Half-year Financial Report 2017

Including :

- Half-year Management Report
- Condensed Consolidated Financial Statements - period ended June 30, 2017
- Statutory Auditors' review Report on the 2017 half-year financial information
- Statement by the persons responsible for the 2017 interim financial report

Half-year management report

Consolidated financial accounts as at June 30, 2017

Key figures

(€m)	H1 2016	**H1 2017**	**Change**	**Change** like-for-like
Sales	**19,549**	**20,409**	**+4.4%**	**+3.5%**
EBITDA	**1,957**	**2,071**	**+5.8%**	
Operating income	**1,368**	**1,465**	**+7.1%**	**+6.6%**
Recurring net income[1]	**624**	**751**	**+20.4%**	
Free cash flow[2]	**823**	**983**	**+19.4%**	

- Organic growth at 3.5% with volumes up 1.7% despite a negative impact of around €220 million (1.1%) resulting from the June 27, 2017 cyber-attack, fully in line with our July 13, 2017 announcement
- Prices up 1.8%, offsetting the rise in raw material and energy costs at Group level
- Reported sales up 4.4%, aided by a positive 0.8% Group structure impact and a positive 0.1% currency effect
- Operating income up 7.1% on a reported basis and 6.6% like-for-like, despite the negative impact of the cyber-attack, estimated at €65 million, or 4.4% of first-half operating income
- Recurring net income up 20.4% and free cash flow up 19.4%
- 18 acquisitions in first-half 2017 in line with investor day objectives
- Objectives for full-year 2017 confirmed

1. *Recurring net income excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.*
2. *Free cash flow excluding the tax impact of gains and losses on disposals, asset write-downs and material non-recurring provisions, and less capital expenditure.*

Operating performance

First-half reported **sales** increased 4.4% year-on-year to **€20,409 million**, including a positive 0.1% **currency impact** resulting mainly from the depreciation of the euro against the Brazilian real and US dollar, offset by the fall in pound sterling. The positive 0.8% **Group structure impact** essentially reflects the consolidation of acquisitions made in Asia and emerging countries (Emix, Solcrom, Tumelero), in new niche technologies and services (H-Old, Isonat, France Pare-Brise), and to further strengthen our positions in Building Distribution (particularly in Nordic countries).

On a **like-for-like** basis, sales increased **3.5%**, driven both by **prices** (up 1.8%), which continued to rise in a more inflationary cost environment, and by **volumes** (up 1.7%). Volumes increased across all Business Sectors and regions, with a slightly negative calendar impact over the first half (around +3% in Q1 and around -3.5% in Q2).

The Group's operating income climbed 7.1% on a reported basis and 6.6% like-for-like, while its **operating margin[1] widened to 7.2%** versus 7.0% in first-half 2016.

On June 27, 2017, Saint-Gobain experienced an important cyber-attack, which led to information system downtime and supply chain disruptions. IT systems were quickly restored and all of our operations had returned to normal by July 10. All efforts were made to ensure the continuity of our business and in particular to keep any impact on our customers to a minimum. The cyber-attack is not expected to have any impact on commercial relations going forward.

The cyber-attack is estimated to have had a negative impact of €220 million on first-half sales and of €65 million on first-half operating income. Over the full year, the negative impact is estimated at less than €250 million on sales and €80 million on operating income, with July including additional losses in some businesses in the first few days of the month, a claw-back of June sales, and costs associated with re-starting operations. Overall, just over half the impact of the cyber-attack concerned Building Distribution, while the rest concerned the Group's industrial businesses, particularly Construction Products. From a geographical perspective, Western European countries were the hardest hit, especially Nordic countries, Germany and France.

Performance of Group Business Sectors

Innovative Materials sales increased 4.1% like-for-like, driven by Flat Glass. There was another significant improvement in the Business Sector's operating margin, up to 12.3% from 11.2% in first-half 2016.

- Upbeat trends continued in **Flat Glass**, which reported 5.6% organic growth over the first half. The automotive business enjoyed further good momentum led by Asia and emerging countries; sales in Europe remained healthy. Construction markets benefited from an upturn in volumes in Western Europe and an increase in float prices; Asia and emerging countries posted further growth despite Brazil remaining down. Organic growth combined with optimized operating leverage and a positive price-cost spread for raw materials and energy, drove a further rally in the operating margin, up to 9.9% from 8.8% in first-half 2016.
- **High-Performance Materials (HPM)** sales rose 2.5% on a like-for-like basis over the first half, spurred by volumes amid a measured rise in raw material and energy costs. All HPM businesses advanced in the first half, with a strong second quarter for Ceramics in particular. The operating margin benefited from operating leverage on volumes, moving up to 15.0% from 14.0% in first-half 2016.

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

Construction Products (CP) sales were up 3.7% like-for-like over the first half. The operating margin for the Business Sector was 9.3% compared to 9.4% in the same period of 2016, affected by the cyber-attack and by a timelag between pricing and cost increases.

- **Interior Solutions** reported 4.1% organic growth in the first half, with an increase in volumes and prices amid strong inflation in raw material and energy costs. Trading in Western Europe and in Asia and emerging countries improved in terms of both volumes and prices, with prices continuing to rise during the second quarter. North America also advanced, with a slight acceleration in prices since the first quarter. The operating margin slipped to 9.9% versus 10.2% in first-half 2016, reflecting the impact of the cyber-attack and the rise in raw material and energy costs.
- **Exterior Solutions** like-for-like sales climbed 3.4% in the first half. Exterior Products saw an increase in both volumes and prices over the period, with a more difficult second quarter as expected due to the combined impact of significant stockpiling by distributors in North America early in the year and a tough comparison basis against last year (favorable weather conditions in the US). Prices increased in the Pipe business against a backdrop of rising raw material costs, but volumes continued to suffer from the lack of major export contracts. Mortars reported good organic growth overall, led by Asia and emerging countries in particular despite persistently tough conditions in Brazil. Overall, the operating margin came in at 8.4%, up from 8.3% in first-half 2016 despite the impact of the cyber-attack.

Building Distribution like-for-like sales rose 3.2%. Trading in France continued to recover, spurred by brisk momentum in new-builds and with positive pricing. Nordic countries were particularly hard hit by the cyber-attack, although Norway and Sweden still delivered good gains. Germany, which was also hard hit, contracted slightly, while France was affected albeit to a lesser extent. The UK continued to enjoy a steady pace of growth, driven by prices. Spain and the Netherlands posted further strong growth, while a tough macroeconomic environment continued to affect Brazil. The operating margin was 2.7%, compared to 2.8% in first-half 2016, squeezed by supply chain disruptions resulting from the cyber-attack.

Analysis by region

The Group reported organic growth and a slight improvement in margins in all of its regions over the first half, with the calendar impact slightly negative during the period (around +3% in Q1 and around -3.5% in Q2).

- **France** confirmed its improvement in the first half, with organic growth at 2.2% buoyed by good momentum in the new-build market. Renovation showed the first signs of improvement at the end of the first half. The decline in Pipe continued to weigh on performance in the absence of major export contracts. The operating margin stood at 2.5% versus 2.4% in first-half 2016.
- **Other Western European countries** reported further organic growth, at 2.7% for the first half. Good market conditions continued to benefit Nordic countries as well as the UK despite a lack of visibility. Germany was down slightly. The region's operating margin stood at 6.0% versus 5.9% in first-half 2016.
- **North America** posted 2.5% like-for-like growth in the first half, driven by construction. Industry made small gains overall, despite contrasting trends between end-markets. The operating margin was up slightly, at 11.8% versus 11.6% in the same period in 2016.
- **Asia and emerging countries** delivered further good organic growth, at 6.7% for the first half, led by all regions despite the ongoing slowdown in Brazil. Asia advanced, with strong trading in China and India. Eastern Europe continued on an uptrend, driven by Poland and the Czech Republic. The region continued to produce a good operating margin, at 10.7% of sales compared to 10.6% of sales in first-half 2016.

Analysis of the consolidated financial statements for first-half 2017

The unaudited interim consolidated financial statements for first-half 2017 were subject to a limited review by the statutory auditors and were approved and adopted by the Board of Directors on July 27, 2017.

