SAINT-GOBAIN

Half-year financial report 2020

Including:

- Half-year management Report 2020
- Condensed consolidated Financial Statements as of June 30, 2020
- Statutory Auditors' review report on the 2020 half-year financial information
- Statement by the persons responsible for the 2020 interim financial report

PRESS RELEASE

Paris, July 30, 2020, 6:15pm

First-half 2020 results

In the context of the coronavirus:

- ***Return to sales and operating income growth in June after a 12.3% decline in sales over the first half*[1]**
- ***Sharp 143% rise in free cash flow*[2] *to €1,678 million***

- Sales down 12.3% like-for-like in first-half 2020, including a 19.2% decrease in the second quarter owing to the coronavirus pandemic, with very different situations from one country and market to the next
- Operating income of €827 million, down 49.2% like-for-like, leading to a decline in the operating margin[3] from 7.6% to 4.7%
- EBITDA down 32.4% to €1,635 million
- Clear-cut action on costs with savings of €395 million in first-half 2020:
  (1) €160 million to mitigate the impact of the health crisis during the lockdown period, thanks to the temporary reduction in discretionary spending and partial employment measures, which will not recur beyond the first half;
  (2) €80 million in net recurring savings under the « Transform & Grow » program, for which we will meet our net savings target of €250 million at the end of 2020, a year earlier than planned;
  (3) €155 million at end-June relating to the continuation of the operational excellence program, which aims to offset various inflation impacts
- Launch of additional adaptation measures to lower the break-even point of businesses for which the recovery is delayed or uncertain, representing savings of €50 million in second-half 2020 and €200 million on a full-year basis by 2021
- Steep 143% rise in free cash flow to €1,678 million; conversion ratio[4] up sharply at 129%
- Sharp decrease in net debt, to €9.8 billion from €12.8 billion at end-June 2019
- The Group will reach its medium-term target of a reduction in the number of its shares outstanding to 530 million at end-2020

(€m)	H1 2019	**H1 2020**	**Change**	**Change like-for-like**
Sales	21,677	**17,764**	**-18.1%**	**-12.3%**
EBITDA[5]	2,417	**1,635**	**-32.4%**	
Operating income	1,638	**827**	**-49.5%**	**-49.2%**
Recurring net income[6]	944	**272**	**-71.2%**	
Free cash flow	690	**1,678**	**143.2%**	

1. *Like-for-like.*
2. *Free cash flow = EBITDA less depreciation of right-of-use assets, plus net financial expense excluding Sika dividends, plus income tax, less investments in property, plant and equipment and intangible assets excluding additional capacity investments, plus change in working capital requirement on a rolling 12-month basis.*
3. *Operating margin = Operating income divided by sales.*
4. *Free cash flow conversion = Free cash flow divided by EBITDA less depreciation of right-of-use assets.*
5. *EBITDA = Operating income, plus operating depreciation and amortization, less non-operating costs.*
6. *Recurring net income = Net attributable income excluding capital gains and losses on disposals, asset write-downs, and material non-recurring provisions.*

Pierre-André de Chalendar, Chairman and Chief Executive Officer of Saint-Gobain, commented:
"In the unprecedented context of the coronavirus pandemic, Saint-Gobain set itself four priorities: protecting the health and safety of all, strengthening its liquidity and balance sheet, adapting costs and preparing for the recovery. Our efforts to preserve cash allowed us to achieve a high level of free cash flow generation in the first half.
In a macroeconomic and health environment which remains affected by uncertainties, our earnings growth in June and outlook for the third quarter suggest that our operating income for second-half 2020 will improve significantly on first-half 2020. Saint-Gobain's medium and long-term outlook remains robust thanks to its successful strategic and organizational choices. Saint-Gobain's comprehensive portfolio of innovative energy-efficiency solutions, as well as its extensive exposure to the renovation market, ideally position the Group to benefit from national and European stimulus plans supporting the energy transition."

Benoit Bazin, Chief Operating Officer of Saint-Gobain, commented:
"Our new organization has proved extremely effective during this crisis, supported by excellent international coordination and the agility of our country and market CEOs, who quickly took the best local decisions for their customers and teams. By rapidly cutting costs, we achieved savings of €395 million in the first half, with in particular an acceleration of our "Transform & Grow" program, which generated €80 million of net savings in the first half of 2020 and for which we expect to meet our initial €250 million target by the end of 2020, a year earlier than planned. We have also already launched the additional necessary adaptation measures to lower the break-even point wherever the recovery is delayed or more uncertain with resulting cost savings of €200 million on a full-year basis in 2021, of which €50 million in second-half 2020. Lastly, our portfolio optimization strategy to enhance our growth and profitability profile will be gradually resumed according to market conditions. We firmly believe that the Group will emerge stronger from this crisis and we would like to thank the unwavering commitment of all of our teams."

Operating performance

First-half consolidated **sales** were **€17,764 million**, down 18.1% on a reported basis and **down 12.3% like-for-like** compared to first-half 2019. After a good start to the year in the European Regions and in the Americas, the effects of the coronavirus spread beyond Asia-Pacific to the rest of the world as from March. Trading for the Group hit a low in April, when it stood at 60% of 2019 levels, and then rallied with a sharp rebound in June, which was up 3.7% like-for-like, also benefitting from two additional working days.

Volumes contracted by 12.7% in the first half and by 19.4% in the second quarter (no calendar effect), but **rebounded 3.3% in June**. Prices held up well, increasing 0.4% over the first half in a slightly deflationary environment, resulting in a positive price-cost spread.

Changes in Group structure had a negative 4.5% impact on sales, resulting from disposals carried out as part of "Transform & Grow" in 2019, with negative structure impacts of 11.4% in Northern Europe (Distribution in Germany and Optimera in Denmark), 3.1% in Southern Europe - Middle East & Africa (in France with DMTP and K par K in Distribution and with the expanded polystyrene business; in the Netherlands with Glassolutions) and 9.0% in Asia-Pacific (Hankuk Glass Industries in South Korea). The structure impact also reflects acquisitions carried out to consolidate our strong positions (Continental Building Products in North America as from February), develop new niche technologies and services (HTMS), and expand in emerging countries (gypsum and mortars in Latin America). In light of the hyperinflationary environment in Argentina, this country which represents less than 1% of the Group's consolidated sales, is excluded from the like-for-like analysis.

The currency effect reduced sales by 1.3% and chiefly reflects the depreciation of Nordic krona, the Brazilian real and other emerging country currencies.

The Group's operating income was down 49.2% like-for-like. Its **operating margin narrowed, from 7.6% to 4.7%**, due to the downturn in volumes in the second quarter – usually a strong contributor to first-half earnings – owing to pandemic-related disruptions. Overall, cost actions resulted in savings of €395 million in the first half:

(1) €160 million to mitigate the impact of the health crisis during the lockdown period, thanks to the temporary reduction in discretionary spending and partial employment measures, which will not recur beyond the first half;
(2) €80 million in net recurring savings under the « Transform & Grow » program, for which we will meet our net savings target of €250 million at the end of 2020, a year earlier than planned;
(3) €155 million at end-June relating to the continuation of the operational excellence program, which aims to offset wage inflation and other fixed costs.

Segment performance (like-for-like sales)

High Performance Solutions (HPS): gradual recovery in June

HPS sales fell by 18.0%, and by 27.0% in the second quarter, affected by sometimes full-scale shutdowns lasting several weeks in certain industries (especially automotive) in most regions. In June, the steady rally in all industrial markets limited the fall to 8.2%. In this context, the operating margin came out at 7.4% versus 13.0% in first-half 2019, hit by lower second-quarter volumes in most markets and particularly automotive. However, this was partially offset by swift reductions in costs.

- **Mobility** sales were hit particularly hard by shutdowns of automotive manufacturing plants across the globe as from March. In the second quarter, Mobility sales were down by almost 45% worldwide, particularly in Europe; only China saw an improvement. In June, sales gradually improved, up to around 85% of prior-year levels. Mobility continued to outperform the automotive market in all regions in the first half of the year, thanks mainly to its increasing exposure to high value-added products and electric vehicles.
- Activities serving **Industry** were also affected in the second quarter by the wider slowdown in industrial markets in all regions. In June, trading recovered, up to around 90% of prior-year levels.
- Activities serving the **Construction Industry** held up well in the first half, reporting only a slight decrease in sales, buoyed by gains in market share in the second quarter as well as upbeat trends in external thermal insulation solutions (ETICS).
- **Life Sciences** continued to enjoy a strong growth dynamic in the pharmaceutical and medical sector, benefiting from its recent capacity investments. The business is also engaged in the fight against the coronavirus, prioritizing components for critical medical devices (silicone membranes, flexible tubes, filters, connectors and fixings) used in respirators, ventilators and infusion pumps in particular.

Northern Europe: clear improvement in June; first-half margin growth excluding the UK

Sales declined 8.2%, including 15.6% in the second quarter after a good start to the year in January and February. Sales rose 4.9% in June.

Nordic countries reported good growth over the first half, particularly in Distribution which continued to increase its market share thanks to past investments in digital and logistics. Sales were also up in the second quarter, with robust growth in June supported by a dynamic renovation market. Germany and Eastern Europe proved resilient over the first half, reporting a moderate fall in sales, despite a greater volume and price impact in the second quarter in the manufacturing base serving Mobility markets. In contrast, UK sales contracted sharply, down by nearly half in the second quarter: all operations were at a virtual standstill throughout April, before slowly restarting in May and picking up somewhat in June.

The Region delivered an impressive operating margin, reporting slight growth excluding the UK. The UK impact alone reduced the margin for the Region as a whole to 4.2% versus 6.0% in first-half 2019, despite a positive raw material and energy price-cost spread in the Region.

Southern Europe - Middle East & Africa: significant upturn in June, especially in France

Like-for-like sales in Southern Europe - Middle East & Africa improved month-by-month over the second quarter, with June up 7% year-on-year. Overall, sales fell 22.7% for the quarter, with a sharp contraction in the manufacturing base serving Mobility markets due to reduced plant utilization. Sales were down 16.0% over the first half, thanks to a very strong start to the year before the coronavirus hit.

The Region's momentum was driven by France, which rallied sharply towards the end of the period: after coming to a total standstill for several days at the end of March, trading improved at 50% of prior-year levels in mid-April, more than 80% in May, and virtually back to normal levels in June at a comparable number of working days. Distribution benefited from past investments in digital and from upbeat momentum in the renovation market; energy efficiency solutions also returned to growth. Spain, Italy, the Middle East and Africa also saw a significant improvement in June, after being hit harder than average for the Region early in the second quarter by lockdown measures. Only in the Netherlands did trading over the first half remain relatively unaffected by the coronavirus.

The operating margin for the Region came out at 1.7% versus 5.0% in first-half 2019, hit by weak volumes in most countries in the Region for several weeks in the second quarter – usually a strong contributor to earnings – and despite a positive raw material and energy price-cost spread.

Americas: return to growth in June; first-half margin growth in North America

Sales in the Americas were down 6.5%, including 11.9% in the second quarter after a good start to the year in January and February. The Region rose 6.7% in June, up in both North and South America. North America saw a moderate decline in the first half, chiefly affected by volumes and by lockdown measures in certain States in April which limited trading. The US and Canada posted robust growth in June, despite a still uncertain health situation, driven by exterior solutions and gypsum which delivered double-digit volume growth. Thanks to the successful integration of Continental Building Products, the gypsum business benefited from a volume upturn in June and regained the good momentum observed at the start of the year.

In Latin America, after a good start to the year in January and February, construction markets were severely disrupted in March and April by the quarantine measures introduced in many countries and in Brazilian states, which generally prevented the construction industry from operating. After bottoming out at 40% of 2019 levels in mid-April, trading rebounded sharply, up to 80% of prior-year levels in May and delivering year-on-year growth in June. Over the first half as a whole, Brazil continued to benefit from its channel-driven sales synergies, enabling it to outpace market growth, particularly gypsum which reported a double-digit advance.

The operating margin for the Region came out at 7.1% in first-half 2020 versus 9.0% in first-half 2019, reflecting the downturn in trading in Latin America. North America reported an increase in its operating margin, lifted by extensive productivity efforts, a positive raw material and energy price-cost spread and the seamless integration of Continental Building Products.

Asia-Pacific: growth in China in the second quarter; sharp rise in the first-half margin excluding India

Asia-Pacific sales fell by 17.5% in first-half 2020, and by 21.9% in the second quarter due to lockdown measures in South-East Asia and India. June improved, recording a fall of 7.8%, with double-digit growth in China, a stabilizing situation in South-East Asia and a lower decline in India. As the first country to have been affected by the coronavirus, the Group's activities in China hit a low point in February, before regaining their full production capacity in early March, thanks to which they were able to support the progressive improvement in demand. Sales showed dynamic growth in the second quarter, led by double-digit growth in gypsum on the back of the new plaster plant opened in 2019 which is now operating at full capacity. India delivered double-digit growth in January and February buoyed by productivity solutions (plaster and mortars), but came to a standstill at the end of March with the introduction of strict lockdown measures. These were gradually lifted during May and June although severe disruptions are ongoing. In June, trading was at around 70% of 2019 levels, with clear week-on-week improvements and significant market share gains despite health conditions remaining difficult. Other Asian countries saw varying degrees of disruption in the first half: these were very limited in Japan, but more pronounced in Thailand, while Vietnam reported growth which significantly outperformed the market, illustrating the success of its local strategy in the context of "Transform & Grow".

