Half-year financial report 2018

Including :

- Half-year management Report 2018
- Consolidated Financial Statements period ended June 30, 2018
- Statutory Auditors' review Report on the 2018 half-year financial information
- Statement by the persons responsible for the 2018 interim financial report

PRESS RELEASE

Paris, July 26, 2018

First-half 2018 results

Sharp uptick in sales in the second quarter
Acceleration of strategy

- Organic growth at 4.9% (including 8.0% in the second quarter), with volumes up 2.4%
- Prices up 2.5%, accelerating in line with the rise in raw material and energy costs
- 4.4% negative currency impact, mainly due to the depreciation of the US dollar and of certain Asian and emerging country currencies; positive 1.4% structure impact
- Operating income at €1,469 million (up 0.3% as reported), an increase of 1.7% like-for-like
- Recurring net income up 6.8% and net attributable income up 61.7% notably including a positive impact of €781 million relating to the Sika transaction
- 13 acquisitions for a total of €356 million (excluding Sika)
- 8.8 million shares bought back in first-half 2018
- Objectives for full-year 2018 confirmed
- Acceleration of strategy: divestments representing at least €3 billion in sales by the end of 2019, continued high level of value-creating acquisitions, review of the Group's organizational structure

(€m)	H1 2017	**H1 2018**	**Change**	**Change** like-for-like
Sales	**20,409**	**20,787**	**1.9%**	**4.9%**
EBITDA	**2,071**	**2,070**	**0.0%**	
Operating income	**1,465**	**1,469**	**0.3%**	**1.7%**
Recurring net income[1]	**751**	**802**	**6.8%**	
Net attributable income	**754**	**1,219**	**61.7%**	

Pierre-André de Chalendar, Chairman and Chief Executive Officer of Saint-Gobain, commented:

"The second quarter marks a return to supportive trends in all our main markets. After a disappointing first quarter, affected by harsh winter weather in Europe which weighed on results, the second quarter was far more encouraging in terms of volumes and prices. The Group succeeded in further raising sales prices amid continued raw material and energy cost inflation. Despite a combination of temporary one-off factors, our first-half results progressed once again.

Saint-Gobain is therefore confirming its objectives for full-year 2018 and for the second half expects the like-for-like increase in operating income to be clearly above the level achieved in the first half.

After having agreed a transaction with Sika on excellent financial terms, the Group will accelerate the implementation of its strategy: the roll-out of a divestment program representing at least €3 billion in sales by the end of 2019, the continuation of its policy of value-creating acquisitions, and the launch of a review of the Group's organizational structure in order to give greater priority to the regional dimension of its businesses with the aim of enhancing its agility to drive growth and reinforce its competitiveness."

1. Recurring net income excl. capital gains and losses on disposals, asset write-downs, material non-recurring provisions and Sika income.

Operating performance

First-half consolidated **sales** were **€20,787 million**, an increase of 1.9% year-on-year on a reported basis and of **4.9% like-for-like**. Organic growth was driven both by volumes (up 2.4%) and by prices (up 2.5%) with a progression in all Business Sectors and all regions. Price rises accelerated in the second quarter, up 3.0% in a context of continued raw material and energy cost inflation. The growth in our main markets, aided by a weak prior-year comparison basis (June 2017 cyber-attack) and a positive 1% calendar effect, also contributed to the 5.0% uptick in volumes in the second quarter. The calendar effect had a slightly negative impact of around 0.5% over the half-year period as a whole.

The Group structure impact added 1.4% to overall growth, essentially reflecting the consolidation of acquisitions in Asia and emerging countries (KIMMCO, Megaflex, Tumelero, Isoroc Poland), in new niche technologies and services (TekBond, Scotframe, Maris) and to consolidate our strong positions (Glava, Kirson, Biolink, Wattex, SimTek, bolt-on acquisitions in Building Distribution such as Per Strand).
Overall growth was affected by a 4.4% negative **currency impact** however, mainly due to the depreciation of the US dollar, Brazilian real, Nordic krona and other Asian and emerging country currencies against the euro.

The Group's operating income remained stable on a reported basis (up 0.3%) and increased 1.7% like-for-like. The **operating margin[1] came in at 7.1%** compared to 7.2% in first-half 2017.

<u>Performance of Group Business Sectors</u>

Innovative Materials sales climbed 6.0% on a like-for-like basis, driven by High-Performance Materials. The operating margin for the Business Sector remained stable at 12.3%.

- **Flat Glass** reported 3.5% organic growth over the six months to June 30. The automotive business advanced in all of its regions, particularly in Asia and emerging countries, and continues to ramp up its capital expenditure and investments in innovation. Sales linked to the construction market were penalized by float repairs in Poland and Romania. Higher prices in Europe continue to be driven by transformed glass, with a smaller rise in float glass prices. Asia and emerging countries progressed slightly despite the stoppage of the Egyptian float line owing to flooding at the end of April and the 10-day truck drivers' strike in May in Brazil. The operating margin narrowed to 8.0% versus 9.9% in first-half 2017, affected by the one-off operational issues.
- **High-Performance Materials** (HPM) sales rose 9.2% like-for-like over the first half, in all businesses and particularly in Ceramics, buoyed by exceptionally strong sales of refractories. All regions contributed to the trading momentum, with strong increases in Asia and emerging countries, the US and Western Europe. The operating margin benefited from the significant volumes and hit a new record high of 17.3% compared to 15.0% in first-half 2017.

Construction Products (CP) sales were up 6.8% like-for-like in first-half 2018. The operating margin for the Business Sector was 8.6% versus 9.3% in first-half 2017, affected by Exterior Solutions.

- **Interior Solutions** reported 7.1% organic growth, with an acceleration in sales prices over the period (up 4.1%) amid continued inflation in raw material and energy costs. After a first quarter affected by harsh weather conditions, activity in Western Europe regained good levels in the second quarter. North America confirmed its positive pricing dynamic and delivered volume improvement. Asia and emerging countries continued to post strong growth. The operating margin remained stable at 9.9%, held back by harsh weather conditions in Europe over the first quarter and by the ongoing shift from synthetic to natural gypsum, but benefited over the half-year period from a positive price-cost spread in terms of raw materials and energy.

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

- **Exterior Solutions** sales moved up 6.6% like-for-like. Exterior Products in North America reported a significant improvement in volumes, aided by an easier comparison basis in second-quarter 2017; prices, after stabilizing in the first quarter, were back on an upward trend at the end of the half-year amid higher inflation in asphalt and transportation costs. Pipe successfully raised prices, while volumes remained down overall. In a tough profitability environment, the business continued to restructure its European and Chinese plants. Mortars had a good first half, driven by a strong upturn in the second quarter, particularly in Europe which had been hit by harsh weather conditions early in the year. Asia and emerging countries continued to benefit overall from bullish growth, despite the truck drivers' strike in Brazil at the end of May. The overall operating margin was down at 7.0% versus 8.4% in first-half 2017, affected by a lag between prices and raw material and energy costs for Exterior Products in the US, despite an improvement at the end of the half-year period.

Building Distribution like-for-like sales rose 3.1%, benefiting from a strong 6.7% upturn in the second quarter, partly buoyed by a positive 1% calendar effect and a weak comparison basis (June 2017 cyber-attack). After a strong negative impact resulting from harsh weather conditions in Europe at the beginning of the year, trends returned to good levels in the second quarter. France continued to recover thanks to growth in both new-builds and renovation. Nordic countries returned to dynamic underlying growth in the second quarter in both Norway and Sweden. The UK improved, with a significant price effect and a smaller decline in volumes, likely benefiting from a partial catch-up of the weather impact at the start of the year. Germany reported slight growth after a difficult first quarter, while Brazil remained sluggish. The operating margin remained stable at 2.7%: the return of upbeat market conditions in the second quarter failed to offset the lag established at the beginning of the year owing to bad weather.

<u>Analysis by region</u>

- **France** reported further growth over the first half (up 3.1% like-for-like), benefiting from a return to supportive trends in the second quarter in new-build and renovation markets, after a first quarter affected by harsh weather conditions. The operating margin widened sharply, up to 3.3% from 2.5% in first-half 2017.
- **Other Western European countries** progressed 3.6% over the first half, reporting further organic growth with a sharp uptick in the second quarter led mainly by more normal weather conditions and by a favorable comparison basis (June 2017 cyber-attack). Nordic countries reported good growth in both Norway and Sweden. The UK delivered slight organic growth with a strong price effect but a decline in volumes that nevertheless slowed in the second quarter in a still uncertain environment. Germany progressed slightly over the first half. The region's operating margin fell to 5.4% from 6.0% in first-half 2017, hit by the harsh weather conditions at the start of the year.
- In **North America**, like-for-like sales were up 9.4% in the first half, buoyed by strong momentum in industrial markets and robust growth in construction against a favorable comparison basis. The operating margin was 11.1% versus 11.8% in first-half 2017, with a rise in prices for Exterior Products which lagged behind costs.
- **Asia and emerging countries** continued to advance in all regions, posting organic growth of 8.2% with an acceleration in the second quarter to 9.7%. Latin America advanced significantly in all main countries, including in Brazil despite the strike in May. Asia benefited from strong momentum in India. Eastern Europe achieved a good performance led by Poland. The operating margin was up slightly at 10.8% versus 10.7% in first-half 2017.

Analysis of the consolidated financial statements for first-half 2018

The unaudited interim consolidated financial statements for first-half 2018 were subject to a limited review by the statutory auditors and were approved and adopted by the Board of Directors on July 26, 2018.

