Half-year financial report 2022

Including:

- Half-year management Report 2022
- Condensed consolidated Financial Statements as of June 30, 2022
- Statutory Auditors’ review report on the 2022 half-year financial information
- Statement by the persons responsible for the 2022 interim financial report

SAINT-GOBAIN

The worldwide leader
in light & sustainable construction

Excellent first-half 2022 results
2022 outlook confirmed

- **Sales up 15.1%**, with dynamic organic growth of 15.0% versus H1 2021 (double-digit growth for all segments)
- **Positive price-cost spread at the Group level in H1 2022**
- **Successful execution of our "Grow & Impact" plan thanks to the development of energy efficiency and decarbonization solutions** for construction and industry
- **Operating income up 17.5% on H1 2021 to €2,791 million** (up 13% at constant exchange rates); **record margin at 11.0%**
- **Record recurring net income, up 20.5% to €1,814 million**
- **Robust free cash flow of €1,686 million, with a conversion ratio of 51%**
- **Share buybacks: €431 million in H1 2022, net of employee shareholding transactions**

A transformed and resilient Group

2022 outlook confirmed: further increase in operating income in 2022 compared to 2021 at constant exchange rates

Benoit Bazin, Chief Executive Officer of Saint-Gobain, commented:
"Our excellent first-half 2022 performance reflects the profound changes made in the Group, the successful execution of our "Grow & Impact" plan, and good momentum on our underlying markets. Thanks to our comprehensive range of sustainability solutions – for energy efficiency and decarbonization of construction and industry – and extensive exposure to the renovation market, the Group is ideally positioned on robust market fundamentals.
Over the coming quarters, we are ready to adapt as needed to the consequences of rising interest rates and inflation along with the geopolitical and energy situation in Europe. Each country CEO has designed action plans, focusing especially on margins and cash flow. In this more uncertain environment, our target is to continue to outperform our markets and our deep transformation will enable us to demonstrate greater resilience.
Over the past three years, our teams have successfully risen to the challenges of the coronavirus pandemic, supply chain disruptions, and a strong inflationary environment. With portfolio rotation of almost €10 billion in sales since the end of 2018, and with a local organization keenly aware of immediate realities on the ground, Saint-Gobain has significantly increased its value creation.
Against this backdrop, I am confident in the Group's 2022 outlook which targets a further increase in operating income compared to 2021 at constant exchange rates."

Group operating performance

Like-for-like sales rose sharply in first-half 2022, up 15.0% on first-half 2021. This strong performance reflects the Group's position as worldwide leader in light and sustainable construction thanks to its unique range of innovative solutions offering sustainability and performance rolled out as part of the "Grow & Impact" plan. It also reflects good momentum across our segments, which all reported double-digit organic growth, driven in particular by renovation in Europe and by construction in the Americas and in Asia.

Thanks to the added value of the Group's solutions, the increase in prices was 15.3% over the first half (14.5% in the first quarter and 16.1% in the second) – in a far more inflationary raw material and energy cost environment – enabling the Group to generate a positive price-cost spread in the first half.

Faced with a high comparison basis last year, the Group's volumes stabilized over the first half (down 0.3%), and progressed 8.2% on first-half 2019 (pre-Covid), with the good first-quarter trends continuing in the second quarter (up 8.2% on 2019).

On a reported basis, sales hit a new record-high of **€25,481 million**, up 15.1% year-on-year. The 3.3% positive **currency effect** mainly reflects the appreciation of the US dollar, pound sterling, Brazilian real and other emerging country currencies.

The **Group structure impact** reduced sales by 3.2% due to the ongoing **optimization of the Group's profile**, in terms of both disposals (mainly Lapeyre in France, distribution in the Netherlands and Spain, specialized distribution in the UK, Glassolutions in Germany and Denmark, and pipe in China) and acquisitions (mainly Chryso in construction chemicals and Panofrance, a French specialist in modular timber solutions). Overall, since the launch of its transformation at the end of 2018, Saint-Gobain has signed or closed divestments and acquisitions representing around €6.2 billion and €3.5 billion in sales, respectively.
The integration of Chryso is progressing particularly well, with strong organic growth of 24%, an increase in EBITDA to more than €50 million in the first half (after €87 million in EBITDA over 2021 as a whole) and a margin that remains best-in-class.
The **acquisition of Kaycan**, a leading exterior building materials player in North America and the top siding player in Canada, **is expected to close on July 29, 2022**. The **acquisition of GCP Applied Technologies** in construction chemicals is **expected to close before year-end**.

Operating income hit a new record in first-half 2022, at €2,791 million, a rise of **17.5% as reported and of 13.0% at constant exchange rates** (up 11.1% like-for-like) versus first-half 2021.

The Group's **operating margin** hit **another all-time high of 11.0% in first-half 2022** versus 10.7% in first-half 2021, **a rise of 370 basis points since the start of the transformation** (first-half 2018).

Update on inflation and the energy situation

Amid accelerating inflation, Saint-Gobain now expects its energy and raw material costs to increase by almost €3 billion in 2022 compared to 2021 (versus €2.5 billion previously). This inflation concerns raw materials, freight and energy, especially in Europe. The Group has hedged around 80% of its natural gas and electricity purchasing needs for 2022 as a whole and around 60% for 2023. Saint-Gobain's total energy bill amounted to €1.5 billion in 2021, representing 3% of Group sales.

In light of its proactive energy cost hedging policy, the positive price-cost spread in the first half and the acceleration of the price effect to 15.3% in the first half, Saint-Gobain is confident that it will be able to offset the estimated inflation in raw material and energy costs for 2022.

In those countries most sensitive to Russian gas supplies for Saint-Gobain, namely Germany, the Czech Republic and Poland (the latter to become independent of Russian gas at the end of 2022), the Group has continued to formulate various plans for continuing its operations, enabling it to significantly mitigate the direct impact of a potential scenario in which all supplies of Russian gas are terminated to approximately 2% of consolidated sales through various levers:

- Classification of priority industries, particularly in glass and insulation;
- Use of alternative energy sources (heavy fuel or diesel) at certain sites. In Germany for example, the Group has four float lines: one has already been converted, and three are currently being prepared for a conversion by the end of the year;
- Increasing the flexibility of our plants to function with less energy.

For the whole of Europe, the Group is putting into place logistics plans for the substitution of production between countries and has also set up a business continuity plan for the main gas-consuming manufacturing activities in the event of an exceptional reduction in supply:

- Glass: in all, Saint-Gobain has 13 float lines in Europe that are already or will soon be able to operate without Russian gas – four are already able to operate using alternative energy sources; four are currently being prepared for a possible conversion by the end of 2022; and five have very limited exposure to Russian gas;
- Insulation: more than half of the Group's European plants have an electricity-powered furnace; additional investments are being undertaken to use alternative energy sources and thereby maintain production at facilities where needed;
- Plasterboard: production facilities are extremely flexible; investments are in progress to convert certain processes to diesel or liquefied natural gas.

Segment performance (like-for-like sales)

Northern Europe: strong sales growth driven by renovation; record margin

Sales in the Northern Europe Region were up by 15.2% against a high comparison basis. Despite some signs of a slowdown in new construction, renovation markets remained supportive on the back of demand driven by both government assistance measures and stricter regulations. Compared to first-half 2019 (pre-Covid), volumes progressed by around 6% over first-half 2022. The operating margin for the Region came in at a new record high of 8.2% (versus 7.9% in first-half 2021 and 6.0% in first-half 2019), thanks to an optimized business profile, good volume levels and especially successful efforts to pass on inflation to sales prices.

Nordic countries (13% of consolidated sales) reported further growth thanks to their successful presence across the entire trade professional value chain and to a renovation market supported by energy efficiency projects. The investment to create the world's first carbon-neutral plasterboard plant in Norway made good progress, with the plant scheduled to open in 2023. The **UK** (9% of consolidated sales) – which has been very active recently in optimizing its portfolio – reported a satisfactory performance in a market broadly down on first-half 2021, which had seen a very strong post-Covid rally. **Germany** (3% of consolidated sales) benefited from its solid market positions in energy efficiency renovation, with enhanced stimulus measures, and is preparing for increasing uncertainty as to the supply and cost of energy. **Eastern Europe** (4% of consolidated sales) reported very strong momentum thanks to very supportive markets and to market share gains in its main countries, particularly Poland, the Czech Republic and Romania.

Southern Europe - Middle East & Africa: strong sales momentum driven by renovation; robust margin

The Southern Europe - Middle East & Africa Region enjoyed good momentum, with sales up 13.6% driven by prices owing to a very high comparison basis for volumes in first-half 2021. Despite some signs of a slowdown in new construction, all countries in the Region reported double-digit organic growth as our comprehensive solutions enabled us to outperform the renovation market. Volumes progressed by around 7% in first-half 2022 compared to first-half 2019 (pre-Covid). The Region posted an excellent operating margin of 8.9% (a clear sequential increase after 7.4% in second-half 2021 and 5.0% in first-half 2019), supported by a strongly optimized profile post-transformation, a good level of prices and volumes, and productivity gains from our teams.

France (24% of consolidated sales) continued to report good momentum against a high first-half 2021 comparison basis, driven by structurally supportive renovation markets – thanks particularly to a favorable regulatory environment and household stimulus packages such as *MaPrimeRénov'*, which is to be extended over the coming years. Trade professionals are still seeing full order books. Saint-Gobain continued to outperform thanks to its comprehensive range of innovative and sustainable solutions and to its presence across the entire value chain. In the current inflationary climate, the Group has taken the initiative to put in place various measures to support trade professionals, whether it be transparency and information on pricing, the timeframe for which a quotation remains valid, or assistance through optimum credit terms. In France in May, Saint-Gobain became the first player in the world to achieve zero-carbon production of flat glass, a technological feat achieved by using 100% recycled material (cullet) and 100% green energy produced from biogas and carbon-free electricity. The Group is beginning to roll out low-carbon flat glass solutions that will be gradually ramped up from September. Saint-Gobain also launched a €120 million capital expenditure program for insulation in France, aimed at expanding production capacities, of which €20 million is earmarked specifically for efforts to decarbonize activities and develop the circular economy.
Spain enjoyed further robust growth, especially for light and sustainable construction solutions, as did **Italy** where the Group has fully leveraged its commercial synergies to meet the strong demand for energy efficiency renovation. Saint-Gobain also continues to invest to improve its energy mix, for example by installing solar panels in Italy at its Vidalengo insulation plant. **Benelux** held up well in a slowing market, benefiting from the development of its comprehensive range of renovation solutions with catalogs for each market, such as schools or hospitals. **Middle East and Africa** delivered further robust growth, benefiting from the opening of new plants and upbeat markets, particularly in Turkey and Egypt.

Americas: strong sales growth driven by comprehensive light construction solutions; robust margin

The Americas Region delivered 16.9% organic growth over first-half 2022, buoyed by a good level of pricing and volumes against a high comparison basis. Compared to first-half 2019 (pre-Covid), volumes were up by around 15%, supported by strong demand and market share gains. Operating income for the Region hit a new record high and the operating margin was 16.9%, driven mainly by good volume levels and a clear positive raw material and energy price-cost spread.

- **North America** progressed by 17.3%, driven by the development of a comprehensive range of solutions and by good momentum in light construction – from roofing and siding for the building envelope to interior performance solutions for user comfort and energy efficiency. Our local organization close to customers once again helped us mitigate supply chain tensions. In Canada, the Group announced a CAD 90 million investment (almost half of which is to be financed by subsidies) to create the first net-zero carbon plasterboard production in North America and to increase its production capacity. In the US, in a market shaped by a structural housing shortage, the investment of around USD 100 million in the Peachtree City (Georgia) roofing shingle manufacturing facility will double the plant's production capacity and offer enhanced customer service while reducing CO_2 emissions by 14%.

- **Latin America** reported 15.8% growth, despite a high comparison basis and a less dynamic macroeconomic environment in Brazil due to inflation and the three-fold increase in the Central Bank's interest rates in the past year. Growth in all countries of the Region continues to be driven by increased sales prices, an improved mix, newly opened production facilities (Chile, Argentina, Brazil, Peru and Mexico), and an enhanced geographical footprint and product range thanks to targeted acquisitions country-by-country in construction chemicals, especially in waterproofing (IMPAC in Mexico and Brasprefer in Brazil).

