,244 million (€4,448 million at June 30, 2015) and represented 39.1 days' sales, an improvement of 1.7 days year-on-year, owing chiefly to the decrease in inventories.
Investments in securities were limited, at €68 million (€92 million in first-half 2015) and correspond to small-scale acquisitions in the three business sectors.
Net debt fell 17.1% from €8.0 billion at June 30, 2015 to €6.6 billion at June 30, 2016, reflecting the favorable impact of the Verallia disposal in second-half 2015, partly offset by the dividend paid out in June 2016 compared to the payment in July 2015, and by the €857 million in share buybacks over the last two half-year periods. Net debt represents 36% of consolidated equity, compared to 40% at end-June 2015.
The net debt to EBITDA ratio on a rolling 12-month basis came in at 1.7, compared to 2.1 one year earlier.

Main risks and uncertainties

The main risks and uncertainties that the Group could face in the second semester of 2016 are those described in section 1 “Risk Factors” of Chapter 6 of the 2015 registration document of April 4, 2016, filed with the French financial markets authority (*Autorité des Marchés Financiers*) under number D.16-0265 (the “2015 Registration Document”). There has not been any significant change in these risk factors in the first-half of 2016.

Changes related to ongoing litigations in the first semester of 2016 are presented in note 6.2 to the consolidated financial statements as at June 30, 2016.

Main related-party transactions

Related parties mainly relate to equity consolidated companies, proportionately consolidated companies and certain subsidiaries of the Wendel group. In accordance with the Group policy, the transactions with these related-party entities are carried out at normal market conditions on an arm’s length basis.

On May 4, 2016, Saint-Gobain bought back 10 million of its own shares (c.1.8% of its share capital) at a price of 385 million euros as part of the accelerated bookbuilding process completed on the same day by Wendel, concerning a total of 30 million Saint-Gobain shares representing approximately 5.3% of the share capital. This buyback was made at the placement price as part of the existing share buyback program authorized by Saint-Gobain’s shareholders at the AGM of June 4, 2015. All shares so repurchased were cancelled on May 30, 2016. Following completion of this transaction, Wendel retains a stake of approximately 6.4% of Compagnie de Saint-Gobain’s share capital and 11.1% of its voting rights, remaining a significant long-term shareholder of Saint-Gobain within the framework of the existing governance agreements between the two companies.

There has not been any other significant change in these related-party transactions during the first semester of 2016.

Main events

Plan to acquire a controlling interest in Sika

Saint-Gobain continued during the first half of 2016 its proposed acquisition of the control over Sika, described in Section 4.3 of Chapter 2 of the 2015 Registration Document, with a first-instance decision of the Zug cantonal court expected by the end of the year.

2016 outlook and action priorities

After a first half in line with our forecasts, our outlook for the second half is as follows:

- **France** should gradually benefit from the recovery in new-builds after stabilizing over the six months to June 30.
- **Other Western European countries** should continue to deliver growth, even though the UK could be hit by uncertainties following the June 23 Brexit vote.
- **North America** should advance despite uncertainty in industrial markets.
- **Asia and emerging countries** should continue to see good organic growth for our businesses, despite the contraction in Brazil.

The Group confirms its **action priorities for the year as a whole**:

- keep its **priority focus on sales prices** in a deflationary environment;
- unlock **additional savings** of around **€250 million** (calculated on the 2015 cost base), including €150 million in the first half;
- pursue a **capital expenditure program of around €1,400 million**;
- renew its **commitment to invest in R&D** in order to support its strategy of differentiated, high value-added solutions;
- keep its **priority focus on high free cash flow generation;**
- pursue its plan to **acquire a controlling interest in Sika.**

In line with its long-term objectives, **the Group bought back 10.9 million shares** and canceled 11 million shares in the first six months of 2016.

The Group confirms its objectives for 2016 and expects a like-for-like improvement in operating income in the second half versus second-half 2015.

All indicators contained in this report (not defined in the footnotes) are explained in the notes to the following consolidated financial statements, included in this half year financial report.

The glossary below shows the note of the interim financial statements in which you can find an explanation of each indicator.

Glossary:

Cash flow from operations	*Note 3*
Net debt	*Note 7*
EBITDA	*Note 3*
Non-operating costs	*Note 3*
Operating income	*Note 3*
Net financial expense	*Note 7*
Recurring net income	*Note 3*
Business income	*Note 3*

Important disclaimer – forward-looking statements:

This report contains forward-looking statements with respect to Saint-Gobain's financial condition, results, business, strategy, plans and outlook. Forward-looking statements are generally identified by the use of the words "expect", "anticipate", "believe", "intend", "estimate", "plan" and similar expressions. Although Saint-Gobain believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions as at the time of publishing this document, investors are cautioned that these statements are not guarantees of its future performance. Actual results may differ materially from the forward-looking statements as a result of a number of known and unknown risks, uncertainties and other factors, many of which are difficult to predict and are generally beyond the control of Saint-Gobain, including but not limited to the risks described in Saint-Gobain's registration document available on its website (www.saint-gobain.com). Accordingly, readers of this document are cautioned against relying on these forward-looking statements. These forward-looking statements are made as of the date of this document. Saint-Gobain disclaims any intention or obligation to complete, update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

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For any further information, please visit www.saint-gobain

SAINT-GOBAIN

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended
June 30, 2016

CONSOLIDATION REPORTING GROUP DEPARTMENT

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2016 HALF-YEAR CONDENSED CONSOLIDATED ACCOUNTS

CONSOLIDATED BALANCE SHEET

(in EUR million)	Notes	June 30, 2016	Dec. 31, 2015
ASSETS			
Goodwill	(5)	10,457	10,683
Other intangible assets	(5)	2,641	2,748
Property, plant and equipment	(5)	11,373	11,587
Investment in associates		331	319
Deferred tax assets	(9)	1,548	1,337
Other non-current assets		660	635
Non-current assets		**27,010**	**27,309**
Inventories	(3)	5,964	5,715
Trade account receivable	(3)	5,906	4,751
Current tax receivable		264	296
Other receivables	(3)	1,522	1,405
Cash and cash equivalents	(7)	2,900	5,380
Current assets		**16,556**	**17,547**
Total assets		**43,566**	**44,856**
LIABILITIES			
Capital stock	(8)	2,219	2,244
Additional paid-in capital and legal reserve		6,081	6,341
Retained earnings and consolidated net income		10,591	10,805
Cumulative translation adjustments		(913)	(528)
Fair value reserves		147	181
Treasury stock	(8)	(78)	(87)
Shareholders' equity		**18,047**	**18,956**
Minority interests		360	364
Consolidated total equity		**18,407**	**19,320**
Long-term debt	(7)	5,829	7,330
Provisions for pensions and other employee benefits	(4)	4,082	3,849
Deferred tax liabilities	(9)	474	466
Other non-current liabilities and provisions	(6)	1,298	1,276
Non-current liabilities		**11,683**	**12,921**
Current portion of long-term debt	(7)	2,933	2,231
Current portion of other provisions and liabilities	(6)	428	454
Trade account payable	(3)	5,699	5,716
Current tax liabilities		167	150
Other payables	(3)	3,487	3,448
Short-term debt and bank overdrafts	(7)	762	616
Current liabilities		**13,476**	**12,615**
Total liabilities		**43,566**	**44,856**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(in EUR million)	Notes	**First-half 2016**	**First-half 2015**
Net sales	(3)	19,549	19,860
Cost of sales	(3)	(14,498)	(14,840)
General expenses including research	(3)	(3,697)	(3,765)
Share in net income of core business associates		14	20
Operating income		**1,368**	**1,275**
Other business income	(3)	15	14
Other business expense	(3)	(227)	(209)
Business income		**1,156**	**1,080**
Borrowing costs, gross		(197)	(228)
Income from cash and cash equivalents		10	15
Borrowing costs, net		(187)	(213)
Other financial income and expense		(100)	(115)
Net financial expense	(7)	**(287)**	**(328)**
Share in net income of non-core business associates		2	0
Income taxes	(9)	(261)	(236)
Net income from continuing operations		610	516
Net income from discontinued operations		0	69
Net income		**610**	**585**
Group share of net income from continuing operations		596	493
Group share of net income from discontinued operations		0	65
Group share of net income		**596**	**558**
Minority interests of net income from continuing operations		14	23
Minority interests of net income from discontinued operations		0	4
Minority interests		14	27

Income per share (in EUR)	Notes	**First-half 2016**	**First-half 2015**
Weighted average number of shares in issue		556,459,337	561,292,118
Net earnings per share, Group share	(8)	1.07	1.00
Net earnings per share from continuing operations, Group share	(8)	1.07	0.88
Net earnings per share from discontinued operations, Group share	(8)	0.00	0.12
Weighted average number of shares assuming full dilution		558,802,960	563,600,566
Diluted earnings per share, Group share	(8)	1.07	0.99
Diluted earnings per share from continuing operations, Group share	(8)	1.07	0.87
Diluted earnings per share from discontinued operations, Group share	(8)	0.00	0.12

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in EUR million)	**First-half 2016**	**First-half 2015**
Net income	**610**	**585**
Items that may be subsequently reclassified to profit or loss		
Translation adjustments	(377)	783
Changes in fair value	(34)	381
Tax on items that may be subsequently reclassified to profit or loss	12	(143)
Items that will not be reclassified to profit or loss		
Changes in actuarial gains and losses	(277)	446
Tax on items that will not be reclassified to profit or loss	140	(155)
Income and expense recognized directly in equity	**(536)**	**1,312**
Total recognized income and expense for the year	74	1,897
Group share	52	1,867
Minority interests	22	30