€m	H1 2017 (A)	H1 2018 (B)	% change (B)/(A)
Sales and ancillary revenue	**20,409**	**20,787**	**1.9%**
Operating income	**1,465**	**1,469**	**0.3%**
Operating depreciation and amortization	606	601	-0.8%
EBITDA (operating income + operating depr./amort.)	2,071	2,070	0.0%
Non-operating costs	(166)	(54)	-67.5%
Capital gains and losses on disposals, asset write-downs, corporate acquisition fees and earn-out payments	7	(296)	n.s.
Business income	**1,306**	**1,119**	**-14.3%**
Net financial income (expense)	(231)	392	n.s.
Income tax	(297)	(265)	-10.8%
Share in net income (loss) of associates	(1)	0	n.s.
Net income before minority interests	**777**	**1,246**	**60.4%**
Minority interests	23	27	17.4%
Net attributable income	**754**	**1,219**	**61.7%**
Earnings per share[2] (in €)	1.36	2.23	64.0%
Recurring net income[1]	**751**	**802**	**6.8%**
Recurring[1] earnings per share[2] (in €)	1.35	1.47	8.9%
Cash flow from operations[3]	1,407	1,410	0.2%
Cash flow from operations (excluding capital gains tax)[4]	1,410	1,398	-0.9%
Capital expenditure[5]	427	561	31.4%
Free cash flow[6]	**983**	**837**	**-14.9%**
Investments in securities	136	1,289	n.s.
Net debt	**6,816**	**9,294**	**36.4%**

1. Recurring net income: net attributable income excluding capital gains and losses on disposals, asset write-downs, material non-recurring provisions and Sika income.
2. Calculated based on the number of shares outstanding at June 30 (546,918,263 shares in 2018, versus 554,424,460 shares in 2017).
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 on disposals, 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 4.9% like-for-like, led by both prices (up 2.5%) and by volumes (up 2.4%). On a reported basis, sales were 1.9% higher, with a negative 4.4% **currency impact** resulting mainly from the depreciation of the US dollar, Brazilian real, Nordic krona and other Asian and emerging country currencies against the euro. The positive 1.4% **Group structure impact** essentially reflects the consolidation of acquisitions in Asia and emerging countries (KIMMCO, Megaflex, Tumelero, Isoroc Poland), in new niche technologies and services (TekBond, Scotframe, Maris) and to consolidate our strong positions (Glava, Kirson, Biolink, Wattex, SimTek, bolt-on acquisitions in Building Distribution, including Per Strand).

Operating income was stable based on reported figures (up 0.3%) and increased 1.7% like-for-like. The operating margin came in at 7.1% of sales versus 7.2% of sales in first-half 2017.

EBITDA (operating income plus operating depreciation and amortization) remained stable at €2,070 million and the EBITDA margin represented 10.0% of sales compared to 10.1% of sales in first-half 2017.

Non-operating costs totaled €54 million, down from €166 million in first-half 2017, benefiting from a one-off gain linked to the Sika transaction and despite a rise in restructuring costs relating mainly to Pipe. 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 an expense of €296 million compared to income of €7 million in first-half 2017. In first-half 2018, this item includes €267 million in asset write-downs, mainly in Pipe, and €29 million in losses on asset disposals and acquisition fees. **Business income** was therefore down 14.3% to €1,119 million.

Net financial income (expense) represented income of €392 million compared to an expense of €231 million in first-half 2017. Besides the improvement resulting from a lower interest cost on pensions (thanks to contributions in previous years) and a decrease in the cost of gross debt (2.5% versus 2.7% at June 30, 2017), net financial income was boosted by a €601 million gain relating to the Sika transaction.

Income tax totaled €265 million (€297 million in first-half 2017).

The income tax rate on recurring net income was 25% compared to 27% in first-half 2017, due mainly to the reduction in the US tax rate.

Recurring net income (excluding capital gains and losses, asset write-downs, material non-recurring provisions and Sika income) rose 6.8% to €802 million.

Net attributable income increased sharply, up 61.7% to €1,219 million.

Capital expenditure totaled €561 million, representing 2.7% of sales compared to a particularly low 2.1% of sales in first-half 2017.

Cash flow from operations remained stable at €1,410 million (€1,407 million in first-half 2017); before the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions, cash flow from operations was €1,398 million (€1,410 million in first-half 2017) and free cash flow decreased 14.9% to €837 million (4.0% of sales versus 4.8% of sales in first-half 2017).

The difference between EBITDA and capital expenditure fell 8.2% to €1,509 million (€1,644 million in first-half 2017), representing 7.3% of sales (8.1% in first-half 2017).

Operating working capital requirements (WCR) came in at €4,598 million (€4,333 million at June 30, 2017), a rise of one day to 40 days of sales.

Investments in securities totaled €1,289 million (€136 million in first-half 2017), including €933 million relating to the Sika transaction (on a net basis after the disposal of 6.97% of shares) and €356 million in targeted acquisitions made to consolidate leading positions, notably Per Strand in Norway (Building Distribution), to develop innovative niches with Micro Hydraulics Pharma, HyComp and Logli Massimo (Innovative Materials), and to establish a foothold in new countries with KIMMCO in Insulation in Kuwait (CP).

Net debt rose from €6.8 billion to €9.3 billion at June 30, 2018, with in particular the Sika transaction for €933 million and €389 million in share buybacks over the period. Net debt represents 48% of consolidated equity compared to 36% at June 30, 2017. **The net debt to EBITDA ratio** over the last 12-month rolling period was 2.2 at end-June 2018 compared to 1.7 at end-June 2017.

Update on asbestos claims in the US

Some 1,300 new claims were filed against CertainTeed in first-half 2018 (versus 1,600 in first-half 2017).
At the same time, around 1,500 claims were settled (versus 2,300 claims in first-half 2017), bringing the total number of outstanding claims to around 34,100 at June 30, 2018, a decrease of 200 compared to end-2017 (34,300).
A total of USD 74 million in indemnity payments were made in the 12 months to June 30, 2018, compared to USD 76 million in the 12 months to December 31, 2017.

Strategic priorities and outlook

The Group continued to implement its strategic priorities in first-half 2018:
- €150 million in cost savings versus first-half 2017;
- 13 acquisitions in the first half and 3 being finalized in July;
- 8.8 million shares bought back in the first half, an acceleration compared to last year (8.3 million over full-year 2017), contributing to a reduction in the number of shares outstanding to 546.9 million at June 30, 2018 (554.4 million at June 30, 2017).

In the second half, the Group should continue to operate in a supportive economic environment:
- **France** to continue to enjoy robust momentum in construction markets;
- progression in **other Western European countries**, despite continued uncertainty in the UK;
- growth in **North America**, in both construction markets and industry;
- good momentum in **Asia and emerging countries**.

The Group confirms its **action priorities for the year as a whole**:
- its **focus on sales prices** amid continued inflationary pressure on costs;
- its **cost savings program**, with the aim of unlocking additional savings of around €300 million (calculated on the 2017 cost base);
- its **capital expenditure program** of around €1.7 billion (representing around 4% of sales, in line with our objectives), with a focus on growth capex outside Western Europe and also on productivity (Industry 4.0) and digital transformation, particularly in Building Distribution;
- 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 its objective for full-year 2018 of a like-for-like increase in operating income and for the second half expects the like-for-like increase to be clearly above the level achieved in the first half.

After having agreed a transaction with Sika on excellent financial terms, the Group will continue and accelerate the roll-out of its strategy:

- Acceleration in divestments by the end of 2019, representing sales of at least €3 billion, with a positive impact of around 40 basis points on the operating margin.
- Ongoing value-creating acquisitions policy representing over €500 million per year on average through to 2020, with three focuses: Asia and emerging countries, new niche technologies and services, and the consolidation of the Group's strong positions.
- Launch of a review of the Group's organizational structure to give greater priority to the regional dimension of construction businesses in order to: increase market proximity, enhance agility in order to drive growth, leverage new opportunities from our digital transformation programs and reinforce our competitiveness, while maintaining business synergies. The new organizational structure that results from this review will be unveiled before the end of 2018. In line with our culture of social dialog, employee representative bodies will be kept informed.

Financial calendar

- An information meeting for analysts and investors will be held at *8:30am (GMT+1) on July 27, 2018* and will be broadcast live on www.saint-gobain.com

- Sales for the first nine months of 2018: *October 25,* 2018 after close of trading on the Paris Bourse.

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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 notes in which you can find an explanation of each indicator.
Glossary:

Cash flow from operations	*Note 4*
Net debt	*Note 9*
EBITDA	*Note 4*
Non-operating costs	*Note 4*
Operating income	*Note 4*
Net financial income (expense)	*Note 9*
Recurring net income	*Note 4*
Business income	*Note 4*

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

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED JUNE 30, 2018

Direction de la CONSOLIDATION REPORTING GROUPE

DETAILED TABLE OF CONTENTS OF NOTES

INTERIM REPORT – SIX MONTHS ENDED 30 JUNE 2018

CONSOLIDATED BALANCE SHEET

(in € millions)	Notes	June 30, 2018	Dec. 31, 2017
Assets			
Goodwill	(6)	10,726	10,575
Other intangible assets	(6)	2,627	2,603
Property, plant and equipment	(6)	11,414	11,590
Investments in equity-accounted companies		393	379
Deferred tax assets	(11)	896	938
Other non-current assets	(7)	2,647	774
Non-current assets		**28,703**	**26,859**
Inventories	(4)	6,429	6,041
Trade accounts receivable	(4)	6,189	5,134
Current tax receivable		167	204
Other receivables	(4)	2,151	1,395
Assets held for sale	(2)	153	0
Cash and cash equivalents	(9)	2,241	3,284
Current assets		**17,330**	**16,058**
Total assets		**46,033**	**42,917**
Equity and liabilities			
Capital stock	(10)	2,210	2,214
Additional paid-in capital and legal reserve		5,856	5,944
Retained earnings and consolidated net income		12,948	12,167
Cumulative translation adjustments		(1,923)	(1,756)
Fair value reserves		13	22
Treasury stock	(10)	(235)	(123)
Shareholders' equity		**18,869**	**18,468**
Minority interests		383	384
Total equity		**19,252**	**18,852**
Non-current portion of long-term debt	(9)	8,976	7,655
Provisions for pensions and other employee benefits	(5)	2,606	2,927
Deferred tax liabilities	(11)	446	427
Other non-current liabilities and provisions	(8)	1,070	1,053
Non-current liabilities		**13,098**	**12,062**
Current portion of long-term debt	(9)	1,011	1,064
Current portion of other liabilities and provisions	(8)	407	412
Trade accounts payable	(4)	6,213	6,027
Current tax liabilities		116	157
Other payables	(4)	4,254	3,823
Liabilities held for sale	(2)	134	0
Short-term debt and bank overdrafts	(9)	1,548	520
Current liabilities		**13,683**	**12,003**
Total equity and liabilities		**46,033**	**42,917**

