Half-year financial report 2019

Including :

- Half-year management Report 2019
- Consolidated Financial Statements period ended June 30, 2019
- Statutory Auditors’ review Report on the 2019 half-year financial information
- Statement by the persons responsible for the 2019 interim financial report

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SAINT-GOBAIN

PRESS RELEASE

Paris, July 25, 2019

First-half 2019 results: solid performance

Organic sales growth at 3.5%
Operating income[1] up 8.3%
Recurring earnings per share up 17.6%

- Organic growth at 3.5%, with prices up 2.3% in a less inflationary environment and volumes up 1.2% despite a negative calendar impact
- Operating income at €1,638 million, up 8.2% as reported and up 8.3% like-for-like. Gain of 30 basis points in the operating margin[2] to 7.6%
- Recurring net income up 16.7%
- Swift deployment of the “Transform & Grow” program: (1) strong momentum in portfolio optimization, with divestments already completed or signed representing over €2.8 billion in sales and (2) the cost savings target for 2019 raised from over €50 million to more than €80 million
- Objectives for full-year 2019 confirmed

(€m)	H1 2018 Restated[3]	**H1 2019**	**Change**	**Change like-for-like**
Sales	20,787	**21,677**	**4.3%**	**3.5%**
Operating income	1,514	**1,638**	**8.2%**	**8.3%**
EBITDA[4]	2,230	2,417	**8.4%**	
Recurring net income[5]	809	944	**16.7%**	
Free cash flow[6]	492	**690**	**40.2%**	

1. *Like-for-like.*
2. *Operating margin = Operating income divided by sales.*
3. *Figures for the first half of 2018 have been restated for IFRS 16 with retroactive effect from January 1, 2018 (see the press release dated July 1, 2019).*
4. *EBITDA = operating income, plus operating depreciation and amortization, less non-operating costs excluding Sika.*
5. *Recurring net income: net attributable income excluding capital gains and losses on disposals, asset write-downs, material non-recurring provisions and Sika income.*
6. *Free cash flow = EBITDA less depreciation of right-of-use assets, plus net financial expense excluding Sika, plus income tax, less investments in property, plant and equipment and intangible assets excluding additional capacity investments, plus changes in working capital requirement.*

Pierre-André de Chalendar, Chairman and Chief Executive Officer of Saint-Gobain, commented:
"The Group's first-half results progressed significantly, driven by continued upbeat trends on our main markets, a positive price-cost spread, and excellent advances in our transformation plan, which is delivering expected results faster than initially planned. The acceleration of our portfolio rotation program announced a year ago continues apace and we will exceed €3.0 billion in sales divested by the end of 2019. The Group is confirming its objectives for full-year 2019 and for the second half, in a less supportive market overall, expects a like-for-like increase in operating income versus second-half 2018."

Benoit Bazin, Chief Operating Officer of Saint-Gobain, commented:
"Thanks to our new organization, in place since January 1, the commitment of our teams on the ground is reaping rewards. Our portfolio optimization program and measures to unlock €250 million in additional cost savings are being put into place with agility and determination, as illustrated by the accelerated timetable, with the cost savings target for 2019 raised from over €50 million to more than €80 million. Going forward, we are very confident in the capacity of "Transform & Grow" to give new impetus to our growth and profitability."

Operating performance

First-half consolidated **sales** were **€21,677 million**, a year-on-year increase of 4.3% on a reported basis and of **3.5% like-for-like**. Organic growth was driven both by prices (up 2.3%) in a slightly less inflationary environment, and by volumes (up 1.2%). The growth in our main markets was mitigated by a negative 1% calendar effect in the second quarter against a high prior-year comparison basis.

The **Group structure impact** added a slight 0.2% to overall growth, with acquisitions more than compensating for divestments in the first half given their respective transaction dates: in particular the Pipe business in Xuzhou, China, the silicon carbide business, glazing installation operations in the UK and glass processing in Sweden and Norway. Acquisitions reflect the consolidation of companies in new niche technologies and services (Kaimann in technical insulation), in Asia and emerging countries (Join Leader in adhesives) and to consolidate our strong positions (Hunter Douglas in specialty ceilings).

Sales growth also benefited from a 0.6% positive **currency impact**, mainly due to the appreciation of the US dollar against the euro, despite the depreciation of the Brazilian real, Nordic krona and other Asian and emerging country currencies.

The Group's operating income rose by 8.3% like-for-like. **Its operating margin moved up 30 basis points to 7.6%**.

Acceleration in the Group's transformation continues apace:

- Divestments completed or signed to date represent sales of over €2.8 billion, already close to the target of more than €3.0 billion by the end of 2019. The full-year operating margin impact stands at more than 40 basis points, already reaching the target of the *"Transform & Grow"* program of a gain of 40 basis points in the operating margin.
- The program to unlock €250 million in additional cost savings by 2021 thanks to the new organization is producing results faster than initially expected, with an accelerated timetable now envisaged: over €80 million in cost savings for 2019 (versus an initial target of over €50 million), of which €35 million in first-half 2019, and overall savings of €150 million in 2020 (versus €120 million initially).

<u>Segment performance</u> (like-for-like sales)

High Performance Solutions (HPS) sales rose 1.0% like-for-like, driven by the good progression in prices. Volumes were down slightly, affected by the sharp contraction in the automotive market since the summer of 2018 and by the decline in Ceramics against a high first-half 2018 comparison basis. The operating margin came in at 13.0% versus 14.4% in first-half 2018, which was marked by a still upbeat automotive market and a strong level of activity in Ceramics. The margin is significantly up on the second-half 2018 figure of 12.4%.

- **Mobility** sales were stable in a difficult automotive market environment. The differentiating strategy focused on high value-added products continues to pay off. Despite the ongoing contraction in Europe and China, business was up in the Americas, led particularly by gains in market share. Our activities in the aerospace market advanced significantly.
- Activities serving **Industry** reported satisfactory sales overall, held back by a high first-half 2018 comparison basis for Ceramics.
- Activities serving the **Construction industry** progressed sharply on both the Americas and European markets, buoyed by gains in market share, upbeat trends in external thermal insulation solutions (ETICS) and recent acquisitions.
- **Life Sciences** continued to enjoy a strong growth dynamic in the pharmaceutical and medical sector for single-use components.

Northern Europe maintained the good momentum of 2018, advancing 3.6% despite a more negative calendar effect than for the Group as a whole and a high comparison basis in second-quarter 2018 which was marked by a sales catch-up after harsh weather conditions at the start of that year. Distribution reported a good first-half and Industry was up, particularly in Gypsum and Insulation.
Sales in Nordic countries were bullish at the start of the year in all major businesses and countries, particularly for Distribution, benefiting from its exposure to the renovation market which remained upbeat. The UK deteriorated amid an uncertain economic environment, with a decline in the second quarter, particularly pronounced in Distribution. Sales in Germany progressed. Eastern Europe continued to advance in all of its main countries, also benefiting from a weak comparison basis in the first-half 2018 period, which had seen the repair of two floats in Poland and Romania.
The operating margin for the region rose sharply to 6.0% from 5.2% in the same prior-year period, fueled by a good start to the year in terms of volumes, a positive raw material and energy price-cost spread and a good industrial performance.

Southern Europe - Middle East & Africa was up 4.3%, an improvement on the trends observed for full-year 2018. Growth was powered by Distribution; industrial businesses progressed, particularly Insulation, Gypsum and Mortars. Pipe reported a slight increase in sales and continued its successful efforts to improve competitiveness.
France reported a very good first half, buoyed by a construction market where renovation remained supportive and by a weak first-half 2018 comparison basis. By business, Distribution enjoyed strong momentum and gains in market share, along with Insulation which delivered double-digit growth on the back of strong demand for energy-efficiency renovation. Among other countries in the region, Spain posted robust growth, while Benelux and Italy recorded slower advances. The Middle East and Africa were down over the first half, especially in Turkey which is experiencing an extremely tough environment.
The operating margin for the region increased significantly, up to 5.0% from 4.4% in first-half 2018, lifted by a sharp improvement in France.

The **Americas** reported 2.6% organic growth.
North America continued to benefit from a satisfactory price effect amid continued inflation in certain raw material costs, at the expense of volumes against a high second-quarter 2018 comparison basis. Exterior Products stabilized despite a significant price effect. The pricing environment was favorable in Insulation but more challenging in Gypsum; volumes remained hesitant overall. Latin America enjoyed continued growth momentum, particularly in Building Glass and Mortars; in a slightly more uncertain macroeconomic environment, Brazil posted vigorous growth, outperforming market trends in the period thanks to sales team synergies linked to the new organization.
The operating margin for the region came in at 9.0% compared to 9.1% in first-half 2018.

Asia-Pacific delivered 6.0% organic growth, spurred by continued strong momentum in Gypsum and Mortars in particular.
India was boosted by additional sales following the start-up of its fifth float line, and Gypsum delivered further double-digit growth. Elsewhere in Asia, China had a good first half, with the start-up of a new plaster plant and bullish growth in Mortars. South-East Asia faced a fiercely competitive environment which put pressure on sales prices.
The operating margin for the region was up to 9.5% from 9.3% in first-half 2018.

Analysis of the consolidated financial statements for first-half 2019

The unaudited interim consolidated financial statements for first-half 2019 were subject to a limited review by the statutory auditors and were approved and adopted by the Board of Directors on July 25, 2019. Figures for first-half 2018 have been restated for IFRS 16 with retroactive effect from January 1, 2018 (see the press release dated July 1, 2019).

€m	H1 2018 *Restated* (A)	H1 2019 (B)	% change (B)/(A)	H1 2018 Published
Sales and ancillary revenue	**20,787**	**21,677**	**4.3%**	**20,787**
Operating income	**1,514**	**1,638**	**8.2%**	**1,469**
Operating depreciation and amortization	949	947	-0.2%	601
Non-operating costs (excl. Sika)	(233)	(168)	n.s.	(234)
EBITDA	**2,230**	**2,417**	**8.4%**	**1,836**
Sika non-operating costs	180			180
Capital gains and losses on disposals, asset write-downs, corporate acquisition fees and earn-out payments	(295)	(217)	n.s.	(296)
Business income	**1,166**	**1,253**	**7.5%**	**1,119**
Net financial income (expense)	354	(250)	n.s.	392
Sika dividends	0	28	n.s.	0
Income tax	(266)	(318)	19.5%	(265)
Share in net income (loss) of associates	0	1	n.s.	0
Net income before minority interests	**1,254**	**714**	**-43.1%**	**1,246**
Minority interests	27	25	-7.4%	27
Net attributable income	**1,227**	**689**	**-43.8%**	**1,219**
Earnings per share[2] (in €)	2.24	1.27	-43.3%	2.23
Recurring net income[1]	**809**	**944**	**16.7%**	**802**
Recurring[1] earnings per share[2] (in €)	1.48	1.74	17.6%	1.47
Cash flow from operations[3]	1,766	1,895	7.3%	1,410
Cash flow from operations (excluding capital gains tax)[4]	1,754	1,883	7.4%	1,398
EBITDA	**2,230**	**2,417**	**8.4%**	**1,836**
Depreciation of right-of-use assets	357	340	-4.8%	0
Net financial expense (excluding Sika)	(247)	(250)	n.s.	(247)
Income tax	(266)	(318)	19.5%	(265)
Investments in property, plant and equipment	561	610	8.7%	561
o/w additional capacity investments	211	220	4.3%	257
Investments in intangible assets	76	72	-5.3%	76
Change in working capital requirement[5]	(442)	(357)	-19.2%	(442)
Free cash flow[6]	**492**	**690**	**40.2%**	**502**
Free cash flow conversion[7]	**26.3%**	**33.2%**	**n.s.**	**27.3%**
Lease investments	430	353	-17.9%	0
Investments in securities[8]	1,289	158	n.s.	1,289
Consolidated net debt	**12,380**	**12,617**	**1.9%**	**9,294**

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 (543,444,874 shares in 2019, versus 546,918,263 shares in 2018).
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. Change in working capital requirement: over a 12-month period (cf. appendix 4 at the bottom of consolidated cash flow statement).
6. Free cash flow = EBITDA less depreciation of right-of-use assets, plus net financial expense excluding Sika, plus income tax, less investments in property, plant and equipment and intangible assets excluding additional capacity investments, plus changes in working capital requirement.
7. Free cash flow conversion = free cash flow divided by EBITDA less depreciation of right-of-use assets.
8. Investments in securities: €158 million in first-half 2019, of which €145 million of consolidated entities.