€m	H1 2016 (A)	H1 2017 (B)	% change (B)/(A)
Sales and ancillary revenue	**19,549**	**20,409**	**4.4%**
Operating income	**1,368**	**1,465**	**7.1%**
Operating depreciation and amortization	589	606	2.9%
EBITDA (operating income + operating depr./amort.)	1,957	2,071	5.8%
Non-operating costs	(180)	(166)	-7.8%
Capital gains and losses on disposals, asset write-downs, corporate acquisition fees and earn-out payments	(32)	7	-121.9%
Business income	**1,156**	**1,306**	**13.0%**
Net financial expense	(287)	(231)	-19.5%
Income tax	(261)	(297)	13.8%
Share in net income (loss) of associates	2	(1)	n.s.
Net income before minority interests	**610**	**777**	**27.4%**
Minority interests	14	23	64.3%
Net attributable income	**596**	**754**	**26.5%**
Earnings per share[2] (in €)	1.08	1.36	25.9%
Recurring net income[1]	**624**	**751**	**20.4%**
Recurring[1] earnings per share[2] (in €)	1.13	1.35	19.5%
Cash flow from operations[3]	1,260	1,407	11.7%
Cash flow from operations (excluding capital gains tax)[4]	1,251	1,410	12.7%
Capital expenditure[5]	428	427	-0.2%
Free cash flow[6]	**823**	**983**	**19.4%**
Investments in securities	68	136	100.0%
Net debt	**6,624**	**6,816**	**2.9%**

1. Recurring net income: net attributable income 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 (554,424,460 shares in 2017, versus 552,574,120 shares in 2016).
3. Cash flow from operations = operating cash flow excluding material non-recurring provisions.
4. Cash flow from operations excluding capital gains tax = (3) less the tax impact of capital gains and losses, asset write-downs and material non-recurring provisions.
5. Capital expenditure: investments in property, plant and equipment.
6. Free cash flow = (4) less capital expenditure.

Consolidated **sales** advanced 3.5% like-for-like, led both by prices (up 1.8%) in a more inflationary cost environment, and by volumes (up 1.7%). On a reported basis, sales were up 4.4%, with a positive 0.1% **currency impact** resulting mainly from the depreciation of the euro against the Brazilian real and US dollar, offset by the fall in pound sterling. The positive 0.8% **Group structure impact** essentially reflects the consolidation of acquisitions made in Asia and emerging countries (Emix, Solcrom, Tumelero), in new niche technologies and services (H-Old, Isonat, France Pare-Brise), and to further strengthen our positions in Building Distribution (particularly in Nordic countries).

Operating income increased 7.1% based on reported figures and 6.6% like-for-like. The operating margin widened to 7.2% of sales from 7.0% of sales in first-half 2016.

EBITDA (operating income plus operating depreciation and amortization) climbed 5.8% to €2,071 million, while the EBITDA margin moved up to 10.1% of sales from 10.0% of sales in the same period in 2016.

Non-operating costs totaled €166 million, with a fall in restructuring costs compared to first-half 2016. The €45 million accrual to the provision for asbestos-related litigation involving CertainTeed in the US remained 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 represented income of €7 million versus an expense of €32 million in first-half 2016. **Business income** therefore rose 13.0% to €1,306 million.

Net financial expense improved significantly, down 19.5% to €231 million from €287 million in first-half 2016, mainly reflecting the decrease in the cost of gross debt, which stood at 2.7% at end-June 2017 versus 3.9% at June 30, 2016.
The income tax rate on recurring net income was 27% compared to 30% in the prior-year period, due in particular to a continued favorable geographical mix effect.
Income tax totaled €297 million (€261 million in first-half 2016).
Recurring net income (excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions) jumped 20.4% to €751 million.
Net attributable income surged 26.5% to €754 million.

Capital expenditure was stable at €427 million, representing 2.1% of sales compared to 2.2% of sales in first-half 2016.
Cash flow from operations was up 11.7% to €1,407 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 12.7% to €1,410 million, and **free cash flow** increased 19.4% to €983 million (4.8% of sales versus 4.2% of sales in first-half 2016).

The difference between EBITDA and capital expenditure improved, up 7.5% to €1,644 million (€1,529 million in first-half 2016), representing 8.1% of sales (7.8% in first-half 2016).
Operating working capital requirements (operating WCR) settled at €4,333 million (€4,244 million at June 30, 2016), stable at 39 days of sales.
Investments in securities doubled, at €136 million (€68 million in first-half 2016) and correspond to targeted acquisitions made to develop innovative niches and consolidate strong positions. They include Biolink in Germany (Innovative Materials), SimTek Fence in the US (Construction Products) and Tumelero in Brazil (Building Distribution).

Net debt was up slightly at €6.8 billion from €6.6 billion at June 30, 2017, with €174 million in share buybacks over the period. Net debt represents 36% of consolidated equity, stable versus end-June 2016. **The net debt to EBITDA ratio** over the last 12-month rolling period was also stable at 1.7 at June 30, 2017.

Main risks and uncertainties

The main risks and uncertainties that the Group could face in the second semester of 2017 are those described in Section 1 "Risk Factors" of Chapter 7 of the 2016 registration document of March 15, 2017, filed with the French financial markets authority (*Autorité des Marchés Financiers*) under number D.17-0171 (the "2016 Registration Document"). There has not been any significant change in these risk factors in the first-half of 2017.

Changes related to ongoing litigations in the first semester of 2017 are presented in note 6.2 to the consolidated financial statements as at June 30, 2017.

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 June 2, 2017, Saint-Gobain bought back 1 million of its own shares (c.0.2% of its share capital at the transaction date) at a price of 50 million euros as part of an accelerated bookbuilding process completed by Wendel. 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 2, 2016. All shares so repurchased will be cancelled.
Following completion of this transaction, Wendel retains a stake of approximately 2.5% of Compagnie de Saint-Gobain's share capital and 4.5% of its voting rights.

There has not been any other significant change in these related-party transactions during the first semester of 2017.

Main events

Cyber-attack of June 27, 2017

Like several other companies, Saint-Gobain experienced an important cyber-attack on June 27, 2017. No personal data was disclosed to any third party. Throughout the event, all efforts were made to ensure Saint-Gobain's business continuity and in particular to keep any impact on the Group's customers to a minimum. To date, the Group's businesses operate normally.

Plan to acquire a controlling interest in Sika

Saint-Gobain continued during the first half of 2017 its proposed acquisition of the control over Sika, described in Section 1.2 of Chapter 3 of the 2016 Registration Document, with a decision of the Zug Supreme Court on appeal expected by the end of the year.
Pursuant to the agreement between Saint-Gobain and the Burkard family relating to the sale of the shares of Schenker-Winkler Holding (SWH), which holds the majority of Sika's voting rights, Saint-Gobain exercised on April 6, 2017, its option to extend the validity of the agreement until December 31, 2017. Saint-Gobain will then have the right to extend the agreement up until December 31, 2018.

Strategic priorities and 2017 outlook

The Group continued to pursue its strategic priorities during the first half, in line with its strategy confirmed at the investor day on May 17, 2017:

- €170 million in additional cost savings versus first-half 2016;
- 18 acquisitions in the first half and 6 being finalized in July, including Glava, Kirson and TekBond;
- buyback of 3.5 million shares, in line with the Group's long-term objectives.

After a first half in line with expectations, the economic environment should remain supportive for the Group in the second half of 2017:

- gradual improvement of construction markets in **France**;
- continued upbeat trends in **other Western European countries**, despite less visibility in the UK;
- positive market conditions in **North American** construction;
- further good organic growth in **Asia and emerging countries**, despite ongoing difficulties in Brazil.

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

- **its focus on sales prices** amid a stronger uptick in inflation;
- **its cost savings program**, generating additional savings of **more than €270 million** on the 2016 cost base;
- **its capital expenditure program** (around €1,600 million in 2017), with a focus on growth capex outside Western Europe and also on productivity and digital transformation;
- **its commitment to invest in R&D** to support its differentiated, high value-added strategy;
- **its focus on high levels of free cash flow generation**.

Saint-Gobain confirms with confidence its 2017 objective of a like-for-like increase in operating income.

All indicators contained in this press release (not defined in the footnotes) are explained in the notes to the financial statements in the interim financial report, available by clicking here: https://www.saint-gobain.com/en/finance/regulated-information/half-yearly-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 press release 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.
This press release does not constitute any offer to purchase or exchange, nor any solicitation of an offer to sell or exchange securities of Saint-Gobain.

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

SAINT-GOBAIN

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended
June 30, 2017

CONSOLIDATION REPORTING GROUP DEPARTMENT

DETAILED TABLE OF CONTENTS OF NOTES

2017 HALF-YEAR CONDENSED CONSOLIDATED ACCOUNTS

CONSOLIDATED BALANCE SHEET

(in € million)	Notes	June 30, 2017	Dec. 31, 2016
ASSETS			
Goodwill	(5)	10,439	10,669
Other intangible assets	(5)	2,626	2,662
Property, plant and equipment	(5)	11,310	11,654
Investments in equity-accounted companies		375	376
Deferred tax assets	(9)	1,073	1,188
Other non-current assets		744	710
Non-current assets		**26,567**	**27,259**
Inventories	(3)	6,188	5,875
Trade accounts receivable	(3)	5,822	4,935
Current tax receivable		238	445
Other receivables	(3)	1,584	1,515
Cash and cash equivalents	(7)	2,835	3,738
Current assets		**16,667**	**16,508**
Total assets		**43,234**	**43,767**
EQUITY AND LIABILITIES			
Capital stock	(8)	2,239	2,221
Additional paid-in capital and legal reserve		6,240	6,090
Retained earnings and consolidated net income		11,417	11,077
Cumulative translation adjustments		(1,334)	(742)
Fair value reserves		152	191
Treasury stock	(8)	(250)	(72)
Shareholders' equity		**18,464**	**18,765**
Minority interests		360	375
Total equity		**18,824**	**19,140**
Long-term debt	(7)	8,376	6,959
Provisions for pensions and other employee benefits	(4)	3,255	3,615
Deferred tax liabilities	(9)	376	363
Other non-current liabilities and provisions	(6)	1,157	1,242
Non-current liabilities		**13,164**	**12,179**
Current portion of long-term debt	(7)	386	1,835
Current portion of other liabilities and provisions	(6)	419	436
Trade accounts payable	(3)	5,819	5,805
Current tax liabilities		202	148
Other payables	(3)	3,531	3,636
Short-term debt and bank overdrafts	(7)	889	588
Current liabilities		**11,246**	**12,448**
Total equity and liabilities		**43,234**	**43,767**