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

CONSOLIDATED INCOME STATEMENT

(in € millions)	Notes	First-half 2018	First-half 2017
Net sales	(4)	20,787	20,409
Cost of sales	(4)	(15,460)	(15,123)
General expenses including research	(4)	(3,876)	(3,839)
Share in net income of core business equity-accounted companies		18	18
Operating income		**1,469**	**1,465**
Other business income	(4)	198	32
Other business expense	(4)	(548)	(191)
Business income		**1,119**	**1,306**
Borrowing costs, gross		(140)	(154)
Income from cash and cash equivalents		11	11
Borrowing costs, net		(129)	(143)
Other financial income and expense		521	(88)
Net financial expense	**(9)**	**392**	**(231)**
Share in net income of non-core business equity-accounted companies		0	(1)
Income taxes	(11)	(265)	(297)
Net income		**1,246**	**777**
Group share of net income		**1,219**	**754**
Minority interests		27	23

Earnings per share *(in €)*	Notes	First-half 2018	First-half 2017
Weighted average number of shares in issue		549,390,471	553,852,126
Earnings per share, Group share	(10)	2.22	1.36
Weighted average number of shares assuming full dilution		552,457,390	556,969,463
Diluted earnings per share, Group share	(10)	2.21	1.35

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in € millions)	Notes	First-half 2018	First-half 2017
Net income		**1,246**	**777**
Items that may be subsequently reclassified to profit or loss			
Translation adjustments		(181)	(613)
Changes in fair value of financial instruments	(9)	(63)	(39)
Tax on items that may be subsequently reclassified to profit or loss		20	15
Items that will not be reclassified to profit or loss			
Changes in actuarial gains and losses	(5)	341	326
Tax on items that will not be reclassified to profit or loss	(11)	(78)	(92)
Changes in fair value of assets by equity	(7)	54	0
Liability method on items that will not be reclassified to profit or loss and other		8	0
Income and expense recognized directly in equity		**101**	**(403)**
Total recognized income and expense for the year		**1,347**	**374**
Group share		1,334	372
Minority interests		13	2

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Notes	First-half 2018	First-half 2017
Group share of net income		**1,219**	**754**
Minority interests in net income	(a)	27	23
Share in net income of equity-accounted companies, net of dividends received		(13)	(3)
Depreciation, amortization and impairment of assets	(4)	863	639
Gains and losses on disposals of assets	(4)	11	(7)
Extraordinary net income SWH/Sika	(2)	(781)	0
Unrealized gains and losses arising from changes in fair value and share-based payments		3	3
Changes in inventory	(4)	(444)	(437)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(4)	(1,137)	(937)
Changes in tax receivable and payable	(4)	(7)	255
Changes in deferred taxes and provisions for other liabilities and charges	(5)(8)(11)	93	56
Net cash from operating activities		**(166)**	**346**
Acquisitions of property, plant and equipment [H1 2018: (561), H1 2017: (427)] and intangible assets	(6)	(637)	(479)
Increase (decrease) in amounts due to suppliers of fixed assets	(4)	(208)	(149)
Acquisitions of shares in consolidated companies [H1 2018: (285), H1 2017: (52)], net of cash acquired		(250)	(39)
Acquisitions of other investments	(2)	(1,000)	(84)
Increase in investment-related liabilities	(8)	27	4
Decrease in investment-related liabilities	(8)	(9)	(38)
Investments		**(2,077)**	**(785)**
Disposals of property, plant and equipment and intangible assets	(6)	6	60
Disposals of shares in consolidated companies, net of cash divested		27	28
Divestments		**33**	**88**
Increase in loans, deposits and short-term loans		(90)	(89)
Decrease in loans, deposits and short-term loans		23	38
Changes in loans, deposits and short-term loans		**(67)**	**(51)**
Net cash from (used in) investment and divestment activities		**(2,111)**	**(748)**
Issues of capital stock	(a)	179	168
(Increase) decrease in treasury stock	(a)	(389)	(178)
Dividends paid	(a)	(707)	(694)
Transactions with shareholders of the parent company		**(917)**	**(704)**
Minority interests' share in capital increases of subsidiaries	(a)	3	0
Acquisitions of minority interests without gain of control		(4)	0
Dividends paid to minority shareholders of consolidated subsidiaries	(a)	(38)	(22)
Change in dividends payable		(1)	0
Transactions with minority interests		**(40)**	**(22)**
Increase (decrease) in bank overdrafts and other short-term debt		1,035	283
Increase in long-term debt	(b)(9)	1,297	1,560
Decrease in long-term debt	(b)(9)	(109)	(1,578)
Changes in gross debt		**2,223**	**265**
Net cash from (used in) financing activities		**1,266**	**(461)**
Increase (decrease) in cash and cash equivalents		**(1,011)**	**(863)**
Net effect of exchange rate changes on cash and cash equivalents		(28)	(37)
Net effect of changes in fair value on cash and cash equivalents		(4)	(3)
Cash and cash equivalents at beginning of year		**3,284**	**3,738**
Cash and cash equivalents at end of year		**2,241**	**2,835**

(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 €246 million in first-half 2018 (€26 million in first-half 2017) and interest paid net of interest received totaled €114 million in first-half 2018 (€171 million in first-half 2017).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(number of shares)			*(in € millions)*								
Issued	**Outstanding**		**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**	**Minority interests**	**Total equity**
555,280,358	**553,388,403**	**At January 1, 2017**	**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 year	**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**
		Stock option plans							**0**		**0**
		Other							**0**		**0**
		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**
		Shares canceled							**0**		**0**
		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**
		Income and expenses recognized directly in equity	0	0	(69)	(422)	(130)	0	**(621)**	(12)	**(633)**
		Net income for the period			812				**812**	36	**848**
		Total income and expense for the year	**0**	**0**	**743**	**(422)**	**(130)**	**0**	**191**	**24**	**215**
		Issues of capital stock									
		Group Savings Plan							**0**	7	**7**
682,926	682,926	Stock option plans	3	16					**19**		**19**
		Dividends paid in shares							**0**		**0**
		Dividends paid (€1.26 per share)			1				**1**	(6)	**(5)**
	(5,437,988)	Shares purchased			(15)			(260)	**(275)**		**(275)**
	1,116,321	Shares sold						47	**47**		**47**
(7,000,000)		Shares canceled	(28)	(312)				340	**0**		**0**
		Share-based payments			9				**9**		**9**
		Changes in Group structure and other			12				**12**	(1)	**11**
553,557,091	**550,785,719**	**At December 31, 2017**	**2,214**	**5,944**	**12,167**	**(1,756)**	**22**	**(123)**	**18,468**	**384**	**18,852**
		Restatements*			(24)				**(24)**		**(24)**
553,557,091	**550,785,719**	**Restated at January 1, 2018***	**2,214**	**5,944**	**12,143**	**(1,756)**	**22**	**(123)**	**18,444**	**384**	**18,828**
		Income and expenses recognized directly in equity	0	0	291	(167)	(9)	0	**115**	(14)	**101**
		Net income for the period			1,219		0		**1,219**	27	**1,246**
		Total income and expense for the year	**0**	**0**	**1,510**	**(167)**	**(9)**	**0**	**1,334**	**13**	**1,347**
		Issues of capital stock									
4,932,767	4,932,767	Group Savings Plan	20	159					**179**		**179**
		Others							**0**	3	**3**
		Dividends paid (€1.30 per share)			(707)				**(707)**	(38)	**(745)**
	(9,398,982)	Shares purchased						(416)	**(416)**		**(416)**
	598,759	Shares sold			(6)			33	**27**		**27**
(6,000,000)		Shares canceled	(24)	(247)				271	**0**		**0**
		Share-based payments			11				**11**		**11**
		Changes in Group structure and other			(3)				**(3)**	21	**18**
552,489,858	**546,918,263**	**At June 30, 2018**	**2,210**	**5,856**	**12,948**	**(1,923)**	**13**	**(235)**	**18,869**	**383**	**19,252**

*The restatements are explained in Note 3.

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 on July 26, 2018 by the Board of Directors.

NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES

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, 2017. 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 December 31, 2017. These financial statements have also been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB), with the exception of those standards not yet adopted by the European Union. 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, 2018

A number of new standards became applicable to the current accounting period and the Group had to modify its accounting methods then proceed to retrospective adjustments further to the adoption of the following standards:

- IFRS 9, "Financial Instruments"
- IFRS 15, "Revenue from Contracts with Customers"

The incidence of the adoption of these standards is presented in Note 3.

- Amendment IFRS 2, "Share-based payment"

The adoption of this amendment does not have any material impact on the Group's consolidated financial statements.

1.1.2. Standards, interpretations and amendments to existing standards available for early adoption in reporting periods beginning on or after January 1, 2018

The new standards, interpretations and amendments to existing standards applicable to accounting periods starting on or after January 1, 2019 were not early adopted by the Group on June 30, 2018.

- IFRS 16, "Leases"

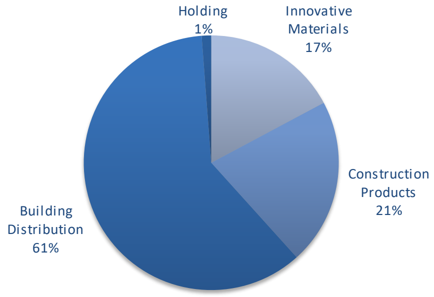
Following the impact assessment carried out in 2016, the Saint-Gobain group has chosen to apply IFRS 16 according to the full retrospective transition method as of January 1, 2019.

After structuring its IFRS 16 project in 2017, the Group continued with the identification then collection of lease contracts during the first-half of 2018.

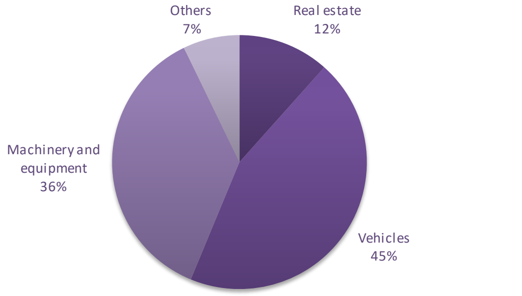
The contract valuation phase is currently being finalized and confirms the significant impact on the financial statements, particularly due to the importance of real estate leases, mainly in the Building Distribution Sector.

The Group has identified approximately 47,000 eligible contracts that have begun to be input and valued in a dedicated software.