The operating margin for the Region came out at 7.0% versus 9.5% in first-half 2019, affected by the sharp downturn in India in the second quarter of 2020, despite the strong rise elsewhere.

Measures put in place to address the coronavirus pandemic

Since the start of the pandemic, Saint-Gobain has taken all necessary steps in real time to limit its impacts. The Group's new organization by country and by market, put in place within the scope of "Transform & Grow", has given it the agility and flexibility it needs to take decisions quickly at the local level. The Group's priorities have been to:

Ensure employee health and safety:
Since the outbreak of the health crisis in China, the Group has done its utmost to protect the health of its employees and other stakeholders by putting in place strict hygiene measures adapted to its different businesses, encouraging working from home and cooperating with the authorities in each country.

Strengthen our liquidity and balance sheet:
The Group has a very solid financial position in terms of cash and financing. At June 30, 2020, the Group's cash and cash equivalents represented €7.1 billion, following the repayment of €1 billion on the syndicated credit facility drawn in March and of €1.5 billion in bonds in the first half of the year. The Group reinforced its financing sources during first-half 2020:

- A €1.5 billion bond issued March 26, consisting of €750 million with a 3-year maturity and a 1.75% coupon and €750 million with a 7.5-year maturity and a 2.375% coupon;
- A syndicated credit line totaling €2.5 billion which was arranged in March and reduced to €1.0 billion at end-June 2020, in addition to the confirmed and undrawn back-up credit lines of €4.0 billion;
- Access to the new commercial paper Pandemic Emergency Purchase Program (PEPP) launched by the European Central Bank on March 18, 2020;
- Reduction in capital expenditure, down 34.5% in first-half 2020 to €447 million; targeted reduction for the full year of over €500 million compared to 2019;
- Sharp €1.2 billion decrease in working capital requirement over 12 months thanks to strict monitoring of inventories and daily tracking of customer payments;
- Disposal of Sika shares for €2.4 billion at end-May, generating a net cash gain[1] of €1.5 billion.

Reduce costs to preserve cash:

- Swiftly adapting production to local demand on a site-by-site basis;
- Cost actions resulted in total savings of €395 million in the first half:
  (1) €160 million to mitigate the impact of the health crisis during the lockdown period, thanks to the temporary reduction in discretionary spending and partial employment measures, which will not recur beyond the first half;
  (2) €80 million in net recurring savings under the « Transform & Grow » program, for which we will meet our net savings target of €250 million at the end of 2020, a year earlier than planned;
  (3) €155 million at end-June relating to the continuation of the operational excellence program, which aims to offset wage inflation and other fixed costs.
- Maintaining strict pricing discipline, generating a positive price-cost spread of €50 million in first-half 2020.

In the context of the pandemic, the countries and markets where the recovery is delayed or is more uncertain have ramped up **adaptation measures**, including capacity adjustments, especially in:

- The UK, with restructurings and closures of Distribution outlets;
- In the manufacturing base serving Mobility markets in Europe and in certain activities serving industrial markets.

These measures will generate additional **full-year savings of €200 million by 2021**, of which €50 million as from second-half 2020.

[1] Calculated as the cash difference between proceeds collected from the disposals (May 2020 and May 2018), dividends received (€61 million) and the amount paid to acquire the shares in May 2018.

Analysis of the consolidated financial statements for first-half 2020

The unaudited interim consolidated financial statements for first-half 2020 were subject to a limited review by the statutory auditors and adopted by the Board of Directors on July 30, 2020.

€m	H1 2019 (A)	H1 2020 (B)	% change (B)/(A)
Sales and ancillary revenue	**21,677**	**17,764**	**-18.1%**
Operating income	**1,638**	**827**	**-49.5%**
Operating depreciation and amortization	947	950	0.3%
Non-operating costs	-168	-142	-15.5%
EBITDA	**2,417**	**1,635**	**-32.4%**
Capital gains and losses on disposals, asset write-downs and impact of changes in Group structure	-217	-734	n.s.
Business income (loss)	**1,253**	**-49**	**-103.9%**
Net financial expense	-250	-234	-6.4%
Sika dividends	28	34	21.4%
Income tax	-318	-183	-42.5%
Share in net income (loss) of associates	1	-1	n.s.
Net income (loss) before minority interests	**714**	**-433**	**-160.6%**
Minority interests	25	1	-96.0%
Net attributable income (loss)	**689**	**-434**	**-163.0%**
Earnings (loss) per share[2] (in €)	1.27	-0.81	-163.8%
Recurring net income[1]	**944**	**272**	**-71.2%**
Recurring earnings per share[2] (in €)	1.74	0.51	-70.7%
EBITDA	**2,417**	**1,635**	**-32.4%**
Depreciation of right-of-use assets	-340	-336	-1.2%
Net financial expense	-250	-234	-6.4%
Income tax	-318	-183	-42.5%
Capital expenditure	-682	-447	-34.5%
o/w additional capacity investments	220	155	-29.5%
Change in working capital requirement[3]	-357	1,088	-404.8%
Free cash flow[4]	**690**	**1,678**	**143.2%**
Free cash flow conversion[5]	**33.2%**	**129.2%**	
Lease investments	353	409	15.9%
Investments in securities[6]	158	1,256	n.s.
Divestments	227	2,434	n.s.
Consolidated net debt[7]	**12,799**	**9,841**	**-23.1%**

1. Recurring net income = Net attributable income (loss) excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.
2. Calculated based on the weighted average number of shares outstanding at June 30 (538,242,661 shares in 2020, versus 542,350,708 shares in 2019).
3. Change in working capital requirement: over a 12-month period (see Appendix 4, bottom of "consolidated cash flow statement").
4. Free cash flow = EBITDA less depreciation of right-of-use assets, plus net financial expense excluding Sika dividends, plus income tax, less capital expenditure excluding additional capacity investments, plus change in working capital requirement over a 12-month period.
5. Free cash flow conversion = Free cash flow divided by EBITDA less depreciation of right-of-use assets.
6. Investments in securities: €1,256 million in 2020, mainly Continental Building Products.
7. 2019 consolidated net debt restated for the IFRIC's November 2019 decision.

Consolidated **sales** were down 12.3% like-for-like, with volumes contracting 12.7% while prices held firm, up 0.4%. On a reported basis, sales fell 18.1%, including a negative 1.3% **currency effect** and a negative 4.5% **Group structure impact** resulting from divestments carried out within the scope of “Transform & Grow” in 2019 and various acquisitions, including Continental Building Products in February 2020.

Consolidated **operating income** fell 49.5% as reported and 49.2% like-for-like, leading to a decline in the operating margin from 7.6% to 4.7%. **EBITDA** fell 32.4% to €1,635 million, while the EBITDA margin fell to 9.2% from 11.2% in first-half 2019.

Non-operating costs fell to €142 million versus €168 million in first-half 2019, mainly due to the discontinuation of the €45 million accrual to the provision for asbestos-related litigation involving CertainTeed in the US. The first-half 2020 amount includes around €30 million in restructuring costs associated with the “Transform & Grow” program and €40 million in restructuring costs related to additional cost savings measures put in place to address the coronavirus crisis.

The net balance of capital gains and losses on disposals, asset write-downs and the impact of changes in Group structure represented an expense of €734 million compared to an expense of €217 million in first-half 2019. In the first six months of 2020, this item consists mainly of a €581 million write-down of intangible assets in the UK Distribution business, which is operating in a downbeat environment. The Group has launched a new large-scale cost reduction program which includes shutting down its least profitable outlets. The sale of the Group’s 10.75% stake in Sika for €2.4 billion led to a net cash gain of €1.5 billion, with no resulting disposal gain recognized in the income statement owing to the accounting method adopted (IFRS 9 option to recognize changes in fair value in equity). Following a gain of €781 million recognized in the income statement for first-half 2018, the additional gain gradually recognized directly in equity represents around €640 million. The Group recorded a **business loss** of €49 million.

Net financial expense excluding Sika dividends was down slightly, at €234 million versus €250 million in first-half 2019. Dividends received from Sika totaled €34 million.
The income tax rate on recurring net income was 45%, which is not comparable to the income tax rate of 25% recorded in first-half 2019 due to certain exceptional items such as the liability method in the UK, withholding taxes, and losses recorded in certain countries which did not give rise to tax credits. **Income tax** totaled €183 million (€318 million in first-half 2019).
Recurring net income (excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions) was €272 million compared to €944 million in first-half 2019.
The **net attributable loss** was €434 million.

Investments in property, plant and equipment and intangible assets (capital expenditure) declined by 34.5% to €447 million, representing 2.5% of sales compared to 3.1% in first-half 2019. Three-quarters of the decrease is attributable to optimized maintenance capital expenditure. Most planned growth capital expenditure has been maintained and represents €155 million, mainly in the Construction Industry, façade and productivity solutions in emerging countries (Mexico, India and China), and Life Sciences.

Free cash flow jumped 143% to €1,678 million, representing three times the percentage of sales in first-half 2019 (9.4% versus 3.2%), with a sharp improvement in the free cash flow conversion ratio at 129% (versus 33% in first-half 2019), thanks mainly to a significant decrease in working capital requirement and capital expenditure. Operating working capital requirement came in at 32 days’ sales at June 30, 2020, compared to 41 days at end-June 2019.

Investments in securities totaled €1,256 million (€158 million in first-half 2019) and chiefly included the Continental Building Products acquisition. In the first six months of 2020, Continental Building Products generated USD 240 million in sales and USD 50 million in EBITDA, representing an EBITDA margin of 20.8% despite the impact of the coronavirus. Over 2020 as a whole, EBITDA is expected to exceed USD 110 million (compared to USD 125 million in 2019), buoyed by the ramp-up in synergies that should represent over USD 15 million (of which USD 3 million in first-half 2020). Expectations for value creation in year three are confirmed.

Divestments totaled €2,434 million (€227 million in first-half 2019), and mainly consist of the sale of Sika shares.

Net debt fell sharply to €9.8 billion at June 30, 2020 compared to €12.8 billion at end-June 2019 (as restated further to the IFRIC's November 2019 decision requiring the revision of the terms adopted for certain leases), thanks chiefly to proceeds from divestments net of acquisitions amounting to around €1.5 billion, along with the reduction in working capital requirement and capital expenditure. Excluding IFRS 16, net debt fell to €6.7 billion at June 30, 2020 from €9.8 billion at end-June 2019. Net debt represents 54% of consolidated equity compared to 69% as restated at June 30, 2019. The **net debt to EBITDA ratio** on a rolling 12-month basis was 2.4 (2.0 excluding IFRS 16) compared to 2.6 (2.4 excluding IFRS 16) at June 30, 2019.

2020 outlook

In second-half 2020, despite uncertainties as to the impact of the crisis caused by the coronavirus pandemic and the different patterns of recovery in each country, Saint-Gobain should benefit in the third quarter from a significant improvement in its markets that began at the end of the second quarter. While most industrial markets – especially automotive – should remain down on 2019, construction markets which represent about 85% of the Group's sales are expected to see supportive trends, especially renovation in Europe, which accounts for around half of the Group's sales and is a market on which the Group is strategically very well positioned.

Priorities:

1) **Ensure the health and safety of all in a health environment which remains uncertain**.

2) **Continue to implement adaptation measures and generate robust free cash flow**, driven by:
- **constant focus on the price-cost spread**;
- **cost reduction thanks to additional post-coronavirus measures,** which should generate €200 million in full-year savings by 2021, including €50 million in second-half 2020;
- the success of the **cost savings program** as part of "**Transform & Grow**", generating **€130 million in additional cost savings in 2020** (of which €50 million in the second half), after €120 million in 2019, enabling the Group to meet its €250 million target a year earlier than planned;
- a **decrease in capital expenditure** of more than **€500 million** in 2020 versus 2019 after an investment peak and thanks to continued optimization of maintenance capital expenditure in the context of the pandemic;
- ongoing efforts to **optimize working capital requirement**;
- continuation of the **operational excellence program** aimed at offsetting wage inflation and other fixed costs: around **€300 million** in additional cost savings in 2020 (of which €155 million in the first half) calculated on the 2019 cost base; continued discipline on cost structure.

3) **Maintain a strong balance sheet and reach at end-2020 the medium-term objective of a reduction in the number of its shares outstanding to 530 million**, from 542 million at December 31, 2019.

4) **Enhance in the Group's profitable growth profile,** driven by:
- the **continuation of its portfolio optimization** as part of **"Transform & Grow"** (divestments and acquisitions), according to market conditions;
- the **strategy of differentiation and innovation** with enhanced data, digital and customer productivity, as well as new services to adapt our solutions to the needs of the post-coronavirus world;
- the **"green" recovery**, central to Saint-Gobain's strategic positioning on energy-efficient renovation markets thanks to its comprehensive portfolio of innovative solutions to reduce the energy consumption of buildings.

In a macroeconomic and health environment which remains affected by uncertainties, our earnings growth in June and outlook for the third quarter suggest that our operating income for second-half 2020 will improve significantly on first-half 2020.

Saint-Gobain’s medium and long-term outlook are robust thanks to its successful strategic and organizational choices. The strategy of differentiation and innovation puts Saint-Gobain in the best position to benefit from its profitable growth drivers: sustainability and wellbeing, and enhanced customer performance and productivity. The Group’s extensive exposure to the renovation market means it is ideally placed to benefit from national and European stimulus plans focused on the energy transition.