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

CONSOLIDATED INCOME STATEMENT

(in € million)	Notes	**First-half 2017**	**First-half 2016**
Net sales	(3)	20,409	19,549
Cost of sales	(3)	(15,123)	(14,498)
General expenses including research	(3)	(3,839)	(3,697)
Share in net income of core business equity-accounted companies		18	14
Operating income		**1,465**	**1,368**
Other business income	(3)	32	15
Other business expense	(3)	(191)	(227)
Business income		**1,306**	**1,156**
Borrowing costs, gross		(154)	(197)
Income from cash and cash equivalents		11	10
Borrowing costs, net		(143)	(187)
Other financial income and expense		(88)	(100)
Net financial expense	**(7)**	**(231)**	**(287)**
Share in net income of non-core business equity-accounted companies		(1)	2
Income taxes	(9)	(297)	(261)
Net income		**777**	**610**
Group share of net income		**754**	**596**
Minority interests		23	14

Earnings per share (in €)	Notes	**First-half 2017**	**First-half 2016**
Weighted average number of shares in issue		553,852,126	556,459,337
Earnings per share, Group share	(8)	1.36	1.07
Weighted average number of shares assuming full dilution		556,969,463	558,802,960
Diluted earnings per share, Group share	(8)	1.35	1.07

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in € million)	First-half 2017	First-half 2016
Net income	**777**	**610**
Items that may be subsequently reclassified to profit or loss		
Translation adjustments	(613)	(377)
Changes in fair value	(39)	(34)
Tax on items that may be subsequently reclassified to profit or loss	15	12
Items that will not be reclassified to profit or loss		
Changes in actuarial gains and losses	326	(277)
Tax on items that will not be reclassified to profit or loss	(92)	140
Income and expense recognized directly in equity	**(403)**	**(536)**
Total recognized income and expense for the period	374	74
Group share	372	52
Minority interests	2	22

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € million)	Notes	First-half 2017	First-half 2016
Group share of net income		**754**	**596**
Minority interests in net income	(a)	23	14
Share in net income of equity-accounted companies, net of dividends received		(3)	(8)
Depreciation, amortization and impairment of assets	(3)	639	608
Gains and losses on disposals of assets	(3)	(7)	9
Unrealized gains and losses arising from changes in fair value and share-based payments	(3)	3	34
Changes in inventory	(3)	(437)	(300)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(3)	(937)	(1,081)
Changes in tax receivable and payable	(9)	255	55
Changes in deferred taxes and provisions for other liabilities and charges	(4)(6)(9)	56	(29)
Net cash from (used in) operating activities		**346**	**(102)**
Acquisitions of property, plant and equipment [H1 2017: (427) , H1 2016: (428)] and intangible assets	(5)	(479)	(480)
Increase (decrease) in amounts due to suppliers of fixed assets	(3)	(149)	(111)
Acquisitions of shares in consolidated companies [H1 2017: (52) , H1 2016: (56)], net of cash acquired		(39)	(53)
Acquisitions of other investments		(84)	(12)
Increase in investment-related liabilities	(6)	(38)	2
Decrease in investment-related liabilities	(6)	4	(2)
Investments		**(785)**	**(656)**
Disposals of property, plant and equipment and intangible assets	(5)	60	31
Disposals of shares in consolidated companies, net of cash divested		28	44
Disposals of other investments		0	1
Divestments		**88**	**76**
Increase in loans, deposits and short-term loans		(89)	(72)
Decrease in loans, deposits and short-term loans		38	36
Change in loans, deposits and short-term loans		**(51)**	**(36)**
Net cash from (used in) investment and divestment activities		**(748)**	**(616)**
Issues of capital stock	(a)	168	137
(Increase) decrease in treasury stock	(a)	(178)	(416)
Dividends paid	(a)	(694)	(681)
Transactions with shareholders of parent company		**(704)**	**(960)**
Dividends paid to minority shareholders of consolidated companies and (Increase) decrease in dividends payable		(22)	(27)
Transactions with minority interests		**(22)**	**(27)**
Increase (decrease) in bank overdrafts and other short-term debt		283	76
Increase in long-term debt	(b)	1,560	81
Decrease in long-term debt	(b)	(1,578)	(915)
Changes in gross debt		**265**	**(758)**
Net cash from (used in) financing activities		**(461)**	**(1,745)**
Increase (decrease) in cash and cash equivalents		**(863)**	**(2,463)**
Net effect of exchange rate changes on cash and cash equivalents		(37)	(17)
Net effect from changes in fair value on cash and cash equivalents		(3)	0
Cash and cash equivalents at beginning of period		**3,738**	**5,380**
Cash and cash equivalents at end of period		**2,835**	**2,900**

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

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

Income tax paid amounted to €26 million in first-half 2017, (€256 million in first-half 2016) and interest paid net of interest received amounted to €171 million in first-half 2017, (€162 million in first-half 2016).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Number of shares: Issued	Number of shares: Oustanding		Capital stock	Additional paid-in capital and legal reserve	Retained earnings and consolidated net income	Cumulative translation adjustments	Fair value reserves	Treasury stock	**Shareholders' equity Group share**	Minority interests	**Total Equity**
			(in € million)								
560,943,439	**558,607,521**	**At January 1, 2016**	**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 (€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**
		Income and expenses recognized directly in equity	0	0	(216)	171	44	0	**(1)**	(12)	**(13)**
		Net income for the period			715				**715**	27	**742**
		Total income and expense for the period	**0**	**0**	**499**	**171**	**44**	**0**	**714**	**15**	**729**
		Issues of capital stock									
		Group Savings Plan							**0**		**0**
433,378	433,378	Stock option plans	2	10					**12**		**12**
		Other							**0**	2	**2**
		Dividends paid (€1.24 per share)			1				**1**	(2)	**(1)**
	(588,034)	Shares purchased						(24)	**(24)**		**(24)**
	968,939	Shares sold			(7)			29	**22**		**22**
		Shares cancelled		(1)				1	**0**		**0**
		Share-based payments			6				**6**		**6**
		Changes in Group structure			(13)				**(13)**		**(13)**
555,280,358	**553,388,403**	**At December 31, 2016**	**2,221**	**6,090**	**11,077**	**(742)**	**191**	**(72)**	**18,765**	**375**	**19,140**
		Income and expenses recognized directly in equity	0	0	249	(592)	(39)	0	**(382)**	(21)	**(403)**
		Net income for the period			754				**754**	23	**777**
		Total income and expense for the period	**0**	**0**	**1,003**	**(592)**	**(39)**	**0**	**372**	**2**	**374**
		Issues of capital stock									
4,593,807	4,593,807	Group Savings Plan	18	150					**168**		**168**
		Dividends paid (€1.26 per share)			(694)				**(694)**	(21)	**(715)**
	(4,157,048)	Shares purchased						(202)	**(202)**		**(202)**
	599,298	Shares sold						24	**24**		**24**
		Share-based payments			8				**8**		**8**
		Changes in Group structure			23				**23**	4	**27**
559,874,165	**554,424,460**	**At June 30, 2017**	**2,239**	**6,240**	**11,417**	**(1,334)**	**152**	**(250)**	**18,464**	**360**	**18,824**

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 (“The Group"), as well as the Group's interests in associate companies and joint ventures. They are expressed in euros rounded to the nearest million.

These consolidated financial statements were adopted by the Board of Directors on July 27, 2017.

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, 2016. 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. Standards applied

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations adopted for use in the European Union at June 30, 2017. These financial statements have also been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB) except for the amendment to IAS 12 standard « Recognition of deferred tax assets related to unrealized tax losses ». Standards adopted by the European Union may be consulted on the European Commission website, at http://ec.europa.eu/finance/accounting/ias/index_en.htm.

1.1.1. Standards, interpretations and amendments to existing standards applicable for reporting periods beginning on or after January 1, 2017

At 30th June, 2017, there are no standards, interpretations and amendments applicable to consolidated financial statements voted by the European Union for reporting periods beginning on or after January 1st, 2017.

1.1.2. Standards, interpretations and amendments to existing standards available for early adoption in reporting periods beginning on or after January 1, 2017

The standards, interpretations and amendments to published standards applicable for the first time for reporting periods beginning on or after January 1, 2018 were not early-adopted by the Group in 2017.