Asia-Pacific: strong sales growth and robust margin

The Asia-Pacific Region reported 29.7% organic growth, led by India and with moderate growth in China despite a difficult health situation, leading to an overall acceleration in volumes to 11.3%. The operating margin for the Region was up sharply at 12.7% (versus 11.2% in first-half 2021 and 9.5% in first-half 2019), supported by a good volume dynamic.

India delivered another excellent performance with growth of over 60% on the back of market share gains and an integrated and innovative range of solutions for energy- and resource-efficient buildings. The integration of Rockwool India Pvt Ltd. (stone wool insulation) was completed as planned in early February, and rounds out the Group's leading positions in façade and interior solutions. Despite a difficult health situation in the second quarter, **China** reported further growth driven by prices, thanks to market share gains in the supportive light construction sector, where recent low-carbon building directives will help accelerate growth. **South-East Asia** had a good first half – particularly in Vietnam and Malaysia – driven by the market recovery and the diversified offering, particularly in construction chemicals.

High Performance Solutions (HPS): accelerating sales growth and sequential improvement in margin to a good level

HPS sales were up by 12.5%, benefiting from an acceleration in prices and volumes (up 5.4%) on the back of the broad market recovery excluding European automotive. The HPS operating margin came in at 12.9%, a clear sequential improvement (11.4% in second-half 2021).

- Businesses serving **global construction customers** reported record sales and outperformed the market with 21.2% growth. They continue to benefit from upbeat trends in textile solutions for external thermal insulation systems (ETICS) thanks to good momentum in sustainable construction. The very strong trends in Chryso sales continued, driven by decarbonization in the construction sector. Integration and growth synergies are progressing well thanks to excellent Chryso management teams.

- The **Mobility** business progressed by 5.7%, driven by rising sales prices and by volume growth in the Americas, India and China – despite difficulties in the second quarter related to the health situation – especially in electric vehicles which represent an increasing proportion of sales. The downturn in Europe continued, easing however towards the end of the period. Thanks to its very strong positioning in electric vehicles and high value-added products, the Mobility business continues to outperform the automotive market.

- Businesses serving **Industry** progressed by 16.0%, supported by activities relating to investment cycles such as ceramic refractories, which benefit from innovation in specialty materials and decarbonization technologies for our customers. Thanks to co-development with customers and the high added-value of the Group's solutions, the sales momentum was driven by both prices and volumes. Against this backdrop, Valoref, a pioneer in ceramic recycling in Europe, plans to expand operations into North America, China and India.

Analysis of the consolidated financial statements for first-half 2022

The unaudited interim consolidated financial statements for first-half 2022 were subject to a limited review by the statutory auditors and adopted by the Board of Directors on July 27, 2022.

in € million	H1 2021	H1 2022	% change
Sales	**22,131**	**25,481**	**15.1%**
Operating income	**2,376**	**2,791**	**17.5%**
Operating depreciation and amortization	954	992	4.0%
Non-operating costs	-82	-100	-22.0%
EBITDA	**3,248**	**3,683**	**13.4%**
Capital gains and losses on disposals, asset write-downs and impact of changes in Group structure	-150	-198	-32.0%
Business income	**2,144**	**2,493**	**16.3%**
Net financial expense	-213	-194	8.9%
Dividends received from investments		1	n.s.
Income tax	-593	-530	10.6%
Share in net income of associates	2	4	n.s.
Net income before non-controlling interests	**1,340**	**1,774**	**32.4%**
Non-controlling interests	42	50	19.0%
Net attributable income	**1,298**	**1,724**	**32.8%**
Earnings per share[2] (in €)	**2.45**	**3.34**	**36.3%**
Recurring net income[1]	**1,506**	**1,814**	**20.5%**
Recurring[1] earnings per share[2] (in €)	**2.85**	**3.51**	**23.2%**
EBITDA	**3,248**	**3,683**	**13.4%**
Depreciation of right-of-use assets	-333	-350	-5.1%
Net financial expense	-213	-194	8.9%
Income tax	-593	-530	10.6%
Capital expenditure[3]	-431	-590	36.9%
o/w additional capacity investments	*121*	*241*	*99.2%*
Changes in working capital requirement[4]	662	-574	n.s.
Free cash flow[5]	**2,461**	**1,686**	**-31.5%**
Free cash flow conversion[6]	**84%**	**51%**	
ROCE	**15.1%**	**15.3%**	
Lease investments	285	395	38.6%
Investments in securities net of debt acquired[7]	87	283	225.3%
Divestments	-79	79	n.s.
Consolidated net debt	**7,584**	**8,276**	**9.1%**

1. Recurring net income = net attributable income excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.
2. Calculated based on the weighted average number of shares outstanding (516,797,123 shares in 2022, versus 529,188,715 shares in 2021).
3. Capital expenditure = investments in tangible and intangible assets.
4. Changes in working capital requirement over a rolling 12-month period (see Appendix 4, bottom of "Consolidated cash flow statement").
5. Free cash flow = EBITDA less depreciation of right-of-use assets, plus net financial expense, plus income tax, less capital expenditure excluding additional capacity investments, plus changes in working capital requirement over a rolling 12-month period.
6. Free cash flow conversion ratio = free cash flow divided by EBITDA, less depreciation of right-of-use assets.
7. Investments in securities net of debt acquired = €283 million in 2022, of which €204 million in controlled companies.

EBITDA climbed 13.4% to a **record €3,683 million, while the EBITDA margin came in at 14.5%**.

Non-operating costs were €100 million versus €82 million in first-half 2021. The net balance of capital gains and losses on disposals, asset write-downs and the impacts of changes in Group structure represented an expense of €198 million (versus an expense of €150 million in first-half 2021). It reflects €60 million in asset write-downs and Purchasing Price Allocation (PPA) intangible amortization[1], and €138 million in disposal losses and impacts relating to changes in Group structure, including €77 million relating to litigation in connection with the sale of Verallia North America in 2014. Business income was up by 16.3% to €2,493 million.

Net financial expense excluding dividends from investments improved, at €194 million versus €213 million in first-half 2021.
The **tax rate** on recurring net income was 24.1% compared to 24.8% in first-half 2021. Income tax was €530 million versus €593 million in first-half 2021, which included an exceptional €105 million related to deferred tax in the UK (liability method) following the rise in the corporate income tax rate from 19% to 25%.

Recurring net income hit an all-time high of €1,814 million (excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions), **a rise of 20.5%**.
Net attributable income jumped 32.8% to €1,724 million.

Capital expenditure represented €590 million (€431 million in first-half 2021, an abnormally low figure due to restrictions linked to the coronavirus pandemic). The rise in capital expenditure mainly reflects a two-fold increase in growth capex. **In first-half 2022, the Group opened eight new plants and production lines** to reinforce its leadership on the fast-growing sustainable construction markets, especially construction chemicals: in Asia (Vietnam and the Philippines), Latin America (Mexico), Africa (Kenya) and Europe (Poland and Czech Republic with a 3D printing site), light construction solutions in India; and mobility in China.

Free cash flow came in at a good level of **€1,686 million** after the exceptional 2021 level, representing 6.6% of sales, with a free cash flow conversion ratio of 51%, in line with our target. This was attributable to an increase in EBITDA and despite a more normal level of working capital requirement. Operating working capital requirement represented 26 days' sales at June 30, 2022, compared to 25 days at end-June 2021 (and 41 days at end-June 2019), owing to the expected increase in inventories to ensure the best service for our customers, and to the impact of inflation on inventory valuation.

1. The amortization of intangible assets as part of the PPA process corresponds to the amortization of brands, customer lists and intellectual property. It is recognized on a separate line within "Impairment of assets and other business expenses".

Investments in securities net of debt acquired totaled €283 million (€87 million in first-half 2021), primarily reflecting the acquisition of IMPAC and Brasprefer in construction chemicals in Mexico and in Brazil, of Rockwool India Pvt Ltd., and of technology add-ons like Monofrax LLC in the US.

Divestments totaled €79 million (outflow of €79 million in first-half 2021), mainly reflecting the sale of specialized distribution activities in the UK.

Net debt was up slightly at €8.3 billion at June 30, 2022 from €7.6 billion at end-June 2021, driven by high free cash flow generation despite the more normal level of working capital requirement, the Chryso acquisition and the share buyback program (around €800 million over 12 months). Net debt represents 36% of consolidated equity versus 39% at June 30, 2021. **The net debt to EBITDA ratio** on a rolling 12-month basis was 1.2 versus 1.3 at June 30, 2021.

Outlook and strategic priorities

2022 outlook

Despite a more uncertain geopolitical and macroeconomic environment shaped by ongoing disruptions to energy supply chains in Europe, rising interest rates and continued high inflation that increase the risks of a slowdown in the new construction market, the Group should continue to benefit in 2022 from strong momentum in its main markets – especially renovation in Europe as well as construction in the Americas and in Asia – and reaffirm its excellent operating performance thanks to an agile organization and optimized business model.

Provided there is no new major impact related to the coronavirus pandemic and the geopolitical situation, Saint-Gobain expects the following trends for its segments:

- **Europe**: supportive renovation market requiring comprehensive solutions within each country, especially for energy efficiency;
- **Americas**: upbeat market trends, particularly in residential construction in North America; less dynamic environment in Brazil;
- **Asia-Pacific**: market growth with continued very good momentum in India and a recovery in South-East Asia; short-term uncertainties in China owing to coronavirus-related restrictions;
- **High Performance Solutions**: market growth with supportive long-term trends in terms of sustainable construction and a demand for innovation and new materials for industry decarbonization and green mobility, despite the low level of the automotive market in Europe.

Strategic priorities

In a more uncertain environment, the Group's focus in the coming quarters will be to **consolidate its performance, particularly in terms of resilience and adaptability post-transformation:**

- **Maintaining the structural improvement in the margin**, thanks to cost savings and the continued optimization of the Group's profile (representing almost €10 billion in sales in terms of both divestments and acquisitions) carried out since the start of the transformation, as well as the effectiveness of the new organization;
- **Implementing various business continuity plans** for those European countries with the greatest exposure to gas supplies;
- **Action plans prepared and overseen by country CEOs in order to optimize in real time** their P&Ls in terms of either sales prices, fixed and variable costs, headcount or production capacities, enabling them to react swiftly and effectively to market developments.

The Group also continues to implement its strategic priorities which are fully aligned with the medium and long-term growth scenario in the "Grow & Impact" plan:

1) Continue our initiatives focused on profitability and performance: maintain a robust margin and strong free cash flow generation

- **Constant focus on the price-cost spread**, with strong pricing proactivity as in 2021;
- Disciplined continuation of our **operational excellence program**;
- Maintaining the **structural improvement in operating working capital requirement** while **rebuilding a good level of inventories** to best serve customers;
- **Capital expenditure** of around **€1.8 billion**, consistent with the Group's objective of between 3.5% and 4.5% of sales, with strict allocation to high-growth markets and digital transformation.

2) Accelerate the Group's growth and impact

- **Outperformance versus our markets**, thanks notably to our comprehensive range of integrated, differentiated and innovative solutions offering sustainability and performance for our customers, developed within the scope of an organization as close to the ground as possible in each country or market;
- **Strengthen our key role in building a carbon-neutral economy thanks to our positive-impact solutions**, with an ESG strategy embedded within our operating roadmaps for each country; around €100 million per year allocated in capital expenditure and R&D investments aimed at reducing direct carbon emissions;
- **Ongoing optimization of the Group's profile**, with the full effect of the Chryso integration and preparation for the GCP and Kaycan integrations, as part of an active, disciplined strategy of targeted and value-creating acquisitions and divestments.

In this context, Saint-Gobain confirms that it is targeting a further increase in operating income in 2022 compared to 2021 at constant exchange rates.

Main risks and uncertainties

The main risks and uncertainties that the Group could face in the second half of 2022 are those described in Section 1 “Risks factors” of Chapter 6 of the 2021 Universal Registration Document filed with the French financial markets authority (Autorité des marchés financiers) under number D. 22-0132 (the “2021 Universal Registration Document”). These risks factors remain applicable at the date of this report and have not changed significantly, except for the risks described in paragraph 1.1.5 of section 1 of Chapter 6 of the 2021 Universal Registration Document that are updated as follows and for the descriptions of the judicial and administrative procedures included in paragraph 1.4.1 of section 1 of Chapter 6 of the 2021 Universal Registration Document that are updated in Note 9 to the consolidated financial statements as at 30 June, 2022.