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR million)	Notes	First-half 2016	First-half 2015
Group share of net income from continuing operations		**596**	**493**
Minority interests in net income	(a)	14	23
Share in net income of associates, net of dividends received		(8)	(12)
Depreciation, amortization and impairment of assets	(3)	608	633
Gains and losses on disposals of assets	(3)	9	10
Unrealized gains and losses arising from changes in fair value and share-based payments	(3)	34	21
Changes in inventory	(3)	(300)	(250)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(3)	(1,081)	(1,128)
Changes in tax receivable and payable	(9)	55	24
Changes in deferred taxes and provisions for other liabilities and charges	(4)(6)(9)	(29)	43
Net cash from operating activities of continuing operations		**(102)**	**(143)**
Net cash from operating activities of discontinued operations		0	61
Net cash from operating activities		**(102)**	**(82)**
Acquisitions of property, plant and equipment [H1 2016: (428) H1 2015: (457)] and intangible assets	(5)	(480)	(511)
Increase (decrease) in amounts due to suppliers of fixed assets	(3)	(111)	(135)
Acquisitions of shares in consolidated companies [H1 2016: (56) H1 2015: (85)], net of cash acquired		(53)	(83)
Acquisitions of other investments		(12)	(7)
Increase in investment-related liabilities	(6)	2	4
Decrease in investment-related liabilities	(6)	(2)	(14)
Investments		**(656)**	**(746)**
Disposals of property, plant and equipment and intangible assets	(5)	31	73
Disposals of shares in consolidated companies, net of cash divested		44	7
Disposals of other investments		1	0
Divestments		**76**	**80**
Increase in loans, deposits and short-term loans		(72)	(84)
Decrease in loans, deposits and short-term loans		36	33
Change in loans, deposits and short-term loans		**(36)**	**(51)**
Net cash from (used in) investment and divestment activities of continuing operations		**(616)**	**(717)**
Net cash from (used in) investment and divestment activities of discontinued operations		0	(107)
Net cash from (used in) investment and divestment activities		**(616)**	**(824)**
Issues of capital stock	(a)	137	394
(Increase) decrease in treasury stock	(a)	(416)	(104)
Dividends paid	(a)	(681)	(695)
(Increase) decrease in dividends payable		2	455
Transactions with shareholders of parent company		**(958)**	**50**
Minority interests' share in capital increases of subsidiaries		0	12
Dividends paid to minority shareholders by consolidated companies		(29)	(34)
Transactions with minority interests		**(29)**	**(22)**
Increase (decrease) in bank overdrafts and other short-term debt		76	1,201
Increase in long-term debt	(b)	81	496
Decrease in long-term debt	(b)	(915)	(211)
Changes in gross debt		**(758)**	**1,486**
Net cash from (used in) financing activities of continuing operations		**(1,745)**	**1,514**
Net cash from (used in) financing activities of discontinued operations		0	180
Net cash from (used in) financing activities		**(1,745)**	**1,694**
Increase (decrease) in cash and cash equivalents		**(2,463)**	**788**
Net effect of exchange rate changes on cash and cash equivalents		(17)	25
Net effect from changes in fair value on cash and cash equivalents		0	(10)
Net effect of exchange rate changes on discontinued operations		0	(1)
Cash and cash equivalents classified as assets held for sale		0	(46)
Cash and cash equivalents at beginning of period		**5,380**	**3,493**
Cash and cash equivalents at end of period		**2,900**	**4,249**

(a) Refer to the consolidated statement of changes in equity.

(b) Including bond premiums, prepaid interest and issue costs.

Income tax paid amounted to €256 million in first-half 2016 (€222 million in first-half 2015) and interest paid net of interest received amounted to €162 million in first-half 2016 (€213 million in first-half 2015).

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Number of shares			(in EUR million)								
Issued	Outstanding		Capital stock	Additional paid-in capital and legal reserve	Retained earnings and consolidated net income	Translation adjustments	Fair value reserves	Shareholders' equity	**Group share of shareholders' equity**	Minority interests	**Total equity**
561,895,566	**560,385,966**	**At January 1, 2015**	**2,248**	**6,437**	**10,411**	**(953)**	**(63)**	**(67)**	**18,013**	**405**	**18,418**
		Income and expenses recognized directly in equity	0	0	148	780	381	0	**1,309**	3	**1,312**
		Net income for the period			558				**558**	27	**585**
		Total income and expense for the period	**0**	**0**	**706**	**780**	**381**	**0**	**1,867**	**30**	**1,897**
		Issues of capital stock									
4,449,939	4,449,939	Group Savings Plan	18	126					**144**		**144**
545,781	545,781	Stock option plans	2	8					**10**		**10**
6,559,204	6,559,204	Dividends paid in shares	26	214					**240**		**240**
		Other							**0**	12	**12**
		Dividends paid (EUR 1.24 per share)			(695)				**(695)**	(35)	**(730)**
	(3,217,465)	Shares purchased						(130)	**(130)**		**(130)**
	641,480	Shares sold			3			23	**26**		**26**
		Shares cancelled							**0**		**0**
		Share-based payments			4				**4**		**4**
		Changes in Group structure			(17)				**(17)**	(6)	**(23)**
573,450,490	**569,364,905**	**At June 30, 2015**	**2,294**	**6,785**	**10,412**	**(173)**	**318**	**(174)**	**19,462**	**406**	**19,868**
		Income and expenses recognized directly in equity	0	0	(309)	(355)	(140)	0	**(804)**	(32)	**(836)**
		Net income for the period			737				**737**	24	**761**
		Total income and expense for the period	**0**	**0**	**428**	**(355)**	**(140)**	**0**	**(67)**	**(8)**	**(75)**
		Issues of capital stock									
		Group Savings Plan							**0**		**0**
492,949	492,949	Stock option plans	2	16					**18**		**18**
		Dividends paid in shares							**0**		**0**
		Other							**0**	11	**11**
		Dividends paid (EUR 1.24 per share)							**0**	(2)	**(2)**
	(11,832,796)	Shares purchased						(464)	**(464)**		**(464)**
	582,463	Shares sold			(16)			39	**23**		**23**
(13,000,000)		Shares cancelled	(52)	(460)				512	**0**		**0**
		Share-based payments			5				**5**		**5**
		Changes in Group structure			(24)		3		**(21)**	(43)	**(64)**
560,943,439	**558,607,521**	**At December 31, 2015**	**2,244**	**6,341**	**10,805**	**(528)**	**181**	**(87)**	**18,956**	**364**	**19,320**
		Income and expenses recognized directly in equity	0	0	(125)	(385)	(34)	0	**(544)**	8	**(536)**
		Net income for the period			596				**596**	14	**610**
		Total income and expense for the period	**0**	**0**	**471**	**(385)**	**(34)**	**0**	**52**	**22**	**74**
		Issues of capital stock									
4,653,810	4,653,810	Group Savings Plan	18	118					**136**		**136**
233,819	233,819	Stock option plans	1						**1**		**1**
		Dividends paid in shares							**0**		**0**
		Other							**0**		**0**
		Dividends paid (EUR 1.24 per share)			(681)				**(681)**	(29)	**(710)**
	(11,658,122)	Shares purchased						(444)	**(444)**		**(444)**
	737,092	Shares sold			(3)			31	**28**		**28**
(10,984,088)		Shares cancelled	(44)	(378)				422	**0**		**0**
		Share-based payments			5				**5**		**5**
		Changes in Group structure			(6)				**(6)**	3	**(3)**
554,846,980	**552,574,120**	**At June 30, 2016**	**2,219**	**6,081**	**10,591**	**(913)**	**147**	**(78)**	**18,047**	**360**	**18,407**

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements reflect the accounting position of Compagnie de Saint-Gobain and its subsidiaries (which together constitute the "Group"), as well as the Group's interest in associate companies and joint ventures. They are expressed in euros rounded to the nearest million.

These consolidated financial statements were adopted on July 28, 2016 by the Board of Directors.

NOTE 1 – ACCOUNTING PRINCIPLES

The interim condensed consolidated financial statements of Saint-Gobain Group have been prepared in accordance with IAS 34 « Interim Financial Reporting». These condensed financial statements do not include all the information required for the annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2015. The consolidated financial statements have been prepared using the historical cost convention, except for certain assets and liabilities that have been measured using the fair value model as explained in these notes.

1.1. Estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the balance sheet and the disclosure of contingent assets and liabilities in the notes to the financial statements, as well as the reported amounts of income and expenses during the period. These estimates and assumptions are based on past experience and on various other factors seen in the prevailing deteriorated economic and financial environment, which makes it difficult to predict future business performance. Actual amounts may differ from those obtained through the use of these estimates and assumptions.

The main estimates and assumptions described in these notes concern asset impairment tests (note 5 "Intangible assets and Property, plant and equipment"), the measurement of employee benefit obligations (note 4 "Personnel expenses and benefits"), deferred taxes (note 9 "Income taxes"), provisions for other liabilities and charges (note 6 "Other current and non-current liabilities and provisions, contingent liabilities and litigation"), the valuation of financial instruments (note 7 "Financing and financial instruments") and share-based payments (Note 4 "Personnel expenses and benefits").

The accounting valuation methods applied by the Group in the interim condensed consolidated financial statements are similar to those used to prepare the financial statements for the year ended December 31, 2015. The specific accounting valuation methods applied relate to income tax and employee benefits.

1.2. Standards applied

The Group's consolidated financial statements are established in compliance with international accounting standards ("IFRS") and interpretations as adopted by the European Union as of June 30, 2016. Moreover, these financial statements have been prepared according to the IFRS issued by the International Accounting Standards Board (IASB). The standards adopted by the European Union can be consulted on the website of the European Commission: http://ec.europa.eu/finance/accounting/ias/index_en.htm

1.2.1. Standards, interpretations and amendments to existing standards applicable to January 1, 2016

Standards, interpretations and amendments to following existing standards, have no significant impact on the half-year financial statements of the Group.