- IFRS 9, “Financial Instruments”: the initial phase of this project in 2016 involved an analysis of issues relating to financial instruments (excluding trade receivables). The analysis will focus on trade receivables and is currently being reviewed ;

- IFRS 15, “Revenue from Contracts with Customers”: an analysis was carried out and as for seen the Group does not expect IFRS 15 to have a material impact on its financial statements.

1.2. Estimates and assumptions

The preparation of consolidated financial statements in compliance 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 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 the measurement of employee benefit obligations and share-based payments (Note 4 “Personnel expenses and employee benefit obligations”), asset impairment tests (Note 5 “Property, plant and equipment and intangible assets”), provisions for other liabilities and charges (Note 6 “Other current and non-current liabilities and provisions, contingent liabilities and litigation”), the measurement of financial instruments (Note 7 “Financing and financial instruments”) and taxes (Note 9 “Taxes”).

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, 2016. The specific accounting valuation methods applied relate to income tax and employee benefits.

As described in the half-year report, The Group was hit by a cyber-attack on June 27th, 2017. Consequently, some items of financial statements have been estimated, based on actual data available until June 26th, 2017. These estimates relate on entities with a low contribution to consolidated financial statements.

NOTE 2 – SCOPE OF CONSOLIDATION

2.1. Accounting principles related to 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 Group structure

Significant changes in the Group’s structure during half-year 2017 and annual 2016 are presented below.

2.2.1. Transaction carried out during half-year 2017

Over the first-half 2017, the Group did not realize significant takeover, disposal or divestiture.

2.2.2. Transactions carried out in 2016

In 2016, Saint-Gobain pursued active management of the scope of its business activities, adhering closely to the Group’s strategy. Various transactions were carried out with a view to strengthening the Group’s profile in high value-added businesses and promising markets.

Furthermore, Saint-Gobain pursued its plan to acquire a controlling interest in Sika during the first-half 2017, as outlined in section 1.2 of chapter 3 of the 2016 Registration Document.

2.3. Changes in the number of consolidated companies

As of December 31, 2016, there were 839 companies included 95 equity-accounted companies and joint arrangements. On June 30, 2017, there was no significant variance in the number of consolidated companies.

2.4. Off-balance sheet commitments related to companies within the scope of consolidation

As of June 30, 2017, commitments for irrevocable purchases included the commitment on the equity interests of the Sika Group for the amount of €2,421 million.

NOTE 3 – INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES

3.1. Income statement items

3.1.1. Other business income and expense

Other business income and expense can be analyzed as follows:

(in € million)	First-half 2017	First-half 2016
Restructuring costs [(a)]	(57)	(86)
Provisions and expenses relating to claims and litigation [(b)]	(44)	(56)
Other [(c)]	(65)	(38)
Non-operating income and expense	**(166)**	**(180)**
Impairment of assets and others [(d)]	0	(23)
Other business expense [(e)]	(25)	(24)
Impairment of assets and other business expense	**(25)**	**(47)**
Gains on disposals of property, plant and equipment and intangible assets	**32**	**15**
Gains and losses on disposals, impairment of assets business income and expense and acquisition costs for companies and price adjustments	**7**	**(32)**
Other business income and expense	**(159)**	**(212)**

(a) For first-half 2017, restructuring costs mainly consist of retirement benefits totaling €29 million (€46 million in first-half 2016);

(b) In both 2017 and 2016, movements in provisions and expenses relating to litigation as detailed and explained in Note 6 "Other current and non-current liabilities and provisions, contingent liabilities and litigation" chiefly concerned asbestos-related litigation;

(c) In both 2017 and 2016, the "Other" line as detailed and explained in Note 6 "Other current and non-current liabilities and provisions, contingent liabilities and litigation" mainly relates to environmental litigation costs;

(d) "Impairment losses on assets and other special charges" includes impairment losses on tangible and intangible assets as well as on financial or current assets for an amount of €30 million in first-half 2017 (€19 million in first-half 2016), acquisition fees and adjustments of acquisition fees incurred in connection with business combinations with net proceeds of €30 million in first-half 2017 (net charge €4 million in first-half 2016) ;

(e) Other business expense in both 2017 and 2016 relates primarily to capital losses on assets divested or scrapped.

3.1.2. Business income

Business income is detailed by type below:

(in € million)	First-half 2017	First-half 2016
Net sales	**20,409**	**19,549**
Personnel expenses:		
Salaries and payroll taxes	(4,153)	(3,980)
Share-based payments [a]	(20)	(15)
Pensions and employee benefit obligations [a]	(106)	(106)
Depreciation and amortization	(606)	(589)
Share in net income of core business equity-accounted companies	18	14
Other [b]	(14,077)	(13,505)
Operating income	**1,465**	**1,368**
Other business income	32	15
Other business expense	(191)	(227)
Other business income and expense	**(159)**	**(212)**
Business Income	**1,306**	**1,156**

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

[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 €234 million in first-half 2017 (€218 million in first-half 2016);

3.2. Segment information

Segment information is presented by sector and by business 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 Products
- Building Distribution Sector

Management uses several different internal indicators to measure operational performance and to make resource 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 “Other” column includes holding companies and certain corporate support functions (tax, cash management, purchasing, etc.).

Segment information by sector and by business for first-half 2017 and 2016 is as follows:

First-half 2017

(in € million)	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	Other*	Total
	Flat Glass	High Performance Materials	Intra-segment Eliminations	Total	Interior Solutions	Exterior Solutions	Intra-segment Eliminations	Total			
External sales	2,843	2,314		5,157	3,096	2,804		5,900	9,342	10	**20,409**
Internal sales	22	73	(10)	85	321	154	(46)	429	2	(516)	**0**
Net sales	2,865	2,387	(10)	5,242	3,417	2,958	(46)	6,329	9,344	(506)	**20,409**
Operating income /(loss)	284	359		643	337	249		586	248	(12)	**1,465**
Business income/(loss)	272	308		580	321	236		557	236	(67)	**1,306**
Share in net income/(loss) of equity-accounted companies	14	1		15	2	1		3	0	(1)	**17**
Depreciation and amortization	142	84		226	151	81		232	130	18	**606**
Impairment of assets	33	0		33	0	0		0	0	0	**33**
EBITDA	426	443		869	488	330		818	378	6	**2,071**
Capital expenditure	102	59		161	99	58		157	92	17	**427**
Cash flow from operations				592				506	243	66	**1,407**

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

First-half 2016

(in € million)	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	Other*	Total
	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 equity-accounted companies	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	0	**19**
EBITDA	369	399		768	491	304		795	380	14	**1,957**
Capital expenditure	102	74		176	111	53		164	69	19	**428**
Cash flow from operations				502				420	191	147	**1,260**

* "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 first-half 2017 and 2016 by geographic area are as follows:

First-half 2017

(in € million)	France	Other Western European Countries	North America	Emerging countries and Asia	Internal Sales	TOTAL
Net sales	5,398	8,736	2,824	4,457	(1,006)	**20,409**
Operating income /(loss)	133	521	334	477		**1,465**
Business income/(loss)	118	471	242	475		**1,306**
EBITDA	279	704	420	668		**2,071**
Capital expenditure	90	118	65	154		**427**
Cash flow from operations	111	545	253	498		**1,407**

First-half 2016

(in € 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**
EBITDA	265	697	399	596		**1,957**
Capital expenditure	81	108	81	158		**428**
Cash flow from operations	89	505	211	455		**1,260**

3.4. Performance Indicators

3.4.1. EBITDA

EBITDA amounted to €2,071 million in first-half 2017 (€1,957 million in first-half 2016). It is calculated as follows:

(in € million)	First-half 2017	First-half 2016
Operating income	1,465	1,368
Depreciation/amortization of property, plant and equipment and intangible assets	606	589
EBITDA	**2,071**	**1,957**

3.4.2. Recurring net income

Recurring net income from continuing operations totaled €751 million in first-half 2017 (€624 million in first-half 2016). Based on the weighted average number of shares outstanding at June 30 (553,852,126 shares in 2017, 556,459,337 shares in 2016), recurring earnings per share amounted to €1.36 in first-half 2017 and €1.12 in first-half 2016.