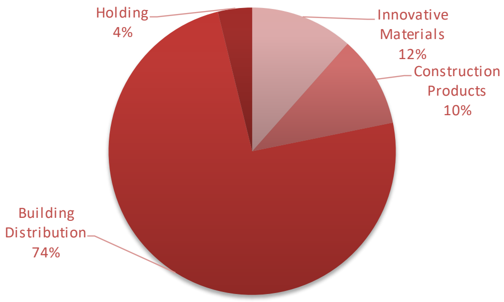
Number of eligible contracts per Sector (in%)



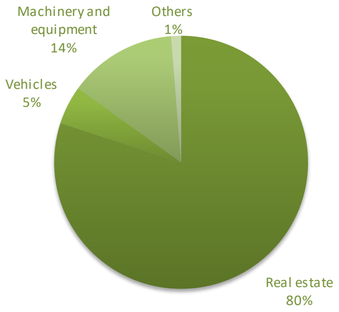
Number of eligible contracts by type of asset (in%)



IFRS 16 estimated debt by Sector (in%)



IFRS16 estimated debt by asset type (in%)



Real estate accounts for 80% of the Group's estimated IFRS 16 debt and approximately 85% of Building Distribution Sector's estimated debt.

- IFRIC 23, "Uncertainty over Income Tax Treatments"

The analysis of the consequences of the interpretation of IFRIC 23 on the Group's consolidated financial statements is ongoing.

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 payment (Note 5 "Personnel expenses and employee benefit obligations"), asset impairment tests (Note 6 "Intangible assets and property, plant and equipment"), provisions for other liabilities and charges (Note 8 "Other current and non-current liabilities and provisions, contingent liabilities and litigation"), the measurement of financial instruments (Note 9 "Financing and financial instruments"), and taxes (Note 11 "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, 2017. The specific accounting valuation methods applied relate to income tax and employee benefits.

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 2018 are presented below.

Saint-Gobain continued during the first-half of 2018 its plan to acquire a controlling interest in Sika, described in section 1.2 of Chapter 3 of the 2017 Registration Document. A decision of the Zug Supreme Court was expected early 2018.

On May 11, 2018, Saint-Gobain, Sika and the Burkard family announced that they have entered into an overall agreement whereby:

- Saint-Gobain acquired all outstanding shares of Schenker-Winkler Holding AG (SWH) from the Burkard family for a purchase price of CHF 3.22 billion.

- Sika purchased a 6.97% stake in Sika from SWH (representing a 23.7% voting interest) for a total consideration of CHF 2.08 billion.

- Sika held an extraordinary general meeting on June 11, 2018 which decided to convert all of its shares into a single class of registered shares ("one share-one vote"), to eliminate the opting-out clause and the 5% transfer restrictions, and to cancel the 6.97% shares acquired from SWH.

- The two groups have announced that they will also continue their substantial existing business relationship and seek to further expand it to areas of mutual benefit while preserving and respecting each group's economic and legal independence.

Saint-Gobain, through SWH, became the largest shareholder of Sika, holding 10.75% of the share capital and voting rights. With regard to this stake, the parties have agreed on lock-up (2 years) and stand-still obligations (up to 10.75% for four years, up to 12.875% for the following two years). In case of an intended sale by SWH, these shares will first be offered to Sika up to 10.75%.

This overall agreement terminated and resolved the disputes between Sika, the Burkard family and Saint-Gobain, to the common benefit of all parties involved and that of their respective shareholders and stakeholders.

For Saint-Gobain, this transaction results in an overall result of €781 million, which includes a financial gain of €601 million (i.e., the difference between the fair value of the shares at the date of the transaction and the value of the call entered into in December 2014), and a compensatory indemnity of €180 million recorded in other business income. The Group has elected to recognize the subsequent changes in the fair value of the Sika shares held by SWH in income and expenses recognized directly in equity.

2.3. Assets and liabilities held for sale

Restructuring in China has been accelerated as part of operations to restore the profitability of the Pipeline business. The decision of Xuzhou city council on April 8 to request the interruption of operations on the site given new environmental regulations led to the conclusion that it was impossible to operate the site economically and to definitively stop its activity, with some production being transferred to the other Chinese factory in Ma'anshan.

In parallel with the immediate implementation of the process of definitive closure of the site, the Group entered into negotiations with several investors, with a view to selling the securities of the three legal entities concerned.

As a result, the balance sheet accounts of the entities of the Xuzhou PAM site have been consolidated and measured in accordance with the provisions of IFRS 5 as of June 30, 2018 for the assets and liabilities held for the sale of the consolidated balance sheet, with exception of debt vis-à-vis other Group companies and shareholders' equity.

Detail of assets and liabilities held for sale

(en € millions)	**June 30, 2018**
Intangible assets, property, plant and equipment and goodwill	23
Inventories, trade account receivable, other receivables and other non-current assets	130
Cash and cash equivalents	0
Assets held for sale	**153**
Provisions for pensions and other employee benefits	3
Current portion of other liabilities and provisions	74
Trade accounts payable, other payables and other current liabilities	57
Long-term debt, short-term debt and bank overdrafts	0
Liabilities held for sale	**134**

2.4. Changes in the number of consolidated companies

As at December 31, 2017, there were 870 companies included 99 equity-accounted companies and joint arrangements. On June 30, 2018, there was no significant change in the number of consolidated companies.

2.5. Off-balance sheet commitments related to the Group scope of consolidation

As of December 31, 2017, non-cancellable purchase commitments included the commitment on equity holdings in the Sika group totaling €2,369 million. On May 11, 2018, this commitment came to an end following the purchase by the Saint-Gobain group, through the acquisition of SWH of the Sika group's equity interests.

NOTE 3 IMPACT OF NEW STANDARDS

This note presents the new accounting policies applied as of January 1, 2018 and explains the impact on the consolidated balance sheet of the adoption of IFRS 9, "Financial Instruments" and IFRS 15, "Revenue from contracts with customers".

The Group has chosen to apply the simplified retrospective method and has recognized the cumulative impact of the adoption of IFRS 9 and IFRS 15 in shareholders' equity at January 1, 2018.

The nature of the adjustments is explained in more detail below.

3.1. Accounting methods applied since January 1, 2018

- IFRS 9, "Financial Instruments" supersedes IAS 39, "Financial Instruments: Recognition and Measurement". This standard sets out new principles for recognizing financial instruments and in particular requires entities to apply an impairment model for trade accounts receivable based on expected credit losses. Impacts mainly concern impairment of trade receivables. The financial debt was also adjusted for the remaining costs to be amortized on one of the two unused credit lines. The total impact on shareholders' equity amounts to - €23 million net of tax, of which - €20 million relate to the depreciation of trade receivables.

- IFRS 15, "Revenue from Contracts with Customers" supersedes IAS 18, "Revenue" and IAS 11, "Construction Contracts" and along with the related interpretations. This standard sets out new principles for recognizing revenue and for identifying performance obligations contained in contracts. Saint-Gobain does not have any material impact by applying this standard on financial statements, i.e. -€1 million on shareholders' equity. This concerns the restatement of sales, on one hand, because of the possibility of the return of goods within the activity of the Building Distribution Sector and, on the other hand, because of the existence of an unconditional right to payment on some specific products of the Innovative Materials Sector.

3.2. Impacts on consolidated balance sheet

(in € millions)	Dec. 31, 2017 published	Impacts of changes in accounting method IFRS 9 and IFRS 15	Dec. 31, 2017 restated
Assets			
Non-current assets	26,859	9	26,868
Inventories	6,041	9	6,050
Trade accounts receivable	5,134	(27)	5,107
Other receivables	1,395	6	1,401
Other current assets	3,488	0	3,488
Total assets	**42,917**	**(3)**	**42,914**
Equity and liabilities			
Shareholders' equity	18,468	(24)	18,444
Minority interests	384	0	384
Other non-current liabilities	12,062	4	12,066
Other payables	3,823	17	3,840
Other current liabilities	8,180	0	8,180
Total equity and liabilities	**42,917**	**(3)**	**42,914**

NOTE 4 INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES

4.1. Income statement items

4.1.1. Other business income and expense

Other business income and expense can be analyzed as follows:

(in € millions)	First-half 2018	First-half 2017
Restructuring costs[(a)]	(143)	(57)
Provisions and expenses relating to litigation[(b)]	(46)	(44)
Other[(c)]	135	(65)
Non-operating income and expense	**(54)**	**(166)**
Impairment of assets and other[(d)]	(285)	0
Other business expense[(e)]	(28)	(25)
Impairment of assets and other business expenses	**(313)**	**(25)**
Gains on disposals of property, plant and equipment and intangible assets	**17**	**32**
Capital gains and losses on disposals, asset impairment, acquisition fees and contingent consideration	**(296)**	**7**
Other business income and expense	**(350)**	**(159)**

(a) Restructuring costs in the first-half of 2018 included €65 million in severance payments (€29 million in the first-half of 2017);

(b) In both 2018 and 2017, movements in provisions and expenses relating to litigation as detailed and explained in Note 8 "Other current and non-current liabilities and provisions, contingent liabilities and litigation" chiefly concern asbestos-related litigation;

(c) In first-half 2018, the "Other" line mainly relates to the extraordinary net income SWH/Sika and to the cost of environmental litigation. In first-half 2017, line mainly related to the cost of environmental litigation and the June 27, 2017 cyber-attack;

(d) The entitle "Impairment of assets and other" mainly includes impairment of goodwill and intangible and tangible assets for an amount of €267 million in the first-half of 2018, (€30 million in the first-half of 2017), acquisition costs and purchase price adjustments incurred in business combinations for net expense of €18 million in the first-half of 2018 (net income of €30 million in the first-half of 2017);

(e) Other business expense in 2018 as in 2017, mainly include capital losses on assets divested or scrapped.

4.1.2. Business income

Business income is detailed by type below:

(in € millions)	First-half 2018	First-half 2017
Net sales	**20,787**	**20,409**
Personnel expenses:		
Salaries and payroll taxes	(4,213)	(4,132)
Share-based payments[(a)]	(18)	(20)
Pensions and employee benefit obligations[(a)]	(89)	(106)
Depreciation and amortization	(601)	(606)
Share in net income of core business equity-accounted companies	18	18
Other[(b)]	(14,415)	(14,098)
Operating income	**1,469**	**1,465**
Other business income[(c)]	198	32
Other business expense	(548)	(191)
Other business income and expense	**(350)**	**(159)**
Business income	**1,119**	**1,306**

(a) Share-based payments (IFRS 2 expense) and details of changes in employee benefit expense are detailed in Note 5 "Personnel expenses and employee benefit obligations";

(b) The "Other" operating income line relates to cost of sales, supplier discounts and selling expenses for the Building Distribution Sector, and to transport costs, raw materials costs, and other production costs for the other sectors. This item also includes research and development costs recorded under operating expenses, amounting to €231 million in 2018 (2017: €234 million).