Main risks and uncertainties

The main risks and uncertainties that the Group could face in the second half of 2020 are those described in Section 1 “Risk factors” of Chapter 6 of the 2019 Universal Registration Document of March 23, 2020, filed in French with the French financial markets authority (*Autorité des Marchés Financiers)* under number D.20-0161 (the “2019 Universal Registration Document”).

These main risks and uncertainties include in particular the risks associated with the Group and its operations, which include the risks associated with the Group’s international operations, and among them, the risks relating to the economic impact of the current coronavirus pandemic which began in China in December 2019 and caused a global economic crisis and serious economic disruption in many countries where the Group operates. The first-half 2020 results of the Group have been significantly impacted by the pandemic. In a macroeconomic and health environment which remains affected by uncertainties, our earnings growth in June and outlook for the third quarter suggest that our operating income for the second-half 2020 will improve significantly on first-half 2020 (please see the first-half 2020 sales press release dated July 30, 2020).

For more details regarding the variations of the goodwill and the impairment of tangible and intangible assets as of June 30, 2020, see notes 2.3 and 6 of the condensed consolidated financial statements as of June 30, 2020.

There has been no other significant change in the other risk factors in the first-half of 2020.

Financial calendar

- An information meeting for analysts and investors will be held at *8:30am* (GMT+1) on *July 31, 2020* and will be broadcast live on:
www.saint-gobain.com/

- Sales for the first nine months of 2020: *October 29, 2020*, 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:

EBITDA	*Note 4*
Net debt	*Note 9*
Non-operating costs	*Note 4*
Operating income	*Note 4*
Net financial expense	*Note 9*
Recurring net income	*Note 4*
Business income	*Note 4*
Working capital requirement	*Note 4*

Important disclaimer – forward-looking statements:
This press release contains forward-looking statements with respect to Saint-Gobain's financial condition, results, business, strategy, plans and outlook. Forward-looking statements are generally identified by the use of the words "expect", "anticipate", "believe", "intend", "estimate", "plan" and similar expressions. Although Saint-Gobain believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions as at the time of publishing this document, investors are cautioned that these statements are not guarantees of its future performance. Actual results may differ materially from the forward-looking statements as a result of a number of known and unknown risks, uncertainties and other factors, many of which are difficult to predict and are generally beyond the control of Saint-Gobain, including but not limited to the risks described in Saint-Gobain's Universal Registration Document available on its website (www.saint-gobain.com) and the main risks and uncertainties for the second-half 2020, presented within the half-year 2020 financial report. Accordingly, readers of this document are cautioned against relying on these forward-looking statements. These forward-looking statements are made as of the date of this document. Saint-Gobain disclaims any intention or obligation to complete, update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.
This press release does not constitute any offer to purchase or exchange, nor any solicitation of an offer to sell or exchange securities of Saint-Gobain.

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

SAINT-GOBAIN

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2020

GROUP CONSOLIDATION REPORTING DEPARTMENT

GROUP CONSOLIDATION REPORTING DEPARTMENT

CONTENTS

2020 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in € millions)	Notes	June 30, 2020	Dec. 31, 2019
ASSETS			
Goodwill	(6.1)	10,333	10,029
Other intangible assets	(6.2)	2,577	2,709
Property, plant and equipment	(6.3)	11,284	11,707
Right-of-use assets	(6.4)	2,926	2,954
Investments in equity-accounted companies		455	437
Deferred tax assets	(11.2)	683	833
Other non-current assets	(7)	937	3,511
NON-CURRENT ASSETS		**29,195**	**32,180**
Inventories	(4.4)	5,874	6,200
Trade accounts receivable	(4.4)	5,144	4,813
Current tax receivable	(4.4) (11.1)	203	194
Other receivables	(4.4)	1,406	1,609
Cash and cash equivalents	(9.2)	7,067	4,987
CURRENT ASSETS		**19,694**	**17,803**
TOTAL ASSETS		**48,889**	**49,983**

EQUITY AND LIABILITIES			
Capital stock		2,179	2,179
Additional paid-in capital and legal reserve		5,551	5,551
Retained earnings and consolidated net income		12,775	12,518
Cumulative translation adjustments		(2,292)	(1,467)
Fair value reserves		(72)	743
Treasury stock		(289)	(108)
SHAREHOLDERS' EQUITY		**17,852**	**19,416**
Minority interests		300	364
TOTAL EQUITY		**18,152**	**19,780**
Non-current portion of long-term debt	(9.2)	10,202	10,286
Non-current portion of long-term lease liabilities	(9.2)	2,521	2,552
Provisions for pensions and other employee benefits	(5.1)	2,636	2,648
Deferred tax liabilities	(11.2)	367	448
Other non-current liabilities and provisions	(8.1)	1,032	1,126
NON-CURRENT LIABILITIES		**16,758**	**17,060**
Current portion of long-term debt	(9.2)	1,640	1,751
Current portion of long-term lease liabilities	(9.2)	669	665
Current portion of other liabilities and provisions	(8.1)	337	343
Trade accounts payable	(4.4)	5,389	6,000
Current tax liabilities	(4.4) (11.1)	142	156
Other payables	(4.4)	3,926	4,004
Short-term debt and bank overdrafts	(9.2)	1,876	224
CURRENT LIABILITIES		**13,979**	**13,143**
TOTAL EQUITY AND LIABILITIES		**48,889**	**49,983**

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

CONSOLIDATED INCOME STATEMENT

(in € millions)	Notes	First-half 2020	First-half 2019
Net sales	(4.1)	17,764	21,677
Cost of sales	(4.1)	(13,590)	(16,104)
General expenses including research	(4.1)	(3,349)	(3,947)
Share in net income of core business equity-accounted companies		2	12
OPERATING INCOME		**827**	**1,638**
Other business income	(4.1)	58	50
Other business expense	(4.1)	(934)	(435)
BUSINESS INCOME (LOSS)		**(49)**	**1,253**
Borrowing costs, gross		(139)	(158)
Income from cash and cash equivalents		9	17
Borrowing costs, net, excluding lease liabilities		(130)	(141)
Interest on lease liabilities		(31)	(37)
Borrowing costs, net, including lease liabilities		(161)	(178)
Other financial income and expense		(39)	(44)
NET FINANCIAL INCOME (EXPENSE)	**(9.1)**	**(200)**	**(222)**
Share in net income (loss) of non-core business equity-accounted companies		(1)	1
Income taxes	(11.1) (11.2)	(183)	(318)
NET INCOME (LOSS)		**(433)**	**714**
GROUP SHARE OF NET INCOME (LOSS)		**(434)**	**689**
Minority interests		1	25

	Notes	First-half 2020	First-half 2019
EARNINGS (LOSS) PER SHARE, GROUP SHARE *(in €)*	**(10.2)**	**(0.81)**	**1.27**
Weighted average number of shares in issue		538,242,661	542,350,708
DILUTED EARNINGS (LOSS) PER SHARE, GROUP SHARE *(in €)*	**(10.2)**	**(0.80)**	**1.26**
Weighted average number of shares assuming full dilution		541,942,645	545,098,023

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	**Notes**	**First-half 2020**	**First-half 2019**
NET INCOME (LOSS)		**(433)**	**714**
Items that may be subsequently reclassified to profit or loss			
Translation adjustments		(859)	149
Changes in fair value of financial instruments	(9.4)	(16)	(13)
Tax on items that may be subsequently reclassified to profit or loss		4	3
Items that will not be reclassified to profit or loss			
Changes in actuarial gains and losses	(5.1)	43	(283)
Tax on items that will not be reclassified to profit or loss	(11.2)	(8)	76
Changes in assets at fair value through equity	(7)	(159)	601
Liability method on items that will not be reclassified to profit or loss	(11.1) (11.2)	16	0
Other		0	17
INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**(979)**	**550**
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE PERIOD		**(1,412)**	**1,264**
Group share		(1,378)	1,234
Minority interests		(34)	30

Translation adjustments in the first half of 2020 primarily concern the Brazilian real, pound sterling and Mexican peso.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Notes	First-half 2020	First-half 2019
GROUP SHARE OF NET INCOME (LOSS)		(434)	689
Minority interests in net income	(a)	1	25
Share in net income of equity-accounted companies, net of dividends received		0	(10)
Depreciation, amortization and impairment of assets	(4.1) (6)	1 291	795
Depreciation and impairment of right-of-use assets	(6)	359	341
Gains (losses) on disposals of assets	(4.3)	(5)	10
Unrealized gains and losses arising from changes in fair value and share-based payments		(12)	13
Restatement for hyperinflation		6	10
Changes in inventory	(4.4)	129	(370)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(4.4)	(596)	(1 142)
Changes in tax receivable and payable	(4.4)	(16)	19
Changes in deferred taxes and provisions for other liabilities and charges	(8.1) (11.2)	42	53
NET CASH FROM OPERATING ACTIVITIES		765	433
Acquisitions of property, plant and equipment [first-half 2020: (402), first-half 2019: (610)] and intangible assets	(6)	(447)	(682)
Increase (decrease) in amounts due to suppliers of fixed assets	(4.4)	(191)	(219)
Acquisitions of shares in consolidated companies [first-half 2020: (1,224), first-half 2019: (137)], net of cash acquired		(1 089)	(130)
Acquisitions of other investments	(7)	(16)	(17)
Increase in investment-related liabilities	(8.1)	9	3
Decrease in investment-related liabilities	(8.1)	(9)	(14)
Investments		**(1 743)**	**(1 059)**
Disposals of property, plant and equipment and intangible assets	(6)	89	47
Disposals of shares in consolidated companies, net of cash divested		(45)	70
Disposals of other investments	(7)	2 387	2
(Increase) decrease in amounts receivable on sales of fixed assets	(4.4)	6	97
Divestments		**2 437**	**216**
Increase in loans, deposits and short-term loans	(7)	(49)	(74)
Decrease in loans, deposits and short-term loans	(7)	25	26
Changes in loans, deposits and short-term loans		**(24)**	**(48)**
NET CASH FROM (USED IN) INVESTMENT AND DIVESTMENT ACTIVITIES		670	(891)
Issues of capital stock	(a)	0	154
(Increase) decrease in treasury stock	(a)	(184)	(211)
Dividends paid	(a)	0	(716)
Transactions with shareholders of the parent company		**(184)**	**(773)**
Minority interests' share in capital increases of subsidiaries	(a)	2	31
Acquisitions of minority interests without gain of control		(15)	(4)
Changes in investment-related liabilities following the exercise of put options of minority shareholders	(8.1)	(5)	(3)
Dividends paid to minority shareholders of consolidated subsidiaries	(a)	(33)	(23)
Change in dividends payable		15	(13)
Transactions with minority interests		**(36)**	**(12)**
Increase (decrease) in bank overdrafts and other short-term debt		1 655	189
Increase in long-term debt	(b) (9.2)	1 631	2 677
Decrease in long-term debt	(b) (9.2)	(1 969)	(32)
Changes in gross debt		**1 317**	**2 834**
Decrease in lease liabilities	(b) (9.2)	(377)	(413)
Changes in gross debt (including lease liabilities)		**940**	**2 421**
NET CASH FROM (USED IN) FINANCING ACTIVITIES		720	1 636
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2 155	1 178
Net effect of exchange rate changes on cash and cash equivalents		(79)	7
Net effect of changes in fair value on cash and cash equivalents		4	4
Cash and cash equivalents classified within assets held for sale		0	(6)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		4 987	2 688
CASH AND CASH EQUIVALENTS AT END OF PERIOD		7 067	3 871

(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 2020, income tax paid represented €203 million (€285 million in first-half 2019), IFRS 16 rental expenses paid €376 million (€409 million in first-half 2019), including €31 million in interest paid on lease liabilities (€37 million in first-half 2019), and interest paid net of interest received €146 million (€130 million in first-half 2019).

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**
546 585 004	**543 879 267**	**AT JANUARY 1, 2019**	**2 186**	**5 646**	**11 864**	**(1 775)**	**(124)**	**(106)**	**17 691**	**330**	**18 021**
		Income and expense 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**
		Stock option plans							**0**		**0**
		Dividends paid in shares							**0**		**0**
		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**	**11 675**	**(1 631)**	**464**	**(124)**	**18 176**	**358**	**18 534**
		Income and expense recognized directly in equity	0	0	134	164	279	0	**577**	(4)	**573**
		Net income for the period			717				**717**	23	**740**
		Total income and expense for the period	**0**	**0**	**851**	**164**	**279**	**0**	**1 294**	**19**	**1 313**
		Issues of capital stock									
0	0	Group Savings Plan	1	(2)					**(1)**		**(1)**
310 204	310 204	Stock option plans	1	11					**12**		**12**
		Dividends paid in shares							**0**		**0**
		Other							**0**	4	**4**
		Dividends paid			0				**0**	(14)	**(14)**
	(2 751 905)	Shares purchased			(5)			(93)	**(98)**		**(98)**
	1 084 555	Shares sold						36	**36**		**36**
(2 211 754)		Shares canceled	(9)	(64)				73	**0**		**0**
		Share-based payments			15				**15**		**15**
		Changes in Group structure and other			(18)				**(18)**	(3)	**(21)**
544 683 451	**542 087 728**	**AT DECEMBER 31, 2019**	**2 179**	**5 551**	**12 518**	**(1 467)**	**743**	**(108)**	**19 416**	**364**	**19 780**
		Income and expense recognized directly in equity	0	0	55	(825)	(174)	0	**(944)**	(35)	**(979)**
		Net income (loss) for the period			(434)				**(434)**	1	**(433)**
		Total income and expense for the period	**0**	**0**	**(379)**	**(825)**	**(174)**	**0**	**(1 378)**	**(34)**	**(1 412)**
		Issues of capital stock									
		Group Savings Plan							**0**		**0**
		Other							**0**	2	**2**
		Dividends paid							**0**	(33)	**(33)**
	(7 006 761)	Shares purchased			(3)			(213)	**(216)**		**(216)**
	1 014 511	Shares sold						32	**32**		**32**
		Reclassification of the fair value reserve to reserves further to the disposal of Sika share investments			641		(641)		**0**		**0**
		Share-based payments			6				**6**		**6**
		Changes in Group structure and other			(8)				**(8)**	1	**(7)**
544 683 451	**536 095 478**	**AT JUNE 30, 2020**	**2 179**	**5 551**	**12 775**	**(2 292)**	**(72)**	**(289)**	**17 852**	**300**	**18 152**

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

NOTES TO THE 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 30, 2020 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, 2019. 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, 2020. These consolidated financial statements 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, 2019, with the exception of the standards, interpretations and amendments adopted by the European Union and effective as of January 1, 2020 (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, 2020

The following standards and amendments, effective since January 1, 2020, were applied to the consolidated financial statements for the six months ended June 30, 2020:

- Amendments to IAS 1 and IAS 8, "Definition of Material"
- Amendments to References to the Conceptual Framework for IFRS Standards
- Amendments to IFRS 9, IAS 39 and IFRS 7, "Interest Rate Benchmark Reform" – Phase 1
- Amendments to IFRS 3, "Definition of a Business"

These amendments have no material 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, 2020

No new standards, interpretations or amendments to existing standards were adopted by the European Union in the first six months of 2020.