Consolidated **sales** advanced 3.5%, led by both prices (up 2.3%) and by volumes (up 1.2%). On a reported basis, sales were 4.3% higher, with a positive 0.6% **currency impact** resulting mainly from the appreciation of the US dollar against the euro despite the depreciation of the Brazilian real, Nordic krona and other emerging country currencies. The **Group structure impact** was a positive 0.2%, with acquisitions more than compensating for divestments. Acquisitions reflect the consolidation of companies in new niche technologies and services, in Asia and emerging countries and to consolidate our strong positions.

Consolidated **operating income** was up 8.2% on a reported basis and 8.3% like-for-like. The Group's operating margin moved up 30 basis points to 7.6%. **EBITDA** rose 8.4% to €2,417 million, while the EBITDA margin climbed to 11.2% of sales versus 10.7% of sales in first-half 2018.

Non-operating costs totaled €168 million compared to €53 million in first-half 2018 which included a gain of €180 million on the Sika transaction (non-operating costs of €233 million excluding this one-off gain). Non-operating costs in first-half 2019 therefore improved sharply on a normalized basis, despite factoring in €51 million of restructuring costs associated with the execution of the "Transform & Grow" program. The €45 million accrual to the provision for asbestos-related litigation involving CertainTeed in the US remained unchanged compared to 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 €217 million compared to an expense of €295 million in first-half 2018. In the first six months of 2019, this item mainly includes write-downs of businesses held for sale. **Business income** was up 7.5% to €1,253 million.

Net financial expense excluding Sika remained virtually stable at €250 million (€247 million in first-half 2018). Dividends received from Sika totaled €28 million in the period; the comparative period in 2018 had benefited from a €601 million gain relating to the Sika transaction.
The income tax rate on recurring net income remained stable at 25%. **Income tax** totaled €318 million (€266 million in first-half 2018).
Recurring net income (excluding capital gains and losses, asset write-downs, material non-recurring provisions and Sika income) rose 16.7% to €944 million.
Net attributable income fell 43.8% to €689 million owing to the gain relating to the Sika transaction in first-half 2018 (€781 million).

Cash flow from operations increased 7.3% to €1,895 million (€1,766 million in first-half 2018); before the tax impact of capital gains and losses on disposals, asset write-downs and material non-recurring provisions, cash flow from operations was 7.4% higher at €1,883 million (€1,754 million in first-half 2018).
Free cash flow jumped 40.2% to €690 million (3.2% of sales versus 2.4% of sales in first-half 2018), buoyed by improved cash generation and a lower increase in working capital requirement over a 12-month period.
Investments in property, plant and equipment and intangible assets totaled €682 million (including €220 million in additional capacity investments for organic growth) and remained stable as a percentage of sales, at 3.1%.

Investments in securities totaled €158 million (€1,289 million in first-half 2018 which included Sika for €933 million) and were made to develop innovative niches (American Seal) and the Group's presence in emerging countries (plasterboard in Mexico). **Net debt** edged up to €12.6 billion at end-June 2019 from €12.4 billion as restated at end-June 2018, with acquisitions over the past 12 months representing €568 million and divestments €311 million. Net debt represents 68% of consolidated equity compared to 65% as restated at end-June 2018. **The net debt to EBITDA ratio** over the last 12-month rolling period stands at 2.6 at end-June 2019 compared to 2.7 as restated at end-June 2018.

Update on asbestos claims in the US

Some 1,300 new claims were filed against CertainTeed in first-half 2019, stable compared to the first six months of 2018.
At the same time, around 1,200 claims were settled (versus 1,500 claims in first-half 2018), bringing the total number of outstanding claims to around 32,700 at June 30, 2019, close to the 32,600 outstanding claims at December 31, 2018.
A total of USD 69 million in indemnity payments were made in the US in the 12 months to June 30, 2019, compared to USD 67 million in the 12 months to December 31, 2018.

Strategic priorities and outlook for 2019

The Group continued to implement its strategic priorities in first-half 2019:

- €155 million in cost savings (excluding "Transform & Grow") versus first-half 2018;
- 10 acquisitions for €145 million, representing €108 million in sales and €19 million in EBITDA on a full-year basis;
- Divestments completed or signed to date for over €2.8 billion in sales: in the first half of 2019, disposal of silicon carbide and glass processing businesses in Sweden and Norway, and signing of agreements to sell Distribution in Germany, Optimera Denmark and DMTP in France. In 2018, disposal of Pipe at Xuzhou, China, the EPS insulating foam business in Germany and glazing installation operations in the UK;
- Strategic review of the business portfolio in progress in the context of the new organization, which will lead to an additional dynamic of divestments and acquisitions;
- 6.5 million shares bought back for €212 million, contributing to a reduction in the number of shares outstanding to 543.4 million at June 30, 2019 (546.9 million at June 30, 2018).

The Group confirms its outlook for 2019 as a whole:

- **High Performance Solutions**: industrial markets should remain satisfactory, particularly in the US, despite the contraction in the automotive market in Europe and China;
- **Northern Europe**: should progress despite a tougher environment in the UK;
- **Southern Europe - Middle East & Africa**: overall growth expected for the region, with for the second half a lower contribution from new construction and a solid renovation market, in particular in France;
- **Americas**: stabilization in North America and a more uncertain environment in Latin America;
- **Asia-Pacific**: further growth.

The Group's **action priorities** as defined in February remain:

- its **focus on sales prices**;
- its **cost savings program** with the aim of unlocking additional savings of around **€300 million** (calculated on the 2018 cost base), in addition to **more than €80 million in 2019** as part of the "Transform & Grow" program;
- its **property, plant and equipment and intangible assets investments program** close to the 2018 level, with a focus on growth capex outside Western Europe and also on productivity and continued digital transformation;
- its **commitment to invest in R&D** to support its differentiated, high value-added strategy;
- its **focus on high levels of free cash flow generation**.

Saint-Gobain confirms its objectives for full-year 2019 and for the second half expects a like-for-like increase in operating income compared to second-half 2018.

Financial calendar

- An information meeting for analysts and investors will be held at *8:30am* (GMT+1) on *July 26, 2019* and will be broadcast live on:
www.saint-gobain.com/

- Sales for the first nine months of 2019: *October 24, 2019*, after close of trading on the Paris Bourse.

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*Indicators of **organic growth** and **like-for-like changes in sales/operating income** reflect the Group's underlying performance excluding the impact of:*

- *changes in Group structure, by calculating indicators for the year under review based on the scope of consolidation of the previous year (Group structure impact);*
- *changes in foreign exchange rates, by calculating the indicators for the year under review and those for the previous year based on identical foreign exchange rates for the previous year (currency impact);*
- *changes in applicable accounting policies.*

All indicators contained in this press release (not defined in the footnote) are explained in the notes to the financial statements in the interim financial report, available by clicking here: https://www.saint-gobain.com/fr/finance/information-reglementee/rapport-financier-semestriel

The glossary below shows the notes of the interim financial report 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*
Working capital requirement	*Note 4*

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended
June 30, 2019

CONSOLIDATION REPORTING GROUP DEPARTMENT

CONSOLIDATION REPORTING GROUP DEPARTMENT

DETAILED TABLES OF CONTENTS OF NOTES

2019 condensed half-year consolidated financial statements 2
CONSOLIDATED BALANCE SHEET 2
CONSOLIDATED INCOME STATEMENT 3
Consolidated statement of recognized income and expense 4
Consolidated statement of cash flows 5
Consolidated Statement of Changes in Equity 6
Notes to the condensed half-year consolidated financial statements 7
NOTE 1 Accounting principles and policies 7
1.1. Standards applied 7
1.2. Estimates and assumptions 8
NOTE 2 Scope of consolidation 8
2.1. Accounting principles related to consolidation 8
2.2. Changes in Group structure 8
2.3. Assets and liabilities held for sale 9
2.4. Changes in the number of consolidated companies 10
NOTE 3 Impact of new standards 10
3.1. Accounting policies applied since January 1, 2019 10
3.2. Impact on the consolidated financial statements 11
NOTE 4 Information concerning the Group’s operating activities 13
4.1. Income statement items 13
4.2. Segment information 14
4.3. Performance indicators 15
4.4. Working capital Requirement 16
4.5. Off-balance sheet commitments related to operating activities 18
NOTE 5 Personnel expenses and employee benefit obligations 18
5.1. Provisions for pensions and other employee benefits 18
5.2. Share-based payments 20
NOTE 6 Intangible assets, property, plant and equipment, and right-of-use assets 22
6.1. Goodwill 22
6.2. Other intangible assets 23
6.3. Property, plant and equipment 23
6.4. Right-of-use assets linked to leases 23
6.5. Impairment review 23
NOTE 7 Other non-current assets 24
NOTE 8 Other current and non-current liabilities and provisions, contingent liabilities and litigation 25
8.1. Provisions for other liabilities and charges 25
8.2. Contingent liabilities and litigation 25
NOTE 9 Financing and financial instruments 29
9.1. Net financial income (expense) 29
9.2. Net debt 29
9.3. Financial instruments 32
9.4. Financial assets and liabilities 34
NOTE 10 Shareholders’ equity and earnings per share 34

10.1. Equity..34
10.2. Earnings per share..35
NOTE 11 Taxes..35
11.1. Income taxes...35
11.2. Deferred taxes...36
NOTE 12 Subsequent events...36

2019 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in € millions)	June 30, 2019	Dec. 31, 2018 restated*	January 1, 2018 restated*
Assets			
Goodwill	10,022	9,990	10,575
Other intangible assets	2,555	2,526	2,603
Property, plant and equipment	11,399	11,253	11,516
Right-of-use assets	2,595	2,621	2,818
Investments in equity-accounted companies	424	412	379
Deferred tax assets	943	860	976
Other non-current assets	3,194	2,527	774
Non-current assets	**31,132**	**30,189**	**29,641**
Inventories	6,530	6,252	6,050
Trade accounts receivable	6,116	4,967	5,107
Current tax receivable	258	286	204
Other receivables	1,622	1,608	1,401
Assets held for sale	836	788	0
Cash and cash equivalents	3,871	2,688	3,284
Current assets	**19,233**	**16,589**	**16,046**
Total assets	**50,365**	**46,778**	**45,687**
Equity and liabilities			
Capital stock	2,186	2,186	2,214
Additional paid-in capital and legal reserve	5,606	5,646	5,944
Retained earnings and consolidated net income	11,539	11,728	11,925
Cumulative translation adjustments	(1,495)	(1,639)	(1,756)
Fair value reserves	464	(124)	22
Treasury stock	(124)	(106)	(123)
Shareholders' equity	**18,176**	**17,691**	**18,226**
Minority interests	358	330	383
Total equity	**18,534**	**18,021**	**18,609**
Non-current portion of long-term debt	10,340	9,156	7,599
Non-current portion of long-term lease liabilities	2,181	2,210	2,388
Provisions for pensions and other employee benefits	2,811	2,525	2,927
Deferred tax liabilities	458	449	406
Other non-current liabilities and provisions	1,043	1,034	1,047
Non-current liabilities	**16,833**	**15,374**	**14,367**
Current portion of long-term debt	2,655	1,167	1,049
Current portion of long-term lease liabilities	665	683	698
Current portion of other liabilities and provisions	399	455	401
Trade accounts payable	6,273	6,150	6,062
Current tax liabilities	136	104	157
Other payables	3,698	3,842	3,824
Liabilities held for sale	525	503	0
Short-term debt and bank overdrafts	647	479	520
Current liabilities	**14,998**	**13,383**	**12,711**
Total equity and liabilities	**50,365**	**46,778**	**45,687**

* The restatements are explained in note 3 "Impact of new standards".

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

CONSOLIDATED INCOME STATEMENT

(in € millions)	Notes	First-half 2019	First-half 2018 restated*
Net sales	(4)	21,677	20,787
Cost of sales	(4)	(16,104)	(15,451)
General expenses including research	(4)	(3,947)	(3,840)
Share in net income of core business equity-accounted companies		12	18
Operating income		**1,638**	**1,514**
Other business income	(4)	50	199
Other business expense	(4)	(435)	(547)
Business income		**1,253**	**1,166**
Borrowing costs, gross		(158)	(140)
Income from cash and cash equivalents		17	11
Borrowing costs, net, excluding lease liabilities		(141)	(129)
Interest on lease liabilities		(37)	(38)
Borrowing costs, net, including lease liabilities		(178)	(167)
Other financial income and expense		(44)	521
Net financial income (expense)	**(9)**	**(222)**	**354**
Share in net income of non-core business equity-accounted companies		1	0
Income taxes	(11)	(318)	(266)
Net income		**714**	**1,254**
Group share of net income		**689**	**1,227**
Minority interests		25	27
Earnings per share, Group share *(in €)*	**(10)**	1.27	2.23
Weighted average number of shares in issue		542,350,708	549,390,471
Diluted earnings per share, Group share *(in €)*	**(10)**	1.26	2.22
Weighted average number of shares assuming full dilution		545,098,023	552,457,390

* The restatements are explained in note 3 “Impact of new standards”.