(c) The "Other business income" mainly includes the €180 million compensatory allowance for SWH / Sika (see paragraph 2.2).

4.2. 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 for first-half 2018 and 2017 by sector and by business is as follows:

First-half 2018

(in € millions)	Innovative Materials				Construction Products				Building Distribution	Other*	Total
	Flat Glass	High-Performance Materials	Intra-segment elimi-nations	Total	Interior Solutions	Exterior Solutions	Intra-segment elimi-nations	Total			
External sales	2,827	2,395		5,222	3,226	2,783		6,009	9,548	8	**20,787**
Internal sales	25	46	(11)	60	353	164	(50)	467	2	(529)	**0**
Net sales	2,852	2,441	(11)	5,282	3,579	2,947	(50)	6,476	9,550	(521)	**20,787**
Operating income	229	422		651	353	207		560	254	4	**1,469**
Business income	161	389		550	317	(119)		198	241	130	**1,119**
Share in net income of equity-accounted companies	11	1		12	3	3		6	0	0	**18**
Depreciation and amortization	139	82		221	150	77		227	133	20	**601**
Impairment of assets	27	1		28	9	224		233	1	0	**262**
EBITDA	368	504		872	503	284		787	387	24	**2,070**
Capital expenditure	165	76		241	121	74		195	100	25	**561**
Cash flow from operations				597				501	238	74	**1,410**

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

First-half 2017

(in € millions)	Innovative Materials				Construction Products				Building Distribution	Other*	Total
	Flat Glass	High-Performance Materials	Intra-segment elimi-nations	Total	Interior Solutions	Exterior Solutions	Intra-segment elimi-nations	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	284	359		643	337	249		586	248	(12)	**1,465**
Business income	272	308		580	321	236		557	236	(67)	**1,306**
Share in net income 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.

4.3. Information by geographic area

Segment information for first-half 2018 and 2017 by geographic area is as follows:

First-half 2018

(in € millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
Net sales	5,569	9,034	2,784	4,504	(1,104)	**20,787**
Operating income	185	487	310	487		**1,469**
Business income	21	593	234	271		**1,119**
EBITDA	334	677	389	670		**2,070**
Capital expenditure	99	154	75	233		**561**
Cash flow from operations	123	537	243	507		**1,410**

First-half 2017

(in € millions)	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	133	521	334	477		**1,465**
Business income	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**

4.4. Performance indicators

4.4.1. EBITDA

EBITDA amounted to €2,070 million in first-half 2018 (first-half 2017: €2,071 million), calculated as follows:

(in € millions)	First-half 2018	First-half 2017
Operating income	1,469	1,465
Depreciation/amortization of property, plant and equipment and intangible assets	601	606
EBITDA	**2,070**	**2,071**

4.4.2. Recurring net income

Recurring net income totaled €802 million in first-half 2018 (first-half 2017: €751 million). Based on the weighted average number of shares outstanding at June 30 (549,390,471 shares in 2018 and 553,852,126 shares in 2017), recurring earnings per share amounted to €1.46 in first-half 2018 and €1.36 in first-half 2017.

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

(in € millions)	First-half 2018	First-half 2017
Group share of net income	**1,219**	**754**
Less:		
Gains and losses on disposals of assets	(11)	7
Impairment of assets and other	(285)	(1)
Extraordinary net income SWH/Sika	781	0
Changes in provision for other non-recurring provisions	(81)	2
Impact of minority interests	1	(2)
Tax on disposal gains and losses, asset impairment and non-recurring charges to provisions	12	(3)
Group share of recurring net income	**802**	**751**

4.4.3. Cash-flow from operations

Cash flow from operations totaled €1,410 million in first-half 2018 (€1,407 million in in first-half 2017) and cash flow from operations excluding income tax on disposal gains and losses and non-recurring provisions amounted to €1,398 million in in first-half 2018 (€1,410 million in in first-half 2017).

These amounts are calculated as follows:

(in € millions)	First-half 2018	First-half 2017
Group share of net income	**1,219**	**754**
Minority interests in net income	27	23
Share in net income of equity-accounted companies, net of dividends received	(13)	(3)
Depreciation, amortization and impairment of assets	863	639
Gains and losses on disposals of assets	11	(7)
Changes in provision for other non-recurring provisions	81	(2)
Extraordinary net income SWH/Sika	(781)	0
Unrealized gains and losses arising from changes in fair value and share-based payments	3	3
Cash flow from operations	**1,410**	**1,407**
Tax on disposal gains and losses, asset impairment and non-recurring charges to provisions	(12)	3
Cash flow from operations before tax on capital gains and losses and non-recurring provisions	**1,398**	**1,410**

4.5. Working capital

Changes in working capital requirement can be analyzed as follow:

(in € millions)	June 30, 2018	Dec. 31, 2017
Inventories, net	**6,429**	**6,041**
Trade accounts receivable, net	**6,189**	**5,134**
Other operating receivables	1,440	1,278
Other non-operating receivables	711	117
Other receivables	**2,151**	**1,395**
Current tax receivable	**167**	**204**
Assets held for sale	**153**	**0**
Trade accounts payable	**6,213**	**6,027**
Other operating payables	3,247	3,286
Other non-operating payables	1,007	537
Other payables	**4,254**	**3,823**
Current tax liabilities	**116**	**157**
Liabilities held for sale	**134**	**0**
Operating working capital requirements	4,598	3,140
Non-operating working capital requirements (including current tax receivables and liabilities)	(226)	(373)
Working capital requirements	**4,372**	**2,767**

4.5.1. Inventories

At June 30, 2018 and December 31, 2017, inventories were as follows:

(in € millions)	June 30, 2018	Dec. 31, 2017
Gross value		
Raw materials	1,472	1,391
Work in progress	365	330
Finished goods	5,042	4,770
Gross inventories	**6,879**	**6,491**
Provision for impairment		
Raw materials	(141)	(139)
Work in progress	(12)	(12)
Finished goods	(297)	(299)
Total provision for impairment	**(450)**	**(450)**
Net value	**6,429**	**6,041**

The net value of inventories was €6,429 million at June 2018 compared with €6,041 million at December 31, 2017. Impairment losses on inventories recorded in first-half 2018 income statement totaled €97 million (€92 million in first-half 2017). Reversals of impairment losses on inventories amounted to €89 million in first-half 2018 (€83 million in first-half 2017).

The increase of inventories for the first-half 2018 mainly reflects seasonal fluctuations in businesses. As a reminder, the net value of inventories was €6,188 million at June 30, 2017.

4.5.2. Operating and non-operating receivables and payables

a) Trade and other accounts receivable

Trade and other accounts receivable can be analyzed as follows:

(in € millions)	June 30, 2018	Dec. 31, 2017
Gross value	6,609	5,527
Provision for impairment	(420)	(393)
Trade accounts receivable	**6,189**	**5,134**
Discounts and advances to suppliers	682	637
Prepaid payroll taxes	39	25
Other prepaid and recoverable taxes (other than income tax)	408	372
Miscellaneous operating receivables	317	250
Other non-operating receivables and provisions*	711	117
Provision for impairment of other operating receivables	(6)	(6)
Other receivables	**2,151**	**1,395**

* Including repayment of the withholding tax of €630 million to be received from the Swiss tax authorities in link with operation SWH/Sika (cf paragraph 2.2).

The application of IFRS 9 led the Group to record an additional provision for impairment of receivables at 1 January 2018 for an amount of €28 million.

Movements in impairment provisions for trade accounts receivables in the first-half of 2018 primarily reflect €89 million in additions (€45 million in the first-half of 2017) and €62 million in reversals (€45 million in the first-half of 2017), resulting from recoveries as well as write-offs. Bad debt write-offs are also reported under caption for €38 million (€39 million in the first-half of 2017).

The increase in net value of trade accounts receivable during the first-half 2018 is primarily attributable to the seasonal fluctuations in businesses. As a reminder, the net value of trade accounts receivable was €1,584 million at June 30, 2017.

Trade accounts receivable at June 30, 2018 are analyzed below by maturity:

(in € millions)	Gross value	Impairment	Net value
Trade accounts receivable not yet due	**5,437**	**(50)**	**5,387**
Trade account receivables past due			
Less than 1 month	470	(24)	446
1-3 months	182	(22)	160
More than 3 months	520	(324)	196
Trade accounts receivable past due	**1,172**	**(370)**	**802**
Trade accounts receivable	**6,609**	**(420)**	**6,189**

b) Trade and other accounts payable

Trade and other accounts payable and accrued expenses can be analyzed as follows:

(in € millions)	June 30, 2018	Dec. 31, 2017
Trade accounts payable	**6,213**	**6,027**
Customer deposits	1,023	1,133
Payables to suppliers of non-current assets	180	367
Grants received	74	78
Accrued personnel expenses	1,152	1,231
Accrued taxes (other than on income)	608	423
Other operating payables	464	499
Other non-operating payables*	753	92
Other payables	**4,254**	**3,823**

* Of which balance of €630 million remains payable to the Burkard family as part of operation SWH / Sika (cf paragraph 2.2).

4.6. Off-balance sheet commitments related to operating activities

In the first-half of 2018, operating lease commitments do not vary and amount to €3,129 million. At June 30, 2018, the pledged assets amounted to €595 million, compared to €330 million at December 31, 2017, and mainly relate to fixed assets in the United Kingdom.

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFIT OBLIGATIONS

5.1. Provisions for pensions and other employee benefits

5.1.1. 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, 2017.

5.1.2. Interest rate assumptions

Assumptions related to mortality, employee turnover and future salary increases take into account the economic conditions specific to each country and Group company. The discount rates are established by region or country based on observed bond rates.

In order to improve the accuracy of the measurement of commitments, the Group has refined its estimation process for the Eurozone as of June 30, 2018. Based on a model of a yield curve developed by Mercer, two discount rates based on the duration of the plans are determined: a rate for plans with a duration up to 14 years and a rate for plans with a duration greater than 14 years.