Risks related to the supply of energy and raw materials and changes in the cost of energy and raw materials

The Group’s industrial activities, some of which consume high levels of energy, such as building and automobile glass, insulation or gypsum (see Chapter 1, Section 4 of the 2021 Universal Registration Document for a description of these activities), or are dependent on certain raw materials, could be impacted by a significant increase in prices resulting from difficulties in sourcing raw materials and/or energy (e.g. natural gas or electricity), or by the occurrence of natural disasters, extreme weather conditions, or geopolitical circumstances such as the conflict between Russia and Ukraine. In the current context of accelerating energy cost inflation, Saint-Gobain expects its energy and raw material costs to increase by almost €3 billion in 2022 compared to 2021 (compared to a previous annual estimate at the end of April 2022 of approximately €2.5 billion). This inflation concerns raw materials, freight and energy, especially in Europe. The Group has hedged around 80% of its natural gas and electricity purchasing needs for 2022 as a whole and around 60% for 2023.

The ability of the Group to pass on these cost increases to its customers depends to a large extent on market conditions and commercial practices. Even in the event of repercussions by the Group, it may only pass these on to its customers in part and/or gradually over time. The Group’s inability to immediately and/or fully pass on increases in the cost of raw materials and/or energy in the short term could have a material adverse effect on its operations, financial position or results

The Group has set up hedging arrangements for some of the risks associated with the cost of energy. Nevertheless, it cannot guarantee that these hedges, which themselves represent a cost for the Group, will fully cover any additional costs incurred as a result of future price increases in the cost of energy; they will depend on the underlying cost assumptions applied by the Group.

In those countries most sensitive to Russian gas supplies for the Group, namely Germany, the Czech Republic and Poland (the latter to become independent of Russian gas at the end of 2022), the Group has continued to formulate various plans for continuing its operations, enabling it to significantly mitigate the direct impact of a potential scenario in which all supplies of Russian gas are terminated to approximately 2% of consolidated sales through various levers: classification of priority industries, use of alternative energy sources at certain sites, increase of the flexibility of the plants. In addition, for the whole of Europe, the Group is putting into place logistics plans for the substitution of production between countries and has also set up a business continuity plan for the main gas-consuming manufacturing activities in the event of an exceptional reduction in supply.

Financial calendar

An information meeting for analysts and investors will be held *at 8:30am (GMT + 1) on July 28, 2022* and will be streamed live on Saint-Gobain's website: www.saint-gobain.com/

- Sales for the third quarter of 2022: *Thursday October 27, 2022*, after close of trading on the Paris Bourse.

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Glossary:

*- 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 indicators for the year under review and those for the previous year based on identical foreign exchange rates for the previous year (impact at constant exchange rates);*
- *changes in applicable accounting policies.*

*- **EBITDA** = operating income plus operating depreciation and amortization, less non-operating costs.*
*- **Operating margin** = operating income divided by sales.*
*- **ESG** = Environment, Social, Governance.*
*- **Purchase Price Allocation (PPA)**: the process of assigning a fair value to all assets and liabilities acquired and of allocating the residual goodwill, as required by IFRS 3 (revised) and IAS 38 for business combinations.*

All indicators contained in this press release (not defined above or in the footnotes) are explained in the notes to the financial statements in the interim financial report, available by clicking here: https://www.saint-gobain.com/en/finance/information-reglementee/half-yearly-financial-report

Net debt	*Note 10*
Non-operating costs	*Note 5*
Operating income	*Note 5*
Net financial expense	*Note 10*
Recurring net income	*Note 5*
Business income	*Note 5*
Working capital requirement	*Note 5*

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 the "Risk Factors" section of Saint-Gobain's Universal Registration Document available on its website (www.saint-gobain.com) and the main risks and uncertainties presented in the half-year 2022 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, except as required by applicable laws and regulations.
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.

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SAINT-GOBAIN

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2022

GROUP CONSOLIDATION REPORTING DEPARTMENT

CONTENTS

2022 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in € millions)	Notes	June 30, 2022	Dec. 31, 2021
ASSETS			
Goodwill	(7.1)	11,370	11,181
Other intangible assets	(7.2)	2,991	2,705
Property, plant and equipment	(7.3)	12,011	11,663
Right-of-use assets	(7.4)	3,038	2,959
Investments in equity-accounted companies		632	536
Deferred tax assets	(12.2)	446	576
Pension plan surpluses	(6.1)	1,202	894
Other non-current assets	(8)	589	528
NON-CURRENT ASSETS		**32,279**	**31,042**
Inventories	(5.4)	7,611	6,598
Trade accounts receivable	(5.4)	6,844	5,104
Current tax receivable	(5.4) (12.1)	124	166
Other receivables	(5.4)	1,777	1,504
Assets held for sale	(4.3)	105	227
Cash and cash equivalents	(10.2)	6,935	6,943
CURRENT ASSETS		**23,396**	**20,542**
TOTAL ASSETS		**55,675**	**51,584**
EQUITY AND LIABILITIES			
Shareholders' equity	(11.1)	22,707	20,715
Non-controlling interests		432	411
TOTAL EQUITY		**23,139**	**21,126**
Non-current portion of long-term debt	(10.2)	8,335	9,194
Non-current portion of long-term lease liabilities	(10.2)	2,530	2,474
Provisions for pensions and other employee benefits	(6.1)	1,486	2,014
Deferred tax liabilities	(12.2)	664	555
Other non-current liabilities and provisions	(9.1)	1,130	1,066
NON-CURRENT LIABILITIES		**14,145**	**15,303**
Current portion of long-term debt	(10.2)	1,065	1,336
Current portion of long-term lease liabilities	(10.2)	713	681
Current portion of other liabilities and provisions	(9.1)	655	479
Trade accounts payable	(5.4)	8,282	6,903
Current tax liabilities	(5.4) (12.1)	241	236
Other payables	(5.4)	4,827	4,808
Liabilities held for sale	(4.3)	40	167
Short-term debt and bank overdrafts	(10.2)	2,568	545
CURRENT LIABILITIES		**18,391**	**15,155**
TOTAL EQUITY AND LIABILITIES		**55,675**	**51,584**

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

CONSOLIDATED INCOME STATEMENT

(in € millions)	Notes	First-half 2022	First-half 2021
Sales	(5.1)	25,481	22,131
Cost of sales	(5.1)	(18,736)	(16,048)
General expenses including research	(5.1)	(3,983)	(3,732)
Share in net income of core business equity-accounted companies		29	25
OPERATING INCOME		**2,791**	**2,376**
Other business income	(5.1)	58	53
Other business expense	(5.1)	(356)	(285)
BUSINESS INCOME		**2,493**	**2,144**
Borrowing costs, gross		(111)	(124)
Income from cash and cash equivalents		19	1
Borrowing costs, net, excluding lease liabilities		(92)	(123)
Interest on lease liabilities		(28)	(28)
Other financial income and expense		(73)	(62)
NET FINANCIAL EXPENSE	**(10.1)**	**(193)**	**(213)**
Share in net income of non-core business equity-accounted companies		4	2
Income taxes	(12.1) (12.2)	(530)	(593)
NET INCOME		**1,774**	**1,340**
GROUP SHARE OF NET INCOME		**1,724**	**1,298**
Non-controlling interests		50	42

	Notes	First-half 2022	First-half 2021
EARNINGS PER SHARE, GROUP SHARE *(in €)*	**(11.2)**	**3.34**	**2.45**
Weighted average number of shares in issue		516,797,123	529,188,715
DILUTED EARNINGS PER SHARE, GROUP SHARE *(in €)*	**(11.2)**	**3.31**	**2.43**
Weighted average number of shares assuming full dilution		520,639,280	533,084,200

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

(in € millions)	Notes	First-half 2022	First-half 2021
NET INCOME		**1,774**	**1,340**
Items that may be subsequently reclassified to profit or loss			
Translation adjustments and restatement for hyperinflation		961	457
Changes in fair value of financial instruments	(10.3)	49	15
Tax on items that may be subsequently reclassified to profit or loss		(12)	(5)
Items that will not be reclassified to profit or loss			
Changes in actuarial gains and losses	(6.1)	895	289
Tax on items that will not be reclassified to profit or loss	(12.2)	(230)	(11)
Changes in assets at fair value through equity and other items	(8)	(2)	6
OTHER ITEMS OF COMPREHENSIVE INCOME (EXPENSE)		**1,661**	**751**
COMPREHENSIVE INCOME (EXPENSE)		**3,435**	**2,091**
Group share		3,363	2,044
Non-controlling interests		72	47

Translation adjustments in the first half of 2022 primarily concern the US dollar, Brazilian real and Russian ruble.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Notes	First-half 2022	First-half 2021
GROUP SHARE OF NET INCOME		**1,774**	**1,340**
Share in net income (loss) of equity-accounted companies, net of dividends received		(32)	(20)
Depreciation, amortization and impairment of assets (including right-of-use assets)	(5.1) (7)	1,039	1,062
Gains (losses) on disposals of assets	(5.3)	128	37
Unrealized gains and losses arising from changes in fair value and share-based payments		10	20
Restatement for hyperinflation		9	13
Changes in inventory	(5.4)	(952)	(575)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(5.4)	(409)	(483)
Changes in tax receivable and payable	(5.4)	35	89
Changes in deferred taxes and provisions for other liabilities and charges	(6.1) (9.1) (12.2)	40	155
NET CASH FROM OPERATING ACTIVITIES		**1,642**	**1,638**
Acquisitions of property, plant and equipment and intangible assets, and changes in amounts due to suppliers of fixed assets	(7) (5.4)	(832)	(560)
Acquisitions of shares in controlled companies, net of cash acquired		(189)	(74)
Increase in investment-related liabilities	(9.1)	57	24
Decrease in investment-related liabilities	(9.1)	(7)	(4)
Acquisitions of other investments	(8)	(79)	(11)
Investments		**(1,050)**	**(625)**
Disposals of property, plant and equipment and intangible assets	(7)	42	69
Disposals of shares in controlled companies, net of cash divested		77	(244)
Disposals of other investments	(8)	3	2
(Increase) decrease in amounts receivable on sales of fixed assets	(5.4)	(49)	14
Divestments		**73**	**(159)**
Increase in loans and deposits	(8)	(36)	(12)
Decrease in loans and deposits	(8)	51	88
NET CASH FROM (USED IN) INVESTMENT AND DIVESTMENT ACTIVITIES		**(962)**	**(708)**
Issues of capital stock	(a)	222	199
(Increase) decrease in treasury stock	(a)	(706)	(448)
Dividends paid	(a)	(835)	(698)
Transactions with shareholders of the parent company		**(1,319)**	**(947)**
Capital increases in non-controlling interests	(a)	11	2
Disposals of minority interests without loss of control		39	0
Changes in investment-related liabilities following the exercise of put options of minority shareholders	(9.1)	0	(5)
Dividends paid to non-controlling interests	(a)	(65)	(19)
Change in dividends payable		2	1
Transactions with non-controlling interests		**(13)**	**(21)**
Increase (decrease) in bank overdrafts and other short-term debt		2,052	74
Increase in long-term debt	(b) (10.2)	44	8
Decrease in long-term debt	(b) (10.2)	(1,164)	(1,548)
Decrease in lease liabilities	(b)	(355)	(376)
Change in debt		**577**	**(1,842)**
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(755)**	**(2,810)**
Net effect of exchange rate changes on cash and cash equivalents		68	19
Net effect of changes in fair value on cash and cash equivalents		(1)	4
Cash and cash equivalents classified within assets held for sale		0	18
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(8)**	**(1,839)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**6,943**	**8,443**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**6,935**	**6,604**