- Amendment to IAS 1 « Disclosure requirements for assessment of going concerns»;
- Amendment to IAS 16 and IAS 38 « Plant, equipment and intangible assets – Revaluation method – proportionate restatement of accumulated depreciation/amortization»;
- Amendment to IAS 19 « Employee benefits»;
- Amendment to IFRS 11 « Recognition of acquisitions of interests in joint ventures»;
- Amendment to IAS 27 « Use of the equity method in corporate financial statements»;
- Amendment to IFRS 2 « Share-based payment – Definitions of vesting conditions » (for share-based compensation allocated on or after July 1, 2014 – prospective application);

- Amendment to IFRS 3 « Business combinations - Accounting for contingent consideration in a business combination» (for business combinations created on or after July 1, 2014 – prospective application);
- Amendment to IFRS 5 « Non-current assets held for sale – change in methods of disposals» ;
- Amendment to IFRS 7 « IFRS 7 – Financial instruments: Reporting on management mandates and applicability of the changes in IFRS 7 to condensed interim financial statements» ;
- Amendment to IFRS 8 « Operating segments – Reconciliation of the total of the reportable segments' assets to the entity's assets» ;
- Amendment to basis for conclusion IFRS 13 « Short-term receivables and payables» ;
- Amendment to IAS 24 « Related party disclosures - Key management personnel» ;
- Amendment to IAS 34 « Interim financial information – Information provided "elsewhere in the interim financial report"».

1.2.2. Standards, interpretations and amendments to existing standards applicable in advance to period beginning on January 1, 2016

No new standard, interpretation or amendment has been adopted by the European Union on June 30, 2016.

NOTE 2 – SCOPE OF CONSOLIDATION

2.1. Accounting principles for scope of consolidation

The Group's consolidated financial statements include the accounts of Compagnie de Saint-Gobain and of all companies controlled by the Group, as well as those of jointly controlled companies and companies over which the Group exercises significant influence.

2.2. Changes in consolidation

Significant changes in the Group's scope of consolidation during half-year 2016 and annual 2015 are presented below.

2.2.1. Transactions carried out during half-year 2016

During the first half 2016, the Group did not make any significant transactions (acquisitions with takeover or significant disposals).

2.2.2. Transactions carried out in 2015

a) Sale of the Packaging Sector

Following the announcement made on June 8, 2015, Saint-Gobain Group sold the Packaging Sector on October 29, 2015 to funds managed by affiliates of Apollo Global Management, LLC and BPI France, which currently hold 90% and 10% of the share capital respectively. The sale was made on the basis of an enterprise value of €2,945 million.

As a result, and in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the net income from discontinued operations included net income of Packaging Sector until the date of sale and capital gains on disposals realized in respect of the Packaging Sector in 2015.

b) Other changes in the scope of consolidation

In addition to the sale of the Packaging Sector, Saint-Gobain Group continued in 2015 to actively manage its portfolio of businesses, fully in line with the Group's strategy. In particular, Saint-Gobain Group signed an agreement to sell its Norandex distribution business in the United States to ABC Supply Co Inc, the leading distributor of roofing and siding products in the United States.

Various acquisitions have been executed in order to strengthen the Group's profile in high added-value businesses and growing markets.

2.2.3. Plan to acquire control of Sika

During the first-half of 2016 Saint-Gobain proceeded with its plan to acquire control of Sika, as outlined in section 4.3 of chapter 2 of the 2015 Registration Document.

2.3. Changes in the number of consolidated companies

As of December 31, 2015, there were 851 consolidated companies, 96 of which were accounted by the equity method. On June 30, 2016, there was no significant variance in the number of consolidated companies.

The list of the principal consolidated subsidiaries can be found in note 12 « Principal consolidated companies » of the 2015 consolidated financial statements.

2.4. Off-balance sheet commitments related to the Group's scope of consolidation

As of June 30, 2016, commitments for irrevocable purchases included the commitment on the equity interests of the Sika Group for the amount of €2,383 million.

NOTE 3 – INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES

3.1. Income statement components

3.1.1. Business income

Business income is detailed by type below:

(in EUR million)	First-half 2016	First-half 2015
Net sales	**19,549**	**19,860**
Personnel costs :		
Salaries and payroll taxes	(3,980)	(3,938)
Share-based payments [(a)]	(15)	(11)
Pensions [(a)]	(106)	(82)
Depreciation and amortization	(589)	(611)
Share of net income of business associates	14	20
Other [(b)]	(13,505)	(13,963)
Operating income	**1,368**	**1,275**
Other business income [(c)]	15	14
Other business income	**15**	**14**
Restructuring costs [(d)]	(86)	(70)
Provisions and expenses relating to claims and litigation [(e)]	(56)	(73)
Impairment of assets and other business expenses [(f)]	(47)	(55)
Other [(g)]	(38)	(11)
Other business expense	**(227)**	**(209)**
Business income	**1,156**	**1,080**

(a) Share-based payments (IFRS 2 expense) and the details of changes in pension are detailed in Note 4 "Personnel expenses and benefits";

(b) This item corresponds to Building Distribution Sector cost of sales, supplier discounts and selling expenses and to transport costs, raw materials costs, and other production costs in the other Sectors. It also includes research and development costs recognized in operating expenses, amounting to €218 million in first-half 2016 (€226 million in first-half 2015);

(c) In first-half 2016 and 2015, this item primarily represented the capital gains on disposals of property, plant and equipment and intangible assets;

(d) In first-half 2016, restructuring costs mainly consisted of employee termination benefits totaling €46 million (€39 million in first-half 2015);

(e) In both 2016 and 2015, provisions and reversals and expenses related to litigation, corresponded to the most part for asbestos-related litigation explained in Note 6 "Other current and non-current liabilities and provisions, contingent liabilities and litigation";

(f) In first-half 2016, other operating expenses includes losses on disposal of asset and scrapping for €24 million (€24 million in first-half 2015);

Impairment losses on assets in first-half 2016, included €19 million on intangible assets and property, plant and equipment (€17 million in first-half 2015) and no significant amount in first-half 2016 of depreciations on goodwill, financial assets or current assets (€7 million in first-half 2015);

(g) In first-half 2016, the item «Other » corresponded to the most part for environment-related litigation explained in Note 6 "Other current and non-current liabilities and provisions, contingent liabilities and litigation".

3.2. Segment information

In compliance with IFRS 8, segment information is presented by Sector and Activity, in accordance with the organization and the internal presentation of the Group. There were no changes in the presentation of segment information compared with previous years.

Capital expenditure does not include the cost of acquiring non-current assets under finance leases.

Segment information is presented as follows:

- Innovative Materials (IM) Sector
  - Flat glass
  - High-Performance Materials (HPM)
- Construction Products (CP) Sector
  - Interior Solutions: Insulation and Gypsum
  - Exterior Solutions: Industrial Mortars, Pipe and Exterior Fittings
- Building Distribution Sector

Management uses several different internal indicators to measure operational performance and to make resources allocation decisions. These indicators are based on the data used to prepare the consolidated financial statements and meet financial reporting requirements. Intragroup ("internal") sales are generally carried out on the same terms as sales to external customers and are eliminated in consolidation. The column "Other" includes the holding companies and certain corporate support functions (tax, cash management, purchasing, etc.).

Segment information for half-year 2016 by Sector and Activity are as follows:

First-half 2016	**INNOVATIVE MATERIALS**				**CONSTRUCTION PRODUCTS**				**BUILDING DISTRIBUTION**	**Other***	**Total**
(in EUR million)	Flat glass	High Performance Materials	Intra-segment Eliminations	Total	Interior Solutions	Exterior Solutions	Intra-segment Eliminations	Total			
External sales	2,642	2,203		4,845	2,987	2,605		5,592	9,102	10	19,549
Internal sales	14	61	(8)	67	310	148	(42)	416	2	(485)	0
Net sales	2,656	2,264	(8)	4,912	3,297	2,753	(42)	6,008	9,104	(475)	19,549
Operating income /(loss)	234	318		552	335	229		564	253	(1)	1,368
Business income/(loss)	177	285		462	319	209		528	219	(53)	1,156
Share in net income/(loss) of associates	8	1		9	4	2		6	0	1	16
Depreciation and amortization	135	81		216	156	75		231	127	15	589
Impairment of assets	16	0		16	0	2		2	1		19
Capital expenditure	102	74		176	111	53		164	69	19	428
Cash flow from operations				502				420	191	147	1,260
EBITDA	369	399		768	491	304		795	380	14	1,957

* "Other" corresponds to the elimination of intragroup transactions for internal sales, and holding company transactions for the other captions.

Segment information for half-year 2015 by Sector and Activity are as follows:

First-half 2015	**INNOVATIVE MATERIALS**				**CONSTRUCTION PRODUCTS**				**BUILDING DISTRIBUTION**	**Other***	**Total**
(in EUR million)	Flat glass	High Performance Materials	Intra-segment Eliminations	Total	Interior Solutions	Exterior Solutions	Intra-segment Eliminations	Total			
External sales	2,616	2,239		4,855	2,906	2,757		5,663	9,337	5	19,860
Internal sales	17	58	(8)	67	291	156	(31)	416	1	(484)	0
Net sales	2,633	2,297	(8)	4,922	3,197	2,913	(31)	6,079	9,338	(479)	19,860
Operating income /(loss)	194	310		504	288	241		529	242	0	1,275
Business income/(loss)	181	282		463	258	217		475	196	(54)	1,080
Share in net income/(loss) of associates	15	1		16	3	2		5	0	(1)	20
Depreciation and amortization	153	74		227	160	76		236	132	16	611
Impairment of assets	2	3		5	9	7		16	1	0	22
Capital expenditure	91	74		165	110	73		183	82	27	457
Cash flow from operations				465				415	188	127	1,195
EBITDA	347	384		731	448	317		765	374	16	1,886

* "Other" corresponds to the elimination of intragroup transactions for internal sales, and holding company transactions for the other captions.