The rate used in the first-half 2018 for the Group's main plans are the following:

	France		Eurozone			
(in %)	Plans with short-term duration	Plans with long-term duration	Plans with short-term duration	Plans with long-term duration	United Kingdom	United States
Discount rate	1.77%	2.12%	1.77%	2.12%	2.60%	4.15%
Inflation rate	1.50%		1.40% to 1.80%		2.20%	2.50%

The rate used in 2017 for the Group's main plans were the following:

(in %)	France	Eurozone	United Kingdom	United States
Discount rate	1.70%	1.70%	2.45%	3.60%
Salary increases	2.50%	1.50% to 2.40%	2,00%*	3.00%
Inflation rate	1.50%	1.40% to 1.80%	2.30%	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 €534 million in obligations and related provisions.

Sensitivity calculations were not updated at June 30, 2018; had they been, the results would not have been materially different from the analyses presented in the 2017 consolidated financial statements (Note 4 "Employees, personnel expenses and benefit obligations").

The actual return on plan assets for almost all plans amounted to -€72 million. It was €193 million lower than the expected return, leading to an increase in the provision of the same amount.

5.1.3 Breakdown of and changes in pension and other post-employment benefit obligations

5.1.3.1 Net book value of provisions

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

(in € millions)	June 30, 2018	Dec. 31, 2017
Pension commitments	1,772	2,076
Length-of-service awards	374	361
Post-employment healthcare benefits	315	350
Total provisions for pensions and other post-employment benefit obligations	**2,461**	**2,787**
Healthcare benefits	26	25
Long-term disability benefits	17	15
Other long-term benefits	102	100
Provisions for pensions and other employee benefits	**2,606**	**2,927**

Provisions for all other long-term benefits totaled €145 million at June 30, 2018 (€140 million at December 31, 2017).

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

(in € millions)	June 30, 2018	Dec. 31, 2017
Provisions for pensions and other post-employment benefit obligations -	2,461	2,787
Pension plan surpluses - assets	(167)	(161)
Net pension and other post-employment benefit obligations	**2,294**	**2,626**

5.1.3.2 Changes in pension and other post-employment benefit obligations

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

(in € millions)	Net pension and other post-employment benefit obligations
At December 31, 2017	**2,626**
Changes during the period	
Operating cost	98
Service cost	(22)
Interest cost	28
Actuarial gains and losses recognized during the period*	(341)
Pension contributions and benefit payments	(98)
Currency translation adjustments	3
Changes of perimeter and reclassification	3
Liabilities held for sale	(3)
Total changes	**(332)**
At June 30, 2018	**2,294**

*The total impact on equity is an increase of €341 million before tax (€263 million after tax)

In the United States, plan amendments led to a reduction of around €20 million in pension obligations, recognized whithin "Past service cost".

5.2. Share-based payments

5.2.1. Group Savings Plan

During the first-half 2018, Saint-Gobain group implemented a new PEG (*Plan Epargne Groupe*). The terms of the 2018 PEG are identical to the 2017 PEG and are described in Note 4 “Employees, personnel expenses and benefit obligations” of the 2017 consolidated financial statements.

For the first-half 2018, 4,932,767 new shares with a par value of €4 were issued to employees under the PEG at an average subscription price of €36.31 (in first-half 2017: 4,593,807 shares at an average price of €36.72), representing a share capital increase of €179 million (€168 million in first-half 2017), net of transaction fees.

No amount was expensed in respect of the plans in 2018 and 2017 owing to lock-in cost.

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2018 and 2017:

	2018	2017
Plan characteristics		
Date of Shareholders' Meeting	June 8, 2017 (17th Resolution)	June 4, 2015 (17th Resolution)
Date of the Chief Executive Officer's decision fixing the subscription price	March 19	March 20
Plan duration (in years)	5 or 10	5 or 10
Reference price (in €)	45.38	45.89
Subscription price (in €)	36.31	36.72
Discount (in %)	20.00%	20.00%
Total discount on the date of the Chief Executive Officer's decision (in %) **(a)**	20.76%	21.25%
Employee investments (in € millions)	179.1	168.7
Total number of shares subscribed	4,932,767	4,593,807
Valuation assumptions (5-year maturity)		
Interest rate applicable to employees*	4.80%	4.80%
Risk-free interest rate	0.09%	0.19%
Repo rate	0.34%	0.47%
Lock-up discount (in %) **(b)**	20.93%	21.17%
Total cost to the Group (in %) **(a-b)**	-0.17%	0.08%

*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.

5.2.2. 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 2018. Under IFRS 2, the expense attributable to the amortization of stock options granted under previous plans totaled €1 million in first-half 2018 and 2017.

5.2.3. 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 2018.

The expense recorded in the income statement in first-half 2018 in respect of these plans amounted to €10 million (€7 million in first-half 2017).

b) Performance unit plans

Performance unit allocation 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 Saint-Gobain’s share price.

No long-term payment plan in the form of performance units was set up in the first-half of 2018.

The expense recorded in the income statement in respect of these plans in the first-half of 2018 amounted to €7 million (€12 million in the first-half of 2017).

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Changes in goodwill, intangible assets and property, plant and equipment in first-half 2018 were as follows:

(in € millions)	Goodwill	Other intangible assets	Property, plant and equipment	Total
At December 31, 2017				
Gross value	12,023	4,548	31,922	48,493
Accumulated impairment	(1,448)	(1,945)	(20,332)	(23,725)
Net value	**10,575**	**2,603**	**11,590**	**24,768**
Changes during the period				
Acquisitions		76	561	637
Disposals		(1)	(19)	(20)
Translation adjustments	27	(4)	(94)	(71)
Amortization and impairment	(131)	(55)	(629)	(815)
Assets held for sale	0	0	(23)	(23)
Changes in Group structure and other	255	8	28	291
Total changes	**151**	**24**	**(176)**	**(1)**
At June 30, 2018				
Gross value	12,274	4,608	31,763	48,645
Accumulated impairment	(1,548)	(1,981)	(20,349)	(23,878)
Net value	**10,726**	**2,627**	**11,414**	**24,767**

6.1. Goodwill

In the first-half 2018, changes in Group structure related to newly consolidated companies for €255 million. Moreover, impairments on goodwill have been carried out (cf paragraph 6.5).

The net value of goodwill by sector and by business at June 30, 2018 and at December 31, 2017 can be analyzed as follows:

(in € millions)	June 30, 2018	Dec. 31, 2017
Flat Glass	204	189
High-Performance Materials	1,702	1,602
Construction Products	5,953	6,014
Building Distribution	2,867	2,770
Total	**10,726**	**10,575**

Goodwill is essentially allocated to the Construction Products Sector, mainly Gypsum (€3,284 million at June 30, 2018) and Industrial Mortars (€2,064 million at June 30, 2018), and to the Building Distribution Sector, primarily in the United Kingdom, France and Scandinavia.

6.2. 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 2017 consolidated financial statements.

6.3. Property, plant and equipment

For the first-half 2018, changes in Group structure and other movements were not material.

6.4. Finance leases and operating leases

In first-half 2018, other movements in property, plant and equipment included an amount of €9 million (€9 million at June 30, 2017) related to assets acquired under new finance leases not included in the cash flow statement in accordance with IAS 7. At June 30, 2018, total property, plant and equipment acquired under finance leases amounted to €85 million (€83 million at December 31, 2017).

6.5. Impairment review

The definitive closure of the PAM Xuzhou site in China constitutes a significant indicator of potential loss of value in the Pipeline CGU in Construction Products Sector. In accordance with IAS 36, we conducted an impairment test on Pipeline CGU without PAM Xuzhou at June 30, 2018. This test resulted in a goodwill impairment of €130 million.

At June 30, 2018, other CGUs were not subject to an impairment test as there was no indicator of an impairment loss.

At December 31, 2017, a 0.5-point increase in the discount rate for all CGUs would have led to approximately €81 million in additional intangible asset impairment, while a 0.5-point decrease in the average annual cash flow growth rate, projected to perpetuity for all CGUs would have resulted in additional intangible asset impairment of around €58 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 €154 million, while a 0.5-point decrease in the rate for distribution activities would have generated additional impairment of €64 million.

	Impact of			
(in € millions)	**0.5% increase in the discount rate**	**0.5% decrease in the growth rate**	**1-point decrease in the operating income rate**	**0.5 point decrease in the operating income rate**
Flat Glass				
High-Performance Materials				
Construction Products*	(43)	(26)	(154)	
Building Distribution	(38)	(32)		(64)
Total	**(81)**	**(58)**	**(154)**	**(64)**

*Mainly CGU Pipeline.

The breakdown of asset impairment by sector for first-half 2018 and 2017 is provided in the segment information tables in Note 4 “Information concerning the Group’s operating activities”.

NOTE 7 OTHER NON-CURRENT ASSETS

Changes in other non-current assets are analyzed below:

(en € millions)	**Equity securities and other securities**	**Loans, deposits and surety**	**Pensions plan surplus**	**Total**
At December 31, 2017				
Gross value	111	516	161	788
Provision for impairment	(10)	(4)		(14)
Net value	**101**	**512**	**161**	**774**
Changes during the period				
Increases/(decreases)	1,756	67	6	1,829
Provisions for impairment	(1)	(1)		(2)
Translation adjustments	(3)	(4)	0	(7)
Changes in fair value	54	(1)		53
Total changes during the period	**1,806**	**61**	**6**	**1,873**
At June 30, 2018				
Gross value	1,918	578	167	2,663
Provision for impairment	(11)	(5)		(16)
Net value	**1,907**	**573**	**167**	**2,647**

Increases/(decreases) and changes in fair value in equity securities and other securities relate mainly to SWH/Sika operation (cf. paragraph 2.2).

NOTE 8 OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS, CONTINGENT LIABILITIES AND LITIGATION

8.1. Provisions for other liabilities and charges

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

(in € millions)	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 December 31, 2017									
Current portion	137	30	38	21	102	71	399	13	412
Non-current portion	409	124	41	94	96	164	928	125	1,053
Total provisions for other liabilities and investment-related liabilities	**546**	**154**	**79**	**115**	**198**	**235**	**1,327**	**138**	**1,465**
Changes during the period									
Additions	63	5	93	18	29	29	237		237
Reversals	(1)	0	(5)	(5)	(6)	(17)	(34)		(34)
Utilizations	(46)	(11)	(25)	(16)	(25)	(23)	(146)		(146)
Changes in Group structure	0	0	0	0	0	(4)	(4)		(4)
Liabilities held for sale	0	0	(74)	0	0	0	(74)		(74)
Other (reclassifications and translation adjustments)	16	(1)	0	(2)	0	(2)	11	22	33
Total changes	**32**	**(7)**	**(11)**	**(5)**	**(2)**	**(17)**	(10)	**22**	12
At June 30, 2018									
Current portion	139	30	33	19	98	69	388	19	407
Non-current portion	439	117	35	91	98	149	929	141	1,070
Total provisions for other liabilities and investment-related liabilities	**578**	**147**	**68**	**110**	**196**	**218**	**1,317**	**160**	**1,477**

8.2. Contingent liabilities and litigation

8.2.1. Asbestos-related litigation

Current legal actions related to asbestos are described below.