(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 2022, income tax paid represented €552 million (€394 million in first-half 2021), rental expenses paid €379 million (€370 million in first-half 2021), including €28 million in interest paid on lease liabilities (€28 million in first-half 2021), and interest paid net of interest received €107 million (€153 million in first-half 2021).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € millions)	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	Non-controlling interests	Total equity
AT JANUARY 1, 2021	**2,131**	**5,104**	**13,687**	**(2,857)**	**(48)**	**(125)**	**17,892**	**311**	**18,203**
Income and expense recognized directly in equity	0	0	273	453	20	0	**746**	5	**751**
Net income for the period			1,298				**1,298**	42	**1,340**
Total income and expense for the period	**0**	**0**	**1,571**	**453**	**20**	**0**	**2,044**	**47**	**2,091**
Issues of capital stock									
Group Savings Plan	22	177					**199**		**199**
Other							**0**	2	**2**
Dividends paid			(698)				**(698)**	(19)	**(717)**
Shares purchased and sold			8			(456)	**(448)**		**(448)**
Treasury stock purchase commitment			(84)				**(84)**		**(84)**
Shares canceled	(23)	(273)				296	**0**		**0**
Share-based payments			41				**41**		**41**
Changes in Group structure and other			15				**15**	8	**23**
AT JUNE 30, 2021	**2,130**	**5,008**	**14,540**	**(2,404)**	**(28)**	**(285)**	**18,961**	**349**	**19,310**
Income and expense recognized directly in equity	0	0	405	455	12	0	**872**	(3)	**869**
Net income for the period			1,223				**1,223**	51	**1,274**
Total income and expense for the period	**0**	**0**	**1,628**	**455**	**12**	**0**	**2,095**	**48**	**2,143**
Issues of capital stock									
Group Savings Plan							**0**		**0**
Other							**0**	11	**11**
Dividends paid							**0**	(12)	**(12)**
Shares purchased and sold			11			(417)	**(406)**		**(406)**
Treasury stock purchase commitment			84				**84**		**84**
Shares canceled	(34)	(464)				498	**0**		**0**
Share-based payments			17				**17**		**17**
Changes in Group structure and other			(36)				**(36)**	15	**(21)**
AT DECEMBER 31, 2021	**2,096**	**4,544**	**16,244**	**(1,949)**	**(16)**	**(204)**	**20,715**	**411**	**21,126**
Income and expense recognized directly in equity	0	0	653	938	48	0	**1,639**	22	**1,661**
Net income for the period			1,724				**1,724**	50	**1,774**
Total income and expense for the period	**0**	**0**	**2,377**	**938**	**48**	**0**	**3,363**	**72**	**3,435**
Issues of capital stock									
Group Savings Plan	20	202					**222**		**222**
Other							**0**	11	**11**
Dividends paid			(835)				**(835)**	(65)	**(900)**
Shares purchased and sold			(11)			(695)	**(706)**		**(706)**
Treasury stock purchase commitment			(79)				**(79)**		**(79)**
Shares canceled	(36)	(438)				474	**0**		**0**
Share-based payments			27				**27**		**27**
Changes in Group structure and other							**0**	3	**3**
AT JUNE 30, 2022	**2,080**	**4,308**	**17,723**	**(1,011)**	**32**	**(425)**	**22,707**	**432**	**23,139**

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 (the Company) 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 27, 2022 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, 2021. 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, 2022. These consolidated financial statements have also been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB), with the exception of the amendment to IAS 12 referred to in note 1.1.3.

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, 2021, with the exception of the standards, interpretations and amendments adopted by the European Union and effective as of January 1, 2022 (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, 2022

The following standards and amendments, effective since January 1, 2022, were applied where necessary to the consolidated financial statements for the six months ended June 30, 2022:
- Amendment to IFRS 3, "Reference to the Conceptual Framework";
- Amendment to IAS 37, "Onerous Contracts – Cost of Fulfilling a Contract";
- Amendment to IAS 16, "Property, Plant and Equipment – Proceeds before Intended Use".

The main IFRIC decisions published in first-half 2022 concern:
- IFRS 9 and IAS 20, "TLTRO III Transactions";
- IFRS 7, "Demand Deposits with Restrictions on Use arising from a Contract with a Third Party";
- IFRS 15, "Principal versus Agent: Software Reseller".

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

1.1.2. Standards, interpretations and amendments to existing standards available for early adoption in reporting periods beginning on or after January 1, 2022

The new standards, interpretations and amendments to existing standards applicable to accounting periods starting on or after January 1, 2023 were not early adopted by the Group at January 1, 2022. These are:
- Amendment to IAS 1, "Classification of Liabilities as Current or Non-current" along with information on accounting policies;
- Amendment to IFRS 17, "Insurance Contracts", including amendments published in June 2020;
- Amendment to IAS 8, "Definition of Accounting Estimates".

The annual improvements to IFRSs – 2018-2020 Cycle that are available for early adoption concern the following standards:
- IFRS 9, "Fees in the '10 per cent' Test for Derecognition of Financial Liabilities";
- IAS 41, "Fair Value Measurement of Biological Assets";
- IFRS 16, "Lease Incentives (Amendment to Illustrative Examples)";
- IFRS 1, "Subsidiary as a First-time Adopter", concerning the measurement of cumulative translation differences.

1.1.3. Standards, interpretations and amendments to existing standards published but not yet applicable

The new standards, interpretations and amendments to existing standards that have been published but are not yet applicable concern:
- Amendment to IAS 1, "Classification of Liabilities as Current or Non-current" (effective date deferred by one year, i.e., to January 1, 2024);
- Amendment to IFRS 17, "Initial Application of IFRS 17 and IFRS 9 – Comparative Information";
- Amendment to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction".

Where applicable to Saint-Gobain, these amendments are currently being analyzed by the Group.

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 6 "Personnel expenses and employee benefit obligations"), asset impairment tests (notably the assumptions used in the tests relating to the Group's commitments to reduce its net carbon emissions) and the determination of lease terms (note 7 "Intangible assets, property, plant and equipment, and right-of-use assets"), provisions for other liabilities and charges (note 9 "Other current and non-current liabilities and provisions, contingent liabilities and litigation"), the measurement of financial instruments (note 10 "Financing and financial instruments"), and taxes (note 12 "Tax").

The accounting valuation methods applied by the Group in the interim condensed consolidated financial statements are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2021. The specific accounting valuation methods applied relate to income tax (see note 12.1) and employee benefits (see note 6.1).

NOTE 2 IMPACT OF THE RUSSIA/UKRAINE CONFLICT

Amid the fast-changing, complex environment of the Russia/Ukraine conflict, the Group's first priority has been to affirm its support for and solidarity with Ukraine and the Ukrainian people, and to ensure the safety of all its Ukrainian employees and their families throughout the world.
The Group's teams in Poland and Romania stepped up to provide humanitarian and financial aid to refugees in their countries. This was in addition to the financial support provided by the Group, in particular to the International Committee of the Red Cross.

The main impacts of the conflict on the Group's strategy and financial performance were analyzed from various standpoints, as discussed below.

- Group operating activities

Since the outbreak of the conflict between Russia and Ukraine, in addition to the Group's application of the sanctions imposed against Russia, Saint-Gobain has decided to halt all its exports to customers in Russia and Belarus, and all its imports from these two countries, and has shelved all new investment projects in these countries.

Nevertheless, its local Russian operations, which represent around 0.6% of the Group's worldwide sales and do not involve any local partnerships, continue to operate autonomously, with locally produced solutions sold exclusively on local construction markets.

In Ukraine, Saint-Gobain does not have any industrial operations, and its sales office in Kyiv has been closed.

One of the indirect consequences of the conflict is the steep rise in inflation. As a result, the Saint-Gobain Group recorded an increase in its energy and raw materials costs in the first half of 2022 compared with the first half of 2021. Inflation concerns in particular the cost of energy, especially in Europe.

Thanks to its policy of hedging energy costs, its efforts in terms of pricing, and the value-added delivered by its solutions, the Saint-Gobain Group was able to generate a positive price/cost (raw materials and energy) differential in the first half of 2022. The Group has hedges in place covering around 80% of its natural gas and electricity needs in Europe for the second half of 2022.

More specifically, the countries most sensitive to Russian gas supplies for Saint-Gobain are Germany, Poland and the Czech Republic. The Group has drawn up various plans for continuing its operations in these countries, enabling it to significantly mitigate the impact of a scenario in which all or some supplies of Russian gas are terminated. Various levers can be used by the Group, such as the classification of priority industries, using alternative energy sources prepared at certain sites, and increasing flexibility of its production capacities.

- Scope of consolidation

Insofar as the Group continues to produce and sell in Russia for the local market, and to ensure its local business can continue to operate with complete autonomy of management and control of returns, Saint-Gobain still controls its Russian subsidiaries.

In accordance with IFRS 10, its Russian and Ukrainian companies have not therefore been deconsolidated, and continue to be included in the Group's scope of consolidation for the preparation of the consolidated financial statements for the six months ended June 30, 2022.

- Impairment review in light of the Russia/Ukraine conflict

Total non-current assets in Russia represent €269 million, or 0.8% of the Group's total non-current assets.

In view of the fact that Saint-Gobain's companies in Russia are a going concern and are controlled by the Group, no evidence of impairment was identified for these companies. Consequently, no impairment losses related to the Russia/Ukraine conflict were recognized in first-half 2022.

- Financial risks (credit, liquidity, forex)

Given the Group's limited presence in Russia and Ukraine, the conflict has not generated any credit or liquidity risks, and forex exposure is also being managed effectively.

Since March 2, 2022, the Group has been using the Russian ruble exchange rate published by Reuters for the translation of its consolidated financial statements.

While the Russia/Ukraine conflict has not had a direct material impact on the financial statements for the first half of 2022, the situation remains unstable and complex. The Group therefore remains vigilant in analyzing the potential future impacts of the conflict.

NOTE 3 CLIMATE ISSUES

Given its activities in the light construction, energy efficiency, and renovation market, sustainability is essential in supporting the growth of the Saint-Gobain Group. Sustainability issues are therefore an integral part of the Group's growth outlook, in line with issues relating to the energy transition.
Responding to climate challenges is therefore at the heart of the Group's strategy, and its net-zero-carbon commitment is taken into account in its financial decisions.

3.1 The commitment to carbon neutrality is at the heart of the Group's strategy

In line with the Paris Agreement, Saint-Gobain signed the pledge of the UN Global Compact's "Business ambition for 1.5°C" on September 23, 2019 in New York, thereby affirming its commitment to achieving carbon neutrality (net-zero-carbon emissions) by 2050.

In order to achieve this goal by 2050, Saint-Gobain defined a 2030 roadmap in 2020. Besides confirming targets for reducing its environmental footprint by the end of 2025, the roadmap aims for a 33% reduction in CO_2 emissions in absolute terms compared with 2017 for scopes 1 and 2, and a 16% reduction for scope 3.

These new emissions reduction targets for 2030 have been validated by the Science-Based Targets initiative (SBTi). They reflect an acceleration in the Group's ambitions, with the commitment to carbon neutrality placing the Group's response to climate change at the heart of its strategy, alongside its range of solutions enabling customers to address the environmental challenges that they face.

3.2 The commitment to carbon neutrality is taken into account when preparing the Group's financial statements

In line with these commitments and targets, the Group has taken into account climate change and sustainable development issues in its financial statements, mainly in the areas cited below.

- Basis of measurement applicable to assets

The Group has not identified any changes in assumptions relating to its carbon neutrality commitments that could significantly affect the value of its assets and the measurement of the useful life of its fixed assets.

- CO_2 emissions allowances

At the end of 2021, the Saint-Gobain Group was allocated 3.7 million tonnes of greenhouse gas emissions allowances by the European Commission, in addition to 2.1 million tonnes of allowances allocated in the first half of 2022 in respect of full-year 2021. Based on the laws and regulations currently in force, the Group believes that its current level of allowances will continue to cover its emissions in the medium term.

- Sustainable investments, research and development expenditure, and other expenditure aimed at combating climate change and protecting the environment

In 2022, the Group intends to set aside €100 million in capital expenditure and research and development expenditure to further its environmental CO_2 industrial emissions reduction strategy. These investments are in line with the Group's commitment, as announced when unveiling its CO_2 roadmap, to invest €1 billion in capital expenditure and research and development between 2021 and 2030.

- Executive compensation policy

In stepping up its commitment to carbon neutrality, the Group increased since 2020 the weighting of CSR objectives in the criteria determining long-term executive compensation plans: CSR objectives now determine 20% of amounts paid out under such plans compared to 15% previously, while CO_2 objectives now account for 10% versus 5% previously (see note 2.2 in Chapter 5 of the 2021 Universal Registration Document).

The consideration of climate change issues did not have a material impact on the judgments made or the key estimates required to prepare the financial statements.