3.3. Information by geographic area

Segment information for half-year 2016 by geographic area are as follows:

First-half 2016 *(in EUR million)*	**France**	**Other Western European countries**	**North America**	**Emerging countries and Asia**	**Internal sales**	**TOTAL**
Net sales	5,270	8,660	2,674	3,956	(1,011)	**19,549**
Operating income /(loss)	124	513	310	421		**1,368**
Business income/(loss)	90	465	226	375		**1,156**
Capital expenditure	81	108	81	158		**428**
Cash flow from operations	89	505	211	455		**1,260**
EBITDA	265	697	399	596		**1,957**

Segment information for half-year 2015 by geographic area are as follows:

First-half 2015 *(in EUR million)*	**France**	**Other Western European countries**	**North America**	**Emerging countries and Asia**	**Internal sales**	**TOTAL**
Net sales	5,282	8,574	2,738	4,219	(953)	**19,860**
Operating income /(loss)	136	460	259	420		**1,275**
Business income/(loss)	107	393	200	380		**1,080**
Capital expenditure	69	107	119	162		**457**
Cash flow from operations	90	470	200	435		**1,195**
EBITDA	287	650	349	600		**1,886**

3.4. Performance indicators

3.4.1. EBITDA

EBITDA amounted to €1,957 million in first-half 2016 (€1,886 million in first-half 2015). It is calculated as follows:

(in EUR million)	**First-half 2016**	**First-half 2015**
Operating income	1,368	1,275
Depreciation of property, plant and equipment and intangible assets	589	611
EBITDA	**1,957**	**1,886**

3.4.2. Recurring net income

Recurring net income from continuing operations totaled €624 million in first-half 2016 (€552 million in first-half 2015). Based on the weighted average number of shares outstanding at June 30 (556,459,337 shares in 2016, 561,292,118 shares in 2015), it represents current net earnings per share of €1.12 in first-half 2016 versus €0.98 in first-half 2015.

The difference between net income and recurring net income can be analysed as follows:

(in EUR million)	**First-half 2016**	**First-half 2015**
Group share of net income from continuing operations	**596**	**493**
Less:		
Gains and losses on disposals of assets	(9)	(10)
Impairment of assets and acquisition costs incurred in connection with business combinations	(23)	(31)
Provision for anti-trust litigation and other non-recurring provisions	(7)	(27)
Impact of minority interest	2	(1)
Tax on capital gains and losses and non-recurring charges to provisions	9	10
Group share of recurring net income from continuing operations	**624**	**552**

3.4.3. Cash-flow from operations

Cash flow from continuing operations totaled €1,260 million in first-half 2016 (€1,195 million in first-half 2015) and cash flow from operations excluding income tax on capital gains and losses and non-recurring provisions from continuing operations amounted to €1,251 million in first-half 2016 (€1,185 million in first-half 2015). It is calculated as follows:

(in EUR million)	**First-half 2016**	**First-half 2015**
Group share of net income from continuing operations	**596**	**493**
Minority interests in net income	14	23
Share in net income of associates, net of dividends received	(8)	(12)
Depreciation, amortization and impairment of assets	608	633
Gains and losses on disposals of assets	9	10
Provision for anti-trust litigation and other non-recurring provision	7	27
Unrealized gains and losses arising from changes in fair value and share-based payments	34	21
Cash flow from operations from continuing operations	**1,260**	**1,195**
Tax on capital gains and losses and non-recurring charges to provisions	(9)	(10)
Cash flow from operations before tax on capital gains and losses and non-recurring provisions from continuing operations	**1,251**	**1,185**

3.5. Working capital

3.5.1. Inventories

As of June 30, 2016 and December 31, 2015, inventories were as follows:

(in EUR million)	**June 30, 2016**	**Dec. 31, 2015**
Gross value		
Raw materials	1,327	1,282
Work in progress	326	284
Finished goods	4,747	4,610
Gross inventories	**6,400**	**6,176**
Provision for impairment		
Raw materials	(141)	(149)
Work in progress	(12)	(13)
Finished goods	(283)	(299)
Total provision for impairment	**(436)**	**(461)**
Net	**5,964**	**5,715**

The net value of inventories was €5,964 million at June 30, 2016 compared with €6,157 million at June 30, 2015 and €5,715 million at December 31, 2015. The increase of inventories mainly reflects seasonal fluctuations in business.

3.5.2. Operating receivables and payables

Operating receivables and payables can be analysed as follows:

(in EUR million)	**June 30, 2016**	**Dec. 31, 2015**
Gross value	6,354	5,201
Provision for impairment	(448)	(450)
Trade accounts receivable	**5,906**	**4,751**
Advances to suppliers	503	504
Prepaid payroll taxes	34	16
Other prepaid and recoverable taxes (other than income tax)	406	323
Other	590	578
Provision for impairment	(11)	(16)
Other receivables	**1,522**	**1,405**
Trade accounts payable	**5,699**	**5,716**
Customer deposits	906	927
Payables to suppliers of non-current assets	141	250
Grants received	91	97
Accrued personnel expenses	1,055	1,107
Accrued taxes other than on income	594	394
Other	700	673
Other payables	**3,487**	**3,448**

The increase in trade accounts receivable during the first-half 2016 is primarily attributable to seasonal fluctuations in business. For reminder, the net value of the trade accounts receivable was €5,990 million at June 30, 2015.

3.6. Off-balance sheet commitments related to operating activities

Changes in commitments under operating leases in first-half 2016 were not material. At June 30, 2016, they amounted to €2,993 million. Non-cancelable purchase commitments decreased by €197 million including commitments on energy. At June 30, 2016, pledged assets amounted to €460 million (€674 million at December 31, 2015). This item mainly concerned fixed assets in the United Kingdom.

NOTE 4 – PERSONNEL EXPENSES AND BENEFITS

4.1. Provisions for pensions and other employee benefits

4.1.1. Description of defined benefit plans

The Group's principal defined benefit plans are identical to those mentioned in the consolidated financial statements of December 31, 2015.

4.1.2. Actuarial assumptions use to measure defined benefit obligations and plan assets

4.1.2.1. Rate assumptions

Assumptions related to mortality, employee turnover and future salary increases take into account the economic conditions specific to each country or Group company.

The assumptions used to estimate the result of the first-half 2016 for the main plans were as follows:

	France	Other European countries		United States
(in %)		Eurozone	United Kingdom	
Discount rate	2.40%	2.40%	3.80%	4.25%
Salary increases	2.50%	1.50% to 2.60%	2.00%*	3.00%
Return on plan assets	2.40%	2.40%	3.80%	4.25%
Inflation rate	1.70%	1.50% to 1.90%	2.05%	2.50%

*Ceiling on reference salaries to calculate rights.

The change in the interest rates applied to calculate pension obligations has been resulted in:

- changes in discount rates: the Euro zone rate was changed from 2.40% to 1.50%, the UK rate from 3.80% to 3.10% and the US rate from 4.25% to 3.50%;

- in the UK zone, the inflation rate was changed from 2.05% to 1.85%.

As these three regions account for almost all of the pension obligations, the discount and inflation rates adjustments led to €1,162 million increase in the obligation and related provision.

Sensitivity calculations were not updated at June 30, 2016; if they had been, the results would not have been materially different to the analyses presented in the 2015 Annual Report (in note 4 «Employees, personnel expenses and benefits» to the consolidated financial statements).

The actual return on plan assets for almost all plans amounted to €1,014 million. This was €885 million more than the expected return mainly in UK, leading to a decrease in the provision of the same amount.

4.1.3. Change in pension and other post-employment benefit obligations

4.1.3.1. Net book value of the provisions

Provisions for pension and other social commitments consist of the following:

(in EUR million)	June 30, 2016	Dec. 31, 2015
Pension commitments	3,072	2,919
Length-of-service awards	374	333
Post-employment healthcare benefits	493	451
Total provisions for pensions and other post-employment benefit obligations	**3,939**	**3,703**
Healthcare benefits	27	28
Long-term disability benefits	20	19
Other long-term benefits	96	99
Provisions for pensions and other employee benefits	**4,082**	**3,849**

Provisions for all other long-term benefits totaled €143 million as at June 30, 2016 (€146 million at December 31, 2015).

The following table shows defined benefit obligations under pensions and other post-employment benefit plans and the related plan assets:

(in EUR million)	**June 30, 2016**	**Dec. 31, 2015**
Provisions for pensions and other post-employment benefit obligations - liabilities	3,939	3,703
Pension plan surpluses - assets	(52)	(63)
Net pension and other post-employment benefit obligations	**3,887**	**3,640**

4.1.3.2. Changes in pension and other post-employment benefit obligations, excluding other employee benefits

Changes in pension and other post-employment benefit obligations excluding other employee benefits are as follows:

(in EUR million)	**Net pension obligations**
At January 1, 2016	**3,640**
Movements during the period	
Service costs	94
Interest costs	53
Actuarial gains and losses recognized during the period*	277
Contributions to plan assets and benefit payments	(129)
Translation adjustments and other	(48)
Total movements	**247**
At June 30, 2016	**3,887**

*The total impact on equity is a decrease of €277 million before tax (€137 million after tax).

4.2. Share-based payments

4.2.1. Group Savings Plans (PEG)

During the first-half 2016, Saint-Gobain Group has implemented a new PEG. The terms of the 2016 PEG are identical to the 2015 PEG and are described in note 4 «Employees, personnel expenses and benefits» of the 2015 consolidated financial statements.