The difference between net income and recurring net income corresponds to the following items:

(in € million)	First-half 2017	First-half 2016
Group share of net income	**754**	**596**
Less:		
Gains and losses on disposals of assets	7	(9)
Impairment of assets and others	(1)	(23)
Changes in provision for anti-trust litigation and other non-recurring provisions	2	(7)
Impact of minority interests	(2)	2
Tax on disposal gains and losses, asset impairment and non-recurring charges to provisions	(3)	9
Group share of recurring net income	**751**	**624**

3.4.3. Cash-flow from operations

Cash flow from operations totaled €1,407 million in first-half 2017 (€1,260 million in first-half 2016) and cash flow from operations excluding income tax on disposal gains and losses and non-recurring provisions amounted to €1,410 million in first-half 2017 (€1,251 million in first-half 2016). These amounts are calculated as follows:

(in € million)	First-half 2017	First-half 2016
Group share of net income	**754**	**596**
Minority interests in net income	23	14
Share in net income of equity-accounted companies, net of dividends received	(3)	(8)
Amortization and impairment of assets	639	608
Gains and losses on disposals of assets	(7)	9
Changes in provision for anti-trust litigation and other non-recurring provisions	(2)	7
Unrealized gains and losses arising from changes in fair value and share-based payments	3	34
Cash flow from operations	**1,407**	**1,260**
Tax on disposal gains and losses, asset impairment and non-recurring charges to provisions	3	(9)
Cash flow from operations before tax on disposal gains and losses and non-recurring provisions	**1,410**	**1,251**

3.5. Working capital

3.5.1. Inventories

At June 30, 2017 and December 31, 2016, inventories were as follows:

(in € million)	**June 30, 2017**	**Dec. 31, 2016**
Gross value		
Raw materials	1,386	1,327
Work in progress	350	318
Finished goods	4,894	4,678
Gross inventories	**6,630**	**6,323**
Provision for impairment		
Raw materials	(142)	(143)
Work in progress	(11)	(11)
Finished goods	(289)	(294)
Total provision for impairment	**(442)**	**(448)**
Net	**6,188**	**5,875**

The net value of inventories was €6,188 million at June 30, 2017 compared with €5,875 million at December 31, 2016. The increase of inventories for the first half 2017 mainly reflects seasonal fluctuations in businesses. As a reminder, the net value of inventories was €5,964 million at June 30, 2016.

3.5.2. Operating and non-operating receivables and payables

a) Trade and other accounts receivable

Trade and other accounts receivable can be analyzed as follows:

(in € million)	**June 30, 2017**	**Dec. 31, 2016**
Gross value	6,234	5,361
Provision for impairment	(412)	(426)
Trade accounts receivable	**5,822**	**4,935**
Discounts and advances to suppliers	614	567
Prepaid payroll taxes	37	24
Other prepaid and recoverable taxes (other than income tax)	357	348
Miscellanous operating receivables	338	248
Other non-operating receivables and provisions	243	339
Provision for impairment of other operating receivables	(5)	(11)
Other receivables	**1,584**	**1,515**

The increase in net value of trade accounts receivable during the first-half 2017 is primarily attributable to seasonal fluctuations in businesses. As a reminder, the net value of trade accounts receivable was €5,906 million at June 30, 2016.

b) Trade and other accounts payable

Trade and other accounts payable can be analyzed as follows:

(in € million)	June 30, 2017	Dec. 31, 2016
Trade accounts payable	**5,819**	**5,805**
Customer deposits	938	1,056
Payables to suppliers of non-current assets	129	277
Grants received	84	88
Accrued personnel expenses	1,112	1,178
Accrued taxes (other than income tax)	591	416
Other operating payables	558	521
Other non-operating payables	119	100
Other payables	**3,531**	**3,636**

3.5.3. Changes in working capital requirement

Changes in working capital requirement can be analyzed as follows:

(in € million)	June 30, 2017	Dec. 31, 2016
Inventories, net	**6,188**	**5,875**
Trade accounts receivable, net	**5,822**	**4,935**
Other operating receivables	1,341	1,176
Other non-operating receivables	243	339
Other receivables	**1,584**	**1,515**
Current tax receivables	**238**	**445**
Trade accounts payable	**5,819**	**5,805**
Other operating payables	3,199	3,171
Other non-operating payables	332	465
Other payables	**3,531**	**3,636**
Current tax liabilities	**202**	**148**
Operating working capital requirements	4,333	3,010
Non-operating working capital requirements (including current tax receivables and liabilities)	(53)	171
Working capital requirements	**4,280**	**3,181**

3.6 Off-balance sheet commitments related to operating activities

Changes in payments due under non-cancelable operating leases in first-half 2017 were not significant. At June 30, 2017, they amounted to €3,094 million. Non-cancelable purchase commitments increased by €277 million, including commitments on energy. At June 30, 2017, pledged assets amounted to €269 million (€343 million at December 31, 2016) and this item mainly concerned pledges of fixed assets in the United Kingdom.

NOTE 4 – PERSONNEL EXPENSES AND EMPLOYEE BENEFIT OBLIGATIONS

4.1. Provisions for pensions and other employee benefits

4.1.1. Description of defined benefit plans

The Group's main defined benefit plans are identical to those mentioned in the consolidated financial statements of December 31, 2016.

4.1.2. Actuarial assumptions used 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 rate assumptions used in the first-half 2017 for the Group's main plans are as follows:

First-half 2017 *(in %)*	France	Eurozone	United Kingdom	United States
Discount rate	2.10%	2.10%	2.60%	3.90%
Inflation rate	1.50%	1.40% to 1.55%	2.30%	2.50%

The rate assumptions used in 2016 for the Group's main plans were as follows:

2016 *(in %)*	France	Eurozone	United Kingdom	United States
Discount rate	1.80%	1.80%	2.60%	4.10%
Salary increases	2.50%	1.40% to 2.40%	2.00%*	3.00%
Inflation rate	1.50%	1.40% to 1.55%	2.35%	2.50%

*A cap applies to the reference salaries used to calculate benefit entitlements.

As these three regions account for almost all of the pension obligations, the discount and inflation rates adjustments led to a decrease of €81 million in obligations and related provisions.

Sensitivity calculations were not updated at June 30, 2017; if they had been, the results would not have been materially different to the analyses presented in the 2016 consolidated financial statements (in note 4 "Employees, personnel expenses and benefit obligations").

The actual return on plan assets for almost all plans amounted to €364 million. It was €245 million more than the expected return, 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 provisions

Provisions for pension and other employee benefit obligations consist of the following:

(in € million)	June 30, 2017	Dec. 31, 2016
Pension commitments	2,345	2,673
Length-of-service awards	348	355
Post-employment healthcare benefits	414	435
Total provisions for pensions and other post-employment benefit obligations	**3,107**	**3,463**
Healthcare benefits	26	27
Long-term disability benefits	19	20
Other long-term benefits	103	105
Provisions for pensions and other employee benefits	**3,255**	**3,615**

Provisions for all other long-term benefits totaled €148 million at June 30, 2017 (€152 million at December 31, 2016).

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

(in € million)	June 30, 2017	Dec. 31, 2016
Provisions for pensions and other post-employment benefit obligations - liabilities	3,107	3,463
Pension plan surpluses - assets	(54)	(41)
Net pension and other post-employment benefit obligations	**3,053**	**3,422**

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 € million)	Net pension and other post-employment benefit obligations
At January 1, 2017	**3,422**
Movements during the period	
Service cost	94
Interest cost	39
Actuarial gains and losses recognized during the period*	(326)
Pension contributions and benefit payments	(99)
Currency translation adjustments	(77)
Total movements	**(369)**
At June 30, 2017	**3,053**

* The total impact on equity is an increase of €326 million before tax (€234 million after tax).

4.2. Share-based payments

4.2.1. Group Savings Plan (PEG)

During the first-half 2017, Saint-Gobain Group implemented a new PEG. The terms of the 2017 PEG are identical to the 2016 PEG and are described in note 4 “Employees, personnel expenses and benefit obligations” of the 2016 consolidated financial statements.

For the first-half 2017, 4,593,807 new shares with a par value of €4 were issued to employees under the PEG at an average subscription price of €36.72 (in first-half 2016: 4,653,810 shares at an average price of €29.42), representing a share capital increase of a global net amount of €168 million (€136 million in first-half 2016).

The total amount booked as an expense for-both-first-half 2017 and 2016, is nil, taking into account non-transferability costs.

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2017 and 2016:

	2017	2016
Plan characteristics		
Date of Shareholders' Meeting	June 4, 2015 (17th resolution)	June 4, 2015 (17th resolution)
Date of the Chief Executive Officer's decision fixing the subscription price	March 20	March 21
Plan duration (in years)	5 or 10	5 or 10
Reference price (in €)	45.89	36.77
Subscription price (in €)	36.72	29.42
Discount (in %)	20.00%	20.00%
Total discount on the date of the Chief Executive Officer's decision (in %) (a)	21.25%	21.94%
Employee investments (in € million)	168.7	136.9
Total number of shares subscribed	4,593,807	4,653,810
Valuation assumptions (5 years maturies)		
Interest rate applicable to employees*	4.80%	5.00%
Risk-free interest rate	0.19%	-0.15%
Repo rate	0.47%	0.50%
Lock-up discount (in %) (b)	21.17%	22.92%
Total cost to the Group (in %) (a-b)	0.08%	-0.98%

*A 0.5-point decline in borrowing costs for the employee would have no significant impact on the 2017 share-based payment expense as calculated in accordance with IFRS2.

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 2017. Under IFRS 2, the expense attributable to the amortization of stock options granted under previous plans totaled €1 million in first-half 2017 and 2016.

4.2.3. Performance shares and performance unit grants

a) Performance share plans

Various performance share plans have been set up by Saint-Gobain since 2009. No new plan was set up in first-half 2017.