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in € millions)	Notes	First-half 2019	First-half 2018 restated*
Net income		**714**	**1,254**
Items that may be subsequently reclassified to profit or loss			
Translation adjustments		149	(180)
Changes in fair value of financial instruments	(9)	(13)	(63)
Tax on items that may be subsequently reclassified to profit or loss		3	20
Items that will not be reclassified to profit or loss			
Changes in actuarial gains and losses	(5)	(283)	341
Tax on items that will not be reclassified to profit or loss	(11)	76	(78)
Changes in assets at fair value through equity	(7)	601	54
Liability method on items that will not be reclassified to profit or loss		0	8
Other		17	0
Income and expense recognized directly in equity		**550**	**102**
Total recognized income and expense for the period		**1,264**	**1,356**
Group share		1,234	1,343
Minority interests		30	13

* The restatements are explained in note 3 “Impact of new standards”.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Notes	First-half 2019	First-half 2018 restated*
Group share of net income		**689**	**1,227**
Minority interests in net income	(a)	25	27
Share in net income of equity-accounted companies, net of dividends received		(10)	(13)
Depreciation, amortization and impairment of assets	(4)	795	855
Depreciation, amortization and impairment of right-of-use assets	(6)	341	358
Gains and losses on disposals of assets	(4)	10	9
Non-recurring SWH/Sika net income			(781)
Unrealized gains and losses arising from changes in fair value and share-based payments		13	3
Restatement for hyperinflation in Argentina		10	0
Changes in inventory	(4)	(370)	(444)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(4)	(1,142)	(1,137)
Changes in tax receivable and payable	(4)	19	(7)
Changes in deferred taxes and provisions for other liabilities and charges	(5)(8)(11)	53	96
Net cash from operating activities		**433**	**193**
Acquisitions of property, plant and equipment [first-half 2019: (610), first-half 2018: (561)] and intangible assets	(6)	(682)	(637)
Increase (decrease) in amounts due to suppliers of fixed assets	(4)	(219)	(208)
Acquisitions of shares in consolidated companies [first-half 2019: (137), first-half 2018: (285)], net of cash acquired		(130)	(250)
Acquisitions of other investments		(17)	(1,000)
Increase in investment-related liabilities	(8)	3	27
Decrease in investment-related liabilities	(8)	(14)	(9)
Investments		**(1,059)**	**(2,077)**
Disposals of property, plant and equipment and intangible assets	(6)	47	36
Disposals of shares in consolidated companies, net of cash divested		70	27
Disposals of other investments		2	0
(Increase) decrease in amounts receivable on sales of fixed assets	(4)	97	0
Divestments		**216**	**63**
Increase in loans, deposits and short-term loans		(74)	(90)
Decrease in loans, deposits and short-term loans		26	23
Changes in loans, deposits and short-term loans		**(48)**	**(67)**
Net cash from (used in) investment and divestment activities		**(891)**	**(2,081)**
Issues of capital stock	(a)	154	179
(Increase) decrease in treasury stock	(a)	(211)	(389)
Dividends paid	(a)	(716)	(707)
Transactions with shareholders of the parent company		**(773)**	**(917)**
Minority interests' share in capital increases of subsidiaries	(a)	31	3
Acquisitions of minority interests without gain of control		(4)	(4)
Changes in investment-related liabilities following the exercise of put options of minority shareholders		(3)	0
Dividends paid to minority shareholders by consolidated subsidiaries	(a)	(23)	(38)
Change in dividends payable		(13)	(1)
Transactions with minority interests		**(12)**	**(40)**
Increase (decrease) in bank overdrafts and other short-term debt		189	1,035
Increase in long-term debt	(b)(9)	2,677	1,297
Decrease in long-term debt	(b)(9)	(32)	(101)
Changes in gross debt		**2,834**	**2,231**
Decrease in lease liabilities	(b)(9)	(413)	(397)
Changes in gross debt including lease liabilities		**2,421**	**1,834**
Net cash from (used in) financing activities		**1,636**	**877**
Increase (decrease) in cash and cash equivalents		**1,178**	**(1,011)**
Net effect of exchange rate changes on cash and cash equivalents		7	(28)
Net effect of changes in fair value on cash and cash equivalents		4	(4)
Cash and cash equivalents classified within assets held for sale		(6)	0
Cash and cash equivalents at beginning of period		**2,688**	**3,284**
Cash and cash equivalents at end of period		**3,871**	**2,241**

* The restatements are explained in note 3 "Impact of new standards".

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

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

In first-half 2019, income tax paid represented €285 million (€246 million in first-half 2018), IFRS 16 rental expenses paid €409 million (€407 million in first-half 2018), including €37 million in interest paid on lease liabilities (€39 million in first-half 2018), and interest paid net of interest received €130 million (€114 million in first-half 2018).

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
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**
		IFRS 9 and IFRS 15* restatements			(24)				**(24)**		**(24)**
		IFRS 16 restatements**			(218)				**(218)**	(1)	**(219)**
553,557,091	**550,785,719**	**Equity at January 1, 2018 restated for the application of new standards****	**2,214**	**5,944**	**11,925**	**(1,756)**	**22**	**(123)**	**18,226**	**383**	**18,609**
		Restatement for hyperinflation in Argentina			(93)	154			**61**		**61**
553,557,091	**550,785,719**	**Restated at January 1, 2018**	**2,214**	**5,944**	**11,832**	**(1,602)**	**22**	**(123)**	**18,287**	**383**	**18,670**
		Income and expenses recognized directly in equity	0	0	291	(166)	(9)	0	**116**	(14)	**102**
		Net income for the period**			1,227				**1,227**	27	**1,254**
		Total income and expense for the period	**0**	**0**	**1,518**	**(166)**	**(9)**	**0**	**1,343**	**13**	**1,356**
		Issues of capital stock									
4,932,767	4,932,767	Group Savings Plan	20	159					**179**		**179**
		Other							**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**	**12,645**	**(1,768)**	**13**	**(235)**	**18,721**	**382**	**19,103**
		Income and expenses recognized directly in equity	0	0	(75)	129	(137)	0	**(83)**	(4)	**(87)**
		Net income for the period**			(830)				**(830)**	50	**(780)**
		Total income and expense for the period	**0**	**0**	**(905)**	**129**	**(137)**	**0**	**(913)**	**46**	**(867)**
		Issues of capital stock									
556,595	556,595	Stock option plans	2	12					**14**		**14**
		Other							**0**	13	**13**
		Dividends paid (€1.30 per share)							**0**	(17)	**(17)**
	(4,651,263)	Shares purchased			(30)			(167)	**(197)**		**(197)**
	1,055,672	Shares sold			6			48	**54**		**54**
(6,461,449)		Shares canceled	(26)	(222)				248	**0**		**0**
		Share-based payments			17				**17**		**17**
		Changes in Group structure and other			(5)				**(5)**	(94)	**(99)**
546,585,004	**543,879,267**	**At December 31, 2018 restated**	**2,186**	**5,646**	**11,728**	**(1,639)**	**(124)**	**(106)**	**17,691**	**330**	**18,021**
		Income and expenses recognized directly in equity	0	0	(187)	144	588	0	**545**	5	**550**
		Net income for the period			689				**689**	25	**714**
		Total income and expense for the period	**0**	**0**	**502**	**144**	**588**	**0**	**1,234**	**30**	**1,264**
		Issues of capital stock									
5,999,997	5,999,997	Group Savings Plan	24	130					**154**		**154**
		Other							**0**	31	**31**
		Dividends paid (€1.33 per share)			(716)				**(716)**	(23)	**(739)**
	(7,026,064)	Shares purchased			1			(228)	**(227)**		**(227)**
	591,674	Shares sold						16	**16**		**16**
(6,000,000)		Shares canceled	(24)	(170)				194	**0**		**0**
		Share-based payments			13				**13**		**13**
		Changes in Group structure and other			11				**11**	(10)	**1**
546,585,001	**543,444,874**	**At June 30, 2019**	**2,186**	**5,606**	**11,539**	**(1,495)**	**464**	**(124)**	**18,176**	**358**	**18,534**

* Restatements in respect of IFRS 9 and IFRS 15 are explained in note 3 "Impact of new standards" to the 2018 consolidated financial statements.

** Restatements in respect of IFRS 16 are explained in note 3 "Impact of new standards".

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

NOTES TO THE CONDENSED HALF-YEAR 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 25, 2019 by the Board of Directors.

NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES

The interim condensed consolidated financial statements of the 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 for the year ended December 31, 2018. The consolidated financial statements have been prepared using the historical cost convention, except for certain assets and liabilities that have been measured using the fair value model as explained in these notes.

1.1. Standards applied

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations adopted for use in the European Union at June 30, 2019. They have also been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB). Standards adopted by the European Union may be consulted on the European Commission website, at https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/.

The bases for measurement and accounting policies applied are the same as those used by the Group to prepare its consolidated financial statements for the year ended December 31, 2018, with the exception of the standards, interpretations and amendments adopted by the European Union and effective as of January 1, 2019 (see section 1.1.1) and the bases of measurement specific to interim financial reporting (see section 1.2).

1.1.1. Standards, interpretations and amendments to existing standards applicable for reporting periods beginning on or after January 1, 2019

The following standards and amendments, effective since January 1, 2019, were applied to the consolidated financial statements for the six months ended June 30, 2019:

- IFRS 16, "Leases"

The main quantitative and qualitative impacts of applying IFRS 16 are described in note 3 "Impact of new standards".

- IFRIC 23, "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies application of the recognition and measurement provisions of IAS 12, "Income Taxes", when there is uncertainty over income tax treatments under that standard. Uncertain tax liabilities previously shown within provisions have been reclassified within income tax liabilities.

Saint-Gobain has chosen to apply IFRIC 23 using the simplified retrospective method. IFRIC 23 has no material impact on the Group's consolidated financial statements.

The following amendments to existing standards are applicable in the period:

- Amendments to IAS 19, "Plan Amendment, Curtailment or Settlement"
- Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"
- Amendments to IFRS 9, "Prepayment Features with Negative Compensation"

These amendments have no impact on the Group consolidated financial statements.

Annual improvements to IFRSs – 2015-2017 cycle concern:

- IFRS 3, “Business Combinations”
- IFRS 11, “Joint Arrangements”
- IAS 12, “Income tax”
- IAS 23, “Borrowing Costs”

These amendments have no impact on the Group 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, 2019

The new standards, interpretations and amendments to existing standards applicable to accounting periods starting on or after January 1, 2020 were not early adopted by the Group on June 30, 2019. These are:

- Amendments to IAS 1 and IAS 8, “Definition of Material”

1.1.3. Hyperinflation in Argentina

IAS 29, “Financial Reporting in Hyperinflationary Economies” applies to entities using the Argentine peso as their functional currency and requires those entities to restate financial statements that were prepared using the historical cost convention. As Saint-Gobain is not significantly exposed to Argentina, it has opted not to restate the data published in respect of first-half 2018 and to recognize all adjustments at December 31, 2018. Comparable data for first-half 2018 do not include the adjustment for inflation.

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, property, plant and equipment, and right-of-use assets"), 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 "Tax").

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, 2018. 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

Saint-Gobain is pursuing a portfolio optimization strategy. Various acquisitions were completed in order to strengthen the Group’s profile in high added-value businesses and growing markets. In the first half of 2019, Saint-Gobain acquired 10 consolidated companies for a total amount of €145 million. Saint-Gobain also sold four consolidated companies for a total amount of €83 million.

The main transactions in first-half 2019 are summarized below:

- On January 11, 2019, Saint-Gobain sold, its Glassolutions regional glass transformation businesses in Norway and Sweden, to Mimir Invest AB, a Swedish investment firm;
- On April 24, 2019, Saint-Gobain completed the acquisition of the entire share capital of Knauf Mexico, a manufacturer and distributor of plasterboard. This acquisition gives Saint-Gobain a foothold on the Mexican plasterboard market and rounds out its current plasterboard offering for buildings and ceilings;
- On May 14, 2019, Saint-Gobain completed the sale of its silicon carbide grains and powders business to the private equity firm OpenGate Capital;
- On May 28, 2019, Saint-Gobain acquired Pritex, a key player in acoustic and thermal insulation solutions made from polymer-based composite materials and intended for the mobility market.