In 2016, 4,653,810 new shares with a par value of €4 were issued to employees under the PEG at an average subscription price of €29.42 (2015: 4,449,939 shares at an average price of €32.44), representing a share capital increase of a global amount of €136 million (€144 million in 2015).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2016 and 2015:

	2016	2015
Plan characteristics		
Date of Shareholders' Meeting	June 4, 2015 (17th Resolution)	June 6, 2013 (16th Resolution)
Date of the Chief Executive Officer's decision fixing the subscription price	March 21	March 23
Plan duration (in years)	5 or 10	5 or 10
Reference price (in EUR)	36.77	40.54
Subscription price (in EUR)	29.42	32.44
Discount (in %)	20.00%	20.00%
Total discount on the date of the Chief Executive Officer's decision (in %) (a)	21.94%	20.02%
Employee investments (in EUR million)	136.9	144.4
Total number of shares subscribed	4,653,810	4,449,939
Valuation assumptions		
Interest rate applicable to employees*	5.00%	5.40%
5-year risk-free interest rate	-0.15%	0.05%
Repo rate	0.50%	0.46%
Lock-up discount (in %) (b)	22.92%	23.42%
Total cost to the Group (in %) (a-b)	-0.98%	-3.40%

*A 0.5-point decline in borrowing costs for the employee would have no impact on the 2016 cost as calculated in accordance with IFRS 2.

The plan cost recorded in the income statement amounted to €0 in 2016 and 2015, net of the lock-up cost for employees of €26 million (€24 million in 2015).

4.2.2. Stock option plans

Compagnie de Saint-Gobain has stock option plans available to certain employees. No stock options were granted in the first-half of 2016. Under IFRS 2, the expense attributable to the amortization of stock options granted under previous plans totaled €1 million in first-half 2016 and 2015.

4.2.3. Performance shares and performance unit plans

a) Performance share plans

Various performance share plans subject to performance conditions have been set up by Saint-Gobain since 2009. No new plans were set up in first-half 2016.

The expense recognized during the period in respect of the earlier plans amounted to €4 million (€3 million in first-half 2015).

b) Performance unit plans

Performance unit plans have been set up since 2012. The units are subject to service and performance conditions. The units will not give rise to the allocation of new or existing shares of the Company, but will entitle grantees to deferred cash compensation determined by reference to the Company's share price. No new plans were set up in first-half 2016.

The expense recognized in first-half 2016 in respect of these plans amounted to €10 million (€7 million in first-half 2015).

NOTE 5 – INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Changes in goodwill, intangible assets and property, plant and equipment in first-half 2016 were as follows:

(in EUR million)	Goodwill	Other intangible assets	Property, plant and equipment	Total intangible and tangible assets
At January 1, 2016				
Gross value	12,180	4,590	31,606	48,376
Accumulated impairment and depreciation	(1,497)	(1,842)	(20,019)	(23,358)
Net	**10,683**	**2,748**	**11,587**	**25,018**
Movements during the period				
Acquisitions	0	52	428	480
Disposals	0	0	(26)	(26)
Translation adjustments	(276)	(113)	(61)	(450)
Amortization and impairment	0	(46)	(562)	(608)
Changes in Group structure and reclassifications	50	0	7	57
Total movements	**(226)**	**(107)**	**(214)**	**(547)**
At June 30, 2016				
Gross value	11,921	4,497	31,403	47,821
Accumulated impairment and depreciation	(1,464)	(1,856)	(20,030)	(23,350)
Net	**10,457**	**2,641**	**11,373**	**24,471**

5.1. Goodwill

In first-half 2016, “Changes in Group structure and reclassifications” essentially represent newly consolidated companies. The first-half 2016 current translation differences primarily include the impacts of the foreign exchange variation in the pound sterling.

At June 30, 2016 and at December 31, 2015, the net values of goodwill by Sector and business are detailed as follows:

(in EUR million)	June 30, 2016	Dec. 31, 2015
Flat Glass	206	209
High Performance Materials	1,573	1,597
Construction Products	5,846	5,957
Building Distribution	2,832	2,920
Total	**10,457**	**10,683**

Goodwill is allocated to Construction Product Sector and chiefly relates to the Gypsum (€3,406 million at June 30, 2016) and Industrial Mortars activities (€1,923 million at June 30, 2016) and in the businesses of the Building Distribution Sector, particularly in the United Kingdom, France and Scandinavia.

5.2. Other intangible assets

The breakdown of non-amortizable brands by Sector is provided in the segment information tables in Note 3 “Information concerning the Group’s operating activities” of the 2015 consolidated financial statements.

5.3. Property, plant and equipment

Changes in Group structure and other movements were not material.

5.4. Finance leases and operating leases

In first-half 2016, other movements in property, plant and equipment included assets acquired under finance leases for an amount of €10 million (€17 million at December 31, 2015). These finance lease agreements are not included in the cash flow statement, in accordance with IAS 7. At the end of the period, total property, plant and equipment acquired under finance leases amounted to €67 million (€67 million at December 31, 2015).

5.5. Impairment review

Impairment test for CGUs

When the annual impairment test reveals that the recoverable amount is lower than its carrying amount, an impairment loss is recognized.

Impairment losses on goodwill can never be reversed through income. For property, plant and equipment and other intangible assets, an impairment loss recognized in prior periods may be reversed, taking into account adjustment of amortization, if there is an indication that the impairment no longer exists and that the recoverable amount of the asset concerned exceeds its carrying amount.

During the impairment tests, different assumptions measuring the method's sensitivity are systematically tested using the following parameters:

- **0.5 point increase or decrease in the discount rate applied to cash flows;**
- **0.5 point increase or decrease in the annual average rate of growth in cash flows projected to perpetuity;**
- **1 point decrease in the operating profit rate for industrial activities and of 0.5 points for distribution activities.**

At December 31, 2015, a 0.5 point increase in the discount rate for all the CGUs would lead to approximately €61 million in additional write-downs of intangible assets, while the impact of a 0.5 point decrease in the average annual cash flow growth rate, projected to perpetuity and applied to all the CGUs, would result in additional write-downs of intangible assets of around €45 million. The impact of a 1 point decrease in the operating profit rate for all industrial CGUs would have generated additional write-downs of the Group's intangible assets of roughly €118 million, and a 0.5 point decrease of the rate for distribution activities would have generated an additional write-down of €109 million.

(in EUR million)	Impact of			
	+0.5% in the discount rate applied to cash flows	**-0,5% in the growth rate**	**-1 point in the operating profit rate**	**-0.5 point in the operating profit rate**
Flat Glass*	(20)	(11)	(28)	(66)
High Performance Materials				
Construction Products			(90)	
Building Distribution	(41)	(34)		(43)
Total	**(61)**	**(45)**	**(118)**	**(109)**

* The €66 million refers solely to the distribution activity of Flat Glass (Glassolutions).

The breakdown of asset impairment by Sector for first-half 2016 and 2015 is indicated in the segment information tables in note 3 «Information concerning the Group's operating activities».

In the first-half 2016, there were no impairments loss on asset accounted for CGUs.

NOTE 6 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS, CONTINGENT LIABILITIES AND LITIGATION

6.1. Provisions for other liabilities

The breakdown by type and change of other provisions and current and non-current liabilities are as follows:

(in EUR million)	Provisions for claims and litigation	Provisions for environmental risks	Provisions for restructuring costs	Provisions for personnel costs	Provisions for customer warranties	Provisions for other contingencies	Total provisions for other liabilities	Investment-related liabilities	Total
At January 1, 2016									
Current portion	127	39	67	27	130	60	**450**	4	**454**
Non-current portion	468	124	72	56	125	247	**1,092**	184	**1,276**
Total provisions for other debts and investment-related liabilities	**595**	**163**	**139**	**83**	**255**	**307**	**1,542**	**188**	**1,730**
Movements during the period									
Additions	63	21	32	16	27	30	**189**		**189**
Reversals	(4)	(1)	(5)	(4)	(10)	(6)	**(30)**		**(30)**
Utilizations	(58)	(11)	(37)	(6)	(26)	(17)	**(155)**		**(155)**
Changes in Group structure	0	0	0	0	0	0	**0**		**0**
Other (reclassifications and translation adjustments)	(10)	0	(3)	3	(7)	7	**(10)**	2	**(8)**
Total movements during the period	**(9)**	**9**	**(13)**	**9**	**(16)**	**14**	**(6)**	**2**	**(4)**
At June 30, 2016									
Current portion	98	45	60	29	123	68	**423**	5	**428**
Non-current portion	488	127	66	63	116	253	**1,113**	185	**1,298**
Total provisions for other debts and investment-related liabilities	**586**	**172**	**126**	**92**	**239**	**321**	**1,536**	**190**	**1,726**

6.2. Contingent liabilities and litigation

The legal risks to which the Group is most exposed are detailed below:

6.2.1. Asbestos-related litigation

6.2.1.1. Asbestos-related litigation in France

a) Inexcusable fault lawsuits

In France, further individual lawsuits were filed in first-half 2016 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM – which in the past had carried out fiber-cement operations – for asbestos-related occupational diseases they have or had. As at June 30, 2016, a total of 801 such lawsuits had been issued against the two companies since 1996 with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect.

As of June 30, 2016, 748 of these 801 lawsuits had been completed in terms of both liability and quantum. In all these cases, the employers were held liable on the grounds of "inexcusable fault".

Compensation paid by Everite and Saint-Gobain PAM in settlement of these lawsuits totaled approximately €1.7 million.

Concerning the 53 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2016, the merits of one has been decided but the compensation awards has not yet been made, pending Appeal Court ruling. A further 13 of these 53 lawsuits have been completed in terms of both liability and quantum, but liability for the payment of compensation has not yet been assigned.