The expense recorded in the income statement in first-half 2017 in respect of these plans amounted to €7 million (€4 million in first-half 2016).

b) Performance unit plans

Performance unit plans subject to service and performance conditions were set up every year between 2012 and 2015 for certain management-grade employees and senior managers of the Group in France. These plans do not give rise to the delivery of shares but entitle grantees to receive cash compensation deferred over the long term (exercise period between four and ten years after the grant date), the amount of which will be determined by reference to the Company’s share price.
No new Performance unit plan was set up in first-half 2017.

The expense recorded in the income statement in respect of these plans in first-half 2017 amounted to €12 million (€10 million in first-half 2016).

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Changes in goodwill, intangible assets and property, plant and equipment in first-half 2017 were as follows:

(in € million)	Goodwill	Other intangible assets	Property, plant and equipment	Total
At January 1, 2017				
Gross value	12,160	4,560	31,928	48,648
Accumulated amortization and impairment	(1,491)	(1,898)	(20,274)	(23,663)
Net value	**10,669**	**2,662**	**11,654**	**24,985**
Movements during the period				
Acquisitions	0	52	427	479
Disposals	0	0	(22)	(22)
Translation adjustments	(304)	(45)	(298)	(647)
Amortization and impairment	(33)	(49)	(557)	(639)
Changes in Group structure and other	107	6	106	219
Total movements	**(230)**	**(36)**	**(344)**	**(610)**
At June 30, 2017				
Gross value	11,868	4,477	31,582	47,927
Accumulated amortization and impairment	(1,429)	(1,851)	(20,272)	(23,552)
Net	**10,439**	**2,626**	**11,310**	**24,375**

5.1. Goodwill

In the first-half 2017, changes in Group structure related to newly consolidated companies for €107 million. Moreover, impairments on goodwill have been carried out, mainly on Flat Glass Activity in United States. Currency translation differences arising in first-half 2017 primarily reflect the impact of fluctuations in US dollar and pound sterling.

The net values of goodwill by sector and by business at June 30, 2017 and at December 31, 2016 can be analyzed as follows:

(in € million)	June 30, 2017	Dec. 31, 2016
Flat Glass	206	240
High-Performance Materials	1,575	1,679
Construction Products	5,853	5,924
Building Distribution	2,805	2,826
Total	**10,439**	**10,669**

Goodwill is essentially allocated to the Construction Products Sector, and chiefly relates to Gypsum (€3,321 million at June 30, 2017) and Industrial Mortars (€2,033 million at June 30, 2017), and to the Building Distribution Sector, primarily 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 2016 consolidated financial statements.

5.3. Property, plant and equipment

For the first-half 2017, changes in Group structure and other movements were not material.

5.4. Finance leases and operating leases

In first-half 2017, other movements in property, plant and equipment included assets acquired under finance leases for an amount of €9 million (€10 million at June 30, 2016). These finance leases 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 €72 million (€71 million at December 31, 2016).

5.5 Impairment review

5.1.1. CGU impairment tests or cash-generating unit

At June 30, 2017, CGUs were not subject to an impairment test as there was no indication of an impairment loss.

At December 31, 2016, a 0.5-point increase in the discount rate for all the CGUs would lead to approximately €121 million in additional intangible asset impairment, while the impact of a 0.5-point decrease in the average annual cash flow growth rate, projected to perpetuity across all the CGUs, would result in additional intangible asset impairment of around €83 million. The impact of a 1-point decrease in the operating income rate for all industrial CGUs would have generated additional intangible asset impairment of roughly €171 million, while a 0.5-point decrease in the rate for distribution activities would have generated additional impairment of €48 million.

(in € million)	Impact of			
	0.5% increase in the discount rate	0,5% decrease in the growth rate	1-point decrease in the operating profit rate	0.5-point decrease in the operating profit rate
Flat Glass	(2)	0	(6)	
High-Performance Materials				
Construction Products	(85)	(56)	(165)	
Building Distribution	(34)	(27)		(48)
Total	**(121)**	**(83)**	**(171)**	**(48)**

The breakdown of asset impairment by sector for first-half 2017 and 2016 is provided in the segment information tables in note 3 “Information concerning the Group’s operating activities”.

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

6.1. Provisions for other liabilities

The table below provides a breakdown by type along with details of changes in other provisions and current and non-current liabilities:

(in € million)	Provisions for claims and litigation	Provisions for environmental risks	Provisions for restructuring costs	Provisions for personnel expenses	Provisions for customer warranties	Provisions for other contingencies	Total provisions for other liabilities	Investment-related liabilities	Total
At January 1, 2017									
Current portion	125	36	52	29	122	60	**424**	12	**436**
Non-current portion	475	122	47	76	111	221	**1,052**	190	**1,242**
Total provisions for other liabilities and investment-related liabilities	**600**	**158**	**99**	**105**	**233**	**281**	**1,476**	**202**	**1,678**
Movements during the period									
Additions	82	5	24	26	26	33	**196**		**196**
Reversals	(2)	(1)	(5)	(3)	(10)	(9)	**(30)**		**(30)**
Utilizations	(57)	(5)	(29)	(10)	(25)	(35)	**(161)**		**(161)**
Changes in Group structure						1	**1**		**1**
Other (reclassifications and translation adjustments)	(44)		(2)	(4)	(19)	2	**(67)**	(41)	**(108)**
Total movements during the period	**(21)**	**(1)**	**(12)**	**9**	**(28)**	**(8)**	**(61)**	**(41)**	**(102)**
At June 30, 2017									
Current portion	121	36	44	27	106	75	**409**	10	**419**
Non-current portion	458	121	43	87	99	198	**1,006**	151	**1,157**
Total provisions for other liabilities and investment-related liabilities	**579**	**157**	**87**	**114**	**205**	**273**	**1,415**	**161**	**1,576**

6.2. Contingent liabilities and litigation

6.2.1. Absestos-related litigation

6.2.1.1. Absestos-related litigation in France

a) Inexcusable fault lawsuits

In France, four individual lawsuits were filed in first-half 2017 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, 2017, a total of 809 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, 2017, 769 of these 809 lawsuits had been completed in terms of liability, quantum and liability for the payment of compensation. 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 €2.0 million.

Concerning the 40 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2017, six 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 34 remaining lawsuits, at June 30, 2017, the procedures relating to the merits of 31 cases were at different stages, with two in the process of being investigated by the French Social Security authorities and 29 pending before the Social Security courts or the Appeal Courts. The last three actions have been canceled but the plaintiffs may request their restoration at any time within a two-year period following their cancellation.

In addition, as of June 30, 2017, 227 similar suits had been filed since the outset of the litigation by current or former employees, or persons claiming through them, of 13 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, 2017, 185 lawsuits had been completed. In 107 of these cases, the employer was held liable for "inexcusable fault".

The compensation definitively paid by these companies totaled approximately €4.1 million.

With regard to the 42 suits outstanding at June 30, 2017, two cases were still at the investigation stage by the French Social Security authorities, 34 were being investigated – including 23 pending before the Social Security courts, 10 before the Appeal Courts and one before the Civil Supreme Court (*Cour de Cassation*). In addition, two suits had been completed in terms of liability but are still pending with regard to the quantum or liability for the payment of compensation, of which one was pending before the French Social Security court and one before the Civil Supreme Court. The four remaining suits have been canceled but the plaintiffs may request their restoration at any time within a two-year period following their cancellation.

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, 2017, a total of 822 suits had been brought by current or former employees claiming compensation for prejudice of anxiety 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, 678 have been terminated. Three plaintiffs had their claims dismissed, while for the 675 others who were recognized as having been exposed to an asbestos risk, the total amount of compensation is €7.9 million at June 30, 2017. Of the remaining 144 suits, 17 are pending before the competent Appeal Courts, one before the competent labor tribunals (*bureau de jugements des Conseils de prud'hommes*) and 116 have been canceled but the plaintiffs may request their restoration at any time during a period of two years following their cancellation. Finally, six suits have been dismissed by the competent labor tribunals and four 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. Absestos-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 2017 came to approximately 1,600. On a rolling 12 month basis, new claims are slightly down at approximately 3,100 at end-June 2017 compared to 3,200 end-December 2016.

Some 2,300 claims were resolved in the first six months of 2017, bringing the total number of outstanding claims to approximately 34,400 at June 30, 2017, down from 35,100 at December 31, 2016 and 35,600 at December 31, 2015.

An additional estimated provision of USD 49 million was recorded in the consolidated financial statements for the first-half of 2017 in relation to CertainTeed's asbestos claims. As 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, 2016 but only paid during the past twelve-months and those fully resolved during the past twelve-months), as well as compensation paid during the twelve-month period ending June 30, 2016 by other U.S. Group businesses involved in asbestos litigation, amounted to about USD 71 million, versus USD 97 million in full year 2016.

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, 2017, and they do not present a material risk for the subsidiaries concerned.

6.2.2. Anti-trust 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 alleging that Sanitas Troesch and some of its competitors had, among other things, agreed in 2005 and 2012 to lower gross prices.

The total fine decided against all the companies involved is CHF 80 million. For Sanitas Troesch, the fine is CHF 28.5 million. Sanitas Troesch appealed this decision on May 2, 2016. Sanitas Troesch continues to firmly refute the claims made; however a provision for litigation was recorded at December 31, 2015 for an amount equivalent to the fine (unchanged at June 30, 2017).