Acquisitions and disposals in the first half of 2019 represent full-year sales of around €108 million and around €168 million, respectively.

2.3. Assets and liabilities held for sale

The exhaustive review of the Group’s business portfolio announced in November 2018 and currently in progress, has led Saint-Gobain to launch a process to divest the following businesses, the assets and liabilities of which are classified as held for sale at June 30, 2019:

- Distribution business in Germany: Saint-Gobain entered into an agreement to sell all of its shares in Saint-Gobain Building Distribution Deutschland (SGBDD) to the Stark group, an important player in building materials distribution in Scandinavia. The finalization of this transaction is subject to approval by the European anti-trust authorities and is expected to be completed in the second half of 2019;
- Building materials distribution business in Denmark (Optimera): on June 19, 2019, Saint-Gobain entered into an agreement to sell the business to Davidsens Tommerhandel;
- Civil engineering and public works business: on July 18, Saint-Gobain entered into exclusive negotiations with the Frans Bonhomme group to sell French company Distribution de Matériaux pour les Travaux Publics (DMTP).

Since the assets and liabilities held for sale meet the qualifying criteria set out in IFRS 5 (see section 2.1.3 of the 2018 consolidated financial statements), the balance sheet accounts of the entities concerned were combined and measured within assets and liabilities held for sale in the consolidated balance sheet at June 30, 2019.

The breakdown of assets and liabilities held for sale at the end of the reporting period is as follows:

(in € millions)	**June 30, 2019**	**Dec. 31, 2018 restated**
Intangible assets, property, plant and equipment and goodwill, net	46	159
Right-of-use assets	200	176
Inventories, trade accounts receivable, other receivables and other non-current assets	575	444
Cash and cash equivalents	15	9
Assets held for sale	**836**	**788**
Provisions for pensions and other employee benefits	94	82
Other current and non-current liabilities and provisions	(6)	18
Trade accounts payable, other payables and accrued expenses	226	196
Debt and bank overdrafts	211	207
Liabilities held for sale	**525**	**503**
Net assets (liabilities) held for sale	**311**	**285**

2.4. Changes in the number of consolidated companies

At June 30, 2019, there were 871 companies in the scope of consolidation (869 at December 31, 2018), including 98 equity-accounted companies and joint arrangements (101 at December 31, 2018).

NOTE 3 IMPACT OF NEW STANDARDS

This note sets out the new accounting policies applied with effect from January 1, 2019 and explains the impact on the consolidated financial statements of adopting IFRS 16, “Leases”.

3.1. Accounting policies applied since January 1, 2019

IFRS 16, “Leases” eliminates the distinction between operating leases and finance leases that existed under IAS 17, introduces a single lessee accounting model and requires lessees to account for all leases on their balance sheet by recognizing:

- an asset representing the right to use the leased asset over the lease term (“right-of-use asset”);
- a liability representing the obligation to make lease payments (“lease liability”);
- an equity impact net of deferred taxes.

In the income statement, rental expense is replaced by:

- depreciation of the right-of-use asset; and
- interest on the lease liability.

Saint-Gobain has chosen to apply IFRS 16 using the full retrospective method at January 1, 2019 (i.e., with effect from January 1, 2018) and has restated all of its leases that were identified ahead of first-time application of the standard. Entities' historical lease contracts were restated with effect from the date on which the entities were first consolidated by the Group. The following recognition exemptions proposed by IFRS 16 have been used by the Group:

  - leases with a lease term of 12 months or less;
  - leases where the underlying asset has a value of less than US$5,000 when new.

- Property leases

The lease term corresponds to the non-cancelable period of the lease, plus any renewal (or termination) options that the Group is reasonably certain to exercise (or not to exercise). The Group determined whether or not lease renewal (or termination) options were reasonably certain to be exercised based on the location of, and any improvements inseparable from, the leased asset. The Group has adopted the position of the French accounting standard-setter (*Autorité des normes comptables* – ANC) in respect of “3/6/9-year” commercial leases in France, i.e., limiting the term of such leases to nine years. The Group did not identify any material leases with similar characteristics in other countries.

For a group of 18 countries (including 13 European countries), the discount rate used to calculate the lease liability is based on the Group's incremental borrowing rate plus a country-specific spread. This rate is applied at the commencement of the lease or at the date of the decision to renew the lease.

The implicit interest rate of the lease is used as discount rate only in the case of non-property lease contract and only if the legal documentation of the contract stipulates it explicitly.

The Group calculated the rate applicable to each lease contract on the basis of the duration.

The useful life of non-movable leasehold improvements cannot exceed the useful life of the leased asset to which they relate.

- Leases other than property leases

The main leases identified correspond to leases of vehicles, machinery and production equipment.

The lease capitalization period (lease term) represents the non-cancelable period of the lease. Where leases provide for a renewal option, the Group determined whether or not that option was reasonably certain to be exercised based on the ease with which the leased asset could be replaced and its criticality.

The discount rate used to determine the right-of-use asset and the lease liability is calculated using the same approach as for property leases.

Although leases generally incorporate indexation clauses, right-of-use assets are measured based on actual cash flows.

3.2. Impact on the consolidated financial statements

In accordance with IFRS 16, the consolidated financial statements for the six-month period ended June 30, 2018 have been restated. The Group presents the balance sheet as restated at January 1 and December 31, 2018. Balance sheet amounts include assets and liabilities held for sale and any gains and losses on those items.

3.2.1. Impacts on the consolidated balance sheet

The table below shows the impacts of applying IFRS 16 for the first time:

(in € millions)	Dec. 31, 2018 published	IFRS 16 impact	Dec. 31 2018 restated	January 1, 2018 published	First-time application of IFRS 16	January 1, 2018 restated for applicable standards
Assets						
Intangible assets and property, plant and equipment	23,849	(80)	23,769	24,768	(74)	24,694
Right-of-use assets	0	2,621	2,621	0	2,818	2,818
Current and non-current financial and other assets	18,742	(2)	18,740	17,199	0	17,199
Deferred tax assets	837	23	860	947	29	976
Assets held for sale	614	174	788	0	0	0
Total assets	**44,042**	**2,736**	**46,778**	**42,914**	**2,773**	**45,687**
Equity and liabilities						
Total equity	18,262	(241)	18,021	18,828	(219)	18,609
Non-current portion of long-term debt	9,218	(62)	9,156	7,659	(60)	7,599
Non-current portion of long-term lease liabilities	0	2,210	2,210	0	2,388	2,388
Deferred tax liabilities	472	(23)	449	427	(21)	406
Non-current liabilities and provisions	3,561	(2)	3,559	3,980	(6)	3,974
Non-current liabilities	**13,251**	**2,123**	**15,374**	**12,066**	**2,301**	**14,367**
Current portion of long-term debt	1,184	(17)	1,167	1,064	(15)	1,049
Current portion of long-term lease liabilities	0	683	683	0	698	698
Current liabilities and provisions	11,023	7	11,030	10,956	8	10,964
Liabilities held for sale	322	181	503	0	0	0
Current liabilities	**12,529**	**854**	**13,383**	**12,020**	**691**	**12,711**
Total equity and liabilities	**44,042**	**2,736**	**46,778**	**42,914**	**2,773**	**45,687**

Based on the Group's estimates, applying IFRS 16 (after restatement for the impacts of IAS 17) at the transition date increases lease liabilities by €3,011 million and right-of-use assets by €2,744 million.

3.2.2. Impacts on the consolidated income statement

(in € millions)	First-half 2018 published	First-half 2018 IFRS 16 impact	First-half 2018 restated	Full-year 2018 published	Full-year 2018 IFRS 16 impact	Full-year 2018 restated
Net sales	20,787	0	20,787	41,774	0	41,774
Cost of sales	(15,460)	9	(15,451)	(31,172)	15	(31,157)
General expenses including research	(3,876)	36	(3,840)	(7,510)	70	(7,440)
Share in net income of core business equity-accounted companies	18	0	18	30	0	30
Operating income	**1,469**	**45**	**1,514**	**3,122**	**85**	**3,207**
Other business income	198	1	199	435	2	437
Other business expense	(548)	1	(547)	(2,759)	(34)	(2,793)
Business income	**1,119**	**47**	**1,166**	**798**	**53**	**851**
Borrowing costs, gross	(140)	0	(140)	(300)	0	(300)
Income from cash and cash equivalents	11	0	11	22	0	22
Borrowing costs, net, excluding lease liabilities	(129)	0	(129)	(278)	0	(278)
Interest on lease liabilities	0	(38)	(38)	0	(74)	(74)
Borrowing costs, net, including lease liabilities	(129)	(38)	(167)	(278)	(74)	(352)
Other financial income and expense	521	0	521	467	0	467
Net financial expense	**392**	**(38)**	**354**	**189**	**(74)**	**115**
Share in net income of non-core business equity-accounted companies	0	0	0	0	0	0
Income taxes	(265)	(1)	(266)	(490)	(2)	(492)
Net income	**1,246**	**8**	**1,254**	**497**	**(23)**	**474**
Group share of net income	**1,219**	**8**	**1,227**	**420**	**(23)**	**397**
Minority interests	27	0	27	77	0	77
Earnings per share, Group share *(in €)*	2.22	0.01	2.23	0.77	-0.04	0.73
Weighted average number of shares in issue	549,390,471	549,390,471	549,390,471	547,105,985	547,105,985	547,105,985
Diluted earnings per share, Group share *(in €)*	2.21	0.01	2.22	0.76	-0.04	0.72
Weighted average number of shares assuming full dilution	552,457,390	552,457,390	552,457,390	550,016,438	550,016,438	550,016,438

IFRS 16 increases 2018 EBITDA by €787 million and 2018 operating income by €85 million.

3.2.3. Impacts on the consolidated statement of cash flows

(in € millions)	First-half 2018 published	First-half 2018 IFRS 16 impact	First-half 2018 restated	Full-year 2018 published	Full-year 2018 IFRS 16 impact	Full-year 2018 restated
Group share of net income	**1,219**	**8**	**1,227**	**420**	**(23)**	**397**
Minority interests in net income	27	0	27	77	0	77
Depreciation, amortization and impairment of assets	863	(8)	855	3,205	(18)	3,187
Depreciation, amortization and impairment of right-of-use assets	0	358	358	0	756	756
Non-recurring SWH/Sika net income and other	(780)	(2)	(782)	(801)	(1)	(802)
Changes in operating working capital requirement	(1,588)	0	(1,588)	(453)	1	(452)
Changes in deferred taxes and provisions for other liabilities and charges	93	3	96	44	4	48
Net cash from operating activities	**(166)**	**359**	**193**	**2,492**	**719**	**3,211**
Investments	(2,077)	0	(2,077)	(3,423)	0	(3,423)
Divestments	33	30	63	117	35	152
Changes in loans, deposits and short-term loans	(67)	0	(67)	(113)	0	(113)
Net cash from (used in) investment and divestment activities	**(2,111)**	**30**	**(2,081)**	**(3,419)**	**35**	**(3,384)**
Transactions with shareholders of the parent company	(917)	0	(917)	(1,046)	0	(1,046)
Transactions with minority interests	(40)	0	(40)	(121)	0	(121)
Changes in gross debt	2,223	8	2,231	1,546	21	1,567
Changes in lease liabilities	0	(397)	(397)	0	(775)	(775)
Net cash from financing activities	**1,266**	**(389)**	**877**	**379**	**(754)**	**(375)**
Increase (decrease) in cash and cash equivalents	**(1,011)**	**0**	**(1,011)**	**(548)**	**0**	**(548)**
Net effect of changes in exchange rates, fair value and assets held for sale on cash and cash equivalents	(32)	0	(32)	(48)	0	(48)
Cash and cash equivalents at beginning of period	**3,284**	**0**	**3,284**	**3,284**	**0**	**3,284**
Cash and cash equivalents at end of period	**2,241**	**0**	**2,241**	**2,688**	**0**	**2,688**

NOTE 4 INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES

4.1. Income statement items

4.1.1. Business income

Business income is detailed by type below:

(in € millions)	First-half 2019	First-half 2018 restated
Net sales	**21,677**	**20,787**
Personnel expenses:		
Salaries and payroll taxes	(4,314)	(4,213)
Share-based payments[(a)]	(15)	(18)
Pensions and employee benefit obligations[(a)]	(103)	(89)
Depreciation and amortization	(947)	(949)
Share in net income of core business equity-accounted companies	12	18
Other[(b)]	(14,672)	(14,022)
Operating income	**1,638**	**1,514**
Other business income[(c)]	50	199
Other business expense[(a)]	(435)	(547)
Other business income and expense	**(385)**	**(348)**
Business income	**1,253**	**1,166**

(a) Share-based payments (IFRS 2 expense) and 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 entities in Building Distribution, and to transport costs, raw materials costs, and other production costs for the other entities. This item also includes research and development costs recorded under operating expenses, amounting to €238 million in first-half 2019 (first-half 2018: €231 million).