8.2.1.1. Asbestos-related litigation in France

a) Inexcusable fault lawsuits

In France, five further individual lawsuits were filed in first-half 2018 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, 2018, a total of 820 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, 2018, 783 of these 820 lawsuits had been completed in terms of liability and quantum as well as in terms of 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 €3.2 million.

Concerning the 37 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2018, seven 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 30 remaining lawsuits, at June 30, 2018 the procedures relating to the merits of 24 cases were at different stages, with two in the process of being investigated by the French Social Security authorities and 22 pending before the Social Security Courts or the Appeal Courts. The last six 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, 2018, 230 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, 2018, 201 lawsuits had been completed. In 120 of these cases, the employer was held liable for “inexcusable fault”.

At the same date, the compensation definitively paid by these companies totaled approximately €6.2 million.

With regard to the 29 suits outstanding at June 30, 2018, two cases were still at the investigation stage by the French Social Security authorities, 27 were being investigated – including 19 pending before the Social Security Courts, seven before the Appeal Courts and one before the Civil Supreme Court (Court of Cassation).

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, 2018, 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, 695 have been terminated. Five plaintiffs had their claims dismissed, while for the 690 others who were recognized as having been exposed to an asbestos risk, the total amount of compensation is €7.6 million at June 30, 2018. Of the remaining 127 suits, 103 are pending before the competent labor tribunals and 13 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 five 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.

8.2.1.2. Asbestos-related litigation in the United States

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

The estimated number of new asbestos-related claims filed against CertainTeed in the United States in the first-half of 2018 came to approximately 1,300. On a rolling 12-month basis, new claims are slightly down at approximately 2,800 at end-June 2018 compared to 3,100 end-December 2017.

Some 1,500 claims were resolved in the first six months of 2018, bringing the total number of outstanding claims to approximately 34,100 at June 30, 2018, down from 34,300 at December 31, 2017 and 35,100 at December 31, 2016.

An additional estimated provision of USD 54 million was recorded in the consolidated financial statements for the first-half of 2018 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, 2017 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, 2017 by other U.S. Group businesses involved in asbestos litigation, amounted to about USD 74 million, versus USD 76 million in full year 2017.

8.2.1.3. Situation au Brazil

In Brazil, former employees of Brasilit suffering from asbestos-related occupational illnesses are offered, depending on the case, solely financial compensation, or otherwise lifetime medical assistance combined with financial compensation. Around 1,200 contractual instruments were signed accordingly so far.

Two collective actions were initiated against Brasilit in 2017 by two associations defending the former exposed workers of plants of São Caetano (SP) and Recife (PE), asking for reconsideration of medical assistance and compensation. These cases are at very early stage for the moment.

Brasilit is subject to controls by the Ministry of Labor and continues to comply with all its legal obligations with regard to medical assistance of employees and former employees.

In November 2017, the Supreme Court of Brazil has decided to ban asbestos definitively across the country. Brasilit stopped using this material voluntarily as soon as 2002.

8.2.2. Anti-trust law and related proceedings

8.2.2.1. Investigation by Swiss Competition Commission in the sanitary products wholesale

In November 2011, the Swiss Competition 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 recognized at December 31, 2015 for an amount equivalent to the fine (unchanged at June 30, 2018).

8.2.2.2. 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 was a member.

Saint-Gobain Isover and Compagnie de Saint-Gobain are challenging this complaint. A 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.

8.2.2.3. 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.

8.2.3. Environmental-related litigation

8.2.3.1. 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, installed carbon filtration systems on the municipal water supply in Hoosick Falls and agreed to fund the installation of a carbon filtration system on the Merrimack Valley District’s municipal water supply. In addition, it has voluntarily funded both completed and on-going construction of 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. Without admitting liability, SGPPL has signed consent orders with the environmental regulators in New York, Vermont and most recently in New Hampshire, pursuant to which SGPPL has agreed to complete investigations, implement interim remediation measures and in the case of Vermont and New Hampshire, fund construction of water lines. 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, 2018, the provision recorded by the Company in respect of this matter amounts to €44 million.

8.2.4. Other potential liabilities

8.2.4.1. 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.

8.2.5. Main risks and uncertainties

The main risks and uncertainties that the Group could face in the second semester of 2018 are those described in Section 1 “Risk factors” of Chapter 7 of the 2017 registration document of March 19, 2018, filed with the French financial markets authority (*Autorité des Marchés Financiers*) under number D.18-0146 (the “2017 Registration Document”).

There has not been any significant change in these risk factors in the first-half of 2018.

NOTE 9 FINANCING AND FINANCIAL INSTRUMENTS

9.1. Net financial expense

Net financial expense for the first-half 2018 and 2017 includes:

(in € millions)	First-half 2018	First-half 2017
Borrowing costs, gross	(140)	(154)
Income from cash and cash equivalents	11	11
Net borrowing costs	**(129)**	**(143)**
Interest cost – pensions and other employee benefits	(154)	(168)
Return on plan assets	125	127
Net interest cost – pensions	**(29)**	**(41)**
Other financial expense	(60)	(57)
Other financial income*	610	10
Other financial income and expense	**550**	**(47)**
Net financial expense	**392**	**(231)**

*Including €601 million for operation SWH/Sika

9.2. Net debt

9.2.1. Long- and short-term debt

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

(in € millions)	June 30, 2018	Dec. 31, 2017
Bond issues	8,067	6,757
Perpetual bonds and participating securities	203	203
Long-term securitization	400	400
Other long-term financial liabilities	306	295
Non current portion of long-term debt	**8,976**	**7,655**
Current portion of long-term debt	**1,011**	**1,064**
Short-term financing programs (NEU CP, US CP, Euro CP)	918	0
Short-term securitizations	279	174
Bank overdrafts and other short-term financial liabilities	351	346
Short-term debt and bank overdrafts	**1,548**	**520**
Total gross debt	**11,535**	**9,239**
Cash at banks	(1,611)	(1,658)
Mutual funds and other marketable securities	(630)	(1,626)
Cash and cash equivalents	**(2,241)**	**(3,284)**
Total net debt	**9,294**	**5,955**

Changes in the Group's long-term debt can be analyzed as follows:

(in € millions)	Dec. 31, 2017	Cash impact		No cash impact			June. 30, 2018
		Increases	Decreases	Changes in Group structure	Translation adjustments	Other	
Non-current portion of long-term debt	7,655	1,294	(50)	42	21	14	8,976
Current portion of long-term debt	1,064	3	(59)	(2)	(1)	6	1,011
Total long-term debt	**8,719**	**1,297**	**(109)**	**40**	**20**	**20**	**9,987**

The main changes with an impact on cash are described in paragraph 9.2.3.

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €9.5 billion at June 30, 2018 (for a carrying amount of €9.1 billion). The fair value of bonds corresponds to the market price on the last day of the year. For other borrowings, fair value is considered as equal to the amount repayable.

9.2.2. Debt repayment schedule

The schedule of the Group's gross debt as of June 30, 2018 is as follows:

(in € millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues	EUR	750	4,172	3,278	8,200
	GBP			617	617
Perpetual bonds and participating securities	EUR			203	203
Long-term securitization	EUR	100	400		500
Other long-term financial liabilities	All currencies	47	127	179	353
Accrued interest on long-term debt	All currencies	114			114
Total long-term debt		**1,011**	**4,699**	**4,277**	**9,987**
Total short-term debt	All currencies	**1,548**	**0**	**0**	**1,548**
Total gross debt		**2,559**	**4,699**	**4,277**	**11,535**

9.2.3. Bonds

Compagnie de Saint-Gobain issued:

- a €750 million 1.125% bond on March 23, 2018, maturing on March 23, 2026;
- a €20 million private placement on April 18, 2018, indexed to the 20-year CMS curve, maturing on April 18, 2033, a €60 million private placement on May 25, 2018, indexed to the 20-year CMS curve, maturing on May 25, 2033, swaps were entered into to fix the rates for these two private placements;
- two private placements 3-month Euribor + 0.23% floating rate on June 25, 2018, maturing on June 25, 2020, one for €180 million and the other for €300 million.

These issues enable Saint Gobain to extend the average maturity of the Group's debt while also optimizing average borrowing costs.

On March 27, 2018, Compagnie de Saint-Gobain redeemed a NOK 750 million bond, at maturity, with a coupon of 4%.

9.2.4. Perpetual bonds

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

A total of 18,496 perpetual bonds have since been bought back and canceled, and 6,504 perpetual bonds were outstanding at June 30, 2018, 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 interest on the bonds is classified as a component of finance costs.

9.2.5. Participating securities

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

A certain number of these participating securities have been bought back over the years. At December 31, 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 these securities have been bought back over the years. At December 31, 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 borrowing costs.

9.2.6. Financing programs

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

At June 30, 2018, issuance under these programs was as follows:

(in € millions)	Authorized drawings	Authorized limits at June. 30, 2018	Balance outstanding at June 30, 2018	Balance outstanding at Dec. 31, 2017
Medium Term Notes		15,000	8,986	7,776
NEU CP	up to 12 months	3,000	918	0
US Commercial Paper	up to 12 months	858 *	0	0
Euro Commercial Paper	up to 12 months	858 *	0	0

* Equivalent of USD 1,000 million based on the exchange rate at June 30, 2018.

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.

9.2.7. Syndicated lines of credit

Compagnie de Saint-Gobain has two 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):

- a €2.5 billion syndicated line of credit, maturing December 2022, with two further one-year rollover options;
- a second €1.5 billion syndicated line of credit also maturing in December 2022 which has two one-year rollover options.

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

Neither of these two lines of credit had been drawn down at June 30, 2018.