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 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 and the determination of lease terms (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, 2019. The specific accounting valuation methods applied relate to income tax and employee benefits.

In the unprecedented context of the coronavirus pandemic, the estimates and assumptions applied by the Group in the first half of 2020 take into account the impacts of the Covid-19 crisis, the most important of which are described in note 2 below.

NOTE 2 IMPACTS OF THE COVID-19 PANDEMIC

The measures taken by the Saint-Gobain Group to address the crisis caused by the Covid-19 pandemic were the result of both swift decisions taken locally and coordinated international action based on the experience of our different countries and in line with the Group's new organization by country and by market.

The measures were rolled out in compliance with the Group's main priorities:

- protecting the health and safety of employees and other stakeholders across the globe, introducing strict social distancing measures adapted to its different businesses and encouraging remote working wherever possible;
- strengthening the Group's liquidity, with new sources of financing put in place;
- preserving cash through strict measures to adapt production facilities, reduce costs and discretionary spending and closely monitor working capital, and exceptionally, deciding not to pay a dividend;
- continuing to serve our customers, with increased use of digital channels since the start of the crisis, followed by the reopening of our sales outlets and production sites as soon as this was permitted by the health situation.

The main impacts of the health crisis caused by the Covid-19 pandemic on the interim consolidated financial statements are detailed below, along with a description of the measures taken to mitigate these impacts.

2.1. Adapting production facilities and making use of schemes designed to support businesses hit by the Covid-19 pandemic

While prioritizing the health and safety of all of its employees and stakeholders, the Group ensured the continuity of its operations in each of the countries in which it does business by swiftly adapting to changes in demand linked to the health situation and to local government decisions.

As well as adjusting its production levels and rolling out measures to cut costs, the Group also made use of government-backed business support schemes. It benefited from furlough schemes in the countries where such measures were introduced, with the positive €140 million impact recognized as a deduction from the corresponding payroll taxes.

The costs of the measures taken to address the Covid-19 crisis are reflected in full in operating income. These costs result from purchases of protective equipment (masks, hand sanitizers, tests, etc.) and from adapting production to demand (fixed costs not absorbed due to the downturn in business).
Additional specific expenditure related to the Covid-19 pandemic was estimated at €45 million (of which more than half in Europe, primarily in Southern Europe - ME & Africa), including €32 million for protective equipment. The balance reflects miscellaneous costs of travel cancellations, staff overtime and miscellaneous outside services such as cleaning.

- Management compensation

In March 2020, the Chairman and Chief Executive Officer and the Chief Operating Officer wished to show their solidarity with the efforts being made by the Group's employees and stakeholders impacted by the unprecedented crisis. Consequently, they have informed the Board of Directors of their decision to waive 25% of their compensation to be paid in 2020, i.e. 25% of their variable compensation in respect of the 2019 fiscal year and 25% of their fixed compensation for 2020, for as long as the Group's employees were subject to partial employment in the context of the emergency measures taken by the French Government to halt the spread of the coronavirus epidemic. At their April 22, 2020 and April 23, 2020 respective meetings, the Nomination and Remuneration Committee and the Board of Directors have acknowledged this decision and unanimously praised it. Upon proposal of Chairman and Chief Executive Officer and the Chief Operating Officer, the Board of Directors decided to review and reduce accordingly their variable compensation due in respect of the 2019 fiscal year and their fixed compensation for 2020. The amounts corresponding to this reduction of compensation will be donated by Saint-Gobain to the Paris public hospitals Foundation (*Fondation de l'Assistance Publique – Hôpitaux de Paris, AP-HP*).

The Board of Directors decided, in its April 23, 2020 meeting and in a similar move of solidarity as the executive corporate officers, to join this effort by also reducing by 25% the amount of the compensation that will be due to the Directors for the same period as for the executive corporate officers. The amounts corresponding to this reduction of compensation will be donated by Saint-Gobain to charities, with the aim of supporting fragile populations impacted by the coronavirus.

2.2. Strengthening the Group's liquidity

- New sources of financing

The Group bolstered the structure of its debt in the context of the Covid-19 pandemic, reinforcing its sources of financing through:

- a €1.5 billion bond issued on March 26, consisting of €750 million with a 3-year maturity and a 1.75% coupon and €750 million with a 7.5-year maturity and a 2.375% coupon;
- a syndicated credit line totaling €2 billion, including €1 billion drawn for a bond repayment of the same amount at the end of March, in addition to €4.0 billion in confirmed and undrawn back-up credit lines;
- access to the new commercial paper Pandemic Emergency Purchase Program (PEPP) launched by the European Central Bank on March 18, 2020.

- Dividend distribution

Given the context of the coronavirus pandemic and the introduction of partial unemployment measures, during its April 23, 2020 meeting, the Board of Directors decided not to recommend any dividend distribution to the June 4, 2020 Shareholders' Meeting. Although the Group recently further strengthened its liquidity, the Board of Directors considered that this exceptional decision was in the best interests of the Group and its stakeholders, given the uncertainty as to the impact and duration of the crisis, and the caution required at this time. Depending on how the situation evolves, it will review the Group's shareholder return policy by the end of the year, and the form contemplated as the case may be.

- Other specific measures taken to strengthen the Group's liquidity

As the economic situation gradually returns to normal in certain countries, the Group's sale of its interest in Sika at the end of May helped boost cash by €2.4 billion (see note 3.2, "Changes in Group structure").

Various countries benefited from postponements of tax and social security payments, with the exception of France where these measures were not used. Deferred payments outstanding totaled approximately €130 million at June 30, 2020.

2.3. Impairment review in light of the Covid-19 pandemic

- Impairment review of property, plant and equipment and intangible assets

The impacts of the pandemic were taken into account when measuring these assets at the reporting date, using the approach described in note 6.5.

- Impairment review of other non-current assets

The impacts of the Covid-19 health crisis were also taken into account when measuring other non-current assets. In particular, this led to adjustments in the carrying amount of investments in equity-accounted companies to reflect their stock market value.

- Impacts of the Covid-19 crisis on the recognition of deferred tax assets on tax loss carryforwards

Due to short-term uncertainties related to the Covid-19 health crisis, the Group measured deferred tax assets based on an analysis of the tax position in each country concerned. An additional reduction in deferred tax assets on tax loss carryforwards was recognized in France for €58 million.

- Impairment review of current assets: impacts of the Covid-19 pandemic on impairment provisions for trade accounts receivable and on the value of inventories

The review of trade accounts receivable in light of the Covid-19 crisis did not highlight any major default risks. However, the Group recognized additional impairment losses against its trade receivables at June 30, 2020 (see note 4.4.2, "Operating and non-operating receivables and payables").

Fixed costs relating to idle capacity attributable to the Covid-19 crisis were not included in calculating the value of inventories.

2.4. Impact on current operating items

- Amendment to IFRS 16 relating to Covid-19-related rent concessions

The amendment to IFRS 16 on Covid-19-related rent concessions was published by the IASB on May 28, 2020. Since it has not been adopted by the European Union, it was not applied by Saint-Gobain when preparing its consolidated financial statements for the six months ended June 30, 2020.

- Impacts of the Covid-19 crisis on the calculation of supplier and customer discounts

The consequences of the Covid-19 health crisis were taken into account when calculating supplier discounts to be recognized in operating income (as a deduction from cost of sales) by entities in the Distribution business (see note 4.1.1 "Business income") and customer discounts to be recognized as a deduction from net sales by entities in the Industry business.

- Reduction in discretionary spending

Operating income includes business travel cost savings resulting from the cancellation of business trips in all countries where lockdown measures were introduced.

- Provisions for management bonuses

Budgeted management bonuses were revised in light of the impact of Covid-19 on annual earnings forecasts, with the provisions adjusted accordingly.

The impacts described above reflect the current Covid-19 environment and may change in the coming months depending on the epidemic's development and magnitude and any available medical treatment, along with its impacts on the Group's partners (customers, suppliers, etc.).

NOTE 3 SCOPE OF CONSOLIDATION

3.1. 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.

3.2. Changes in Group structure

The main acquisitions and disposals carried out by the Group in the first half of 2020 are presented below.

In the first half of 2020, Saint-Gobain acquired six consolidated companies for a total amount of €1,224 million. It also sold three consolidated companies for a total of €5 million.

3.2.1. Acquisitions in first-half 2020

Acquisitions in the first half of 2020 represent full-year sales of around €497 million and €110 million in EBITDA.

The main acquisition in first-half 2020 is detailed below.

On January 30, 2020, Saint-Gobain announced that Continental Building Products (NYSE: CBPX), a key player in the plasterboard industry in North America, obtained shareholder approval to be acquired by Saint-Gobain and that the American anti-trust authorities authorized the transaction. The acquisition was finalized on February 3, 2020.

Upon completion of the operation, Saint-Gobain acquired all of the shares of Continental Building Products for US$37.00 per share in a transaction valued at approximately US$1.4 billion (around €1.3 billion).

The Group began its process of identifying and measuring the assets acquired and liabilities assumed during first-half 2020 and will finalize its purchase price accounting within 12 months of the acquisition date, i.e., by December 31, 2020 at the latest. The table below shows the provisional fair value measurement of each major category of assets acquired and liabilities assumed:

(in € millions)	**Continental Building Products (NYSE: CBPX)**	**Other newly-consolidated companies**	**Total at the acquisition date**
ASSETS			
Intangible assets	426	22	**448**
Property, plant and equipment	256	17	**273**
Financial assets and other non-current assets	11	0	**11**
NON-CURRENT ASSETS	**693**	**39**	**732**
Inventories	27	4	**31**
Trade accounts receivable, net	49	5	**54**
Other receivables	14	5	**19**
Cash and cash equivalents	130	5	**135**
CURRENT ASSETS	**220**	**19**	**239**
Non-current portion of long-term debt and lease liabilities	236	0	**236**
Non-current portion of provisions and other liabilities	85	7	**92**
NON-CURRENT LIABILITIES	**321**	**7**	**328**
Current portion of long-term debt and lease liabilities	5	0	**5**
Current portion of other provisions	0	0	**0**
Trade accounts payable	67	1	**68**
Other payables	20	6	**26**
Short-term debt and bank overdrafts	0	0	**0**
CURRENT LIABILITIES	**92**	**7**	**99**
TOTAL FAIR VALUE OF NET ASSETS ACQUIRED	**500**	**44**	**544**
Acquisition cost of shares	1 154	82	**1 236**
Minority interests	0	0	**0**
GOODWILL	**654**	**38**	**692**

The Continental Building Products acquisition presents a strong geographic fit with Saint-Gobain's North American operations, as well as cost synergies. The acquisition broadens the Group's product portfolio, allowing it to provide innovative solutions to a wider customer base.

This acquisition represents estimated half-year sales of €223 million and €45 million in EBITDA.

3.2.2. Disposals and deconsolidations in first-half 2020

Disposals in the first half of 2020 represent full-year sales of around €60 million.

The main deconsolidated companies in first-half 2020 are summarized below:

- Following the commencement of the proceeding under Chapter 11 of the U.S. Bankruptcy Code on January 23, 2020, the assets and liabilities of DBMP LLC and its wholly-owned subsidiary Millwork & Panel LLC were no longer consolidated in the Group's financial statements (see note 8.2.2.2. on the asbestos-related liabilities in the United States). This did not have a material impact on the Group's consolidated income.

- On March 10, 2020, Saint-Gobain divested part of Glasssolutions, its glass processing business in Germany, to DIK Deutsche Industriekapital GmbH.

- In May 2018, Saint-Gobain had acquired a 10.75% interest in Sika indirectly through the acquisition of 100% of Schenker-Winkler Holding AG (SWH) shares held by the Burkard family, as part of a global agreement with the Burkard family and Sika (see section 5.4.2, Chapter 2 of the 2018 Registration Document and section 2.2, note 2 to the consolidated financial statements in Chapter 8 of the 2019 Universal Registration Document).