(c) "Other business income" in first-half 2018 mainly included the €180 million compensatory indemnity in respect of SWH/Sika (see note 2 to the 2018 consolidated financial statements).

4.1.2. Other business income and expense

Other business income and expense can be analyzed as follows:

(in € millions)	First-half 2019	First-half 2018 restated
Restructuring costs[(a)]	(101)	(142)
Provisions and expenses relating to claims and litigation[(b)]	(48)	(46)
Other[(c)]	(19)	135
Non-operating income and expense	**(168)**	**(53)**
Impairment of assets and other[(d)]	(207)	(286)
Other business expense[(e)]	(60)	(28)
Impairment of assets and other business expenses	**(267)**	**(314)**
Disposal gains on non-current assets	**50**	**19**
Capital gains and losses on disposals, asset impairment, acquisition fees and contingent consideration	**(217)**	**(295)**
Other business income and expense	**(385)**	**(348)**

(a) Restructuring costs in the first half of 2019 include €26 million in severance payments (€65 million in the first half of 2018).

(b) In both 2019 and 2018, changes 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 the first half of 2018, the "Other" line mainly includes the compensatory indemnity of €180 million in connection with SWH/Sika.

(d) The "Impairment of assets and other" line essentially includes (i) the impairment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets relating to assets held for sale for €189 million in first-half 2019 (first-half 2018: €215 million), (ii) the impairment of other assets for €12 million (first-half 2018: €53 million), and (iii) acquisition fees and contingent consideration incurred in connection with business combinations, representing a net expense of €6 million in first-half 2019 (first-half 2018: net expense of €18 million).

(e) Other business expense in 2019 as in 2018, mainly include capital losses on assets divested or scrapped.

4.2. Segment information

In accordance with IFRS 8, segment information reflects the Group's internal organization as presented to management. The Group has chosen to present segment information in line with its internal reporting.

A new organizational and management structure began to be put in place from January 1, 2019. The new structure intends to align the Group more closely with its end markets, taking into account the regional dimension of the majority of its markets and the global nature of its most innovative businesses.

The new structure consists of five reporting units: four regional businesses and a global High Performance Solutions unit. Segment information is presented for:

- High Performance Solutions (HPS), comprising the High-Performance Materials and Sekurit (automotive glass) businesses.

And for four regions, plus the holding companies:

- Northern Europe, comprising the Nordic countries, United Kingdom, Ireland, Switzerland, Germany, Austria, Eastern Europe and Russia;
- Southern Europe – Middle East (ME) & Africa, comprising France, Benelux, Mediterranean, Middle East and Africa;
- Americas, comprising North America and Latin America;
- Asia-Pacific, comprising the Asia-Pacific region and India;
- Other, comprising the Group's various holding companies.

These five reporting units replace the three former business Sectors.

Segment information for the first half of 2018 has been restated to take into account the aforementioned business reorganization.

Segment information for the first half of 2019 and 2018 is as follows:

First-half 2019

(in € millions)	High Performance Solutions**	Northern Europe	Southern Europe** - ME & Africa	Americas	Asia-Pacific	Other*	Group Total
Net sales	3,862	7,726	7,011	2,774	895	(591)	**21,677**
Operating income/(loss)	502	460	350	250	85	(9)	**1,638**
Business income/(loss)	458	250	309	174	81	(19)	**1,253**
Share in net income of equity-accounted companies	1	4	0	7	1	0	**13**
Depreciation and amortization	170	308	290	116	50	13	**947**
Impairment of assets	6	170	13	0	0	0	**189**
EBITDA	640	738	610	296	131	2	**2,417**
Acquisitions of property, plant and equipment and intangible assets	165	169	150	122	58	18	**682**
Cash flow from operations	474	643	358	220	105	95	**1,895**

* "Other" corresponds to the elimination of intragroup transactions for internal sales, and holding company transactions for the other captions.
** France sales totaled €5,787 million.

First-half 2018 restated

(in € millions)	High Performance Solutions**	Northern Europe	Southern Europe** - ME & Africa	Americas	Asia-Pacific	Other*	Group Total
Net sales	3,706	7,459	6,729	2,591	912	(610)	**20,787**
Operating income/(loss)	532	388	293	235	85	(19)	**1,514**
Business income/(loss)	483	326	139	163	(99)	154	**1,166**
Share in net income of equity-accounted companies	0	4	1	12	1	0	**18**
Depreciation and amortization	163	312	308	106	46	14	**949**
Impairment of assets	1	30	133	0	100	0	**264**
EBITDA	663	667	579	279	47	(5)	**2,230**
Acquisitions of property, plant and equipment and intangible assets	150	179	144	92	53	19	**637**
Cash flow from operations	518	549	335	204	94	66	**1,766**

* "Other" corresponds to the elimination of intragroup transactions for internal sales, and holding company transactions for the other captions.
** France sales totaled €5,569 million.

4.3. Performance indicators

4.3.1. EBITDA

EBITDA amounts to €2,417 million in the first half of 2019 (first half of 2018: €2,230 million), calculated as follows:

(in € millions)	First-half 2019	First-half 2018 restated
Operating income	1,638	1,514
Depreciation/amortization of property, plant and equipment and intangible assets	607	592
Depreciation of right-of-use assets	340	357
Non-operating income and expense*	(168)	(233)
EBITDA	**2,417**	**2,230**

* Excluding the €180 million compensatory indemnity in respect of SWH/Sika in first-half 2018.

4.3.2. Recurring net income

Recurring net income totals €944 million in the first half of 2019 (first half of 2018: €809 million). Based on the weighted average number of shares outstanding at June 30 (542,350,708 shares in 2019 and 549,390,471 shares in 2018), recurring earnings per share amount to €1.74 in the first half of 2019 and €1.47 in the first half of 2018.

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

(in € millions)	First-half 2019	First-half 2018 restated
Group share of net income	**689**	**1,227**
Less:		
Gains and losses on disposals of assets	(10)	(9)
Impairment of assets and other	(207)	(286)
Non-recurring SWH/Sika net income		781
Changes in provisions for non-recurring items and other	(50)	(81)
Impact of minority interests	0	1
Tax on disposal gains and losses, asset impairment and non-recurring provisions	12	12
Group share of recurring net income	**944**	**809**

4.3.3. Cash flow from operations

Cash flow from operations totals €1,895 million in the first half of 2019 (€1,766 million in the first half of 2018) and cash flow from operations excluding income tax on disposal gains and losses and non-recurring provisions amounts to €1,883 million in the first half of 2019 (€1,754 million in the first half of 2018).

These amounts are calculated as follows:

(in € millions)	First-half 2019	First-half 2018 restated
Group share of net income	**689**	**1,227**
Minority interests in net income	25	27
Share in net income of equity-accounted companies, net of dividends received	(10)	(13)
Depreciation, amortization and impairment of assets	795	855
Depreciation, amortization and impairment of right-of-use assets	341	358
Gains and losses on disposals of assets	10	9
Changes in provisions for non-recurring items	22	81
Non-recurring SWH/Sika net income	0	(781)
Unrealized gains and losses arising from changes in fair value and share-based payments	13	3
Restatement for hyperinflation in Argentina	10	0
Cash flow from operations	**1,895**	**1,766**
Tax on disposal gains and losses, asset impairment and non-recurring provisions	(12)	(12)
Cash flow from operations before tax on capital gains and losses and non-recurring provisions	**1,883**	**1,754**

4.4. Working capital

Working capital can be analyzed as follows:

(in € millions)	June 30, 2019	Dec. 31, 2018 restated
Inventories, net	**6,530**	**6,252**
Trade receivables, net	**6,116**	**4,967**
Other operating receivables	1,539	1,407
Other non-operating receivables	83	201
Other receivables	**1,622**	**1,608**
Current tax receivable	**258**	**286**
Trade accounts payable	**6,273**	**6,150**
Other operating payables	3,336	3,284
Other non-operating payables	362	558
Other payables	**3,698**	**3,842**
Current tax liabilities	**136**	**104**
Operating working capital	4,576	3,192
Non-operating working capital (including current tax receivables and liabilities)	(157)	(175)
Working capital	**4,419**	**3,017**

4.4.1. Inventories

At June 30, 2019 and December 31, 2018, inventories were as follows:

(in € millions)	June 30, 2019	Dec. 31, 2018
Gross value		
Raw materials	1,567	1,494
Work in progress	361	363
Finished goods	5,053	4,849
Gross inventories	**6,981**	**6,706**
Provision for impairment		
Raw materials	(139)	(149)
Work in progress	(13)	(13)
Finished goods	(299)	(292)
Total provision for impairment	**(451)**	**(454)**
Inventories, net	**6,530**	**6,252**

The net value of inventories is €6,530 million at June 30, 2019 compared to €6,252 million at December 31, 2018. Impairment losses on inventories recorded in the first half of 2019 total €88 million (€97 million in the first half of 2018). Reversals of impairment losses on inventories amount to €90 million in the first half of 2019 (€89 million in the first half of 2018).

The increase of inventories in the first half of 2019 mainly reflects seasonal fluctuations in businesses. As a reminder, the net value of inventories was €6,429 million at June 30, 2018.

4.4.2. 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, 2019	Dec. 31, 2018
Gross value	6,495	5,347
Provision for impairment	(379)	(380)
Trade accounts receivable	**6,116**	**4,967**
Discounts and advances to suppliers	647	633
Prepaid payroll taxes	57	36
Other prepaid and recoverable taxes (other than income tax)	479	478
Miscellaneous operating receivables	364	269
Other non-operating receivables and provisions	86	203
Provision for impairment of other operating receivables	(8)	(9)
Provision for impairment of other non-operating receivables	(3)	(2)
Other receivables	**1,622**	**1,608**

Movements in impairment provisions for trade accounts receivable in the first-half of 2019 primarily reflect €60 million in additions (€89 million in the first-half of 2018) and €62 million in reversals (€62 million in the first-half of 2018), resulting from recoveries as well as write-offs. Write-offs of doubtful and bad debts amount to €48 million (first-half 2018: €38 million).

The increase in the net value of trade accounts receivable during the first-half 2019 is primarily attributable to the seasonal fluctuations in businesses. As a reminder, the net value of trade accounts receivable was €6,189 million at June 30, 2018.

Trade accounts receivable at June 30, 2019 and December 31, 2018 are analyzed below by maturity:

(in € millions)	Gross value		Impairment		Net value	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Trade accounts receivable not yet due	**5,247**	**4,172**	**(39)**	**(32)**	**5,208**	**4,140**
Trade accounts receivable past due						
Less than 3 months	525	478	(23)	(22)	502	456
1-3 months	197	206	(24)	(25)	173	181
More than 3 months	526	491	(293)	(301)	233	190
Trade accounts receivable past due	**1,248**	**1,175**	**(340)**	**(348)**	**908**	**827**
Trade accounts receivable	**6,495**	**5,347**	**(379)**	**(380)**	**6,116**	**4,967**

b) Trade and other accounts payable

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

(in € millions)	June 30, 2019	Dec. 31, 2018 restated
Trade accounts payable	**6,273**	**6,150**
Downpayments received and rebates granted to customers	1,104	1,161
Payables to suppliers of non-current assets	164	372
Grants received	94	87
Accrued personnel expenses	1,171	1,242
Accrued taxes other than on income	595	416
Other operating payables	466	465
Other non-operating payables	104	99
Other payables	**3,698**	**3,842**

4.5. Off-balance sheet commitments related to operating activities

Non-cancelable purchase commitments represent €1,950 million at June 30, 2019 (€1,672 million at December 31, 2018). Changes in non-cancelable purchase commitments (raw materials and services) essentially result from a shipping, road and rail transport agreement signed by the Gypsum business in the United Kingdom.

In some cases, the Group grants seller's warranties to the buyers of divested businesses. A provision is recognized whenever a risk is identified and the related cost can be estimated reliably.