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 before the Versailles Commercial Court for one of its products, and in relation to a dispute between Actis and the mineral wool manufacturers' association (FILMM), of which Saint-Gobain Isover is a member.

Saint-Gobain Isover and Compagnie de Saint-Gobain are challenging this complaint. The hearing was held on May 11, 2016. The Competition Authority's final ruling was postponed to a date not yet known.

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. Environmental-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 two former facilities 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 which in the past contained traces of PFOA.

SG PPL has voluntarily provided bottled water in all three communities, installed point-of-entry treatment systems to residents and businesses in the Hoosick Falls and North Bennington areas, and installed carbon filtration systems on the municipal water supply in Hoosick Falls. In addition, it has voluntarily committed to fund water line extensions in certain communities in the Merrimack and Bennington areas. The investigations are on-going and the scope of responsibility for SG PPL arising from environmental remediation and clean-up obligations at these sites has not yet been established. Responsibility, if any, is expected to be shared with other parties as regards in particular the Hoosick Falls' site.

PFOA-related lawsuits alleging both health-related and economic damages claims have been filed in civil courts in New York, New Hampshire and Vermont, some of which are in the form of proposed class actions. 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 June 30, 2017, the provision recorded by the Company in respect of this matter amounts to €35 million.

6.2.4. Other contingent liabilities

6.2.4.1. Grenfell Tower fire in the United-Kingdom

At the time of the refurbishing of the Grenfell Tower in 2015, Celotex sold through distributors an insulation product for use as part of multicomponent ventilated rainscreen cladding system.

Following the Grenfell Tower fire on June 14, 2017, investigations are ongoing, and, in this context, Celotex as well as more than 60 other companies or organizations, is heard by the British authorities.

6.2.5. Main risks and uncertainties

The main risks and uncertainties that the Group could face in the second semester of 2017 are those described in Section 1 "Risk factors" of Chapter 7 of the 2016 registration document of March 15, 2017, filed with the French financial markets authority (*Autorité des Marchés Financiers*) under number D.17-0171 (the "2016 Registration Document"). There has not been any significant change in these risk factors in the first-half of 2017.

NOTE 7 – FINANCING AND FINANCIAL INSTRUMENTS

7.1. Net financial expense

Net financial expense for the first-half 2017 and 2016 includes:

(in € million)	First-half 2017	First-half 2016
Borrowing costs, gross	(154)	(197)
Income from cash and cash equivalents	11	10
Borrowing costs, net	**(143)**	**(187)**
Interest cost – pension and other post-employment benefit obligations	(168)	(196)
Return on plan assets	127	142
Interest cost – pension and other post-employment benefit obligations, net	**(41)**	**(54)**
Other financial expense	(57)	(55)
Other financial income	10	9
Other financial income and expense	**(47)**	**(46)**
Net financial expense	**(231)**	**(287)**

7.2. Net debt

7.2.1. Long- and short-term debt

Long- and short-term debt consists of the following:

(in € million)	June 30, 2017	December 31, 2016
Bond issues	7,487	6,089
Perpetual bonds and participating securities	203	203
Long-term securitization	350	350
Other long-term financial liabilities	336	317
Long-term debt (excluding current portion)	**8,376**	**6,959**
Current portion of long-term debt	**386**	**1,835**
Short-term financing programs (NEU CP, US CP, Euro CP)	200	0
Short-term securitizations	285	173
Bank overdrafts and other short-term financial liabilities	404	415
Short-term debt and bank overdrafts	**889**	**588**
Total gross debt	**9,651**	**9,382**
Cash at banks	(1,372)	(1,529)
Mutual funds and other marketable securities	(1,463)	(2,209)
Cash and cash equivalents	**(2,835)**	**(3,738)**
Total net debt	**6,816**	**5,644**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounts to €8.5 billion as of June 30, 2017, for a carrying amount of €7.8 billion. The fair value of bonds corresponds to the market price on the last day of the semester. For other borrowings, fair value is considered as equal to the amount repayable.

7.2.2. Debt repayment schedule

Debt at June 30, 2017 can be analyzed by maturity as follows:

(in € million)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues	EUR	0	4,316	2,550	6,866
	GBP	0	0	621	621
	NOK	78	0	0	78
Perpetual bonds and participating securities	EUR	0	0	203	203
Long-term securitization	EUR	150	350	0	500
Other long-term financial liabilities	All currencies	44	124	212	380
Accrued interests on long-term debt	All currencies	114	0	0	114
Total long-term debt		**386**	**4,790**	**3,586**	**8,762**
Total short-term debt	All currencies	**889**			**889**
Total gross debt		**1,275**	**4,790**	**3,586**	**9,651**

7.2.3. Bonds

Compagnie de Saint-Gobain issued:

- On March 17, 2017, a €750 million bond with a coupon of 1% and maturity March 17, 2025;
- On June 14, 2017, a €750 million bond with a coupon of 1.375% and maturity June14, 2027.

These issuances, used to refinance existing Group debts, allowed Saint-Gobain to lower its average borrowing costs and extend its average debt maturity.

Compagnie de Saint-Gobain redeemed the following bonds at maturity:

- On January 13, 2017, a 5 billion yen private debt with a coupon of 1.903%;
- On April 11, 2017, a €1.25 billion bond with a coupon of 4.75%;
- On June 29, 2017, a €200 million private debt with a coupon of 6%.

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, 2017, 18,496 perpetual bonds had been bought back and canceled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

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

The bonds are not redeemable and interests on the bonds 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 participating securities have been bought back over the years. At June 30, 2017, 606,883 securities were still outstanding with an aggregate face value of €92.5 million.

Interest on the securities ranges from 75% to 125% of the average corporate bond yield (TMO), based on the Group’s consolidated income.

In April 1984, 194,633 non-voting participating securities were issued with a face value of ECU 1,000 (€1,000 today).

A certain number of securities have been bought back over the years. At June 30, 2017, 77,516 securities were still outstanding with an aggregate face value of €77.5 million.

Interest comprises (i) a fixed portion of 7.5% paid per year 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 participating security, which is linked to consolidated net income of the previous year and to the reference six-month Libor EUR rate +7/8%.

These participating securities are not redeemable and the interest paid on them is reported under 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).

Issuance under these programs was as follows:

(in € million)	Authorized drawings	Authorized limits at June 30, 2017	Balance outstanding at June 30, 2017	Balance outstanding at December 31, 2016
Medium Term Notes		15,000	7,776	7,777
NEU CP	up to 12 months	3,000	200	0
US Commercial Paper	up to 12 months	876 *	0	0
Euro Commercial Paper	up to 12 months	876 *	0	0

*Equivalent of USD 1,000 million based on the exchange rate at June 30, 2017.

In accordance with market practices, Negotiable European Commercial Paper (NEU CP), US Commercial Paper and Euro Commercial Paper are generally issued with maturities of one to six months. They are treated as variable-rate debt since 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 NEU CP, US Commercial Paper and Euro Commercial Paper programs):

- an initial €1.5 billion syndicated line of credit expiring in December 2017 that was obtained in December 2012. This 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 that was contracted in December 2013. Following exercise of the two extension options in December 2014 and December 2015, this syndicated facility was extended for a further two years and now falls due in December 2020.

Based on the 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 had been drawn down at June 30, 2017.

7.2.8. Receivables securitization programs

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

The French program was renewed on November 10, 2016 for a maximum amount of €500 million. At June 30, 2017, it amounted to €500 million (€500 million at December 31, 2016). Based on past seasonal fluctuations in receivables included in the program and on the contract’s features, €350 million of this amount was classified as non-current and the balance as current.

The US program was renewed on October 21, 2015 for a maximum amount of USD 350 million. Its euro-equivalent value at June 30, 2017 was €285 million (€173 million at December 31, 2016).

7.2.9. Collateral

At June 30, 2017, €24 million of Group debt was secured by various non-current assets (real estate and securities).

7.3. Financial Instruments

The following table presents a breakdown of the principal derivatives used by the Group:

(in € million)	Fair value				Nominal amount by maturity at June 30, 2017			
	Derivatives recorded in assets	Derivatives recorded in liabilities	June 30, 2017	Dec 31, 2016	Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges			0	0				0
Cash flow hedges								
Currency	191	(6)	185	231	292	2,447	0	2,739
Interest rate	0	(69)	(69)	(70)	0	0	379	379
Energy and commodities	1	0	1	5	21	3	0	24
Other risks *	17	0	17	13	0	11	75	86
Cash flow hedges - total	**209**	**(75)**	**134**	**179**	**313**	**2,461**	**454**	**3,228**
Derivatives not qualifying for hedge accounting mainly contracted by Compagnie de Saint-Gobain								
Currency	9	(9)	0	(5)	1,906	28	0	1,934
Interest rate			0	0				0
Energy and commodities			0	0				0
Derivatives not qualifying for hedge accounting - total	**9**	**(9)**	**0**	**(5)**	**1,906**	**28**	**0**	**1,934**
Total	**218**	**(84)**	**134**	**174**	**2,219**	**2,489**	**454**	**5,162**

* The "Other risks" are equity derivatives, used to hedge the risk of changes in the Saint-Gobain share price, in connection with the performance units long-term incentive plan.