Out of the 39 remaining lawsuits, at June 30, 2016, the procedures relating to the merits of 38 cases were at different stages, with 4 in the process of being investigated by the French Social Security authorities and 34 pending before the Social Security courts. The last action has been canceled but the plaintiff may request its restoration at any time within a two-year period.

In addition, as of June 30, 2016, 216 similar suits had been filed since the outset of the litigation by current or former employees of thirteen other French companies of the Group (excluding suits against companies that are no longer part of the Group), in particular by current or former employees who used equipment containing asbestos to protect themselves against heat from furnaces.

As of June 30, 2016, 159 lawsuits had been completed. In 86 of these cases, the employer was held liable for inexcusable fault.

The compensation definitively paid by these companies totaled approximately €2.2 million.

With regard to the 57 suits outstanding at June 30, 2016, one case was still at the investigation stage by the French Social Security authorities, 41 were being investigated - including 26 pending before the Social Security courts and 15 before the Appeal Courts.– In addition, 9 suits had been completed in terms of liability but are still pending with regard to the quantum and/or liability for paying the compensation, of which one before the Social Security Court, 7 before the Appeal Courts and one before the Court of Cassation. The 6 remaining suits have been canceled but the plaintiffs may request their restoration at any time within a two year period.

b) Anxiety claims

Eight of the Group's French companies, including six that operate or have operated facilities classified as containing asbestos, are subject of damages claims that are different from those described above.

"Facilities classified as containing asbestos" are defined as industrials facilities, that have been closed or are still operating, which previously manufactured materials containing asbestos or used protection and insulation equipment containing asbestos and are included by ministerial decree on the official list of facilities whose current or former employees are entitled to the early-retirement benefits paid to asbestos workers (ACAATA).

At June 30, 2016, a total of 822 suits had been brought by current or former employees claiming compensation for various damages suffered as a result of their alleged exposure to asbestos. None of these plaintiffs were suffering from an asbestos-related disease and some of them were not receiving the ACAATA benefit. Of these 822 suits, 519 have been terminated. Three plaintiffs had their claims dismissed, while 496 others were recognized as having been exposed to an asbestos risk, and their claims were accepted, leading to payment of total compensation of €5.5 million. Of the remaining 303 suits, 97 are pending before the competent Appeal Courts, 126 before the competent labor tribunals ("*bureau de jugement des Conseils de prud'hommes*"), 5 are pending before the Court of Cassation and 58 have been canceled but the plaintiffs may request their restoration at any time during a period of two years. Finally, 6 suits have been dismissed by the competent labor tribunals and 11 plaintiffs have withdrawn the action they initiated.

It should be clarified that the figures above do not take into account suits filed against companies that are no longer part of the Group.

6.2.1.2. Asbestos-related litigation in the United States

In the United States, several companies that once manufactured products containing asbestos such as asbestos-cement pipes, roofing products, specialized insulation or gaskets, are facing legal action from persons other than their employees or former employees. These claims for compensatory – and in some cases punitive – damages are based on alleged exposure to the products, although in many instances the claimants cannot demonstrate any specific exposure to one or more products, or any specific illness or physical disability. The vast majority of these claims are made simultaneously against many other non-Group entities that have been manufacturers, distributors, installers or users of products containing asbestos.

The estimated number of new asbestos-related claims filed against CertainTeed in the United States in the first-half of 2016 came to approximately 1,700. On a rolling 12 month basis, new claims remain stable at approximately 2,900 at end-June 2016 compared to 3,200 end-December 2015.

Some 2,100 claims were resolved in the first six months of 2016, bringing the total number of outstanding claims to approximately 35,200 at June 30, 2016, slightly down from 35,600 at December 31, 2015 and down from 37,000 at December 31, 2014.

An additional estimated provision of USD 50 million was recorded in the consolidated financial statements for the first-half of 2016 in relation to CertainTeed's asbestos claims. As in every year since 2002, a precise assessment of the provision required for the full year will be performed at the year-end.

Total compensation paid for claims against CertainTeed (including claims settled prior to June 30, 2015 but only paid during the past twelve-months and those fully resolved during the past twelve-months), as well as compensation paid (net of insurance coverage) during the twelve-month period ending June 30, 2015 by other U.S. Group businesses involved in asbestos litigation, amounted to about USD 89 million, versus USD 65 million in full year 2015.

6.2.1.3. Situation in Brazil

In Brazil, former employees of Group companies suffering from asbestos-related occupational illness linked to asbestos are offered, depending on the case, solely financial compensation, or otherwise lifetime medical assistance combined with financial compensation; only a small number of former employee litigants or their legal successors were outstanding at June 30, 2016, and they do not present a material risk for the subsidiaries concerned.

6.2.2. Competition law and related proceedings

6.2.2.1. Investigation by the Swiss Antitrust Commission in the sanitary products wholesale

In November 2011, the Swiss Antitrust Commission (*Commission Suisse de la Concurrence*) opened an investigation for anti-competitive practices in the sanitary products wholesale sector. In May 2014, the Commission Secretariat issued a notification of complaints against Sanitas Troesch and against other wholesalers in the sector. According to this notification, the Secretariat requested the Commission to declare a fine of approximately CHF 117 million on Sanitas Troesch, on grounds that Sanitas Troesch and some of its competitors had, among other things, agreed in 2005 and 2012 to lower gross prices.

The Commission stated in a press release dated July 3, 2015 that the total fine decided against all the companies involved will be CHF 80 million. For Sanitas Troesch, the fine is CHF 28.5 million. On May 2, 2016, Sanitas Troesch filed an appeal against this decision. Sanitas Troesch continues to firmly refute the claims made; however a provision for litigation was recognized at December 31, 2015 for an amount equivalent to the amount of the fine, unchanged on June 30, 2016.

6.2.2.2. Investigation by the French Competition Authority in the building insulation products sector

On August 6, 2014, Saint-Gobain Isover and Compagnie de Saint-Gobain (as the parent company of Saint-Gobain Group) received a notice of complaints from the French Competition Authority (*Autorité de la Concurrence française*). The only complaint made was of having exchanged allegedly strategic and confidential information, between 2002 and 2007, relating to a certification request lodged by Actis for one of its products, and to a dispute before the Versailles Commercial Court between Actis and the mineral wool manufacturers' association (FILMM), of which Saint-Gobain Isover was a member.

Saint-Gobain Isover and Compagnie de Saint-Gobain are challenging this complaint and submitted their statement of defense on November 6, 2014. After receiving the report of the Competition Authority on August 10, 2015, the two companies issued their pleadings in response on October 29, 2015. The hearing before the Competition Authority was held on May 11, 2016. Saint-Gobain Isover and Compagnie de Saint-Gobain are now waiting for the decision of the Competition Authority.

In the civil law area, in March 2013 Actis served a civil liability writ on Saint-Gobain Isover, the *Centre Scientifique et Technique du Bâtiment*, and the FILMM before the Paris Civil Court (*Tribunal de Grande Instance*) for the adverse consequences of facts forming the subject of the investigation by the Competition Authority. In an order dated December 16, 2014, the pre-trial judge declared a stay of proceedings while waiting for the decision from the Competition Authority.

6.2.2.3. Investigation by the Anti-trust Division of the United States Department of Justice in the United States drywall industry

In July 2015, the Anti-trust division of the United States Department of Justice opened a criminal investigation into potential anti-competitive practices, specifically a price agreement, in the United States drywall industry. This investigation followed complaints filed in late 2012 in the form of class actions in the civil courts against eight drywall manufacturers in the sector, including CertainTeed, by some of their customers.

On the basis of testimony and documents submitted in the civil proceedings, CertainTeed and its attorneys have not identified any element that might create liability for CertainTeed, and as a result filed a motion for summary judgment in May 2015 in order to end the civil proceedings. This application was accepted on February 18, 2016 by the competent court. An appeal against this decision is still possible.

6.2.3. Environment-related litigation

6.2.3.1. PFOA matters in the United States

Levels of PFOA (perfluorooctanoic acid) in excess of U.S. Environmental Protection Agency (EPA) or state health advisories have been found in municipal water systems and private wells near current Saint-Gobain Performance Plastics (SG PPL) facilities in Hoosick Falls (New York) and Merrimack (New Hampshire), and a former facility in North Bennington (Vermont) in the United States. PFOA and PTFE (polytetrafluorethylene) have never been manufactured by these plants. SG PPL is a processor of PTFE which it purchases from third party suppliers and that contained in the past traces of PFOA.

The scope of responsibility for SG PPL arising from environmental remediation and clean-up obligations at these sites has not yet been established, and responsibility, if any, is expected to be shared with other parties. It is not possible at this time to estimate the extent of the financial obligations that SG PPL will be required to incur.

PFOA-related lawsuits alleging both health-related and economic damages claims have been filed in civil courts in the United States in the form of proposed class actions. SG PPL intends to contest all of these cases vigorously. It is difficult to predict the timing or outcome of any such litigation, or whether any additional litigation will be brought against SG PPL.

On 30 June 2016, the Company established a provision in the amount of $10 million in connection with, in particular, defense costs.

6.2.4. Other proceedings and disputes

The main risks and uncertainties that the Group could face in the second semester of 2016 are those described in section 1 “Risks factors” of Chapter 6 of the 2015 registration document of April 4, 2016, filed with the French financial markets authority (*Autorité des Marchés Financiers*) under number D.16-0265 (the “ 2015 Registration Document”). There has not been any significant change in these risk factors in the first-half of 2016.