It should be noted that following the fire at Notre-Dame cathedral in Paris on April 15, 2019, the Group indicated that Saint-Just glassworks would lend its expertise to help restore the monument’s stained-glass windows. The precise arrangement for this assistance will be defined at a later stage of the reconstruction work.

There were no changes in the Group’s other commitments.

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 set out in the consolidated financial statements of December 31, 2018.

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.

For the eurozone, two discount rates were calculated based on the term of the plans using a yield curve model developed by the consultants Mercer: one rate for plans with a term of 14 years or less and one for plans with a term of over 14 years.
The rate used in the first-half 2019 for the Group's main plans are the following:

(in %)	France Short-term plans	France Long-term plans	Eurozone Short-term plans	Eurozone Long-term plans	United Kingdom	United States
Discount rate	1.02%	1.40%	1.02%	1.40%	2.20%	3.40%
Inflation rate	1.50%		1.40% to 1.80%		2.10%	2.50%

The rates used in 2018 for the Group's main plans are the following:

(in %)	France Short-term plans	France Long-term plans	Eurozone Short-term plans	Eurozone Long-term plans	United Kingdom	United States
Discount rate	1.80%	2.15%	1.80%	2.15%	2.80%	4.20%
Salary increases	2.50%		1.60% to 2.80%		2.10%*	3.00%
Inflation rate	1.50%		1.40% to 1.80%		2.10%	2.50%

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

These three regions account for substantially all of the Group's pension obligation. The revised discount and inflation rates in the period increased the obligation and consequently the provision by €1,108 million, including €8 million relating to liabilities held for sale (see section 2.3).

Sensitivity calculations were not updated at June 30, 2019; had they been, the results would not have been materially different from the analyses presented in the 2018 consolidated financial statements (note 5 "Employees, personnel expenses and benefit obligations").

The actual return on plan assets for almost all plans amount to €957 million. It is €825 million higher than the expected return, leading to a decrease in the provision of the same amount.

5.1.3. Breakdown of and changes in pensions 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, 2019	Dec. 31, 2018
Pension commitments	1,943	1,732
Retirement benefits	424	378
Post-employment healthcare benefits	303	276
Total provisions for pensions and other post-employment benefit obligations	**2,670**	**2,386**
Healthcare benefits	26	27
Long-term disability benefits	13	11
Other long-term benefits	102	101
Provisions for pensions and other employee benefits	**2,811**	**2,525**

Provisions for all other long-term benefits total €141 million at June 30, 2019 (€139 million at December 31, 2018).

The following table shows the split between assets and liabilities of the obligations under pension and post-employment benefit plans:

(in € millions)	June 30, 2019	Dec. 31, 2018
Provisions for pensions and other post-employment benefit obligations – liabilities	2,670	2,386
Pension plan surpluses – assets	(189)	(193)
Net pension and other post-employment benefit obligations	**2,481**	**2,193**

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, 2018	**2,193**
Changes	
Business expense	90
Past service cost	(1)
Interest cost/return on plan assets as per calculations	27
Actuarial gains and losses* and asset ceiling	283
Pension contributions and benefits paid	(98)
Translation adjustments	(1)
Changes in Group structure and reclassifications	0
Liabilities held for sale	(12)
Total movements	**288**
At June 30, 2019	**2,481**

* This decreased equity by €283 million before tax (€207 million net of tax).

5.2. Share-based payments

5.2.1. Group Savings Plan (PEG)

During the first-half 2019, Saint-Gobain group implemented a new PEG (*Plan Epargne Groupe*). The terms of the 2019 PEG are identical to the 2018 PEG and are described in note 5 "Employees, personnel expenses and benefit obligations" of the 2018 consolidated financial statements.

For the first-half 2019, 5,999,997 new shares with a par value of €4 were issued to employees under the PEG at an average subscription price of €25.69 (in first-half 2018: 4,932,767 shares at an average price of €36.31), representing a share capital increase of €154 million (€179 million in first-half 2018), net of transaction fees.

No amount was expensed in respect of the plans in the first haves of 2019 and 2018 owing to the 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 2019 and 2018:

	2019	**2018**
Plan characteristics		
Date of Shareholders' Meeting	June 7, 2018 (17th Resolution)	June 8, 2017 (17th Resolution)
Date of the Chief Executive Officer’s decision fixing the subscription price	March 18th	March 19th
Plan duration (in years)	5 or 10	5 or 10
Reference price (in €)	32.11	45.38
Subscription price (in €)	25.69	36.31
Discount (in %)	20.00%	20.00%
Total discount on the date of the Chief Executive Officer’s decision (in %) **(a)**	22.02%	20.76%
Employee investments (in € millions)	154.1	179.1
Total number of shares subscribed	5,999,997	4,932,767
Valuation assumptions (5-year maturity)		
Interest rate applicable to employees*	4.85%	4.80%
Risk-free interest rate	-0.17%	0.09%
Repo rate	0.48%	0.34%
Lock-up discount (in %) **(b)**	22.11%	20.93%
Total cost to the Group (in %) **(a-b)**	-0.09%	-0.17%

* A 0.5-point decline in borrowing costs for the employee would have no material impact on the 2019 share-based payment expense as calculated in accordance with IFRS 2.

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 2019. Under IFRS 2, the expense attributable to the amortization of stock options granted under previous plans totaled €1 million in first-half 2019 (€1 million in first-half 2018).

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 2019.

The amount expensed in respect of these plans in first-half 2019 was €12 million (first-half 2018: €10 million).

b) Performance unit plans

Performance unit plans subject to service and performance conditions were set up every year between 2012 and 2015 for certain management-grade employees and senior managers of the Group in France. These plans do not give rise to the delivery of shares but entitle grantees to receive cash compensation deferred over the long-term (exercise period between four and ten years after the grant date), the amount of which will be determined by reference to Saint-Gobain’s share price.

No long-term payment plan in the form of performance units was set up in the first half of 2019.

The expense recorded in the income statement in the first half of 2019 in respect of these plans amount to €3 million (€7 million in the first half of 2018).

NOTE 6 INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

Changes in goodwill, other intangible assets, property, plant and equipment and right-of-use assets at June 30, 2019 and December 31, 2018 can be analyzed as follows:

(in € millions)	Goodwill	Other intangible assets	Property, plant and equipment	Right-of-use assets	Total
At December 31, 2017					
Gross value	12,023	4,548	31,922		48,493
Accumulated depreciation, amortization and impairment	(1,448)	(1,945)	(20,332)		(23,725)
Net value	**10,575**	**2,603**	**11,590**	**0**	**24,768**
IFRS 16 restatements	0	0	(74)	2,818	2,744
At January 1, 2018 restated					
Gross value	12,023	4,548	31,697	6,352	54,620
Accumulated depreciation, amortization and impairment	(1,448)	(1,945)	(20,181)	(3,534)	(27,108)
Net value	**10,575**	**2,603**	**11,516**	**2,818**	**27,512**
Movements during the period					
Acquisitions		189	1,666	730	2,585
Disposals		(24)	(74)	(35)	(133)
Translation adjustments	30	(10)	(83)	(19)	(82)
Depreciation, amortization and impairment	(1,116)	(323)	(1,748)	(756)	(3,943)
Assets held for sale	(4)	(1)	(154)	(175)	(334)
Restatement for hyperinflation in Argentina	27	0	31	0	58
Changes in Group structure and other	478	92	99	58	727
Total movements	**(585)**	**(77)**	**(263)**	**(197)**	**(1,122)**
At December 31, 2018 restated					
Gross value	12,396	4,656	31,825	6,360	55,237
Accumulated depreciation, amortization and impairment	(2,406)	(2,130)	(20,572)	(3,739)	(28,847)
Net value	**9,990**	**2,526**	**11,253**	**2,621**	**26,390**
Movements during the period					
Acquisitions		72	610	355	1,037
Disposals		(3)	(21)	(32)	(56)
Translation adjustments	38	1	73	9	121
Depreciation, amortization and impairment	(68)	(74)	(653)	(341)	(1,136)
Assets held for sale	4	0	92	(26)	70
Restatement for hyperinflation in Argentina	8	0	11	0	19
Changes in Group structure and other	50	33	34	9	126
Total movements	**32**	**29**	**146**	**(26)**	**181**
At June 30, 2019					
Gross value	12,405	4,755	32,275	6,439	55,874
Accumulated depreciation, amortization and impairment	(2,383)	(2,200)	(20,876)	(3,844)	(29,303)
Net value	**10,022**	**2,555**	**11,399**	**2,595**	**26,571**

6.1. Goodwill

In the first half of 2019, changes in Group structure relate mainly to newly consolidated companies in all segments (see section 2.2). Impairment losses were essentially recognized on assets held for sale. The first-half 2019 currency translation adjustments chiefly reflect the impact of fluctuations in the US dollar, Norwegian krone, Thai baht, Swedish krone and Argentine peso.

The net value of goodwill by segment can be analyzed as follows:

(in € millions)	June 30, 2019	Dec. 31 2018 restated
High Performance Solutions	1,930	1,873
Northern Europe	4,357	4,402
Southern Europe - ME & Africa	2,135	2,140
Americas	1,306	1,292
Asia-Pacific	294	283
Total	**10,022**	**9,990**

6.2. Other intangible assets

The breakdown of non-amortizable trademarks is provided in the segment information tables in section 4.2 to the 2018 consolidated financial statements.

6.3. Property, plant and equipment

Changes in Group structure and other movements during the period are not material.

6.4. Right-of-use assets linked to leases

The table below presents right-of-use assets for lease contracts by category:

(in € millions)	Land and buildings	Machinery and equipment	Total
At January 1, 2018 restated			
Gross value	5,179	1,173	6,352
Accumulated depreciation, amortization and impairment	(2,972)	(562)	(3,534)
Net value	**2,207**	**611**	**2,818**
Movements during the period			
New leases	495	235	730
Lease modifications	25	0	25
Disposals	(29)	(6)	(35)
Translation adjustments	(16)	(3)	(19)
Depreciation, amortization and impairment	(508)	(248)	(756)
Assets held for sale	(148)	(27)	(175)
Changes in Group structure and other	32	1	33
Total movements	**(149)**	**(48)**	**(197)**
At December 31, 2018 restated			
Gross value	5,207	1,153	6,360
Accumulated depreciation, amortization and impairment	(3,149)	(590)	(3,739)
Net value	**2,058**	**563**	**2,621**
Movements during the period			
New leases	259	96	355
Lease modifications	7	0	7
Disposals	(26)	(6)	(32)
Translation adjustments	8	1	9
Depreciation, amortization and impairment	(229)	(112)	(341)
Assets held for sale	(20)	(6)	(26)
Changes in Group structure and other	(2)	4	2
Total movements	**(3)**	**(23)**	**(26)**
At June 30, 2019			
Gross value	5,334	1,105	6,439
Accumulated depreciation, amortization and impairment	(3,279)	(565)	(3,844)
Net value	**2,055**	**540**	**2,595**

6.5. Impairment review

Following the implementation of the Group's new organizational structure, there are now 28 CGUs compared to 30 CGUs at December 31, 2018.

At June 30, 2019, CGUs were not tested for impairment as there was no evidence of an impairment loss. In accordance with the sensitivity analyses, the Group does not anticipate any material changes compared to the estimates at December 31, 2018.

NOTE 7 OTHER NON-CURRENT ASSETS

Changes in other non-current assets are analyzed below:

(in € millions)	Equity investments and other securities	Loans, deposits and surety	Pension plan surpluses	Total
At December 31, 2018				
Gross value	1,742	625	193	2,560
Provision for impairment	(28)	(5)		(33)
Net value	**1,714**	**620**	**193**	**2,527**
Movements during the period				
Increases/(decreases)	50	48	(4)	94
Provisions for impairment	0	(2)		(2)
Translation adjustments	3	2	0	5
Transfers and other movements	0	3		3
Changes in Group structure	(38)	2		(36)
Changes in fair value	603	0		603
Total movements	**618**	**53**	**(4)**	**667**
At June 30, 2019				
Gross value	2,359	680	189	3,228
Provision for impairment	(27)	(7)		(34)
Net value	**2,332**	**673**	**189**	**3,194**

In first-half 2019, changes in the fair value of equity investments and other securities mainly concerns the investment in SWH/Sika.