The Group will continue to analyze the potential impacts of future changes in regulations related to climate change and the energy transition as part of its commitment to achieve carbon neutrality by 2050.

NOTE 4 SCOPE OF CONSOLIDATION

4.1. 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.

In the first half of 2022, the treatment adopted in respect of IAS 29, "Financial Reporting in Hyperinflationary Economies" for countries deemed hyperinflationary was as follows:

- Argentina

Argentina has been classified as a hyperinflationary economy since July 1, 2018. IAS 29 therefore applies to entities using the Argentine peso as their functional currency (based on the table of indices issued by FACPCE).

- Lebanon

Lebanon has been classified as a hyperinflationary economy since October 2020. As from December 31, 2020, IAS 29 is therefore applicable to entities using the Lebanese pound as their functional currency.
However, as the Group's exposure to Lebanon is not material (sales and total non-current assets in the country represent less than 1% of the Group's consolidated data), IAS 29 has so far not been applied to the Group's Lebanese companies.

- Turkey

Since February 2022, Turkey has had a three-year cumulative inflation rate above 100% and was therefore included in the list of hyperinflationary economies in March 2022. IAS 29 is therefore applicable to entities whose functional currency is the Turkish lira for the preparation of the financial statements for the six months ended June 30, 2022.
However, as the Group's exposure to Turkey is not material (sales and total non-current assets in the country represent less than 1% of the Group's consolidated data), IAS 29 was not applied to the Group's Turkish companies in first-half 2022.

4.2. Changes in Group structure

Significant changes in the Group’s structure during first-half 2022 are presented below.

In the first six months of 2022, the Group acquired 22 consolidated companies for a total purchase consideration of €245 million. The Group also sold 12 consolidated companies in the period.

4.2.1. Acquisitions in first-half 2022

Acquisitions in the first half of 2022 represent full-year sales of €290 million and EBITDA of €30 million.

The main acquisitions in first-half 2022 are summarized below:

- On January 2, 2022, Saint-Gobain completed the acquisition of Igland Industrier AS, a manufacturer of prefabricated garages for villas, which also has an assembly services network in Norway.

- On January 7, 2022, Saint-Gobain completed the acquisition of Fischer Ag, a Swiss kitchen and household appliance installation and repair company.

- On February 4, 2022, Saint-Gobain completed the acquisition of Rockwool India Pvt Ltd, a major player in the production of stone wool in India. This followed the announcement on December 21, 2021 of the agreement signed by Saint-Gobain with the Alghanim group.

- On April 1, 2022, in accordance with its October 20, 2021 press release, Saint-Gobain finalized the acquisition of Impac, a leading player in the construction chemicals market in Mexico. This acquisition consolidates the Group's leadership in Latin America while accelerating its growth in the region by enriching its range of solutions for light and sustainable construction.

- On May 12, 2022, Saint-Gobain announced the acquisition of Global SFC, a major player in nano-ceramic window film coatings located in South Korea. The acquisition, which closed on April 22, 2022, will enhance the insulating properties of the Solar Gard® film line, a world leader in innovative solar control and surface protection film technologies for the sustainable construction and mobility markets.

- On the same date, Saint-Gobain announced the acquisition of Monofrax LLC, a leading regional player in fused cast refractories in the United States. This acquisition, which closed on April 20, 2022, will enhance Saint-Gobain's global footprint and enable further localization of refractory production close to the end-customer. It will enable the development of high-end glass melting applications and further decarbonization of light metal smelting processes.

The process of identifying and measuring at fair value the assets acquired and liabilities assumed within the scope of the acquisitions carried out in first-half 2022 will be finalized within 12 months of each acquisition date.

At June 30, 2022, the Group had completed the fair value measurement of each major category of Chryso assets acquired and liabilities assumed. The amounts allocated to customer relationships and brands represent €326 million and €174 million, respectively, bringing goodwill following allocation of the purchase price to €493 million.

4.2.1.1. Main disposals in first-half 2022

Disposals in first-half 2022 represent full-year sales of €537 million.

The main companies deconsolidated in first-half 2022 are summarized below:

- On January 10, 2022, in line with its December 10, 2021 press release, Saint-Gobain completed the sale of Glassolutions, its regional glass processing business in Denmark, to German glassmaker Semcoglas Holding GmbH.

- On February 4, 2022, Saint-Gobain announced the sale of its regional glass processing business Baltiklaas Oü in Estonia to Polar Glass Oü, a subsidiary of Barrus AS.

- On February 17, 2022, Saint-Gobain signed an agreement for the sale of CTD Tile Group, its specialist tiling distributor in the United Kingdom, to Aurelius Investments, and an agreement for the sale to Wolseley UK of Ideal Bathrooms, the Group's remaining United Kingdom distribution brand specialized in plumbing, heating and sanitaryware.

- On February 28, 2022, in line with its December 13, 2021 press release, Saint-Gobain completed the sale of three of its remaining four United Kingdom distribution brands specializing in plumbing, heating and sanitaryware (Neville Lumb, DHS and Bassetts) to Wolseley UK.

- On May 12, 2022, Saint-Gobain announced the sale of International Decorative Surfaces (IDS), its specialist flooring, worktop and laminate distribution business in the United Kingdom, to Chiltern Capital.

- On the same date, Saint-Gobain signed binding agreements for the divestment of two glass processing facilities specialized in the manufacture of double glazing in the United Kingdom.

- On May 27, Saint-Gobain announced the sale of its Austrian glass processing subsidiaries, Eckelt Glas and Glas Ziegler, to the privately-owned German group Aequita, as well as the sale of its holding in the joint venture Glaskontor Erfurt – a glass processing business in Germany – to the Caleoglas group.

These disposals are part of Saint-Gobain's continued portfolio optimization strategy to enhance the Group's growth and profitability profile in line with the objectives of its "Grow & Impact" plan.

4.3. Assets and liabilities held for sale

Assets and liabilities held for sale include:

- Tadmar, a specialist plumbing, heating and sanitaryware distribution business in Poland, which Saint Gobain announced on April 5, 2022 that it had agreed to sell to Polish company 3W.

- Protrae, a wood processing and distribution business in Denmark, for which a sale agreement was announced on July 4, 2022.

These disposals are part of Saint-Gobain's portfolio optimization strategy, which is designed to improve the Group's growth and profitability profile.

Since the assets and liabilities held for sale meet the qualifying criteria, the balance sheet accounts of these companies were combined and measured within assets and liabilities held for sale in the consolidated balance sheet at June 30, 2022, in accordance with IFRS 5.
For confidentiality reasons, the position of each individual company at June 30, 2022 is not disclosed.
These entities in the process of being sold were not considered as discontinued operations within the meaning of IFRS 5 as they do not represent a major line of business for the Group.

However, as the sales of Glassolutions Denmark and the distribution brands specializing in plumbing, heating and sanitaryware in the United Kingdom were effective in the first half of 2022, the assets and liabilities held for sale at June 30, 2022 no longer include these companies.

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

(in € millions)	**June 30, 2022**	**Dec. 31, 2021**
Intangible assets, property, plant and equipment, right-of-use assets and other non-current assets	10	66
Inventories, trade accounts receivable and other receivables	93	159
Cash and cash equivalents	2	2
ASSETS HELD FOR SALE	**105**	**227**
Provisions for pensions and other employee benefits	2	3
Other current and non-current liabilities and provisions	4	11
Trade accounts payable, other payables and other current liabilities	29	98
Debt and bank overdrafts	5	55
LIABILITIES HELD FOR SALE	**40**	**167**
NET ASSETS (LIABILITIES) HELD FOR SALE	**65**	**60**

4.4. Changes in the number of consolidated companies

At June 30, 2022, there were 868 companies in the scope of consolidation (848 at December 31, 2021), including 92 equity-accounted companies and joint arrangements (88 at December 31, 2021).

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

Non-cancelable purchase commitments represented €3,081 million at June 30, 2022.

An amount of €2,171 million in non-cancelable purchase commitments relates to GCP Applied Technologies, a leading global player in the construction chemicals market, with which Saint-Gobain signed an agreement on December 6, 2021 to purchase all of GCP's outstanding shares.
Offering highly complementary geographic and commercial footprints with Chryso, the acquisition of which was completed in September 2021, GCP represents a unique opportunity for Saint-Gobain to establish a leading worldwide presence in the growing construction chemicals sector, and furthers the Group's strategy as a worldwide leader in light and sustainable construction.
Closing of the transaction is subject to the approval of GCP shareholders, antitrust clearance and satisfaction of other customary closing conditions, and should be effective by the end of second-half 2022.

Commitments to purchase shares also include the acquisition of Kaycan, announced on May 31, 2022, for consideration of €893 million. Kaycan is a family-owned manufacturer and distributor of exterior building materials in Canada and the United States. Thanks to its leading position on siding in Canada, this acquisition reinforces Saint-Gobain's worldwide leadership in light and sustainable construction by becoming the top siding player in Canada and enlarging its vinyl offer across the United States with complementary solutions including aluminum and engineered wood.
The transaction, which is subject to antitrust approvals and other customary closing conditions, is expected to be completed in the third quarter of 2022.

NOTE 5 INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES

5.1. Income statement items

5.1.1. Business income

Business income is detailed by type below:

(in € millions)	**First-half 2022**	**First-half 2021**
SALES	**25,481**	**22,131**
Personnel expenses:		
Salaries and payroll taxes	(4,540)	(4,251)
Share-based payments [(1)]	(27)	(41)
Pensions and employee benefit obligations	(100)	(113)
Depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets [(2)]	(992)	(954)
Share in net income of core business equity-accounted companies	29	25
Other [(3)]	(17,060)	(14,421)
OPERATING INCOME	**2,791**	**2,376**
Other business income	58	53
Other business expense [(2)]	(356)	(285)
OTHER BUSINESS INCOME AND EXPENSE	**(298)**	**(232)**
BUSINESS INCOME	**2,493**	**2,144**

(1) Share-based payments (IFRS 2 expense) are detailed in note 6 “Personnel expenses and employee benefit obligations”.

(2) Total depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets, along with amortization charged against intangible assets within the scope of purchase price accounting, represented €1,037 million in first-half 2022 versus €978 million in first-half 2021.

(3) 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 €243 million in first-half 2022 (€219 million in first-half 2021).

5.1.2. Other business income and expense

Other business income and expense can be analyzed as follows:

(in € millions)	First-half 2022	First-half 2021
Impairment of assets [1]	(15)	(73)
Amortization of intangible assets related to PPA[2]	(45)	(24)
Other business expense [3]	(196)	(106)
Impairment of assets and other business expenses	**(256)**	**(203)**
Gains on disposals of non-current assets	**58**	**53**
GAINS AND LOSSES ON DISPOSALS, ASSET IMPAIRMENT, IMPACT OF CHANGES IN GROUP STRUCTURE	**(198)**	**(150)**
Restructuring costs	(27)	(31)
Claims-related expenses and other	(73)	(51)
NON-OPERATING INCOME AND EXPENSE	**(100)**	**(82)**
OTHER BUSINESS INCOME AND EXPENSE	**(298)**	**(232)**

(1) The "Impairment of assets" line includes the impairment of goodwill, other intangible assets, property, plant and equipment, right-of-use assets, assets held for sale and other assets. In first-half 2021, this item chiefly concerned impairment of assets held for sale in an amount of €84 million.

(2) Amortization charged against brands and customer lists is included on a separate line within "Impairment of assets and other business expenses" 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.

(3) As in 2021, other business expense mainly comprises capital losses on assets divested or scrapped (including the reclassification of translation differences, representing a loss of €54 million in first-half 2022), acquisition fees and contingent consideration incurred in connection with business combinations.

5.2. 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:

- 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 2022 and 2021 is as follows:

First-half 2022

(in € millions)	High Performance Solutions[(2)]	Northern Europe	Southern Europe[(2)] - ME & Africa	Americas[(2)]	Asia-Pacific	Other[(1)]	Group Total
Sales	4,600	8,399	7,826	4,277	1,013	(634)	25,481
Operating income (loss)	594	690	693	723	129	(38)	2,791
Share in net income of equity-accounted companies	1	8	3	16	3	2	33
Operating depreciation and amortization	181	308	288	142	50	23	992
Impairment of assets		1			1		2
EBITDA	707	991	963	852	179	(9)	3,683
Acquisitions of property, plant and equipment and intangible assets[(3)]	124	130	131	138	60	7	590

(1) "Other" corresponds to the elimination of intragroup transactions for internal sales, and holding company transactions for the other captions.
(2) France and United States sales represent €6,385 million and €3,906 million, respectively.
(3) Capital expenditure does not include right-of-use assets.