  Following expiration of the two-year lock-up period set out in the May 2018 agreement with Sika, and as Sika decided not to exercise its right of first offer, on May 27, 2020 Saint-Gobain announced that it had completed the sale of approximately 15.2 million Sika shares held through its subsidiary SWH, representing its entire 10.75% stake in Sika's share capital, for a total amount of CHF 2.56 billion (€2.4 billion). The sale took the form of a private placement with qualified institutional investors.

  As its shares in Sika were classified as equity investments, the Group has chosen to recognize changes in the fair value of the shares within other comprehensive income directly in equity.

3.3. Changes in the number of consolidated companies

At June 30, 2020, there were 843 companies in the scope of consolidation (850 at December 31, 2019), including 96 equity-accounted companies and joint arrangements (99 at December 31, 2019).

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

The Group's call option on Continental Building Products expired on February 3, 2020 when it acquired the company.

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 2020**	**First-half 2019**
NET SALES	**17,764**	**21,677**
Personnel expenses:		
Salaries and payroll taxes	(3,761)	(4,314)
Share-based payments(1)	(6)	(15)
Pensions and employee benefit obligations(1)	(116)	(103)
Depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets	(950)	(947)
Share in net income of core business equity-accounted companies	2	12
Other(2)	(12,106)	(14,672)
OPERATING INCOME	**827**	**1,638**
Other business income	58	50
Other business expense	(934)	(435)
OTHER BUSINESS INCOME AND EXPENSE	**(876)**	**(385)**
BUSINESS INCOME (LOSS)	**(49)**	**1,253**

(1) Share-based payments (IFRS 2 expense) and changes in employee benefit expenses are detailed in note 5 "Personnel expenses and employee benefit obligations".

(2) The "Other" operating income line relates to cost of sales, supplier discounts and selling expenses for Distribution entities, 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 €219 million in first-half 2020 (first-half 2019: €238 million).

Supplier discounts granted to entities in the Distribution business are included in operating income as a reduction of cost of sales. Contractual supplier discounts are customary practice in the industrial goods distribution sector. These discounts are mostly calculated by applying a contractually guaranteed rate by product type to volumes purchased. The calculation is made automatically, based on the supplier invoices. Consequently, little judgment is needed when determining the amounts to be recognized in the income statement for these discounts. Other discounts are calculated based on a step mechanism linked to specified targets, whereby the percentage discount increases as the entity achieves the various targets over a given period. In this case, judgment is required based on historical data, past performance and future trends in order to determine the discount to be recognized in the income statement. Such judgment is exercised in a prudent manner and consistently from one period to the next.

4.1.2. Other business income and expense

Other business income and expense can be analyzed as follows:

(in € millions)	First-half 2020	First-half 2019
Restructuring costs[1]	(111)	(101)
Provisions and expenses relating to claims and litigation[2]	(2)	(48)
Other	(29)	(19)
NON-OPERATING INCOME AND EXPENSE	**(142)**	**(168)**
Impairment of assets and other[3]	(717)	(207)
Amortization of intangible assets related to PPA[4]	(22)	0
Other business expense[5]	(53)	(60)
Impairment of assets and other business expenses	**(792)**	**(267)**
Gains on disposals of non-current assets	**58**	**50**
GAINS AND LOSSES ON DISPOSALS, ASSET IMPAIRMENT, IMPACT OF CHANGES IN GROUP STRUCTURE	**(734)**	**(217)**
OTHER BUSINESS INCOME AND EXPENSE	**(876)**	**(385)**

(1) Restructuring costs in the first half of 2020 include €52 million in severance payments (€26 million in the first half of 2019).

(2) Up to 2019, 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 concerned asbestos-related litigation. In first-half 2020, the decrease in provisions for asbestos-related litigation is primarily attributable to the deconsolidation of DBMP LLC (see note 8.2.2.2 discussing asbestos-related litigation in the US).

(3) The “Impairment of assets and other” line essentially includes (i) impairment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets for €678 million in first-half 2020 (mainly reflecting write-downs taken against intangible assets of the UK Distribution business), compared to €189 million in first-half 2019 (mainly assets held for sale), (ii) the impairment of other assets for €12 million (first-half 2019: €12 million), and (iii) acquisition fees and contingent consideration incurred in connection with business combinations, representing a net expense of €27 million in first-half 2020 (first-half 2019: net expense of €6 million).

(4) In light of the major Continental Building Products acquisition carried out this year, amortization charged against trademarks and customer lists is now included on a separate line within “Other business expenses and impairment of assets” together with other gains and losses arising on business combinations which are not taken into account when determining the performance of the Group’s operating segments. This amortization totaled €22 million in first-half 2020.

(5) Other business expense in 2020 as in 2019, 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.

The Group is organized into five reporting units: four regional businesses and a global High Performance Solutions unit. Segment information is presented for:

- High Performance Solutions (HPS), which is organized by market for global customers, i.e., Mobility, Life Sciences, Construction Industry and Industry;

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 region and India;
- Other, comprising the Group’s various holding companies.

Segment information for the first half of 2020 and 2019 is as follows:

First-half 2020

(in € millions)	High Performance Solutions**	Northern Europe	Southern Europe** - ME & Africa	Americas**	Asia-Pacific	Other*	Group Total
Net sales	3,102	6,090	5,668	2,670	655	(421)	**17,764**
Operating income	231	256	99	190	46	5	**827**
Business income (loss)	160	(408)	70	98	42	(11)	**(49)**
Share in net income of equity-accounted companies		3	(10)	7	1		**1**
Operating depreciation and amortization	166	295	291	132	46	20	**950**
Impairment of assets	21	620	21	16			**678**
EBITDA	352	507	368	298	88	22	**1,635**
Acquisitions of property, plant and equipment and intangible assets***	102	116	79	96	40	14	**447**

* "Other" corresponds to the elimination of intragroup transactions for internal sales, and holding company transactions for the other captions.
** France and United States net sales represent €4,621 million and €2,874 million, respectively.
*** Capital expenditure does not include right-of-use assets.

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	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**
Operating 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**

* "Other" corresponds to the elimination of intragroup transactions for internal sales, and holding company transactions for the other captions.
** France and United States net sales represent €5,787 million and €2,865 million, respectively.
*** Capital expenditure does not include right-of-use assets.

Sales and operating income derived from European operations (Northern Europe and Southern Europe - Middle East & Africa) can be analyzed as follows by Industry and Distribution entities:

First-half 2020

(in € millions)	Net sales	Operating income
Industry Europe	4,345	218
Distribution Europe	7,558	137

First-half 2019

(in € millions)	Net sales	Operating income
Industry Europe	5,154	461
Distribution Europe	9,817	349

4.3. Performance indicators

4.3.1. EBITDA

EBITDA amounted to €1,635 million in first-half 2020 (first-half 2019: €2,417 million), calculated as follows:

(in € millions)	First-half 2020	First-half 2019
Operating income	827	1 638
Depreciation and amortization of property, plant and equipment and intangible assets	614	607
Depreciation of right-of-use assets	336	340
Non-operating income and expense	(142)	(168)
EBITDA	**1 635**	**2 417**

4.3.2. Recurring net income

Recurring net income totaled €272 million in first-half 2020 (first-half 2019: €944 million). Based on the weighted average number of shares outstanding at June 30 (538,242,661 shares in 2020 and 542,350,708 shares in 2019), recurring earnings per share amounted to €0.51 in the first half of 2020 and €1.74 in the first half of 2019.

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

(in € millions)	First-half 2020	First-half 2019
GROUP SHARE OF NET INCOME (LOSS)	**(434)**	**689**
Less:		
Gains and losses on disposals of assets	5	(10)
Impairment of assets and other	(717)	(207)
Changes in provisions for non-recurring items	(31)	(50)
Impact of minority interests	0	0
Tax on disposal gains and losses, asset impairment, non-recurring provisions and write-downs of deferred taxes on losses carry-forwards	37	12
GROUP SHARE OF RECURRING NET INCOME	**272**	**944**

4.4. Working capital

Working capital can be analyzed as follows:

(in € millions)	June 30, 2020	Dec. 31, 2019
INVENTORIES, NET	**5,874**	**6,200**
TRADE ACCOUNTS RECEIVABLE, NET	**5,144**	**4,813**
Other operating receivables	1,331	1,471
Other non-operating receivables	75	138
OTHER RECEIVABLES, NET	**1,406**	**1,609**
CURRENT TAX RECEIVABLE	**203**	**194**
TRADE ACCOUNTS PAYABLE	**5,389**	**6,000**
Other operating payables	3,565	3,457
Other non-operating payables	361	547
OTHER PAYABLES	**3,926**	**4,004**
CURRENT TAX LIABILITIES	**142**	**156**
Operating working capital	3,395	3,027
Non-operating working capital (including current tax receivables and liabilities)	(225)	(371)
WORKING CAPITAL	**3,170**	**2,656**

4.4.1. Inventories

At June 30, 2020 and December 31, 2019, inventories were as follows:

(in € millions)	June 30, 2020	Dec. 31, 2019
Gross value		
Raw materials	1,535	1,494
Work in progress	330	344
Finished goods	4,516	4,856
GROSS INVENTORIES	**6,381**	**6,694**
Provisions for impairment		
Raw materials	(188)	(191)
Work in progress	(17)	(16)
Finished goods	(302)	(287)
TOTAL PROVISIONS FOR IMPAIRMENT	**(507)**	**(494)**
INVENTORIES, NET	**5,874**	**6,200**

The net value of inventories is €5,874 million at June 30, 2020 compared to €6,200 million at December 31, 2019. Impairment losses on inventories recorded in the first half of 2020 totaled €101 million (€88 million in the first half of 2019). Reversals of impairment losses on inventories amount to €76 million in the first half of 2020 (€90 million in the first half of 2019).

The decrease in inventories at June 30, 2020 reflects the close monitoring of purchases and production during lockdown periods.

4.4.2. Operating and non-operating receivables and payables

- Trade and other accounts receivable

Trade and other accounts receivable can be analyzed as follows:

(in € millions)	June 30, 2020	Dec. 31, 2019
Gross value	5,533	5,177
Provisions for impairment	(389)	(364)
TRADE ACCOUNTS RECEIVABLE, NET	**5,144**	**4,813**
Discounts and advances to suppliers	522	660
Prepaid payroll taxes	65	35
Other prepaid and recoverable taxes (other than income tax)	397	476
Miscellaneous operating receivables	356	301
Other non-operating receivables and provisions	76	139
Provisions for impairment of other operating receivables	(9)	(1)
Provisions for impairment of other non-operating receivables	(1)	(1)
OTHER RECEIVABLES, NET	**1,406**	**1,609**

In first-half 2020, provisions and losses on trade accounts receivable were adversely affected by the consequences of the Covid-19 pandemic. Changes in impairment provisions for trade accounts receivable primarily reflect

€86 million in additions (€60 million in the first half of 2019) and €52 million in reversals (€62 million in the first half of 2019) resulting from recoveries as well as write-offs. Bad debts expenses have decreased to €36 million from €39 million in first-half 2019.

Trade accounts receivable at June 30, 2020 and December 31, 2019 are analyzed below by maturity:

(in € millions)	Gross value		Impairment		Net value	
	June 30, 2020	**Dec. 31, 2019**	**June 30, 2020**	**Dec. 31, 2019**	**June 30, 2020**	**Dec. 31, 2019**
TRADE ACCOUNTS RECEIVABLE NOT YET DUE	**4,430**	**4,046**	**(53)**	**(34)**	**4,377**	**4,012**
Less than 3 months	402	471	(17)	(21)	385	450
1-3 months	196	184	(30)	(20)	166	164
More than three months	505	476	(289)	(289)	216	187
TRADE ACCOUNTS RECEIVABLE PAST DUE	**1,103**	**1,131**	**(336)**	**(330)**	**767**	**801**
TRADE ACCOUNTS RECEIVABLE	**5,533**	**5,177**	**(389)**	**(364)**	**5,144**	**4,813**

- Trade and other accounts payable

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

(in € millions)	**June 30, 2020**	**Dec. 31, 2019**
TRADE ACCOUNTS PAYABLE	**5,389**	**6,000**
Downpayments received and rebates granted to customers	1,165	1,338
Payables to suppliers of non-current assets	148	346
Grants received	105	108
Accrued personnel expenses	1,197	1,242
Accrued taxes other than on income	671	418
Other operating payables	532	459
Other non-operating payables	108	93
OTHER PAYABLES	**3,926**	**4,004**

The decrease in trade and other accounts payable at June 30, 2020 reflects the reduction in purchases during lockdown periods.
In certain countries, the Group also benefited from deferrals of tax payments (see note 2.2 “Strengthening the Group’s liquidity”).

4.5. Off-balance sheet commitments related to operating activities

Non-cancelable purchase commitments represent €1,858 million at June 30, 2020 (€1,812 million at December 31, 2019). Changes in non-cancelable purchase commitments relate mainly to raw materials, with a rise in raw material commitments following the first-time consolidation of Continental BP Operating Co.

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.

There were no material 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, 2019.

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 at June 30, 2020.