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**
IFRS 16 restatement	0	1	(18)	0	0	0	(17)		(17)
At January 1, 2018 restated									
Current portion	137	30	27	21	102	71	388	13	401
Non-current portion	409	125	34	94	96	164	922	125	1,047
Total provisions for other liabilities and investment-related liabilities	**546**	**155**	**61**	**115**	**198**	**235**	**1,310**	**138**	**1,448**
Movements during the period									
Additions	122	11	148	35	71	51	438		438
Reversals	(3)	(2)	(8)	(14)	(23)	(53)	(103)		(103)
Utilizations	(126)	(13)	(42)	(31)	(54)	(49)	(315)		(315)
Changes in Group structure	0	2	(32)	0	0	1	(29)		(29)
Other movements (reclassifications and translation adjustments)	25	0	(4)	(2)	2	(6)	15	35	50
Total movements	**18**	**(2)**	**62**	**(12)**	**(4)**	**(56)**	**6**	**35**	**41**
At December 31, 2018 restated									
Current portion	127	28	95	19	102	73	444	11	455
Non-current portion	437	125	28	84	92	106	872	162	1,034
Total provisions for other liabilities and investment-related liabilities	**564**	**153**	**123**	**103**	**194**	**179**	**1,316**	**173**	**1,489**
Movements during the period									
Additions	55	7	42	17	34	24	179		179
Reversals	0	(4)	(8)	(5)	(6)	(7)	(30)		(30)
Utilizations	(52)	(4)	(51)	(8)	(19)	(14)	(148)		(148)
Changes in Group structure	0	0	(1)	0	0	(10)	(11)		(11)
Other movements (reclassifications and translation adjustments)	3	3	(1)	0	4	(34)	(25)	(12)	(37)
Total movements	**6**	**2**	**(19)**	**4**	**13**	**(41)**	**(35)**	**(12)**	**(47)**
At June 30, 2019									
Current portion	116	29	60	17	109	64	395	4	399
Non-current portion	454	126	44	90	98	74	886	157	1,043
Total provisions for other liabilities and investment-related liabilities	**570**	**155**	**104**	**107**	**207**	**138**	**1,281**	**161**	**1,442**

8.2. Contingent liabilities and litigation

8.2.1. Anti-trust law and related proceedings

8.2.1.1. Investigation by the Swiss Competition Commission in the sanitary products wholesale industry

In November 2011, the Swiss Competition Commission (*Commission Suisse de la Concurrence*) opened an investigation into anti-competitive practices in the sanitary products wholesale industry. In May 2014, the Commission Secretariat issued a notice of complaints against Sanitas Troesch and other wholesalers in the industry 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 imposed on all 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 and continues to firmly refute the claims made. However, a provision for claims and litigation was recognized at December 31, 2015 in an amount equivalent to the fine (unchanged at June 30, 2019).

8.2.1.2. Investigation by the French Competition Authority in the building insulation products industry

On August 6, 2014, the French Competition Authority sent a statement of objections to Saint-Gobain Isover and Compagnie de Saint-Gobain (as parent company of the Saint-Gobain Group). A hearing took place on May 11, 2016, whereupon the Competition Authority sent the case back for further investigation in light of the arguments put forward by Saint-Gobain Isover and Compagnie de Saint-Gobain. In October 2018, Saint-Gobain Isover and Compagnie de Saint-Gobain received a second statement of objections, in which the Competition Authority alleges anti-competitive practices in the building insulation products market, between 2001 and 2013.

Saint-Gobain Isover and Compagnie de Saint-Gobain reject the allegations in their response to the second statement of objections filed in January 2019.

On the civil law front, Actis served in March 2013 a damages claim on Saint-Gobain Isover, the *Centre Scientifique et Technique du Bâtiment*, and the FILMM before the Paris Civil Court (*Tribunal de Grande Instance*) based on the facts being investigated 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. Asbestos-related litigation

8.2.2.1. Asbestos-related litigation in France

a) Inexcusable fault lawsuits

In France, five further individual lawsuits were filed in first-half 2019 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 that affect or have affected them. As at June 30, 2019, a total of 827 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, 2019, 790 of these 827 lawsuits had been completed in terms of both liability and quantum. In all these cases, the employers were held liable on the grounds of "inexcusable fault".

Compensation paid by Everite and Saint-Gobain PAM in settlement of these lawsuits totaled approximately €4.6 million.

Concerning the 37 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2019, four have been completed in terms of both liability and quantum, but are still pending on the determination of who will pay the compensation due.

Out of the 33 remaining lawsuits, at June 30, 2019, the procedures relating to the merits of 30 cases were at different stages, with five in the process of being investigated by the French Social Security authorities and 25 pending before the Civil Courts (*Tribunaux de Grande Instance*), which since January 1st, 2019 have been substituted for the social security courts as the competent courts, or Appeal Courts. The last three actions have been cancelled but the plaintiffs may request their restoration at any time within a two-year period following their cancellation.

In addition, as of June 30, 2019, 245 similar suits had been filed since the outset of the litigation by current or former employees, or persons claiming through them, of 13 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, 2019, 214 lawsuits had been completed. In 131 of these cases, the employer was held liable for "inexcusable fault".

At the same date, compensation paid by these companies totaled approximately €7,250 million.

As regards the 31 suits outstanding at June 30, 2019, five cases were still being investigated by the French Social Security authorities, 24 were being tried – including 22 pending before the Civil Courts (*Tribunaux de Grande Instance*) and two before the Appeal Courts. One action has been rendered on the finding of liability but is still pending regarding the determination of who will pay the compensation due. Lastly, one action has been canceled but the plaintiff may request its restoration at any time within a two-year period following its cancellation.

b) Anxiety claims

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

"Facilities classified as containing asbestos" are defined as industrial facilities, that have been closed or are still operating, which previously manufactured materials containing asbestos or used protection and insulation equipment containing asbestos and that are included by ministerial decree on the official list of facilities whose current or former employees are entitled to the early-retirement benefit paid to asbestos workers (ACAATA).
At June 30, 2019, a total of 824 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 824 suits, 720 have been definitely

completed, representing a total amount of compensation of €7.6 million at June 30, 2019. The remaining 104 suits are pending before the competent labor tribunals or Appeal Courts.

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

8.2.2.2. 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 these 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 2019 came to approximately 1,300. On a rolling 12-month basis, the flow of new claims is stable at approximately 2,600 at end of June 2019 compared to the end of December 2018 (2,600).

Approximately 1,200 claims were settled during the first six months of the financial year 2019, bringing the total number of outstanding claims to approximately 32,700 at June 30, 2019, a level close to the level at 31 December 2018 (32,600) and down from 31 December 2017 (34,000).

An additional estimated provision of US$51 million is recorded in the consolidated financial statements as at June 30, 2019 to cover litigation involving CertainTeed. As has been the case every year since 2002, a precise assessment will be made of the provision required to close the annual financial statements.

Compensation paid in respect of these claims against CertainTeed (including claims settled prior to June 30, 2018 but only paid out during the past twelve-months as well as claims fully settled and paid out during the past twelve-months), as well as compensation paid over the last 12 months by other Group businesses in the United States in connection with asbestos-litigation, amounted to US$69 million (compared to US$67 million in 2018).

8.2.2.3. Situation in Brazil

In Brazil, former employees of Brasilit suffering from asbestos-related occupational illnesses are offered, depending on the case, either financial compensation alone or lifetime medical assistance combined with financial compensation. Around 1,200 contractual instruments have accordingly been signed to date.

Two class actions were initiated against Brasilit in 2017 by two associations defending former employees exposed to asbestos at the São Caetano (São Paulo state) and Recife (Pernambouc state) plants, asking for their medical assistance and compensation to be revised. These suits are currently at a very early stage.

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

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

8.2.3. Environmental disputes

- 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 signed consent orders with the environmental regulators in New York in 2016, in Vermont in 2017 and 2019 with respect to two different areas, and in New Hampshire in 2018, pursuant to which SGPPL has agreed to complete investigations, implement interim or final remediation measures at its current and former facilities 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.

At June 30, 2019, the provision recorded by the Company in respect of this matter amounts to €18 million.

8.2.4. Other contingent liabilities

- Grenfell Tower fire in the United Kingdom

Celotex provides insulation materials for specific applications for the building and construction industry.

Insulation materials from two Celotex ranges were purchased via distributors and used in refurbishing Grenfell Tower, London in 2015/2016, including one as a component of the rainscreen cladding system designed and installed (by third parties) on the tower's external facade.

Following the Grenfell Tower fire on June 14, 2017, a Public Inquiry is underway, which will consider, among other things, the modifications made to the building as part of the refurbishment, the role played by the various construction professionals, and the information provided by the manufacturers of the products used. A criminal investigation into the circumstances of the fire is also in progress.

There are a large number of issues and circumstances that need to be explored and the implications for Celotex are unlikely to be known for some time.

The extent to which Celotex may incur civil or criminal liability in connection with the production, marketing, supply or use of its products is currently unclear.

8.2.5. Main risks and uncertainties

The main risks and uncertainties that the Group could face in the second half of 2019 are those described in Section 1 "Risk factors" of Chapter 6 of the 2018 Registration Document of March 15, 2019, filed in French with the French financial markets authority (*Autorité des Marchés Financiers*) under number D.19-0153 (the "2018 Registration Document"). There has not been any significant change in these risk factors in the first-half of 2019.

NOTE 9 FINANCING AND FINANCIAL INSTRUMENTS

9.1. Net financial income (expense)

Net financial income and expense includes borrowing and other financing costs, income from cash and cash equivalents, interest on lease liabilities, interest cost for pension and other post-employment benefit plans net of the return on plan assets, and other financial income and expense.

Net financial income (expense) for the first half of 2019 and 2018 includes:

(in € millions)	First-half 2019	First-half 2018 restated
Borrowing costs, gross	(158)	(140)
Income from cash and cash equivalents	17	11
Borrowing costs, net, excluding lease liabilities	**(141)**	**(129)**
Interest on lease liabilities	(37)	(38)
Total borrowing costs, net	**(178)**	**(167)**
Interest cost – pensions	(157)	(154)
Return on plan assets	129	125
Interest cost – pension and other post-employment benefit obligation:	**(28)**	**(29)**
Other financial expense	(50)	(60)
Other financial income*	34	610
Other financial income and expense	**(16)**	**550**
Net financial income (expense)	**(222)**	**354**

* Including €601 million in the first half of 2018 for the SWH/Sika transaction and €28 million in the first half of 2019 in dividends received from Sika.

9.2. Net debt

9.2.1. Long and short-term debt

Long and short-term debt consist of the following:

(in € millions)	June 30, 2019	Dec. 31, 2018 restated*
Bond issues	9,469	8,309
Perpetual bonds and participating securities	203	203
Long-term securitization	400	400
Other long-term financial liabilities	268	244
Non-current portion of long-term debt*	**10,340**	**9,156**
Current portion of long-term debt*	**2,655**	**1,167**
Short-term financing programs (*NEU CP, US CP, Euro CP*)	0	0
Short-term securitizations	294	160
Bank overdrafts and other short-term financial liabilities	353	319
Short-term debt and bank overdrafts	**647**	**479**
Total gross debt excluding lease liabilities	**13,642**	**10,802**
Lease liabilities	2,846	2,893
Total gross debt	**16,488**	**13,695**
Cash at banks	(2,088)	(1,551)
Mutual funds and other marketable securities	(1,783)	(1,137)
Cash and cash equivalents	**(3,871)**	**(2,688)**
Total net debt	**12,617**	**11,007**

* Figures have been restated for lease liabilities.

Changes in the Group's long-term debt (excluding lease liabilities) can be analyzed as follows:

(in € millions)	Dec. 31, 2018 restated*	Cash impact		No cash impact			June 30, 2019
		Increases	Decreases	Changes in Group structure	Translation adjustments	Other	
Non-current portion of long-term debt	9,156	2,663	(23)	1	2	(1,459)	10,340
Current portion of long-term debt	1,167	13	(8)	2	1	1,480	2,655
Total long-term debt	**10,323**	**2,677**	**(32)**	**3**	**3**	**21**	**12,995**

The main changes with an impact on cash are described in section 9.2.3. The main change with no cash impact in the "Other" column relates to the reclassification of debt maturing within 12 months in the current portion of long-term debt.

The fair value of gross long-term debt (including the current portion), excluding lease liabilities, managed by Compagnie de Saint-Gobain amounts to €12.9 billion at June 30, 2019 (for a carrying amount of €12.1 billion). The fair value of bonds corresponds to the market price on the last day of the period. For other borrowings, fair value is considered as equal to the amount repayable.