NOTE 7 – FINANCING AND FINANCIAL INSTRUMENTS

7.1. Financial result

Financial result for the first-half 2016 and 2015 includes:

(in EUR million)	First-half 2016	First-half 2015
Borrowing costs, gross	(197)	(228)
Income from cash and cash equivalents	10	15
Borrowing costs, net	**(187)**	**(213)**
Interest cost - pension and other post-employment benefit obligations	(196)	(196)
Return on plan assets	142	148
Interest cost - pension and other post-employment benefit obligations - net	**(54)**	**(48)**
Other financial expense	(55)	(75)
Other financial income	9	8
Other financial income and expense	**(46)**	**(67)**
Net financial expense	**(287)**	**(328)**

7.2. Net debt

7.2.1. Long- and short-term liabilities and borrowings

The Group's long- and short-term debt can be broken down as follows:

(in EUR million)	June 30, 2016	December 31, 2015
Bond issues	5,105	6,663
Perpetual bonds and participating securities	203	203
Long-term securitization	200	200
Other long-term debt	321	264
Total long-term debt (excluding current portion)	**5,829**	**7,330**
Current portion of long-term debt	**2,933**	**2,231**
Short-term financing programs (US CP, Euro CP, NEU CP)	0	0
Short-term securitizations	260	178
Bank overdrafts and other short-term debt	502	438
Short-term debt and bank overdrafts	**762**	**616**
Total gross debt	**9,524**	**10,177**
Cash	(1,141)	(1,232)
Mutual funds and other marketable securities	(1,759)	(4,148)
Cash and cash equivalents	**(2,900)**	**(5,380)**
Total debt, including accrued interest	**6,624**	**4,797**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain is €8.6 billion as of June 30, 2016 (for a recorded book value of €7.7 billion). The fair value of bonds corresponds to the market price on the last day of the semester. For other borrowings, the repayment value has been used.

7.2.2. Debt repayment schedule

The schedule of the Group's gross debt as of June 30, 2016 is as follows:

(in EUR million)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues	EUR	1,949	2,408	1,955	6,312
	GBP	363		661	1,024
	JPY	44			44
	NOK		81		81
Perpetual bonds and participating securities	EUR			203	203
Long-term securitization	EUR	346	200		546
Other long-term debt	All currencies	94	116	205	415
Accrued interests long-term debt	All currencies	137			137
Total long-term debt		**2,933**	**2,805**	**3,024**	**8,762**
Total short-term debt	All currencies	**762**			**762**
Total gross debt		**3,695**	**2,805**	**3,024**	**9,524**

7.2.3. Bonds

On May 31, 2016, Compagnie de Saint-Gobain redeemed the €700 million bond with a coupon of 4.875% that had reached maturity.

7.2.4. Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued 25,000 perpetual bonds with a face value of ECU 5,000, today €5,000.

Up to June 30, 2016, 18,496 perpetual bonds had been bought back and cancelled by the Group, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

The bonds bear interests at a variable rate (average of interbank rates offered by five reference banks for euro six-month deposits).

The perpetual bonds are not redeemable and interests paid on them are classified as a component of finance costs.

7.2.5. Participating securities

In June 1983, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities with a face value of FRF 1,000. Their face value is now €152.45, following their translation into euros in 1999.

A certain number of these participating securities have been bought back over the years. At June 30, 2016, 606,883 securities were outstanding with an aggregate face value of €92.5 million.

The interest on the securities ranges from 75% to 125% of the average corporate bond rate (TMO), based on Saint-Gobain Group’s consolidated income.

In April 1984, Compagnie de Saint-Gobain issued 194,633 non-voting participating securities with a face value of ECU 1,000, now €1,000.

A certain number of these participating securities have been bought back over the years. At June 30, 2016, 77,516 securities were outstanding with an aggregate face value of €77.5 million.

Interest comprises (i) a fixed portion of 7.5% per annum applicable to 60% of the nominal amount of the security, and (ii) a variable portion applicable to the remaining 40% of the nominal amount of the security, which is linked to consolidated net income of the previous year and to the Libor EUR 6-month reference rate + 7/8%.

These participating securities are not redeemable and interests paid on them are classified as a component of finance costs.

7.2.6. Financing programs

The Group has a number of medium- and long-term financing programs (Medium-Term Notes) and short-term financing programs (Commercial Paper and NEU CP).

At June 30, 2016, issuance under these programs was as follows:

(in EUR million)	**Authorized drawings**	**Authorized limits at June 30, 2016**	**Outstanding issues at June 30, 2016**	**Outstanding issues at December 31, 2015**
Medium Term Notes		15,000	7,719	7,719
US Commercial Paper	up to 12 months	901 *	0	0
Euro Commercial Paper	up to 12 months	901 *	0	0
NEU CP	up to 12 months	3,000	0	0

*Equivalent to $1,000 million on the basis of the exchange rate at June 30, 2016

In accordance with market practices, US Commercial Paper, Euro Commercial Paper and Negotiable European Commercial Paper (NEU CP) are generally issued with maturities of one to six months. They are treated as variable interest rate debt because they are rolled over at frequent intervals.

7.2.7. Syndicated lines of credit

Compagnie de Saint-Gobain has various syndicated lines of credit that are intended to provide a secure source of financing for the Group (including as additional backing for its US Commercial Paper, Euro Commercial Paper and NEU CP). They include:

- An initial €1.5 billion syndicated line of credit expiring in December 2017, which was obtained in December 2012. The facility was renegotiated in December 2013 and rolled over until December 2018.

- A second €2.5 billion syndicated line of credit expiring in December 2018, with two one-year rollover options, which was obtained in December 2013. After exercise of two rollover options in December 2014 and December 2015, this syndicated line of credit was extended for two years, putting its maturity to December 2020.

Based on Saint-Gobain Group’s current credit rating for long-term debt issues, the two facilities are not subject to any hard covenants.

Neither of these two lines of credit was drawn down at June 30, 2016.

7.2.8. Receivables securitization programs

The Group has set up two receivables securitization programs, one through its French subsidiary GIE Point-P Finance, and the other through its US subsidiary, Saint-Gobain Receivables Corporation.

The €600 million French program was set up on December 2, 2013. At June 30, 2016, it amounted to €546 million (December 31, 2015: €578 million). Based on observed seasonal fluctuations in receivables included in the program and on the contract’s features, €200 million of this amount was classified as long-term and the balance as current.

The US program was signed up on October 21, 2015 for a maximum amount of $350 million. It amounted to €260 million at June 30, 2016 against €178 million at December 31, 2015.

7.2.9. Bank overdrafts and other short-term debt

This item includes the whole Group bank overdrafts, local short-term bank borrowings taken out by subsidiaries, hedges and accrued interests on short-term debt.

7.2.10. Collateral

At June 30, 2016, €13 million of the Group debt was secured by various non-current assets (mortgages and security pledges).

7.3. Financial instruments

The main derivative instruments used by the Group are:

(in EUR million)	Fair value at June 30, 2016 Derivatives recorded in assets	Derivatives recorded in liabilities	Total	Fair value at December 31, 2015	Nominal value broken down by maturity at June 30, 2016 Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges			**0**	**0**				**0**
Cash flow hedges								
Foreign exchange	218	(10)	208	227	2,887	19		2,906
Interest rate	0	(69)	(69)	(13)	10		397	407
Energy and commodities	3	(2)	1	(9)	27	2		29
Other risks		(5)	(5)	6		67		67
Cash flow hedges - total	**221**	**(86)**	**135**	**211**	**2,924**	**88**	**397**	**3,409**
Derivatives not qualifying for hedge accounting mainly held by Compagnie de Saint-Gobain								
Foreign exchange	7	(5)	2	3	2,135	12		2,147
Interest rate		(4)	(4)	22	40			40
Energy and commodities	1	(1)	0	0	7			7
Derivatives not qualifying for hedge accounting - total	**8**	**(10)**	**(2)**	**25**	**2,182**	**12**	**0**	**2,194**
Total	**229**	**(96)**	**133**	**236**	**5,106**	**100**	**397**	**5,603**

7.3.1. Foreign exchange instrument

- Foreign exchange swaps

The Group uses foreign exchange swaps mainly to convert euro-denominated funds into foreign currencies for cash management purposes.

- Foreign exchange forwards and currency options

Foreign exchange forwards and currency options are used to hedge foreign currency transactions, particularly commercial transactions (purchases and sales) and investments.

7.3.2. Interest rate instruments

- Interest rate swaps

The Group uses interest rate swaps to convert part of its fixed (variable) interest rate bank debt and bond debt to variable (fixed) interest rates.

- Cross-currency swaps

The Group uses cross-currency swaps to convert foreign currency debt (euro debt) into euro debt (foreign currency debt).

7.3.3. Energy and commodity swaps

- Energy and commodity swaps

Energy and commodity swaps are used to hedge the risk of changes in the price of certain purchases used in the subsidiaries' operating activities, particularly energy (fuel oil, natural gas and electricity) purchases.

The derivatives of the Packaging Sector existing on the date it was sold, essentially fuel oil, were kept and reclassified as external transactions. Compagnie de Saint-Gobain has established a collateralization agreement on these transactions.

7.3.4. Other risks

- Equity derivatives

Equity derivatives are used to hedge the risk of changes in Saint-Gobain share price in connection with the performance units-based long-term incentive plan.

7.3.5. Credit value adjustments to derivative instruments

Credit value adjustments to derivative instruments are calculated in accordance with IFRS 13 based on historical probabilities of default derived from calculations performed by a leading rating agency and on the estimated loss given default. At June 30, 2016, credit value adjustments were not material.

7.3.6. Impact on equity of financial instruments qualifying for hedge accounting

At June 30, 2016, the cash flow hedge reserve carried in equity in accordance with IFRS had a credit balance of €147 million, consisting primarily of the following:

- A credit amount of €213 million corresponding to the change in the fair value of the foreign exchange swaps qualified as cash flow hedges for the purchase of control of Sika;
- A debit amount of €41 million for the cross-currency swaps qualified as cash flow hedges to allow the conversion of a bond into euros;
- A debit amount of €16 million corresponding to the change in the fair value of interest rate swaps qualified as cash flow hedges.