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 rates used in the first-half 2020 for the Group's main plans are the following:

	France		Eurozone		United Kingdom	United States
(in %)	Short-term plans	Long-term plans	Short-term plans	Long-term plans		
Discount rate	1,11%	1,59%	1,11%	1,59%	1,40%	2,60%
Inflation rate	1,50%		1.00% to 1.70%		1,75%	2,20%

The rates used in 2019 for the Group's main plans were the following:

	France		Eurozone		United Kingdom	United States
(in %)	Short-term plans	Long-term plans	Short-term plans	Long-term plans		
Discount rate	1,01%	1,39%	1,01%	1,39%	2,00%	3,20%
Inflation rate	1,50%		1.00% to 1.70%		1,90%	2,20%

The revised actuarial assumptions, notably the discount and inflation rates, contributed to an increase in the obligation, and therefore the provision, in an amount of €664 million.

Sensitivity calculations were not updated at June 30, 2020; had they been, the results would not have been materially different from the analyses presented in the 2019 consolidated financial statements (note 5 "Employees, personnel expenses and benefit obligations").

The actual return on plan assets for almost all plans amounts to €811 million. It is €707 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. Carrying amount of provisions

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

(in € millions)	**June 30, 2020**	**Dec. 31, 2019**
Pension obligations	1,792	1,824
Length-of-service awards	399	396
Post-employment healthcare benefits	302	287
TOTAL PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS	**2,493**	**2,507**
Healthcare benefits	27	26
Long-term disability benefits	13	12
Other long-term benefits	103	103
PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS	**2,636**	**2,648**

Provisions for all other long-term benefits total €143 million at June 30, 2020 (€141 million at December 31, 2019).

The following table shows net obligations under pensions and other post-employment benefit plans, excluding other long-term benefits:

(in € millions)	**June 30, 2020**	**Dec. 31, 2019**
Provisions for pensions and other post-employment benefit obligations – liabilities	2,493	2,507
Pension plan surpluses – assets	(291)	(288)
NET PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS	**2,202**	**2,219**

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, 2019	**2,219**
Changes	
Business expense	101
Past service cost	
Interest cost/return on plan assets as per calculations	15
Actuarial gains and losses* and asset ceiling	(43)
Pension contributions and benefits paid	(87)
Translation adjustments	9
Changes in Group structure and reclassifications	(12)
Total changes	**(17)**
At June 30, 2020	**2,202**

* This increased equity by €43 million before tax (€35 million net of tax).

5.2. Share-based payments

5.2.1. Group Savings Plan

The Group Savings Plan (*Plan Epargne Group* - PEG) is an employee stock purchase plan open to all Group employees in France and most other countries where the Group is present. Eligible employees must have completed a minimum of three months' service with the Group. Eligible employees are able to invest in Saint-Gobain shares at a preferential subscription price. These shares are held either directly or through the employee saving plan's mutual funds, depending on local legislation, and are subject to a mandatory five- or ten-year lock-up, except following the occurrence of certain events. The Board of Directors delegates authorization for setting the subscription price to the Chief Executive Officer of Compagnie de Saint-Gobain. It corresponds to the average of the opening prices for the Saint-Gobain share on Euronext Paris over the 20 trading days preceding the date of the decision, subject to a 20% discount, in accordance with applicable laws, the Shareholders' Meeting resolutions and the deliberations of the Board of Directors.

The compensation cost recorded in accordance with IFRS 2 is measured by reference to the fair value of a discount offered on restricted stock (i.e., stock subject to a lock-up). The cost of the lock-up for the employee is defined as the cost of a two-step strategy that involves first selling the restricted stock forward five or ten years and then purchasing the same number of shares on the spot market and financing the purchase with debt. The borrowing cost is estimated at the rate that would be charged by a bank to an individual with an average risk profile for a general-purpose, five- or ten-year consumer loan repayable at maturity. The cost of the plans is recognized in full at the end of the subscription period.

In 2020, Saint-Gobain implemented a new PEG (*Plan Epargne Groupe*).

An amount of €3.6 million was expensed in respect of the plans in first-half 2020, compared to a zero expense in first-half 2019 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 2020 and 2019:

	2020	2019
Plan characteristics		
Date of Shareholders' Meeting	June 6, 2019 (17th Resolution)	June 7, 2018 (17th Resolution)
Date of the Chief Executive Officer's decision fixing the subscription price	June 15	March 18
Plan duration (in years)	5 or 10	5 or 10
Reference price (in €)	28.79	32.11
Subscription price (in €)	23.03	25.69
Discount (in %)	20.00%	20.00%
Total discount on the date of the Chief Executive Officer's decision (in %) **(a)**	24.57%	22.02%
Employee investments (in € millions)	140.5	154.1
Total number of shares subscribed	6,100,000	5,999,997
Valuation assumptions (5-year maturity)		
Interest rate applicable to employees*	4.80%	4.85%
Risk-free interest rate	-0.45%	-0.17%
Repo rate	0.29%	0.48%
Lock-up discount (in %) **(b)**	21.77%	22.11%
Total cost to the Group (in %) **(a-b)**	2.80%	-0.09%

* A 0.5-point decline in borrowing costs for the employee would increase the expense as calculated in accordance with IFRS 2 by €2.2 million in 2020.

As the introduction of the new PEG was postponed, the capital increase will take place in the second half of the 2020 year.

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 2020. Under IFRS 2, the expense attributable to the amortization of stock options granted under previous plans totaled €0.4 million in first-half 2020 (€1 million in first-half 2019).

5.2.3. Performance shares and performance unit grants

- 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 2020.

The amount expensed in respect of these plans in first-half 2020 was €1.7 million (first-half 2019: €12 million).

- 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 2020.
As the last plan expired in 2019, no expenses in respect of these plans were recognized in first-half 2020 (€3 million in first-half 2019).

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, 2020 and December 31, 2019 are analyzed as follows:

(in € millions)	Goodwill	Other intangible assets	Property, plant and equipment	Right-of-use assets	Total
At January 1, 2019					
Gross value	12,396	4,656	31,824	6,542	55,418
Accumulated depreciation, amortization and impairment	(2,406)	(2,130)	(20,571)	(3,739)	(28,846)
Net value	**9,990**	**2,526**	**11,253**	**2,803**	**26,572**
Changes during the period					
Acquisitions	0	162	1,656	960	2,778
Disposals	0	(14)	(91)	(70)	(175)
Depreciation and amortization		(144)	(1,075)	(682)	(1,901)
Impairment	(104)	(12)	(190)	(36)	(342)
Translation adjustments and restatement for hyperinflation	138	54	138	29	359
Changes in Group structure and other	5	139	(61)	6	89
Assets held for sale	0	(2)	77	(56)	19
Total changes	**39**	**183**	**454**	**151**	**827**
At December 31, 2019					
Gross value	12,495	4,963	32,512	6,904	56,874
Accumulated depreciation, amortization and impairment	(2,466)	(2,254)	(20,805)	(3,950)	(29,475)
Net value	**10,029**	**2,709**	**11,707**	**2,954**	**27,399**
Changes during the period					
Acquisitions	0	45	402	409	856
Disposals	0	(1)	(33)	(29)	(63)
Depreciation and amortization		(88)	(548)	(336)	(972)
Impairment	(162)	(461)	(32)	(23)	(678)
Translation adjustments and restatement for hyperinflation	(225)	(74)	(457)	(91)	(847)
Changes in Group structure and other	691	447	245	42	1,425
Total changes	**304**	**(132)**	**(423)**	**(28)**	**(279)**
At June 30, 2020					
Gross value	12,892	5,333	32,026	6,795	57,046
Accumulated depreciation, amortization and impairment	(2,559)	(2,756)	(20,742)	(3,869)	(29,926)
Net value	**10,333**	**2,577**	**11,284**	**2,926**	**27,120**

6.1. Goodwill

Changes in Group structure in the first half of 2020 mainly relate to the first-time consolidation of Continental Building Products following its acquisition (see note 3.2) for €654 million, and to acquisitions carried out at the end of 2019, in particular High Tech Metal Seals (HTMS) and Sonex. Impairment losses amounted to €162 million (see note 6.5 "Impairment review"). Currency translation adjustments primarily reflect the impact of fluctuations in the pound sterling, Norwegian krone, Brazilian real, South African rand, Argentine peso and Thai baht.

In 2019, changes in Group structure related mainly to newly consolidated companies and deconsolidated divested companies, and concern all segments. Impairment essentially concerned assets sold in the year. The 2019 translation adjustments and restatements for hyperinflation primarily reflected the impacts of fluctuations in the pound sterling, US dollar, Thai baht, Argentine peso, Norwegian krone and Swedish krona.

6.2. Other intangible assets

In first-half 2020, changes in Group structure relate mainly to customer relationships acquired as a result of the Continental Building Products acquisition for €426 million. Impairment losses were recognized for a total of €461 million (see note 6.5 "Impairment review").

6.3. Property, plant and equipment

In first-half 2020, changes in Group structure relate to the first-time consolidation of Continental Building Products, which increased property, plant and equipment by €256 million, and to the deconsolidation of DBMP LLC and its subsidiary M&P LLC and the disposal of the glass processing business (Glassolutions) in Germany, which reduced property, plant and equipment by €28 million. Translation adjustments and restatements for hyperinflation primarily reflect the impacts of fluctuations in the Brazilian real, Mexican peso, pound sterling, Indian rupee and Polish zloty.

In 2019, changes in Group structure related to newly consolidated companies and deconsolidated divested companies, and concern all segments. Impairment was essentially recognized on assets sold in the year. The 2019 translation adjustments and restatements for hyperinflation primarily reflected the impacts of fluctuations in the pound sterling, US dollar, Argentine peso, Mexican peso and Russian ruble.

6.4. Right-of-use assets linked to leases

In first-half 2020, right-of-use assets under leases relate mainly to land and buildings for €2,408 million and to machinery and equipment for €518 million.

The amount reported in the "Acquisitions" line relates to new lease agreements.

6.5. Impairment review

Property, plant and equipment, right-of-use assets, goodwill and other intangible assets are tested for impairment on a regular basis and at least annually for the December 31 closing. These tests consist of comparing the asset's carrying amount to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, calculated by reference to the net present value of the future cash flows expected to be derived from the asset.
The Covid-19 health crisis generally led to a significant downturn in business – albeit of varying magnitudes depending on the Cash-Generating Unit (CGU) concerned – followed by a sharp upswing. In Europe, which generally represents more than two-thirds of the Group's net sales, trading bottomed out in April before rallying gradually but firmly as from mid-May. Although the Covid-19 pandemic does not in itself represent evidence of impairment, the Group conducted a thorough review and analysis of its 28 CGUs in order to determine whether they were likely to have suffered a loss in value and therefore identify any CGUs that needed to be tested for impairment. The weighted average cost of capital (WACC) was 6.85%, unchanged from 2019 due to limited changes in the rate's components. This rate corresponds to the Group's average cost of capital, plus a country risk premium where applicable depending on the geographic area concerned. The approach used involved categorizing the Group's 28 CGUs based on:

- qualitative inputs: i.e., analyzing the feasibility and long-term viability of each CGU's business model (potentially involving a downward revision of normative business and profitability inputs), as well as the potential magnitude and duration of the crisis triggered by Covid-19 in the markets/sectors in which each CGU operates;
- quantitative inputs: i.e., determining the headroom existing at December 31, 2019 (in absolute terms as well as percentage terms) and the known sensitivity of each CGU to a 0.5-point increase or decrease in the discount rate and perpetuity growth rate, and a 1-point increase or decrease (0.5-point increase or decrease for Distribution CGUs) in profitability rates relative to the qualitative inputs listed above.

Based on this analysis, the Group distinguished between:

- CGUs impacted in the short term by the Covid-19 crisis, but essentially in line with wider economic trends, and whose medium- to long-term outlook appears to be unaffected. No impairment tests were performed on these CGUs at June 30, which showed sufficient headroom.

- CGUs already closely monitored or considered as "sensitive" at December 31, 2019, which were tested for impairment and for which a broad range sensitivity analyses was conducted. The impairment test factored in an updated business outlook for second-half 2020 and subsequent years.

For example, as a result of the impairment test carried out on the Distribution UK CGU, the Group recognized an impairment loss of €581 million against the CGU's intangible assets in its financial statements for the six months ended June 30, 2020, in addition to the €750 million write-down already taken in 2018. The impairment reflects the factors mentioned below, which adversely affect the CGU's short- to medium-term outlook. The Distribution UK CGU has been underperforming since 2018 in terms of its profitability and was already the subject of a turnaround plan. The significant impact of the Covid-19 crisis on trading and earnings for the first half of 2020, the uncertainty as to a recovery in the second half, and a heightened risk caused by the increased likelihood of a no-deal Brexit further undermine the CGU's profitability in an already downgraded UK distribution market shaped by large-scale restructuring.

Although the three Pipe CGUs were impacted to varying degrees by the Covid-19 crisis, their upbeat recovery and profitability outlook in the medium term is confirmed. They remain sensitive to a change in the discount rate, perpetuity growth rate and profitability rate to the same extent as at December 31, 2019 (see table below).
The consequences of the pandemic in Brazil led the Group to write down the recoverable amount of its Distribution Brazil CGU, without calling into question its medium-term outlook or net carrying amount.

The following table presents the results of the sensitivity analyses for the various CGUs tested for impairment at June 30, 2020. In view of the recent context related to the Covid-19 pandemic, the Group used a broader range of sensitivity inputs (0.75-point change in the discount rate, 1.5-point change in the profitability rate for the Industry CGUs, and a 1-point change in the profitability rate for the Distribution CGU).