First-half 2021

(in € millions)	High Performance Solutions[(2)]	Northern Europe	Southern Europe[(2)] – ME & Africa	Americas[(2)]	Asia-Pacific	Other[(1)]	Group Total
Sales	3,679	7,418	7,457	3,260	875	(558)	22,131
Operating income (loss)	496	585	680	555	98	(38)	2,376
Share in net income of equity-accounted companies		5	2	15	4	1	27
Operating depreciation and amortization	161	305	285	130	44	29	954
Impairment of assets		63	19		2		84
EBITDA	596	897	954	672	142	(13)	3,248
Acquisitions of property, plant and equipment and intangible assets[(3)]	99	117	96	79	35	5	431

(1) "Other" corresponds to the elimination of intragroup transactions for internal sales, and holding company transactions for the other captions.
(2) France and United States sales represent €5,921 million and €3,020 million, respectively.
(3) Capital expenditure does not include right-of-use assets.

5.3. Performance indicators

5.3.1. EBITDA

EBITDA represents operating income plus depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets, as well as non-operating income and expense.

It amounted to €3,683 million in the first half of 2022 (€3,248 million in first-half 2021), calculated as follows:

(in € millions)	First-half 2022	First-half 2021
Operating income	2,791	2,376
Depreciation/amortization of property, plant and equipment and intangible assets	642	621
Depreciation of right-of-use assets	350	333
Non-operating income and expense	(100)	(82)
EBITDA	**3,683**	**3,248**

5.3.2. Recurring net income

Recurring net income corresponds to income after tax and non-controlling interests but before disposal gains or losses, asset impairment, material non-recurring provisions and the related tax and minority interests.

Recurring net income totaled €1,814 million in first-half 2022 (€1,506 million in first-half 2021). Based on the weighted average number of shares outstanding at June 30 (516,797,123 shares in 2022 and 529,188,715 shares in 2021), recurring earnings per share amounted to €3.51 in the first half of 2022 and €2.85 in the first half of 2021.

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

(in € millions)	**First-half 2022**	**First-half 2021**
GROUP SHARE OF NET INCOME	**1,724**	**1,298**
Less:		
Gains and losses on disposals of assets	(128)	(37)
Impairment of assets and other	(25)	(89)
Changes in provisions for non-recurring items	0	1
Impact of non-controlling interests	1	(1)
Tax on disposal gains and losses, asset impairment, non-recurring provisions and write-downs of deferred taxes on tax loss carry-forwards	62	(82)
GROUP SHARE OF RECURRING NET INCOME	**1,814**	**1,506**

5.4. Working capital

Working capital can be analyzed as follows:

(in € millions)	**June 30, 2022**	**Dec. 31, 2021**
INVENTORIES, NET	**7,611**	**6,598**
TRADE ACCOUNTS RECEIVABLE, NET	**6,844**	**5,104**
Other operating receivables	1,661	1,424
Other non-operating receivables	116	80
OTHER RECEIVABLES, NET	**1,777**	**1,504**
CURRENT TAX RECEIVABLE	**124**	**166**
TRADE ACCOUNTS PAYABLE	**8,282**	**6,903**
Other operating payables	4,396	4,153
Other non-operating payables	431	655
OTHER PAYABLES	**4,827**	**4,808**
CURRENT TAX LIABILITIES	**241**	**236**
Operating working capital	3,438	2,070
Non-operating working capital (including current tax receivable and liabilities)	(432)	(645)
WORKING CAPITAL	**3,006**	**1,425**

5.4.1. Inventories

At June 30, 2022 and December 31, 2021, inventories were as follows:

(in € millions)	**June 30, 2022**	**Dec. 31, 2021**
Gross value		
Raw materials	2,124	1,726
Work in progress	463	367
Finished goods	5,618	5,033
GROSS INVENTORIES	**8,205**	**7,126**
Provisions for impairment		
Raw materials	(206)	(191)
Work in progress	(19)	(16)
Finished goods	(369)	(321)
TOTAL PROVISIONS FOR IMPAIRMENT	**(594)**	**(528)**
INVENTORIES, NET	**7,611**	**6,598**

The net value of inventories was €7,611 million at June 30, 2022 compared to €6,598 million at December 31, 2021. Impairment losses on inventories recorded in the first half of 2022 totaled €163 million (€132 million in the first half of 2021). Reversals of impairment losses on inventories amounted to €108 million in the first half of 2022 (€104 million in the first half of 2021).

5.4.2. 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, 2022**	**Dec. 31, 2021**
Gross value	7,240	5,449
Provisions for impairment	(396)	(345)
TRADE ACCOUNTS RECEIVABLE, NET	**6,844**	**5,104**
Discounts obtained from and advances granted to suppliers	709	636
Prepaid payroll taxes	48	35
Other prepaid and recoverable taxes (other than income tax)	518	470
Miscellaneous operating receivables	393	289
Other non-operating receivables	116	81
Provision for impairment of other receivables	(7)	(7)
OTHER RECEIVABLES, NET	**1,777**	**1,504**

The increase in trade and other accounts receivable at June 30, 2022 is a result of the strong level of business in the first half of the year.

At June 30, 2022, the impact of movements in provisions and bad debt write-offs represented an expense of €65 million.

Trade accounts receivable at June 30, 2022 and December 31, 2021 are analyzed below by maturity:

(in € millions)	Gross value		Impairment		Net value	
	June 30, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021	June 30, 2022	Dec. 31, 2021
TRADE ACCOUNTS RECEIVABLE NOT YET DUE	**6,323**	**4,616**	**(76)**	**(62)**	**6,247**	**4,554**
Less than 1 month	396	350	(39)	(29)	357	321
1-3 months	158	148	(34)	(30)	124	118
More than 3 months	363	335	(247)	(224)	116	111
TRADE ACCOUNTS RECEIVABLE PAST DUE	**917**	**833**	**(320)**	**(283)**	**597**	**550**
TRADE ACCOUNTS RECEIVABLE	**7,240**	**5,449**	**(396)**	**(345)**	**6,844**	**5,104**

- Trade and other accounts payable

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

(in € millions)	June 30, 2022	Dec. 31, 2021
TRADE ACCOUNTS PAYABLE	**8,282**	**6,903**
Downpayments received and rebates granted to customers	1,635	1,636
Payables to suppliers of non-current assets	203	439
Grants received	89	91
Accrued personnel expenses	1,342	1,439
Accrued taxes other than on income	646	403
Other operating payables	773	675
Other non-operating payables	139	125
OTHER PAYABLES	**4,827**	**4,808**

5.5. Off-balance sheet commitments related to operating activities

Non-cancelable purchase commitments represent €2,350 million at June 30, 2022 (€1,834 million at December 31, 2021). Changes in non-cancelable purchase commitments chiefly reflect an increase in energy and raw material purchase commitments.

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 6 PERSONNEL EXPENSES AND EMPLOYEE BENEFIT OBLIGATIONS

6.1. Provisions for pensions and other employee benefits

6.1.1. Description of defined benefit plans

The Group's main defined benefit plans are identical to those set out in the consolidated financial statements at December 31, 2021.

6.1.2. 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, 2022.

For the Eurozone (including France), two discount rates were calculated for first-half 2022 based on the term of the plans using a yield curve model developed by consulting firm Mercer: one rate for plans with a term of 15 years or less and one for plans with a term of over 15 years (2021: one rate for plans with a term of 14 years or less and one for plans with a term of over 14 years).

Since January 1, 2022, a common inflation rate for all Eurozone countries has been used, as was already the case for discount rates.

The rates used in first-half 2022 for the Group's main plans are the following:

(in %)	**Eurozone (including France)**		**United Kingdom**	**United States**
Discount rate	Short-term plans	Long-term plans		
	3.25%	3.45%	3.80%	4.60%
Inflation rate	2.10%		2.50%	2.20%

The rates used in 2021 for the Group's main plans were the following:

(in %)	**Eurozone (including France)**		**United Kingdom**	**United States**
Discount rate	Short-term plans	Long-term plans		
	1.06%	1.42%	1.95%	2.70%
Inflation rate	1.60% to 2.00%		2.70%	2.20%

As the above three regions account for substantially all of the Group's pension obligation, the revised actuarial assumptions (discount and inflation rates) contributed to a decrease in the obligation, and therefore in the provision, by an amount of €3,469 million.

The actual return on plan assets for almost all plans was lower than expected, at €2,491 million, leading to an increase in the provision of the same amount. In addition, an €83 million rise in the asset ceiling in Switzerland generated an increase in the provision in the same amount.

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

6.1.3.1. Carrying amount of provisions

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

(in € millions)	**June 30, 2022**	**Dec. 31, 2021**
Pension obligations	831	1,263
Length-of-service awards	300	361
Post-employment healthcare benefits	217	255
TOTAL PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS	**1,348**	**1,879**
Healthcare benefits	27	26
Long-term disability benefits	7	8
Other long-term benefits	104	101
PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS	**1,486**	**2,014**

Provisions for all other long-term benefits total €138 million at June 30, 2022 (€135 million at December 31, 2021).

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

(in € millions)	**June 30, 2022**	**Dec. 31, 2021**
Provisions for pensions and other post-employment benefit obligations – liabilities	1,348	1,879
Pension plan surpluses – assets	(1,202)	(894)
NET PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS	**146**	**985**

6.1.3.2. 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, 2021	**985**
Changes during the period	
Business expense	89
Interest cost/return on plan assets as per calculations	6
Actuarial gains and losses and asset ceiling(*)	(895)
Pension contributions and benefits paid	(73)
Translation adjustments	30
Changes in Group structure and reclassifications	3
Liabilities held for sale	1
TOTAL CHANGES	**(839)**
AT JUNE 30, 2022	**146**

* This increased equity by €895 million before tax (€665 million net of tax), including the €83 million rise in the asset ceiling in Switzerland.

6.2. Share-based payments

6.2.1. Group Savings Plan

The Group Savings Plan (*Plan d'Epargne Groupe* – 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. The subscription price 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 Group makes a matching contribution to amounts paid in by employees, which is expensed in the consolidated financial statements.

The IFRS 2 expense representing the benefit granted to employees is measured based on the discount offered on subscription, taking into account the five- or ten-year lock-up period applicable to the shares. The IFRS 2 expense for first-half 2022 amounted to €9.3 million (€13.2 million in 2021).

During the first half of 2022, the Saint-Gobain Group implemented a new PEG. As approved by the Chief Executive Officer on March 14, 2022, the reference price is €56.48 (€44.76 in 2021), representing a subscription price of €45.19 (€35.81 in 2021) after a 20% discount.

In first-half 2022, 4,916,097 new shares with a par value of €4 were issued to employees under the PEG at an average subscription price of €45.19 (5,562,855 shares at an average price of €35.81 in 2021), representing a share capital increase of €222 million (€199 million in 2021), net of transaction fees.

6.2.2. 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 2022.
Under IFRS 2, the expense attributable to the amortization of stock options granted under previous plans totaled €0.1 million in first-half 2022 (€0.2 million in first-half 2021).

6.2.3. Performance shares and performance unit grants

6.2.3.1. Performance share plans

At June 30, 2022, there were four outstanding performance share plans, approved by the Board of Directors in 2018, 2019 and 2020 and on November 25, 2021.
No new plan was set up in first-half 2022.
The amount expensed in respect of these plans in first-half 2022 was €17.4 million (€27.4 million in first-half 2021).

6.2.3.2. 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 compensation plan in the form of performance units has been set up since 2016.
Since the acquisition time of the last plan has ended in 2019, there are no longer any expenses in respect of such plans.