7.3.1. 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, 2017, credit value adjustments were not material.

7.3.2. Impact on equity of financial instruments qualifying for cash flow hedge accounting

At June 30, 2017, the cash flow hedging reserve carried in equity in accordance with IFRS had a credit balance of €152 million, consisting mainly of:

- a credit balance of €179 million corresponding to the change in the fair value of the currency swaps qualified as cash flow hedges for the acquisition of a controlling interest in Sika;
- a debit balance of €30 million in relation to cross-currency swaps designated as cash flow hedges that are used to convert a bond issue into euros.

The ineffective portion of cash flow hedging derivatives is not material.

At June 30, 2017, the cash flow hedge relating to the acquisition of a controlling interest in Sika was valued at €179 million based on a spot exchange rate of €1 for CHF 1.093.

7.3.3. 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, is not material at June 30, 2017 (€5 million loss at December 31, 2016).

7.3.4. Group debt structure

The weighted average interest rate on total gross debt under IFRS and after hedging (interest rate swaps, currency swaps and cross-currency swaps) was 2.7% at June 30, 2017, compared with 3.4% at December 31, 2016.

The table below presents the breakdown by interest rate (fixed or variable) of the Group's gross debt at June 30, 2017, taking into account interest rate, currency and cross-currency swaps.

	Gross debt after hedging		
(in € million)	**Variable rate**	**Fixed rate**	**Total**
EUR	886	7,264	8,150
Other currencies	862	444	1,306
Total	**1,748**	**7,708**	**9,456**
(in %)	18%	82%	100%
Accrued interest and other financial liabilities			195
Total gross debt			**9,651**

7.4. Financial assets and liabilities

Financial assets and liabilities are classified as follows in accordance with IFRS 7:

At June 30, 2017

(in € million)		Financial instruments at fair value				Other financial instruments				Financial instruments at fair value according to the IFRS 7 hierarchy			
Balance sheet headings and classes of instrument	Notes	Financial instruments through profit or loss	Qualifying derivatives	Assets and liabilities measured at fair value (fair value option)	**Total financial instruments measured at fair value**	Available-for-sale financial assets	Loans and receivables	Liabilities at amortized cost	**Total financial instrument**	Level 1 inputs	Level 2 inputs	Level 3 inputs	**Total financial instruments measured at fair value**
Trade and other accounts receivable	(3)				**0**		7,195		**7,195**				**0**
Loans, deposits and surety					**0**		568		**568**				**0**
Available-for-sale and other securities					**0**	122			**122**				**0**
Derivatives recorded in assets		9	209		**218**				**218**		218		**218**
Cash and cash equivalents				2,835	**2,835**				**2,835**	1,463	1,372		**2,835**
Total Assets		**9**	**209**	**2,835**	**3,053**	**122**	**7,763**	**0**	**10,938**	**1,463**	**1,590**	**0**	**3,053**
Trade and other accounts payable	(3)				**0**			(9,343)	**(9,343)**				**0**
Long-and short-term debt					**0**			(9,581)	**(9,581)**				**0**
Derivatives recorded in liabilities		(9)	(75)		**(84)**				**(84)**		(84)		**(84)**
Total Liabilities		**(9)**	**(75)**	**0**	**(84)**	**0**	**0**	**(18,924)**	**(19,008)**	**0**	**(84)**	**0**	**(84)**
Total		**0**	**134**	**2,835**	**2,969**	**122**	**7,763**	**(18,924)**	**(8,070)**	**1,463**	**1,506**	**0**	**2,969**

At December 31, 2016

(in € million)		Financial instruments at fair value				Other financial instruments				Financial instruments at fair value according to the IFRS 7 hierarchy			
Balance sheet headings and classes of instrument	Notes	Financial instruments through profit or loss	Qualifying derivatives	Assets and liabilities measured at fair value (fair value option)	**Total financial instruments measured at fair value**	Available-for-sale financial assets	Loans and receivables	Liabilities at amortized cost	**Total financial instrument**	Level 1 inputs	Level 2 inputs	Level 3 inputs	**Total financial instruments measured at fair value**
Trade and other accounts receivable	(3)				**0**		6,193		**6,193**				**0**
Loans, deposits and surety					**0**		521		**521**				**0**
Available-for-sale and other securities					**0**	148			**148**				**0**
Derivatives recorded in assets		5	256		**261**				**261**		261		**261**
Cash and cash equivalents				3,738	**3,738**				**3,738**	2,209	1,529		**3,738**
Total Assets		**5**	**256**	**3,738**	**3,999**	**148**	**6,714**	**0**	**10,861**	**2,209**	**1,790**	**0**	**3,999**
Trade and other accounts payable	(3)				**0**			(9,433)	**(9,433)**				**0**
Long and short-term debt					**0**			(9,307)	**(9,307)**				**0**
Derivatives recorded in liabilities		(10)	(77)		**(87)**				**(87)**		(87)		**(87)**
Total Liabilities		**(10)**	**(77)**	**0**	**(87)**	**0**	**0**	**(18,740)**	**(18,827)**	**0**	**(87)**	**0**	**(87)**
Total		**(5)**	**179**	**3,738**	**3,912**	**148**	**6,714**	**(18,740)**	**(7,966)**	**2,209**	**1,703**	**0**	**3,912**

NOTE 8 – SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

8.1. Equity

8.1.1. Capital stock

As of June 30, 2017, Compagnie de Saint-Gobain's capital stock comprised 559,874,165 shares of common stock with a par value of €4 each (555,280,358 shares at December 31, 2016).

8.1.2. Dividends paid

The dividend of €1.26 per share proposed in respect of the 2016 financial year was approved at the General Meeting on June 8, 2017.

8.2. Earnings per share

Basic and diluted earnings per share are as follows:

	First-half 2017		First-half 2016	
	Basic	Diluted	Basic	Diluted
Income (in € million)				
Group share of net income	754	754	596	596
Number of shares				
Weighted average number of shares in issue	553,852,126		556,459,337	
Weighted average number of shares assuming full dilution		556,969,463		558,802,960
Earnings per share (in €)				
Earnings per share, Group share	1.36	1.35	1.07	1.07

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares outstanding, assuming conversion of all dilutive instruments. The Group's dilutive instruments include stock options and performance share grants corresponding to a weighted average of 959,938 and 2,157,399 shares, respectively, at June 30, 2017.

NOTE 9 – INCOME TAX

9.1. Income tax

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

(in € million)	**First-half 2017**	**First-half 2016**
Net income	777	610
Less:		
Share in net income of equity-accounted companies	17	16
Income taxes	(297)	(261)
Pre-tax income of consolidated companies	**1,057**	**855**

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.

Theoretical tax expense was reconciled with current tax expense using a tax rate of 34.43% in first-half of 2017 and 2016 and can be analyzed as follows:

(in € million)	**First-half 2017**	**First-half 2016**
Theoretical tax expense at French tax rate	(285)	(228)
Asset impairment, capital gains and losses and anti-trust provision	(2)	(2)
Deferred tax assets not recognized	(6)	(8)
Effect of changes in future tax rates	0	(1)
Research tax credit, tax credit for competitiveness and employment (CICE) and value-added contribution for businesses (CVAE)	4	0
Costs related to dividends	(21)	(21)
Other taxes and provision writebacks	13	(1)
Total income tax expense	**(297)**	**(261)**

9.2. Deferred tax

In the balance sheet, changes in the net deferred tax liability breakdown as follows:

(in € million)	**Net deferred tax asset/(liability)**
At January 1, 2017	**825**
Deferred tax (expense)/benefit	(16)
Changes in deferred taxes relating to actuarial gains and losses (IAS 19)	(92)
Translation adjustments	(33)
Impact of changes in scope of consolidation and other	13
At June 30, 2017	**697**

NOTE 10 – SUBSEQUENT EVENTS

None.

COMPAGNIE DE SAINT-GOBAIN

Statutory auditors' review report on the half-year financial information

(Period from January 1, 2017 to June 30, 2017)

PricewaterhouseCoopers Audit
Crystal Park
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

KPMG Audit
Tour Eqho
2, avenue Gambetta
CS 60055
92066 Paris La Défense

Statutory auditors' review report
on the half-year financial information

(Period from January 1, 2017 to June 30, 2017)

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 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 La Défense Cedex

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Compagnie de Saint-Gobain for the period from January 1, 2017 to June 30, 2017,
- 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 27, 2017

The statutory auditors

French original signed by

PricewaterhouseCoopers Audit

KPMG Audit
Division of KPMG S.A.

Edouard Sattler　Cécile Saint-Martin

Jean-Paul Thill　Bertrand Pruvost

STATEMENT BY THE PERSONS RESPONSIBLE FOR THE 2017 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, 2017 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and 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, and describes the main risks and uncertainties for the second half of 2017.

Courbevoie, July 27, 2017

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