9.2.2. Gross debt repayment schedule

The schedule of the Group's total gross debt as of June 30, 2019 is as follows:

(in € millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues	EUR	2,429	4,193	4,666	11,288
	GBP			610	610
Perpetual bonds and participating securities	EUR			203	203
Long-term securitization	EUR	100	400		500
Other long-term financial liabilities	All currencies	18	77	191	286
Accrued interest on long-term debt	All currencies	108			108
Total long-term debt		**2,655**	**4,670**	**5,670**	**12,995**
Total short-term debt	All currencies	**647**	**0**	**0**	**647**
Total gross debt excluding lease liabilities		**3,302**	**4,670**	**5,670**	**13,642**
Lease liabilities	All currencies	666	1,384	796	2,846
Total gross debt		**3,968**	**6,054**	**6,466**	**16,488**

9.2.3. Bonds

Compagnie de Saint-Gobain issued:

- March 15, 2019:
  - €750 million worth of 0.625% fixed-interest bonds, maturing March 15, 2024,
  - €750 million worth of 1.875% fixed-interest bonds, maturing March 15, 2031. The nominal amount of this bond issue was increased to €1,044 million through three additions on March 26 (€124 million), April 5 (€70 million) and May 15, 2019 (€100 million);
- March 22, 2019: a €750 million private placement paying floating-rate interest at 3-month Euribor +0.35%, maturing March 22, 2021;
- May 3, 2019: a €100 million private placement paying fixed-rate interest of 1.875%, maturing May 3, 2035.

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

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 are outstanding at June 30, 2019, 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 June 30, 2019, 606,883 securities are 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 by Compagnie de Saint-Gobain with a face value of ECU 1,000 (€1,000 today).

A certain number of these participating securities have been bought back over the years. At June 30, 2019, 77,516 securities are 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, 2019, issuance under these programs was as follows:

(in € millions)	**Authorized drawings**	**Authorized limits at June 30, 2019**	**Balance outstanding at June 30, 2019**	**Balance outstanding at Dec. 31, 2018**
Medium Term Notes		15,000	12,079	9,435
NEU CP	up to 12 months	3,000	0	0
US Commercial Paper	up to 12 months	879 *	0	0
Euro Commercial Paper	up to 12 months	879 *	0	0

*Equivalent of US$1,000 million based on the exchange rate at June 30, 2019.

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 an additional backing for its NEU CP, US Commercial Paper and Euro Commercial Paper programs):

- a €2.5 billion syndicated line of credit, maturing December 2023, with one one-year rollover option;
- a second €1.5 billion syndicated line of credit also maturing in December 2023 with one one-year rollover option.

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

Neither of these two lines of credit has been drawn down at June 30, 2019.

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, covering an amount of up to €500 million, represents €500 million at both June 30, 2019 and December 31, 2018. 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, covering an amount of up to US$400 million, has an equivalent euro value of €294 million at June 30, 2019 and €160 million at December 31, 2018.

9.2.9. Collateral

At June 30, 2019, €9 million of Group debt is secured by various non-current assets (real estate and securities).

9.2.10. Lease liabilities

The accounting methods used to calculate lease liabilities are described in note 3.

9.3. Financial instruments

The Group uses interest rate, foreign exchange and commodity derivatives to hedge its exposure to changes in interest rates, exchange rates and commodity prices that may arise in the normal course of business.

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, 2019**	**Dec. 31, 2018**	**Within 1 year**	**1 to 5 years**	**Beyond 5 years**	**June 30, 2019**
Fair value hedges			0	**0**				0
Cash flow hedges								
Currency	3	0	3	2	189	0	0	189
Interest rate	0	(106)	(106)	(85)	0	95	360	455
Energy and commodities	1	(5)	(4)	(7)	34	16	0	50
Other risks: equities	0	(5)	(5)	(13)	0	36	14	50
Cash flow hedges – total	**4**	**(116)**	(112)	**(103)**	**223**	**147**	**374**	744
Derivatives not qualifying for hedge accounting mainly contracted by Compagnie de Saint-Gobain								
Currency	6	(3)	3	(2)	2,151	0	0	2,151
Interest rate	0	0	0	0	0	0	0	0
Energy and commodities	0	0	0	0	0	0	0	0
Derivatives not qualifying for hedge accounting – total	**6**	**(3)**	3	**(2)**	**2,151**	**0**	**0**	2,151
Total	**10**	**(119)**	(109)	**(105)**	**2,374**	**147**	**374**	2,895

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, 2019, credit value adjustments are not material.

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

At June 30, 2019, the cash flow hedging reserve carried in equity in accordance with IFRS has a debit balance of €71 million, consisting mainly of:

- a debit balance of €47 million in relation to cross-currency swaps designated as cash flow hedges that are used to convert a GBP bond issue into euros;
- a debit balance of €23 million corresponding to the change in value of interest rate hedges classified as cash flow hedges;
- a debit balance of €4 million corresponding to the change in value of energy and raw materials hedges classified as cash flow hedges;
- a credit balance of €3 million corresponding to the change in value of currency hedges classified 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 gain of €3 million in first-half 2019 compared to a loss of €2 million in full-year 2018.

9.3.4. Group debt structure

The weighted average interest rate on gross debt excluding lease liabilities under IFRS and after hedging (currency swaps, interest rate swaps and cross-currency swaps) is 2.2% at June 30, 2019, compared with 2.3% at December 31, 2018.

The table below presents the breakdown by interest rate (fixed or variable) of the Group's gross debt excluding lease liabilities at June 30, 2019, taking into account interest rate, currency and cross-currency swaps.

(in € millions)	**Gross debt, excluding lease liabilities, after hedging**		
	Variable rate	**Fixed rate**	**Total**
EUR	1,137	10,388	11,525
Other currencies	1,573	320	1,893
Total	**2,710**	**10,708**	**13,418**
(in %)	20%	80%	100%
Accrued interest and other financial liabilities			224
Total gross debt excluding lease liabilities			**13,642**

9.4. Financial assets and liabilities

Financial assets and liabilities are classified as follows in accordance with IFRS 9:

At June 30, 2019

		Financial instruments				Financial instruments at fair value according to the IFRS 7 hierarchy			
(in € millions)	Notes	Fair value through profit or loss	Fair value through the statement of recognized income and expense	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)			7,733	**7,733**				**0**
Loans, deposits and surety	(7)			673	**673**				**0**
Equity investments and other	(7)		2,332		**2,332**	2,286		46	**2,332**
Derivatives recorded in assets		6	4		**10**		10		**10**
Cash and cash equivalents		1,783		2,088	**3,871**	1,783			**1,783**
Total assets		**1,789**	**2,336**	**10,494**	**14,619**	**4,069**	**10**	**46**	**4,125**
Trade and other accounts payable	(4)			(9,961)	**(9,961)**				**0**
Long- and short-term debt				(13,538)	**(13,538)**				**0**
Current portion of long- and short-term lease liabilities	(3)			2,846	**2,846**				**0**
Derivatives recorded in liabilities		(3)	(116)		**(119)**		(119)		**(119)**
Total liabilities		**(3)**	**(116)**	**(20,653)**	**(20,772)**	**0**	**(119)**	**0**	**(119)**
Total		**1,786**	**2,220**	**(10,159)**	**(6,153)**	**4,069**	**(109)**	**46**	**4,006**

At December 31, 2018 restated

		Financial instruments				Financial instruments at fair value according to the IFRS 7 hierarchy			
(in € millions)	Notes	Fair value through profit or loss	Fair value through the statement of recognized income and expense	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)			6,572	**6,572**				**0**
Loans, deposits and surety	(7)			620	**620**				**0**
Equity investments and other	(7)		1,714		**1,714**	1,685		29	**1,714**
Derivatives recorded in assets		3	4		**7**		7		**7**
Cash and cash equivalents		1,137		1,551	**2,688**	1,137			**1,137**
Total assets		**1,140**	**1,718**	**8,743**	**11,601**	**2,822**	**7**	**29**	**2,858**
Trade and other accounts payable	(4)			(9,952)	**(9,952)**				**0**
Long- and short-term debt				(10,718)	**(10,718)**				**0**
Lease liabilities	(3)			(2,893)	**(2,893)**				**0**
Derivatives recorded in liabilities		(5)	(107)		**(112)**		(112)		**(112)**
Total liabilities		**(5)**	**(107)**	**(23,563)**	**(23,675)**	**0**	**(112)**	**0**	**(112)**
Total		**1,135**	**1,611**	**(14,820)**	**(12,074)**	**2,822**	**(105)**	**29**	**2,746**

NOTE 10 SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1. Equity

10.1.1. Equity

As of June 30, 2019, the number of shares composing the capital stock of Compagnie de Saint-Gobain was 546,585,001 shares with a par value of €4 (546,585,004 shares at December 31, 2018).

10.1.2. Dividends

The Annual Shareholders' Meeting of June 6, 2019 approved the recommended dividend in respect of the 2018 financial year representing €1.33 per share.

10.2. Earnings per share

10.2.1. Basic earnings per share are as follows:

	First-half 2019	First-half 2018 restated
Group share of net income *(in € millions)*	689	1,227
Weighted average number of shares in issue	542,350,708	549,390,471
Basic earnings per share, Group share *(in €)*	1.27	2.23

10.2.2. Diluted earnings per share

Diluted earnings per share are as follows:

	First-half 2019	First-half 2018 restated
Group share of net income *(in € millions)*	689	1,227
Weighted average number of shares assuming full dilution	545,098,023	552,457,390
Diluted earnings per share, Group share *(in €)*	1.26	2.22

The weighted and diluted average number of shares is calculated using the weighted number of shares outstanding, taking into account all effects of the conversion of the existing diluting instruments (stock option plans, 2,989 shares at June 30, 2019), and performance share plans (2,744,326 shares at June 30, 2019).

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 32.02% in first-half 2019 and of 34.43% in first-half 2018, and can be analyzed as follows:

(in € millions)	First-half 2019	First-half 2018 restated
Net income	714	1,254
Less:		
Share in net income of equity-accounted companies	13	18
Income taxes	(318)	(266)
Pre-tax income of consolidated companies	**1,019**	**1,502**
French tax rate	32.02%	34.43%
Theoretical tax expense at French tax rate	(326)	(517)
Impact of different tax rates	74	167
Asset impairment, capital gains and losses on asset disposals	(58)	104
Deferred tax assets not recognized	(4)	(3)
Research tax credit (CIR), tax credit for competitiveness and employment (CICE) and value-added contribution for businesses (CVAE)	(9)	3
Costs related to dividends	(1)	(9)
Other taxes and provision writebacks	6	(11)
Total income tax expense	**(318)**	**(266)**

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

11.2. Deferred taxes

In the balance sheet, changes in net deferred tax assets and liabilities break down as follows:

(in € millions)	Net deferred tax asset/(liability)
At December 31, 2017	**511**
IFRS 9 and IFRS 15 restatements	9
IFRS 16 restatements	50
At January 1, 2018 restated	**570**
Deferred tax (expense)/benefit	(88)
Changes in deferred taxes relating to actuarial gains and losses (IAS 19)	(69)
Liability method on actuarial gains and losses	(1)
Translation adjustments	9
Assets and liabilities held for sale	(20)
Changes in Group structure and other	10
At December 31, 2018 restated	**411**
Deferred tax (expense)/benefit	(14)
Changes in deferred taxes relating to actuarial gains and losses (IAS 19)	76
Translation adjustments	1
Assets and liabilities held for sale	15
Changes in Group structure and other	(4)
At June 30, 2019	**485**

NOTE 12 SUBSEQUENT EVENTS

None.

COMPAGNIE DE SAINT-GOBAIN

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

(Period from January 1, 2019 to June 30, 2019)

PricewaterhouseCoopers Audit
Crystal Park
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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, 2019 to June 30, 2019)

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
92096 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, 2019 to June 30, 2019,
- 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 policies applied since January 1, 2019" to the condensed half-year consolidated financial statements regarding the consequences of the first-time application as of January 1, 2019 of the standard IFRS 16 "Leases".

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 25, 2019

The statutory auditors

French original signed by

PricewaterhouseCoopers Audit

KPMG Audit
Division of KPMG S.A.

Edouard Sattler   Cécile Saint-Martin   Pierre-Antoine Duffaud   Bertrand Pruvost

STATEMENT BY THE PERSONS RESPONSIBLE
FOR THE 2019 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, 2019 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 2019.

Courbevoie, July 25, 2019

Chief Executive Officer

Pierre-André de CHALENDAR
Compagnie de Saint-Gobain

Chief Financial Officer

Sreedhar N.
Compagnie de Saint-Gobain