NOTE 7 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, 2022 and December 31, 2021 break down as follows:

(in € millions)	Goodwill	Other intangible assets	Property, plant and equipment	Right-of-use assets	Total
At January 1, 2021					
Gross value	12,229	4,417	30,699	6,619	53,964
Accumulated amortization, depreciation and impairment	(2,201)	(1,912)	(19,627)	(3,717)	(27,457)
Net value	**10,028**	**2,505**	**11,072**	**2,902**	**26,507**
Changes during the period					
Acquisitions		110	1,481	769	2,360
Disposals		(3)	(95)	(64)	(162)
Depreciation and amortization		(194)	(1,113)	(679)	(1,986)
Impairment	(30)	(40)	(104)	(14)	(188)
Translation adjustments and restatement for hyperinflation	354	80	372	60	866
Changes in Group structure and other	815	250	77	35	1,177
Assets held for sale	14	(3)	(27)	(50)	(66)
Total changes	**1,153**	**200**	**591**	**57**	**2,001**
At December 31, 2021					
Gross value	13,399	4,904	32,000	6,894	57,197
Accumulated amortization, depreciation and impairment	(2,218)	(2,199)	(20,337)	(3,935)	(28,689)
Net value	**11,181**	**2,705**	**11,663**	**2,959**	**28,508**
Changes during the period					
Acquisitions		36	554	395	985
Disposals		(2)	(26)	(4)	(32)
Depreciation and amortization[1]		(109)	(578)	(350)	(1,037)
Impairment		(1)		(1)	(2)
Translation adjustments and restatement for hyperinflation	306	26	378	2	712
Changes in Group structure and other	(117)	336	22		241
Assets held for sale			(2)	37	35
Total changes	**189**	**286**	**348**	**79**	**902**
At June 30, 2022					
Gross value	13,526	5,304	33,202	7,397	59,429
Accumulated amortization, depreciation and impairment	(2,156)	(2,313)	(21,191)	(4,359)	(30,019)
Net value	**11,370**	**2,991**	**12,011**	**3,038**	**29,410**

[1] The "Depreciation and amortization" line relating to intangible assets includes amortization charged against intangible assets within the scope of purchase price accounting, representing €45 million in first-half 2022 versus €24 million in first-half 2021.

7.1. Goodwill

In first-half 2022, changes in Group structure mainly reflect first-time consolidations following the finalization of the purchase price accounting for Chryso, reducing goodwill by €229 million (see note 4.2.1), and the acquisitions of Impac, Fischer Ag and Igland Industrier AS which had a positive impact of €64 million, €15 million and €13 million, respectively. Translation adjustments primarily reflect the impacts of fluctuations in the US dollar, pound sterling, Norwegian krone, Brazilian real, Russian ruble, Swedish krone and Argentine peso.

In 2021, changes in Group structure mainly reflected first-time consolidations following the acquisition of Chryso for €722 million and of Equflow and Duraziv for €20 million and €17 million, respectively, as well as adjustments relating to purchase price accounting in progress. Impairment losses were recognized for €30 million, mainly against assets sold in the period. Translation adjustments primarily reflected the impacts of fluctuations in the US dollar, pound sterling, Norwegian krone and Argentine peso.

7.2. Other intangible assets

In the first half of 2022, changes in Group structure correspond mainly to adjustments to the purchase price accounting for brands and customer relationships in the Chryso acquisition, representing €16 million and €277 million, respectively. They also include customer relationships and brands acquired as a result of the Duraziv, Igland Industrier AS and Fischer Ag acquisitions for a total amount of €22 million, as well as Impac patents for €23 million.

In 2021, changes in Group structure related mainly to brands and customer relationships acquired as a result of the Chryso acquisition for €158 million and €48 million, respectively. They also included customer relationships acquired as a result of the MS Techniques, Transluminal and Duraziv acquisitions for a total amount of €23 million, as well as Saint-Gobain Brüggemann Holzbau GmbH intellectual property for €10 million. Impairment losses were recognized against certain individual assets for a total of €40 million.

7.3. Property, plant and equipment

In first-half 2022, changes in Group structure relate mainly to adjustments to the purchase price accounting for the Chryso acquisition and the first time consolidation of Impac. Translation adjustments and restatement for hyperinflation primarily reflect the impacts of fluctuations in the US dollar, Brazilian real, Mexican peso, Russian ruble, Chinese renminbi, pound sterling and Indian rupee.

In 2021, changes in Group structure related mainly to the first-time consolidation of Chryso. Translation adjustments and restatement for hyperinflation primarily reflected the impacts of fluctuations in the US dollar, pound sterling, Chinese renminbi, Indian rupee, Mexican peso, Czech koruna, Norwegian krone, Argentine peso, Brazilian real, Canadian dollar and Turkish lira.

7.4. Right-of-use assets linked to leases

At June 30, 2022, right-of-use assets under leases relate mainly to land and buildings for €2,503 million (€2,419 million at December 31, 2021) and to machinery and equipment for €535 million (€540 million at December 31, 2021).

7.5. 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.

For all CGUs, including those identified as sensitive at December 31, 2021, no evidence of impairment or trigger events requiring an impairment test were identified based on an analysis of the first-half 2022 performance. Accordingly, no impairment test was performed.

No impairment losses were recognized against operations held for sale or specific assets in first-half 2022.

The Group did not identify any material changes compared to the estimates used and sensitivity analyses performed at December 31, 2021.

NOTE 8 OTHER NON-CURRENT ASSETS

Changes in other non-current assets are analyzed below:

(in € millions)	Equity investments and other	Loans, deposits, surety and other assets	Total
At January 1, 2021			
Gross value	92	446	538
Provisions for impairment	(22)	(5)	(27)
NET VALUE	**70**	**441**	**511**
Changes during the period			
Increases (decreases)	30	(77)	(47)
Provisions for impairment	(1)	0	(1)
Translation adjustments and restatement for hyperinflation	3	10	13
Transfers and other movements	17	2	19
Changes in Group structure	(1)	22	21
Changes in fair value	12	0	12
TOTAL CHANGES	**60**	**(43)**	**17**
At December 31, 2021			
Gross value	152	403	555
Provisions for impairment	(22)	(5)	(27)
NET VALUE	**130**	**398**	**528**
Changes during the period			
Increases (decreases)	39	(15)	24
Translation adjustments and restatement for hyperinflation	5	20	25
Transfers and other movements	(3)	32	29
Changes in Group structure	(7)	4	(3)
Changes in fair value	(3)	(11)	(14)
TOTAL CHANGES	**31**	**30**	**61**
At June 30, 2022			
Gross value	183	433	616
Provisions for impairment	(22)	(5)	(27)
NET VALUE	**161**	**428**	**589**

NOTE 9 OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS, CONTINGENT LIABILITIES AND LITIGATION

9.1. 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 litigation and environmental risks	Provisions for restructuring costs and 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, 2021							
Current portion	64	96	108	82	350	11	361
Non-current portion	162	126	107	442	837	128	965
TOTAL PROVISIONS FOR OTHER LIABILITIES AND INVESTMENT-RELATED LIABILITIES	**226**	**222**	**215**	**524**	**1,187**	**139**	**1,326**
Changes during the period							
Additions	193	73	94	83	443		443
Reversals	(8)	(27)	(16)	(22)	(73)		(73)
Utilizations	(72)	(121)	(44)	(41)	(278)		(278)
Changes in Group structure	4	(2)	(5)	8	5		5
Translation adjustments and reclassifications	11	3	13	35	62	57	119
Liabilities held for sale	(5)	15		(7)	3		3
TOTAL CHANGES	**123**	**(59)**	**42**	**56**	**162**	**57**	**219**
At December 31, 2021							
Current portion	165	61	135	92	453	26	479
Non-current portion	184	102	122	488	896	170	1,066
TOTAL PROVISIONS FOR OTHER LIABILITIES AND INVESTMENT-RELATED LIABILITIES	**349**	**163**	**257**	**580**	**1,349**	**196**	**1,545**
Changes during the period							
Additions	66	23	38	110	237		237
Reversals	(3)	(10)	(8)	(11)	(31)		(31)
Utilizations	(31)	(51)	(18)	(28)	(128)		(128)
Changes in Group structure	3	2			5		5
Translation adjustments and reclassifications	13	16	6	50	84	64	148
Liabilities held for sale	9				9		9
TOTAL CHANGES	**57**	**(20)**	**18**	**121**	**176**	**64**	**240**
At June 30, 2022							
Current portion	219	55	144	190	608	47	655
Non-current portion	187	88	131	511	917	213	1,130
TOTAL PROVISIONS FOR OTHER LIABILITIES AND INVESTMENT-RELATED LIABILITIES	**406**	**143**	**275**	**701**	**1,525**	**260**	**1,785**

Provisions for litigation and environmental risks cover costs relating to litigation, environmental protection measures, as well as site rehabilitation and clean-up costs.
Provisions for litigation total €191 million at June 30, 2022 (€155 million at December 31, 2021). They cover in particular PFOA-related proceedings and the antitrust lawsuit in the Distribution sector in Switzerland. These provisions are described in further detail in note 9.2 "Contingent liabilities and litigation".

Provisions for other contingencies relate in particular to the DBMP LLC provision for asbestos-related litigation (see note 9.2.2.2 on asbestos-related liabilities in the United States).

9.2. Contingent liabilities and litigation

9.2.1. Antitrust law and related proceedings

9.2.1.1. 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 on January 21, 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 as at June 30, 2022).

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

Alleged anti-competitive practices in the building insulation products market between 2001 and 2013 were notified to Saint-Gobain Isover and Compagnie de Saint-Gobain (as parent company of the Saint-Gobain Group), which rejected such allegations.

By decision dated January 14, 2021, the French Competition Authority considered that the alleged anti-competitive practices were not established and dismissed all the objections.

Actis appealed this decision to the Paris Court of Appeal on February 26, 2021, following which the other parties, including Saint-Gobain Isover and Compagnie de Saint-Gobain filed incidental appeals. Hearing is expected to occur in November 2022.

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 judiciaire de Paris*) based on the facts being investigated by the Competition Authority. The court decided a stay of proceedings until the Paris Court of Appeal's decision to be made in relation to the appeal filed by Actis against the dismissal decision of the Competition Authority.

9.2.2. Asbestos-related litigation

Current legal actions related to asbestos are described below.

9.2.2.1. Asbestos-related litigation in France

- Inexcusable fault lawsuits

In France, Everite and Saint-Gobain PAM, which in the past manufactured fiber-cement products containing asbestos fibres, are the subject of actions by former employees of these companies (or persons claiming through them) for recognition of inexcusable fault following diseases recognized as being of occupational origin.

As of June 30, 2022, a total of 846 lawsuits had been issued against the two companies since the outset with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect.

As of the same date, 825 of these 846 lawsuits had been completed and 21 actions are still pending.

The total amount of compensation paid by Everite and Saint-Gobain PAM since the outset of these litigations in settlement of these lawsuits totaled approximately €8.3 million as of June 30, 2022 (compared to €6.6 million as of December 31, 2021).

In addition, similar suits had been filed against 13 French companies of the Group (excluding suits against companies that are no longer part of the Group) which in the past used equipment containing asbestos to protect their employees and installations against heat from furnaces.

As of June 30, 2022, a total of 279 lawsuits had been filed since the outset against these 13 companies. 236 of these 279 lawsuits had been completed and 43 actions were still pending at the same date.

The total amount of compensation paid since the outset of the litigations by these companies was approximately €11.3 million as of June 30, 2022 (compared to approximately €10.5 million as of December 31, 2021).

- Anxiety claims

Eight of the Group's subsidiaries, including six that operate or have operated facilities in France classified as containing asbestos, were the subject of anxiety claims brought by current or former employees not suffering from an occupational disease due to asbestos - claiming compensation for prejudice of anxiety suffered as a result of their alleged exposure to asbestos.

As of June 30, 2022, a total of 861 lawsuits had been brought against these companies.

At the same date, 824 suits out of 861 have been definitely completed and 37 were still pending.

The total amount of compensation paid since the outset of the litigations was €8.5 million as of June 30, 2022 (unchanged compared to the amount as of December 31, 2021).

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.

Last, the total amount registered as provision for asbestos-related litigations in France - inexcusable faults lawsuits and anxiety claims - amounted to around €7.2 million as of June 30, 2022 (compared to €6.9 million as of December 31, 2021).

9.2.2.2. 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 US Bankruptcy Code in the US 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 US 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 is expected to take approximately three to eight 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 was taken as a result of the increasing risks presented in the US tort system. Despite the passage of time, the aging of the population 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.

Certain adversary proceedings have been filed by representatives of current and future asbestos plaintiffs against CertainTeed LLC, Saint-Gobain Corporation, Compagnie de Saint-Gobain and various other parties. No decisions on the merits of the claims have been made and such claims do not affect the Company's financial assessment of the Chapter 11 case.