	Impact of changes in the						
	discount rate		**growth rate**	**operating income rate**			
(in € millions)	**0.5-point increase**	**0.75-point increase**	**0.5-point decrease**	**1-point decrease Industry CGUs**	**1.5-point decrease Industry CGUs**	**0.5-point decrease Distribution CGUs**	**1.0-point decrease Distribution CGUs**
High Performance Solutions							
Northern Europe	(64)	(93)	(53)			(178)	(357)
Southern Europe - ME & Africa		(12)		(86)	(121)		
Americas				(3)	(20)	(3)	(19)
Asia-Pacific	(2)	(3)	(1)	(11)	(11)		
TOTAL	**(66)**	**(108)**	**(54)**	**(100)**	**(152)**	**(181)**	**(376)**

NOTE 7 OTHER NON-CURRENT ASSETS

Changes in other non-current assets are analyzed below:

(in € millions)	Equity investments and other	Loans, deposits and surety	Pension plan surpluses	Total
At January 1, 2019				
Gross value	1,742	625	193	2,560
Provisions for impairment	(28)	(5)		(33)
NET VALUE	**1,714**	**620**	**193**	**2,527**
Changes during the period				
Increases/(decreases)	72	(58)	83	97
Provisions for impairment	1	(2)		(1)
Translation adjustments and restatement for hyperinflation	0	2	12	14
Transfers and other changes	0	2		2
Changes in Group structure	0	1		1
Changes in fair value	871	0		871
TOTAL CHANGES	**944**	**(55)**	**95**	**984**
At December 31, 2019				
Gross value	2,685	574	288	3,547
Provisions for impairment	(27)	(9)		(36)
NET VALUE	**2,658**	**565**	**288**	**3,511**
Changes during the period				
Increases/(decreases)	(2,378)	24	22	(2,332)
Provisions for impairment	0	0		0
Translation adjustments and restatement for hyperinflation	(3)	(13)	(19)	(35)
Transfers and other changes	0	1		1
Changes in Group structure	(49)	0		(49)
Changes in fair value	(159)	0		(159)
TOTAL CHANGES	**(2,589)**	**12**	**3**	**(2,574)**
At June 30, 2020				
Gross value	95	583	291	969
Provisions for impairment	(26)	(6)		(32)
NET VALUE	**69**	**577**	**291**	**937**

Changes in the fair value of equity investments in both 2020 and 2019 relate mainly to Sika shares.
The decrease in other non-current assets in 2020 chiefly results from the sale of Sika shares (see note 3.2, “Changes in Group structure”).

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 provisions for other liabilities and investment-related liabilities
At January 1, 2019									
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**
Changes during the period									
Additions	128	20	85	31	63	70	397		397
Reversals	(8)	(6)	(18)	(10)	(21)	(18)	(81)		(81)
Utilizations	(122)	(9)	(112)	(21)	(37)	(44)	(345)		(345)
Changes in Group structure	0	(7)	18	(1)	(3)	(10)	(3)		(3)
Other changes (reclassifications and translation adjustments)	11	7	4	(1)	6	(16)	11	3	14
Liabilities held for sale	0	0	(2)	0	(1)	1	(2)		(2)
TOTAL CHANGES	**9**	**5**	**(25)**	**(2)**	**7**	**(17)**	**(23)**	**3**	**(20)**
At December 31, 2019									
Current portion	56	32	54	18	106	65	331	12	343
Non-current portion	517	126	44	83	95	97	962	164	1,126
TOTAL PROVISIONS FOR OTHER LIABILITIES AND INVESTMENT-RELATED LIABILITIES	**573**	**158**	**98**	**101**	**201**	**162**	**1,293**	**176**	**1,469**
Changes during the period									
Additions	12	14	55	8	36	26	151		151
Reversals	0	(3)	(4)	(4)	(6)	(13)	(30)		(30)
Utilizations	(29)	(3)	(38)	(10)	(23)	(11)	(114)		(114)
Changes in Group structure	(499)	0	0	0	0	418	(81)		(81)
Other changes (reclassifications and translation adjustments)	1	(3)	0	(4)	6	(10)	(10)	(16)	(26)
TOTAL CHANGES	**(515)**	**5**	**13**	**(10)**	**13**	**410**	**(84)**	**(16)**	**(100)**
At June 30, 2020									
Current portion	21	37	67	16	104	85	330	7	337
Non-current portion	37	126	44	75	110	487	879	153	1,032
TOTAL PROVISIONS FOR OTHER LIABILITIES AND INVESTMENT-RELATED LIABILITIES	**58**	**163**	**111**	**91**	**214**	**572**	**1,209**	**160**	**1,369**

The decrease in provisions for claims and litigation at June 30, 2020 primarily reflects the deconsolidation of DBMP LLC, which carried on its books the legacy asbestos-related claims against the former CertainTeed Corporation. The offsetting entry for this decrease is a rise in provisions for other risks, which mainly results from the financing commitments undertaken by CertainTeed LLC in favor of DBMP LLC (see note 8.2.2.2 discussing asbestos-related liabilities in the US).

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 28.8 million. Sanitas Troesch appealed this decision on May 2, 2016 and continues to firmly refute the claims made. The hearing took place before the Federal Administrative Court in January 2020 and the date on which the Federal Administrative Court will issue its decision is not yet known. However, a provision for claims and litigation was recognized at December 31, 2015 in an amount equivalent to the fine (unchanged at June 30, 2020).

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 rejected the allegations in their response to the second statement of objections filed in January 2019.

A new report was sent by the Authority at the end of 2019, which gave rise to comments in response from Saint-Gobain Isover and Compagnie de Saint-Gobain on February 11, 2020.

To date, no decision of the French Competition Authority has been issued on the merits.

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

Current legal actions related to asbestos are described below.

8.2.2.1. Asbestos-related litigation in France

- Inexcusable fault lawsuits

In France, six further individual lawsuits were filed in first-half 2020 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, 2020, a total of 836 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, 2020, 797 of these 836 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 €5 million.

Concerning the 39 lawsuits outstanding against Everite and Saint-Gobain PAM as of June 30, 2020, the procedures relating to the merits of all the cases were at different stages, with six in the process of being investigated by the French Social Security authorities and 33 pending before the Civil Courts (*Tribunaux judiciaires* or Appeal Courts.
In addition, as of June 30, 2020, 253 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, 2020, 223 lawsuits had been completed. In 140 of these cases, the employer was held liable for “inexcusable fault”.
At the same date, compensation paid by these companies totaled approximately €8 million.

As regards the 30 suits outstanding as of June 30, 2020, three cases were still being investigated by the French Social Security authorities, 25 were being tried – including 20 pending before the Civil Courts (*Tribunaux judiciaires*), four before the Appeal Courts and one before the *Cour de cassation*. Lastly, two actions have been cancelled but the plaintiff may request its restoration at any time within a two-year period following its cancellation.

- 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).

As of June 30, 2020, a total of 824 lawsuits 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 as of June 30, 2020. The remaining 104 lawsuits 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.

The provision related to asbestos-related litigation in France amounted to around €5 million at June 30, 2020.

8.2.2.2. Situation in the United States

- Action taken to achieve equitable and permanent Resolution of the former CertainTeed Corporation’s legacy asbestos liabilities in the United States

DBMP LLC, an affiliate of CertainTeed LLC based in North Carolina, that holds the legacy asbestos liabilities of the former CertainTeed Corporation, filed, on January 23, 2020, a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Western District of North Carolina in Charlotte.

The purpose of the filing is to achieve a certain, final and equitable resolution of all current and future claims arising from asbestos-containing products manufactured and sold by the former CertainTeed Corporation.

DBMP LLC intends to seek court authority to establish a trust under Section 524(g) of the U.S. Bankruptcy Code – a specific provision that is applicable to companies that face substantial numbers of asbestos-related claims – to achieve a fair and equitable resolution of its asbestos-related liabilities. Upon establishment of the trust, current and future plaintiffs with qualifying claims will be able to receive faster payment of their claims without the delay, stress and uncertainty of litigation in the tort system; at the same time, the creation and funding of such a trust will permanently and finally resolve DBMP LLC's asbestos liability.

During the course of this bankruptcy process, which could take 3 to 8 years, all asbestos litigation will be stayed and all related costs suspended, providing DBMP LLC with the time and protection to negotiate an agreement to be approved on behalf of all claimants and by the court.

This action has been taken as a result of the increasing risks presented in the US tort system. Despite the passage of time and lessening opportunity for claimants to assert legitimate claims of exposure to the asbestos-containing products of the former CertainTeed Corporation, naming practices in the tort system continued to result in a steady volume of claims against DBMP LLC, with no foreseeable end in sight. In addition, there has been, in general, an escalation of settlement demands and verdicts in the tort system.

- Impact on the Group's financial statements

Following the commencement of the proceeding under Chapter 11 of the U.S. Bankruptcy Code on January 23, 2020, the assets and liabilities of DBMP LLC and its wholly-owned subsidiary Millwork & Panel LLC, and in particular the provision for asbestos-related litigation in the United States, were no longer consolidated in the Group's financial statements.

Nonetheless, because of a funding agreement between CertainTeed LLC and DBMP LLC by which CertainTeed LLC has agreed to fund the costs of the Chapter 11 case and, ultimately, the 524(g) trust, in both cases solely to the extent DBMP LLC is unable to do, the Group retains in its consolidated financial statements a provision for contingencies and charges covering these obligations. This provision aggregates $445 million as of June 30, 2020.

The Group's consolidated income for the 2020 first-semester is not impacted by the ongoing Chapter 11 proceeding described above.

As a result of this bankruptcy proceeding, all legal costs and indemnity payments related to DBMP LLC's asbestos tort claims have been suspended, and no further charges in relation to such claims ($69 million for the 2019 first-semester) are being taken.

For more details, please refer to note 12 to the consolidated financial statements, Chapter 8, Section 1 of the 2019 Universal Registration Document.

8.2.2.3. Situation in Brazil

In Brazil, former employees of Brasilit, that once manufactured fiber cement containing asbestos, 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. A first instance decision was rendered in connection with the first suit in July 2020, rejecting the claims of the plaintiffs. The latter have nevertheless appealed the decision. The suit related to Recife is still at an early stage and there is no court decision issued so far.

A third class action was initiated against Brasilit in 2019 in Capivari (State of São Paulo) by the Labor prosecutor asking for health insurance, as well as collective moral damages, in favor of employees, former employees and their respective families, as well as subcontractors who were exposed to asbestos. This suit is still at an early stage with no first instance decision.

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) health advisories or state maximum contaminent levels for drinking water 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 some PFOA.

SG PPL has voluntarily provided bottled water in all three communities, installed point-of-entry treatment systems to residents and businesses in the Hoosick Falls and North Bennington areas, installed carbon filtration systems on the municipal water supply in Hoosick Falls and agreed to fund the installation of a carbon filtration system on the Merrimack Valley District's municipal water supply. In addition, it has voluntarily funded both completed and on-going construction of water line extensions in certain communities in the Merrimack and Bennington areas. The investigations are on-going and the scope of responsibility for SG PPL arising from environmental remediation and clean-up obligations at these sites has not yet been established. Without admitting liability, SGPPL has signed consent orders with the environmental regulators in New York 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 or certified class actions. It is difficult to predict the timing or outcome of any such litigation, or whether any additional litigation will be brought against SG PPL.

On June 30, 2020, the provision recorded by the Company in respect of this matter amounts to €21 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 as one 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.

NOTE 9 FINANCING AND FINANCIAL INSTRUMENTS

9.1. Net financial income (expense)

Net financial income (expense) includes borrowing and other financing costs, income from cash and cash equivalents, interest on lease liabilities, interest cost for pensions 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 2020 and 2019 includes:

(in € millions)	First-half 2020	First-half 2019
Borrowing costs, gross	(139)	(158)
Income from cash and cash equivalents	9	17
BORROWING COSTS, NET, EXCLUDING LEASE LIABILITIES	**(130)**	**(141)**
Interest on lease liabilities	(31)	(37)
TOTAL BORROWING COSTS, NET	**(161)**	**(178)**
Interest cost – pensions and other post-employment benefit obligations	(120)	(157)
Return on plan assets	105	129
INTEREST COST – PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS, NET	**(15)**	**(28)**
Other financial expense	(63)	(50)
Other financial income	39	34
OTHER FINANCIAL INCOME AND EXPENSE	**(24)**	**(16)**
NET FINANCIAL INCOME (EXPENSE)	**(200)**	**(222)**

9.2. Net debt

9.2.1. Long- and short-term debt

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

(in € millions)	June 30, 2020	Dec. 31, 2019
Bond issues	9 455	9 505
Perpetual bonds and participating securities	203	203
Long-term securitization	280	350
Other long-term financial liabilities	264	228
NON-CURRENT PORTION OF LONG-TERM DEBT	**10 202**	**10 286**
Bond issues	1 500	1 480
Long-term securitization	40	150
Other long-term financial liabilities	100	121
CURRENT PORTION OF LONG-TERM DEBT	**1 640**	**1 751**
Short-term financing programs (NEU CP, US CP, Euro CP)	1 572	0
Short-term securitization	0	0
Bank overdrafts and other short-term financial liabilities	304	224
SHORT-TERM DEBT	**1 876**	**224**
TOTAL GROSS DEBT EXCLUDING LEASE LIABILITIES	**13 718**	**12 261**
Lease liabilities	3 190	3 217
TOTAL GROSS DEBT	**16 908**	**15 478**
Cash at banks	(2 219)	(2 052)
Mutual funds and other marketable securities	(4 848)	(2 935)
CASH AND CASH EQUIVALENTS	**(7 067)**	**(4 987)**
TOTAL NET DEBT	**9 841**	**10 491**

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

(in € millions)	Dec. 31, 2019	Cash impact		No cash impact			June 30, 2020
		Increases	Decreases	Changes in Group structure	Translation adjustments	Other	
Non-current portion of long-term debt	10,286	1,621	(346)	235	(118)	(1,476)	10,202
Current portion of long-term debt	1,751	10	(1,623)	5	(1)	1,498	1,640
TOTAL LONG-TERM DEBT	**12,037**	**1,631**	**(1,969)**	**240**	**(119)**	**22**	**11,842**

The main changes with an impact on cash are described in note 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 €11.9 billion at June 30, 2020 (for a carrying amount of €11.2 billion). The fair value of bonds corresponds to the market price on the last day of the year. For other borrowings, fair value is considered as equal to the amount repayable.