Derivatives qualified as cash flow hedges show no material lack of effectiveness.

7.3.7. Impact on income of financial instruments not qualifying for hedge accounting

The fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss, was a negative €2 million at June 30, 2016 (positive €25 million at December 31, 2015).

7.3.8. Group debt structure

The weighted average of the interest rates on the total gross debt, under IFRS and after hedging (interest rate swaps and cross-currency swaps) was 3.9% at June 30, 2016, compared with 3.9% at December 31, 2015.

The table below details the breakdown by type of interest rate (fixed or variable) of the Group's gross debt at June 30, 2016 after giving effect to interest rate swaps and cross-currency swaps.

	Gross debt after interest rate hedging		
(in EUR million)	**Variable rate**	**Fixed rate**	**Total**
EUR	1,282	6,207	7,489
Other currencies	903	911	1,814
Total	**2,185**	**7,118**	**9,303**
	23%	**77%**	**100%**
Other debt			71
Accrued interests			150
Total gross debt			**9,524**

7.4. Financial assets and liabilities

The summary of financial assets and liabilities under IFRS 7 at June 30, 2016 was as follows:

(in EUR million)		Financial instruments at fair value			Total financial	Other financial instruments			Total financial	Financial instruments at fair value hierarchy under IFRS 7			Total financial
Balance sheet headings and classes of instrument	Notes	Financial instruments through profit or loss	Qualified derivatives	Assets and liabilities measured at fair value (fair value option)	**instruments measured at fair value**	Available-for-sale financial assets	Loans and receivables	Liabilities at amortised cost	**instrument**	First level data	Second level data	Third level data	**instruments measured at fair value**
Trade and other accounts receivable	(3)				**0**		7,205		**7,205**				**0**
Loans, deposits and surety					**0**		553		**553**				**0**
Available-for-sale and others securities					**0**	55			**55**				**0**
Derivatives recorded in assets		8	221		**229**				**229**		229		**229**
Cash and cash equivalents				2,900	**2,900**				**2,900**	1,759	1,141		**2,900**
Total Assets		**8**	**221**	**2,900**	**3,129**	**55**	**7,758**	**0**	**10,942**	**1,759**	**1,370**	**0**	**3,129**
Trade and other accounts payable	(3)				**0**			(9,166)	**(9,166)**				**0**
Long and short-term debts					**0**			(9,454)	**(9,454)**				**0**
Derivatives recorded in liabilities		(10)	(86)		**(96)**				**(96)**		(96)		**(96)**
Total Liabilities		**(10)**	**(86)**	**0**	**(96)**	**0**	**0**	**(18,620)**	**(18,716)**	**0**	**(96)**	**0**	**(96)**
Total		**(2)**	**135**	**2,900**	**3,033**	**55**	**7,758**	**(18,620)**	**(7,774)**	**1,759**	**1,274**	**0**	**3,033**

The summary of financial assets and liabilities under IFRS 7 at December 31, 2015 was as follows:

(in EUR million)		Financial instruments at fair value			Total financial	Other financial instruments			Total financial	Financial instruments at fair value hierarchy under IFRS 7			Total financial
Balance sheet headings and classes of instrument	Notes	Financial instruments through profit or loss	Qualified derivatives	Assets and liabilities measured at fair value (fair value option)	**instruments measured at fair value**	Available-for-sale financial assets	Loans and receivables	Liabilities at amortised cost	**instrument**	First level data	Second level data	Third level data	**instruments measured at fair value**
Trade and other accounts receivable	(3)				**0**		5,910		**5,910**				**0**
Loans, deposits and surety					**0**		510		**510**				**0**
Available-for-sale and others securities					**0**	62			**62**				**0**
Derivatives recorded in assets		35	238		**273**				**273**		273		**273**
Cash and cash equivalents				5,380	**5,380**				**5,380**	4,148	1,232		**5,380**
Total Assets		**35**	**238**	**5,380**	**5,653**	**62**	**6,420**	**0**	**12,135**	**4,148**	**1,505**	**0**	**5,653**
Trade and other accounts payable	(3)				**0**			(9,142)	**(9,142)**				**0**
Long and short-term debts					**0**			(10,189)	**(10,189)**				**0**
Derivatives recorded in liabilities		(10)	(27)		**(37)**				**(37)**		(37)		**(37)**
Total Liabilities		**(10)**	**(27)**	**0**	**(37)**	**0**	**0**	**(19,331)**	**(19,368)**	**0**	**(37)**	**0**	**(37)**
Total		**25**	**211**	**5,380**	**5,616**	**62**	**6,420**	**(19,331)**	**(7,233)**	**4,148**	**1,468**	**0**	**5,616**

NOTE 8 – SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

8.1. Shareholders' equity

8.1.1. Capital

As of June 30, 2016, the number of shares composing the capital stock of Saint-Gobain was 554,846,980 shares with a par value of €4 (560,943,439 shares at December 31, 2015).

8.1.2. Dividends paid

The dividend of €1.24 per share proposed in respect of the 2015 financial year was approved at the General Meeting on June 2, 2016.

8.2. Earnings per share

Basic and diluted earnings per share are calculated as follows:

	First-half 2016		First-half 2015	
	Base	Diluted	Base	Diluted
Income (in EUR million)				
Group share of net income from continuing operations	596	596	493	493
Group share of net income from discontinued operations	0	0	65	65
Group share of net income	596	596	558	558
Number of shares				
Weighted average number of shares outstanding	556,459,337		561,292,118	
Weighted average number of shares assuming full dilution		558,802,960		563,600,566
Earnings per share (in EUR)				
Group share of net income from continuing operations	1.07	1.07	0.88	0.87
Group share of net income from discontinued operations	0.00	0.00	0.12	0.12
Group share of net income, per share	1.07	1.07	1.00	0.99

The weighted and diluted average number of shares is calculated using the weighted number of shares outstanding, taking into account all effects of the conversion of the existing diluting instruments, i.e. stock option plans, 694,853 shares at June 30, 2016, and performance share plans, i.e. 1,648,770 shares in the first-half 2016.

NOTE 9 – INCOME TAX

9.1. Income tax

The pre-tax income of companies can be analysed as follows:

(in EUR million)	**First-half 2016**	**First-half 2015**
Consolidated net income	610	585
Less:		
Share in net income of associates	16	20
Net income	0	69
Income taxes	(261)	(236)
Pre-tax income of companies	**855**	**732**

In accordance with IAS 34, income tax is calculated by reference to the effective tax rate projected end of year excluding non-recurring items for the period.

The reconciliation between the theoretical tax charge and the current tax charge was done based on a tax rate of 34.43% in first-half 2016 and 38% in first-half 2015, and is analysed as follows:

(in EUR million)	**First-half 2016**	**First-half 2015**
Theoretical income tax	**(228)**	**(197)**
Asset impairments, capital gains and losses and provision for anti-trust litigation	(2)	(8)
Non recognition of deferred tax assets	(8)	(11)
Effect of changes in future tax rates	(1)	0
Costs related to dividends	(21)	(11)
Other taxes	(1)	(9)
Total income tax expense	**(261)**	**(236)**

9.2. Deferred taxes

On the balance sheet, the change in the amount of the deferred tax assets and liabilities can be analysed as follows:

(in EUR million)	**Net deferred tax assets/(liability)**
At January 1, 2016	**871**
Deferred tax (expense)/benefit	50
Changes in deferred taxes on actuarial gains and losses in accordance with IAS 19 (note 4 - Personnel expenses and benefits)	140
Translation adjustments	5
Impact of changes in Group structure and other	8
At June 30, 2016	**1,074**

NOTE 10 – SUBSEQUENT EVENTS

None.

COMPAGNIE DE SAINT-GOBAIN

STATUTORY AUDITORS' REVIEW REPORT
ON THE 2016 HALF-YEAR FINANCIAL INFORMATION

The Statutory Auditors

PricewaterhouseCoopers Audit	**KPMG Audit**
Crystal Park	**Tour Eqho**
63, rue de Villiers	**2, avenue Gambetta**
92208 Neuilly-sur-Seine Cedex	**CS 60055**
	92066 Paris La Défense

PricewaterhouseCoopers Audit
Crystal Park
63, rue de Villiers
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STATUTORY AUDITORS' REVIEW REPORT ON THE 2016 HALF-YEAR FINANCIAL INFORMATION

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

Compagnie de Saint-Gobain
Les Miroirs
18, Avenue d'Alsace
92400 Courbevoie

To the Shareholders,

Following our appointment as Statutory Auditors by your Shareholders' Meeting and in accordance with article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Compagnie de Saint-Gobain for the six-month period ended June 30, 2016,
- the verification of information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

II – Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, July 28, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit *Division of KPMG S.A.*
Pierre Coll Cécile Saint-Martin	Jean-Paul Thill Bertrand Pruvost

STATEMENT BY THE PERSONS RESPONSIBLE FOR THE 2016 INTERIM FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, the condensed interim consolidated financial statements for the six-month period ended June 30, 2016 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of Compagnie de Saint-Gobain and its consolidated subsidiaries, and that the interim management report gives a fair description of the material events that occurred in the first six months of the financial year, their impact on the financial statements and the main related-party transactions, as well as a description of the main risks and uncertainties for the second half of 2016.

Courbevoie, July 28, 2016

Chief Executive Officer	Chief Financial Officer
Pierre-André de CHALENDAR Compagnie de Saint-Gobain	Guillaume TEXIER Compagnie de Saint-Gobain