9.2.8. Receivables securitization programs

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

The French program was rolled over on November 10, 2016 for a maximum amount of €500 million. It amounted to €500 million at both June 30, 2018 and December 31, 2017. Based on observed seasonal fluctuations in receivables included in the program and on the contract's features, €400 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 $350 million. Its euro-equivalent value at June 30, 2018 was €279 million (December 31, 2017: €174 million).

9.2.9. Collateral

At June 30, 2018, €9 million of Group debt was secured by various non-current assets (real estate and securities).

9.3. Financial instruments

Since January 1, 2018, Saint-Gobain applies IFRS 9 in its entirety, including the hedge accounting approach. The risk management strategies and the Group's hedging documentation comply with the requirements of IFRS 9. Given the nature of the Group's transactions, the application of IFRS 9 has no impact at the transition date and at the closing date in terms of hedge accounting.

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

(in € millions)	Fair value				Nominal amount by maturity			
	Derivatives recorded in assets	Derivatives recorded in liabilities	June 30, 2018	Dec. 31, 2017	Within 1 year	1 to 5 years	Beyond 5 years	June 30, 2018
Fair value hedges			0	0				0
Cash flow hedges								
Currency	10	(10)	0	(17)	445			445
Interest rate	0	(78)	(78)	(71)			457	457
Energy and commodities	5	0	5	4	16	9		25
Other risks: equities	2	0	2	14		27	38	65
Cash flow hedges – total	**17**	**(88)**	(71)	**(70)**	**461**	**36**	**495**	992
Derivatives not qualifying for hedge accounting mainly contracted by Compagnie de Saint-Gobain								
Currency	6	(11)	(5)	72	1,385	37		1,422
Interest rate			0	0				0
Energy and commodities			0	0	1			1
Derivatives not qualifying for hedge accounting – total	**6**	**(11)**	(5)	**72**	**1,386**	**37**	**0**	1,423
Total	**23**	**(99)**	(76)	**2**	**1,847**	**73**	**495**	2,415

9.3.1. 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, 2018, credit value adjustments were not material.

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

At June 30, 2018, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €41 million, consisting mainly of:

- a debit balance of €36 million in relation with cross-currency swaps designated as cash flow hedges that are used to convert a GBP bond issue into euros;
- A debit balance of €10 million corresponding to the changes in fair value of interest rate swaps qualified as cash flow hedges;
- A credit balance of €5 million corresponding to the change in fair value of energy and commodities hedges qualified as cash flow hedges.

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

9.3.3. 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 represents a loss of €5 million in June 30, 2018 compared to a gain of €2 million in December 31, 2017.

9.3.4. Group debt structure

The weighted average interest rate on total gross debt under IFRS and after hedging (currency swaps, interest rate swaps and cross-currency swaps) is 2.5% at June 30, 2018, compared with 2.8% at December 31, 2017.

The table below presents the breakdown by interest rate (fixed or variable) of the Group's gross debt at June 30, 2018, taking into account interest rate, currency and cross-currency swaps:

(in € millions)	Gross debt after hedging		
	Variable rate	**Fixed rate**	**Total**
EUR	1,672	8,107	9,779
Other currencies	1,194	350	1,544
Total	**2,866**	**8,457**	**11,323**
(in %)	25%	75%	100%
Accrued interest and other financial liabilities			212
Total gross debt			**11,535**

9.4. Financial assets and liabilities

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

At June 30, 2018:

(in € millions)		Financial instruments at fair value					Other financial instruments				Financial instruments at fair value			
Balance sheet headings and classes of instrument	**Notes**	**Financial instruments through profit or loss**	**Financial instruments through equity**	**Qualifying derivatives**	**Assets and liabilities measured at fair value (fair value option)**	**Total financial instruments measured at fair value**	**Equity securities**	**Loans and receivables**	**Liabilities at amortized cost**	**Total financial instruments**	**Level 1 inputs**	**Level 2 inputs**	**Level 3 inputs**	**Total financial instruments measured at fair value**
Trade and other accounts receivable	(4)					**0**		8,321		**8,321**				**0**
Loans, deposits and surety						**0**		573		**573**				**0**
Equity securities and other securities	(7)		1,810			**1,810**	97	0		**1,907**	1,810			**1,810**
Derivatives recorded in assets		6		17		**23**				**23**		23		**23**
Cash and cash equivalents					2,241	**2,241**				**2,241**	630	1,611		**2,241**
Total assets		**6**	**1,810**	**17**	**2,241**	**4,074**	**97**	**8,894**	**0**	**13,065**	**2,440**	**1,634**	**0**	**4,074**
Trade and other accounts payable	(4)					**0**			(10,454)	**(10,454)**				**0**
Long- and short-term debt						**0**			(11,453)	**(11,453)**				**0**
Derivatives recorded in liabilities		(11)		(88)		**(99)**		0		**(99)**		(99)		**(99)**
Total liabilities		**(11)**	**0**	**(88)**	**0**	**(99)**	**0**	**0**	**(21,907)**	**(22,006)**	**0**	**(99)**	**0**	**(99)**
Total		**(5)**	**1,810**	**(71)**	**2,241**	**3,975**	**97**	**8,894**	**(21,907)**	**(8,941)**	**2,440**	**1,535**	**0**	**3,975**

At December 31, 2017:

(in € millions)		Financial instruments at fair value				Other financial instruments				Financial instruments at fair value			
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 instruments**	**Level 1 inputs**	**Level 2 inputs**	**Level 3 inputs**	**Total financial instruments measured at fair value**
Trade and other accounts receivable	(4)				**0**		6,425		**6,425**				**0**
Loans, deposits and surety					**0**		512		**512**				**0**
Available-for-sale and other securities	(7)				**0**	101			**101**				**0**
Derivatives recorded in assets		83	24		**107**				**107**		107		**107**
Cash and cash equivalents				3,284	**3,284**				**3,284**	1,626	1,658		**3,284**
Total assets		**83**	**24**	**3,284**	**3,391**	**101**	**6,937**	**0**	**10,429**	**1,626**	**1,765**	**0**	**3,391**
Trade and other accounts payable	(4)				**0**			(9,818)	**(9,818)**				**0**
Long- and short-term debt					**0**			(9,169)	**(9,169)**				**0**
Derivatives recorded in liabilities		(11)	(94)		**(105)**		0		**(105)**		(105)		**(105)**
Total liabilities		**(11)**	**(94)**	**0**	**(105)**	**0**	**0**	**(18,987)**	**(19,092)**	**0**	**(105)**	**0**	**(105)**
Total		**72**	**(70)**	**3,284**	**3,286**	**101**	**6,937**	**(18,987)**	**(8,663)**	**1,626**	**1,660**	**0**	**3,286**

NOTE 10 SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1. Equity

10.1.1. Capital stock

As of June 30, 2018, the number of shares composing the capital stock of Compagnie de Saint-Gobain was 552,489,858 shares with a par value of €4 (553,557,091 shares at December 31, 2017).

10.1.2. Dividends

The Annual Shareholders' Meeting of June 7, 2018 approved the recommended dividend in respect of 2017 financial year representing €1.30 per share.

10.2. Earnings per share

Basic and diluted earnings per share are as follows:

	First-half 2018		First-half 2017	
	Basic	Diluted	Basic	Diluted
Income (in € millions)				
Group share of net income	1,219	1,219	754	754
Number of shares				
Weighted average number of shares in issue	549,390,471		553,852,126	
Weighted average number of shares assuming full dilution		552,457,390		556,969,463
Earnings per share (in €)				
Earnings per share, Group share	2.22	2.21	1.36	1.35

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 656,325 and 2,410,594 shares, respectively, at June 30, 2018.

NOTE 11 TAXES

11.1. Income taxes

In accordance with IAS 34, the recognized tax expense is determined by reference to the projected effective tax rate at the end of the year restated for the one-off items of the half-year period.

Theoretical tax expense was reconciled with current tax expense using a tax rate of 34.43% in first-half of 2018 and 2017, and can be analyzed as follows:

(in € millions)	First-half 2018	First-half 2017
Net income	1,246	777
Less:		
Share in net income of equity-accounted companies	18	17
Income taxes	(265)	(297)
Pre-tax income of consolidated companies	**1,493**	**1,057**
French tax rate	34.43%	34.43%
Theoretical tax expense at French tax rate	(514)	(364)
Impact of different tax rates	166	79
Asset impairment, capital gains and losses	104	(2)
Deferred tax assets not recognized	(3)	(6)
Research tax credit, tax credit for competitiveness and employment (CICE) and value-added contribution for businesses (CVAE)	3	4
Costs related to dividends	(9)	(21)
Other taxes and provision writebacks	(12)	13
Total income tax expense	**(265)**	**(297)**

The contribution of countries with low tax rates explains the impact of the different tax rates applicable outside France. The main contributors are United States, Norway, Poland, the Czech Republic, the United Kingdom and Sweden.

11.2.Deferred tax

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

(in € millions)	Net deferred tax asset/(liability)
At December 31, 2017	**511**
Deferred tax (expense)/benefit	(26)
Changes in deferred taxes relating to actuarial gains and losses (IAS 19)	(78)
Translation adjustments	5
Impact of changes in Group structure and other*	38
At June 30, 2018	**450**

* Including impact of the application of IFRS 9 and IFRS 15 for €9 million.

NOTE 12 SUBSEQUENT EVENTS

The Group remains attentive to the evolution of economic parameters that could, by 31 December 2018, lead to the classification of Argentina as a hyperinflationary economy and thus make IAS 29 "Financial information in hyperinflationary economies" applicable. Given the weight of Argentina on the balance sheet and the result of the Group, Saint-Gobain does not expect significant impacts.

COMPAGNIE DE SAINT-GOBAIN

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

(Period from January 1, 2018 to June 30, 2018)

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, 2018 to June 30, 2018)

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, 2018 to June 30, 2018,
- 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.

Without qualifying our conclusion, we draw your attention to the note 3.1 "Accounting methods applied since January 1, 2018" to the condensed half-year consolidated financial statements regarding the consequences of the first-time application as of January 1, 2018 of the standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments".

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 26, 2018

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 2018 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, 2018 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and 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 2018.

Courbevoie, July 26, 2018

Chief Executive Officer

Pierre-André de CHALENDAR
Compagnie de Saint-Gobain

Chief Financial Officer

Guillaume TEXIER
Compagnie de Saint-Gobain