9.2.2. Gross debt repayment schedule

The schedule of the Group's total gross debt as of June 30, 2020 is as follows:

(in € millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues	EUR	1,500	4,189	4,666	10,355
	GBP		328	272	600
Perpetual bonds and participating securities	EUR			203	203
Long-term securitization	EUR	40	280		320
Other long-term financial liabilities	All currencies	18	83	181	282
Accrued interest on long-term debt	All currencies	82			82
TOTAL LONG-TERM DEBT		**1,640**	**4,880**	**5,322**	**11,842**
SHORT-TERM DEBT	All currencies	**1,876**	**0**	**0**	**1,876**
TOTAL GROSS DEBT EXCLUDING LEASE LIABILITIES		**3,516**	**4,880**	**5,322**	**13,718**
Lease liabilities	All currencies	669	1,619	902	3,190
TOTAL GROSS DEBT		**4,185**	**6,499**	**6,224**	**16,908**

9.2.3. Bonds

On April 3, 2020, Compagnie de Saint-Gobain issued:
- €750 million worth of 1.75% fixed-rate bonds, maturing on April 3, 2023;
- €750 million worth of 2.375% bonds, maturing on October 4, 2027.

Compagnie de Saint-Gobain redeemed:
- €1,000 million worth of 0% bonds on March 27, 2020 at maturity;
- two floating-rate 3-month Euribor +0.23% private placements on June 25, 2020 at maturity, amounting to €180 million and €300 million, respectively.

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, 2020, 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, 2020, 606,883 securities were still outstanding with an aggregate face value of €92.5 million.

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

In April 1984, 194,633 non-voting participating securities were issued 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, 2020, 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, 2020, issuance under these programs is as follows:

(in € millions)	**Authorized drawings**	**Authorized limits at June 30, 2020**	**Balance outstanding at June 30, 2020**	**Balance outstanding at Dec. 31, 2019**
Medium Term Notes	1 to 30 years	15 000	11 149	11 129
NEU CP	up to 12 months	4 000	1 572	0
US Commercial Paper	up to 12 months	893 *		0
Euro Commercial Paper	up to 12 months	893 *		0

* Equivalent of US$1,000 million based on the exchange rate at June 30, 2020.

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

9.2.7. Syndicated lines of credit

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

- a €2.5 billion syndicated line of credit, maturing in December 2024, after the exercise of the two one-year rollover options;
- a second €1.5 billion syndicated line of credit also maturing in December 2024 after the exercise of two one-year rollover options.

Another short-term line of credit was arranged on March 22, 2020 for an initial amount of €2.5 billion, maturing in March 2021 and including two six-month rollover options.

At June 30, 2020, this facility is reduced to €1 billion.

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

None of these lines of credit has been drawn down at June 30, 2020.

9.2.8. Receivables securitization programs

The Group has set up a receivables securitization program for up to €500 million through its French subsidiary Point.P Finances GIE.

An amount of €320 million had been drawn under this program at June 30, 2020, compared to €500 million at December 31, 2019. Based on observed seasonal fluctuations in receivables included in the program and on the contract's features, €280 million of this amount is classified as non-current and the balance as current.

9.2.9. Collateral

At June 30, 2020, €7 million of Group debt is secured by various non-current assets (real estate and securities).

9.2.10. Factoring

The Group has set up several trade receivables factoring programs. Based on an analysis of the risks and rewards within the meaning of IFRS 9, the Group has derecognized virtually all of the receivables sold under these programs. A total of €395 million factored receivables were derecognized at June 30, 2020, compared to €471 million at December 31, 2019.

9.3. Financial instruments

The Group uses interest rate, foreign exchange, energy, commodity and equity derivatives to hedge its exposure to changes in interest rates, exchange rates, and energy, commodity and equity 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, 2020	Dec. 31, 2019	Within 1 year	1 to 5 years	Beyond 5 years	June 30, 2020
FAIR VALUE HEDGES	**0**	**0**	0	**0**	**0**	**0**	**0**	0
Cash flow hedges								
Currency	1	(11)	(10)	0	247			247
Interest rate	0	(100)	(100)	(78)		95	374	469
Energy and commodities	1	(7)	(6)	(4)	24	5		29
Other risks: equities	0	(6)	(6)	(2)	2	34	0	36
CASH FLOW HEDGES – TOTAL	**2**	**(124)**	(122)	**(84)**	**273**	**134**	**374**	781
Derivatives not qualifying for hedge accounting mainly contracted by Compagnie de Saint-Gobain								
Currency	37	(5)	32	0	4,828			4,828
Interest rate			0	0				0
Energy and commodities			0	0				0
DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING – TOTAL	**37**	**(5)**	32	**0**	**4,828**	**0**	**0**	4,828
TOTAL	**39**	**(129)**	(90)	**(84)**	**5,101**	**134**	**374**	5,609

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, 2020, credit value adjustments are not material.

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

At June 30, 2020, the cash flow hedging reserve carried in equity in accordance with IFRS has a debit balance of €76 million, consisting mainly of:

- a debit balance of €32 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 €28 million corresponding to the changes in fair value of interest rate swaps qualified as cash flow hedges;
- a debit balance of €10 million corresponding to the changes in fair value of currency derivatives qualified as cash flow hedges;
- a debit balance of €6 million corresponding to changes in the value of energy and raw materials 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” is a positive €32 million at June 30, 2020 (nil at December 31, 2019).

9.3.4. Group debt structure (excluding lease liabilities)

The weighted average interest rate on total gross debt under IFRS and after hedging (currency swaps, interest rate swaps and cross-currency swaps) is 2.0% at June 30, 2020, compared with 1.8% at December 31, 2019.

The table below presents the breakdown by interest rate (fixed or variable) of the Group's gross debt at June 30, 2020, 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	1 887	9 931	11 818
Other currencies	1 419	302	1 721
TOTAL	**3 306**	**10 233**	**13 539**
(in %)	24%	76%	100%
Accrued interest and other			179
TOTAL GROSS DEBT EXCLUDING LEASE LIABILITIES			**13 718**

9.4. Financial assets and liabilities

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

At June 30, 2020

		Financial instruments				Financial instruments at fair value			
(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				6,533	**6,533**				**0**
Loans, deposits and surety	(7)			577	**577**				**0**
Equity investments and other	(7)		69		**69**			69	**69**
Derivatives recorded in assets		37	2		**39**		39		**39**
Cash and cash equivalents		4,848		2,219	**7,067**	4,848			**4,848**
TOTAL FINANCIAL ASSETS		**4,885**	**71**	**9,329**	**14,285**	**4,848**	**39**	**69**	**4,956**
Trade and other accounts payable				(9,288)	**(9,288)**				**0**
Long- and short-term debt				(13,638)	**(13,638)**				**0**
Long- and short-term lease liabilities				(3,190)	**(3,190)**				**0**
Derivatives recorded in liabilities		(5)	(124)		**(129)**		(129)		**(129)**
TOTAL FINANCIAL LIABILITIES		**(5)**	**(124)**	**(26,116)**	**(26,245)**	**0**	**(129)**	**0**	**(129)**
FINANCIAL ASSETS AND LIABILITIES - NET		**4,880**	**(53)**	**(16,787)**	**(11,960)**	**4,848**	**(90)**	**69**	**4,827**

At December 31, 2019

		Financial instruments				Financial instruments at fair value			
(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				6 419	**6 419**				**0**
Loans, deposits and surety	(7)			565	**565**				**0**
Equity investments and other	(7)		2 658		**2 658**	2 554		104	**2 658**
Derivatives recorded in assets		5	2		**7**		7		**7**
Cash and cash equivalents		2 935		2 052	**4 987**	2 935			**2 935**
TOTAL FINANCIAL ASSETS		**2 940**	**2 660**	**9 036**	**14 636**	**5 489**	**7**	**104**	**5 600**
Trade and other accounts payable				(9 995)	**(9 995)**				**0**
Long- and short-term debt				(12 183)	**(12 183)**				**0**
Long- and short-term lease liabilities				(3 217)	**(3 217)**				**0**
Derivatives recorded in liabilities		(5)	(86)		**(91)**		(91)		**(91)**
TOTAL FINANCIAL LIABILITIES		**(5)**	**(86)**	**(25 395)**	**(25 486)**	**0**	**(91)**	**0**	**(91)**
FINANCIAL ASSETS AND LIABILITIES - NET		**2 935**	**2 574**	**(16 359)**	**(10 850)**	**5 489**	**(84)**	**104**	**5 509**

NOTE 10 SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1. Equity

At June 30, 2020, the number of shares comprising the capital stock of Compagnie de Saint-Gobain was 544,683,451 shares with a par value of €4 (544,683,451 shares at December 31, 2019).

10.2. Earnings per share

10.2.1. Basic earnings per share

Basic earnings per share are as follows:

	First-half 2020	First-half 2019
Group share of net income *(in € millions)*	(434)	689
Weighted average number of shares in issue	538,242,661	542,350,708
BASIC EARNINGS PER SHARE, GROUP SHARE *(in €)*	(0.81)	1.27

10.2.2. Diluted earnings per share

Diluted earnings per share are as follows:

	First-half 2020	First-half 2019
Group share of net income *(in € millions)*	(434)	689
Weighted average number of shares assuming full dilution	541,942,645	545,098,023
DILUTED EARNINGS PER SHARE, GROUP SHARE *(in €)*	(0.80)	1.26

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares outstanding, assuming conversion of all dilutive instruments. The Group's dilutive instruments include stock options and performance share grants corresponding to a weighted average of 442 and 3,699,542 shares, respectively, at June 30, 2020 and 2019.

NOTE 11 TAX

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 both first-half 2020 and first-half 2019, and can be analyzed as follows:

(in € millions)	**First-half 2020**	**First-half 2019**
Net income	(433)	714
Less:		
Share in net income of equity-accounted companies	1	13
Income taxes	(183)	(318)
PRE-TAX INCOME (LOSS) OF CONSOLIDATED COMPANIES	**(251)**	**1,019**
French tax rate	32.02%	32.02%
Theoretical tax expense at French tax rate	81	(326)
Impact of different tax rates	(30)	74
Asset impairment, capital gains and losses on asset disposals	(56)	(58)
Deferred tax assets not recognized and provisions for deferred tax assets	(73)	(4)
Liability method	(27)	
Research tax credit, tax credit for competitiveness and employment (CICE) and value-added contribution for businesses (CVAE)	(8)	(9)
Costs related to dividends	(50)	(1)
Other taxes and changes in provisions	(20)	6
TOTAL INCOME TAX EXPENSE	**(183)**	**(318)**

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

11.2. Deferred tax

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

(in € millions)	**Net deferred tax asset/(liability)**
NET VALUE at January 1, 2019	**411**
Deferred tax (expense)/benefit	(53)
Changes in deferred taxes relating to actuarial gains and losses (IAS 19)	27
Liability method on actuarial gains and losses	23
Translation adjustments and restatement for hyperinflation	(15)
Assets and liabilities held for sale	(1)
Changes in Group structure and other	(7)
NET VALUE at December 31, 2019	**385**
Deferred tax (expense)/benefit	31
Changes in deferred taxes relating to actuarial gains and losses (IAS 19)	(8)
Changes in deferred taxes relating to financial instruments (IAS 39)	4
Liability method on profit and loss	(27)
Liability method on actuarial gains and losses	16
Translation adjustments and restatement for hyperinflation	3
Changes in Group structure and other	(88)
At June 30, 2020	**316**

Changes in Group structure in the first half of 2020 relate mainly to the first-time consolidation of Continental Building Products.

NOTE 12 SUBSEQUENT EVENTS

None.

COMPAGNIE DE SAINT-GOBAIN

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

(Period from January 1, 2020 to June 30, 2020)

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

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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, 2020 to June 30, 2020)

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

Compagnie de Saint-Gobain
Tour Saint-Gobain
12, place de l'Iris
92400 Courbevoie 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, 2020 to June 30, 2020,
- the verification of information contained in the half-year management report.

These condensed half-year consolidated financial statements were prepared under the responsibility of the Board of Directors on July 30, 2020 based on information available at that date in the evolving context of the Covid-19 crisis and the related difficulties to assess its impacts and outlooks. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

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

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

II – Specific verification

We have also verified the information given in the half-year management report dated July 30, 2020 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 30, 2020

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 INTERIM FINANCIAL REPORT AS OF JUNE 30, 2020

I hereby declare that, to the best of my knowledge, the condensed interim consolidated financial statements for the six-month period ended June 30, 2020 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 main uncertainties for the second half of 2020.

Courbevoie, July 30, 2020

Chief Executive Officer	Chief Financial Officer
Pierre-André de CHALENDAR Compagnie de Saint-Gobain	Sreedhar N. Compagnie de Saint-Gobain