- Impact on the Group's financial statements

Following the commencement of the proceeding under Chapter 11 of the US 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, are 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 so in full, the Group recorded in its consolidated financial statements a debt against DBMP LLC amounting to $410 million as of June 30, 2022 ($417 million as of December 31, 2021).

The Group's consolidated income for the first half of 2022 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 have been taken for the first half of 2022 (as for the first half of 2021).

9.2.2.3. 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 (Pernambuco state) plants, asking for their medical assistance and compensation to be revised. First and second instance decisions were rendered in connection with the suit related to the São Caetano plant respectively in July 2020 and July 2021, rejecting the claims of the plaintiffs. The latter have nevertheless appealed the second instance decision. In relation to Recife case, a first instance decision was rendered in February 2022 also rejecting the claiming party arguments and the plaintiff has appealed such decision.

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. A first instance decision was rendered in September 2020 partly in favor of the plaintiffs. In particular, collective moral damages were granted to the plaintiffs, for an amount reduced to BRL 5 million (€0.8 million). Brasilit has appealed the 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

9.2.3. Environmental disputes

- PFOA matters in the United States

Levels of PFOA (perfluorooctanoic acid) in excess of US Environmental Protection Agency (EPA) health advisories or state maximum contaminant 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 all three communities, installed carbon filtration systems on the municipal water supply in Hoosick Falls and funded the installation of a carbon filtration system on the Merrimack Valley District’s municipal water supply. In addition, it has voluntarily funded 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 in New Hampshire and New York and clean-up obligations at these sites has not yet been established. The scope of the remediation in Vermont is defined and largely completed; future operation and maintenance obligations remain. Without admitting liability, SG PPL 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 SG PPL 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, however, both the New York and Vermont class actions are settled.

On June 30, 2022, the provision recorded by the Company in respect of this matter amounts to $157 million (compared to $131 million as of December 31, 2021). This provision covers fully the amount of the New York and Vermont class action settlements, as well as various other costs related to PFOA matters including remediation works.

9.2.4. Implementation of the guarantee granted by Saint-Gobain in connection with the sale of Verallia North America

Saint-Gobain, which sold Verallia North America to the Ardagh group, must indemnify Ardagh for $84 million, as a result of an arbitration decision dated July 11, 2022, pursuant to the January 2013 sale agreement.

This indemnification follows a patent-related decision dated April 21, 2017 by a US Court jury, unfavourable to Verallia North America, confirmed on appeal in July 2019.

The arbitration decision results in the registration of a provision amounting to €77 million at June 30, 2022, corresponding to the equivalent value in euros of $84 million, which comes as a deduction from the sale price of Verallia North America (calculated on the basis of an enterprise value of $1,694 million).

9.2.5. 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 is considering, 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. The Inquiry is conducting its work in two phases: its phase 1 report was published on October 30, 2019, phase 2 commenced in January 2020 – public hearings are expected to continue until autumn 2022, with a final report to follow some time thereafter. 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. Civil proceedings in connection with Grenfell Tower brought against Celotex Limited and/or Saint-Gobain Construction Products UK Limited (which respectively held the Celotex business until or after December 31, 2015) and a number of other defendants – who are also core participants in the Public Inquiry – have been issued and are stayed prior to the service of full pleadings. During such stay, parties to the litigation are permitted to engage in an alternative dispute resolution process and Celotex and Saint-Gobain Construction Products UK Limited are engaging with other parties in such a process. Celotex and Saint-Gobain Construction Products UK Limited are unable to make a reliable estimate of any amount they would have to bear as a result of the alternative dispute resolution process.

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 and Celotex Limited and Saint-Gobain Construction Products UK are currently unable to make a reliable estimate of their potential liability in this respect.

NOTE 10 FINANCING AND FINANCIAL INSTRUMENTS

10.1. 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 pension and other post-employment benefit plans net of the return on plan assets, and other financial income and expense.

Net financial income (expense) for first-half 2022 and 2021 comprises:

(in € millions)	First-half 2022	First-half 2021
Borrowing costs, gross	(111)	(124)
Income from cash and cash equivalents	19	1
BORROWING COSTS, NET, EXCLUDING LEASE LIABILITIES	**(92)**	**(123)**
Interest on lease liabilities	(28)	(28)
TOTAL BORROWING COSTS, NET	**(120)**	**(151)**
Interest cost – pension and other post-employment benefit obligations	(122)	(94)
Return on plan assets	115	79
INTEREST COST – PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS, NET	**(7)**	**(15)**
Other financial expense *	(72)	(50)
Other financial income	6	3
OTHER FINANCIAL INCOME AND EXPENSE	**(66)**	**(47)**
NET FINANCIAL INCOME (EXPENSE)	**(193)**	**(213)**

* Including €19 million in premiums paid in first-half 2022 on the partial redemption of a GBP bond issue.

10.2. Net debt

10.2.1. Long- and short-term debt

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

(in € millions)	June 30, 2022	Dec. 31, 2021
Bond issues	7,548	8,521
Perpetual bonds and participating securities	203	203
Long-term securitization	385	280
Other long-term financial liabilities	199	190
NON-CURRENT PORTION OF LONG-TERM DEBT	**8,335**	**9,194**
Bond issues	849	1,000
Long-term securitization	115	220
Other long-term financial liabilities	101	116
CURRENT PORTION OF LONG-TERM DEBT	**1,065**	**1,336**
Short-term financing programs (NEU CP, US CP, Euro CP)	1,807	0
Short-term securitization	385	263
Bank overdrafts and other short-term financial liabilities	376	282
SHORT-TERM DEBT	**2,568**	**545**
TOTAL GROSS DEBT EXCLUDING LEASE LIABILITIES	**11,968**	**11,075**
Lease liabilities	3,243	3,155
TOTAL GROSS DEBT	**15,211**	**14,230**
Cash at banks	(2,095)	(1,725)
Mutual funds and other marketable securities	(4,840)	(5,218)
CASH AND CASH EQUIVALENTS	**(6,935)**	**(6,943)**
TOTAL NET DEBT	**8,276**	**7,287**

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

(in € millions)	Dec. 31, 2021	Cash impact		No cash impact			June 30, 2022
		Increases	Decreases	Changes in Group structure	Translation adjustments	Other	
Non-current portion of long-term debt	9,194	30	(260)	6	8	(643)	8,335
Current portion of long-term debt	1,336	14	(904)	0	1	618	1,065
TOTAL LONG-TERM DEBT	**10,530**	**44**	**(1,164)**	**6**	**9**	**(25)**	**9,400**

The main changes with an impact on cash are described in note 10.2.3. 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 €8.4 billion at June 30, 2022 (carrying amount: €8.6 billion). The fair value of bonds corresponds to the market price at the last market quotation of the year. For other borrowings, fair value is considered equal to the amount repayable.

10.2.2. Gross debt repayment schedule

The schedule of the Group's total gross debt as of June 30, 2022 is as follows:

(in € millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues	EUR	849	3,947	3,175	7,971
	GBP		136	290	426
Perpetual bonds and participating securities	EUR			203	203
Long-term securitization	EUR	115	385		500
Other long-term financial liabilities	All currencies	25	71	128	224
Accrued interest on long-term debt	All currencies	76			76
TOTAL LONG-TERM DEBT		**1,065**	**4,539**	**3,796**	**9,400**
SHORT-TERM DEBT	All currencies	**2,568**	**0**	**0**	**2,568**
TOTAL GROSS DEBT EXCLUDING LEASE LIABILITIES		**3,633**	**4,539**	**3,796**	**11,968**
Lease liabilities	All currencies	713	1,654	876	3,243
TOTAL GROSS DEBT		**4,346**	**6,193**	**4,672**	**15,211**

10.2.3. Bonds

On March 28, 2022, Compagnie de Saint-Gobain redeemed a bond at maturity, for a total amount of €900 million, with a coupon of 3.625%.

On May 18, 2022, Compagnie de Saint-Gobain partially redeemed a bond for a face value of GBP 183.6 million. The amount outstanding under this bond, originally issued for GBP 300 million, represents GBP 116.4 million maturing on November 15, 2024 with a coupon of 5.625%. The difference between the redemption value and the face value of the bonds redeemed (GBP 16.1 million) was recorded in other financial expense.

10.2.4. 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, 2022, 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.

10.2.5. 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, 2022, 606,883 securities are still outstanding with an aggregate face value of €92.5 million.

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

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

A certain number of these participating securities has been bought back over the years. At June 30, 2022, 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 security, which is linked to consolidated net income of the previous year and to the reference six-month Euribor rate +7/8%.

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

10.2.6. 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, 2022, the state of these programs is as follows:

(in € millions)	**Authorized drawings**	**Authorized limits at June 30, 2022**	**Balance outstanding at June 30, 2022**	**Balance outstanding at Dec. 31, 2021**
Medium-Term Notes	any duration	15,000	8,479	9,649
NEU CP	up to 12 months	4,000	1,807	0
US Commercial Paper	up to 12 months	963 *		0
Euro Commercial Paper	up to 12 months	963 *		0

* Equivalent of USD 1,000 million based on the exchange rate at June 30, 2022.

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.

10.2.7. 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 the two one-year rollover options.

Based on the Group's current credit rating for long-term debt, the two facilities are not subject to any covenants. Neither of these two lines of credit was drawn down at June 30, 2022.

10.2.8. Receivables securitization programs

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

The French program, covering an amount of up to €500 million, represented €500 million at both June 30, 2022 and December 31, 2021.
Based on observed seasonal fluctuations in receivables included in the program and on the contract's features, €385 million of this amount is classified as non-current and the remaining balance as current.

Under the US program, covering a maximum of up to USD 400 million, a total of USD 400 million has been drawn down at June 30, 2022. Its value amounts to an equivalent in euros of €385 million compared to €263 million at December 31, 2021.

10.2.9. Secured debt

At June 30, 2022, €1 million of Group debt is secured by various non-current assets (real estate and securities).

10.2.10. Factoring

The Group has set up several trade receivables factoring programs. Based on an analysis of the risks and rewards as defined by IFRS 9, the Group has derecognized virtually all of the receivables sold under these programs. A total of €548 million in factored receivables were derecognized at June 30, 2022, compared to €492 million at December 31, 2021.

10.3. 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 main derivatives used by the Group:

(in € millions)	Fair value			Nominal amount by maturity				
	Derivatives recorded in assets	Derivatives recorded in liabilities	June 30, 2022	Dec. 31, 2021	Within 1 year	1 to 5 years	Beyond 5 years	June 30, 2022
FAIR VALUE HEDGES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cash flow hedges								
Currency	14	(6)	8	6	1,395	30	0	1,425
Interest rate	2	(37)	(35)	(60)	0	95	371	466
Energy and commodities	20	(1)	19	6	17	33	5	55
Other risks: equities	1	0	1	12	3	14	0	17
CASH FLOW HEDGES – TOTAL	**37**	**(44)**	**(7)**	**(36)**	**1,415**	**172**	**376**	**1,963**
Derivatives not qualifying for hedge accounting mainly contracted by Compagnie de Saint-Gobain								
Currency	26	(12)	14	14	4,618	2	0	4,620
Interest rate	0		0	0				0
Energy and commodities			0	0				0
DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING – TOTAL	**26**	**(12)**	**14**	**14**	**4,618**	**2**	**0**	**4,620**
TOTAL	**63**	**(56)**	**7**	**(22)**	**6,033**	**174**	**376**	**6,583**

10.3.1. 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, 2022, credit value adjustments were not material.

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

At June 30, 2022, the IFRS cash flow hedge reserve carried in equity has a credit balance of €15 million, consisting mainly of:

- a debit balance of €14 million in relation to cross-currency swaps designated as cash flow hedges that are used to convert a GBP bond issue into euros;
- a credit balance of €2 million corresponding to changes in the fair value of interest rate hedges classified as cash flow hedges;
- a credit balance of €19 million corresponding to changes in fair value of energy hedges qualified as cash flow hedges;
- a credit balance of €8 million corresponding to changes in fair value of currency derivatives qualified as cash flow hedges.

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

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

The fair value of derivatives classified as "Financial assets and liabilities at fair value through profit or loss" represents a gain of €14 million in first-half 2022, same as for the full-year 2021.

10.3.4. Group debt structure (excluding lease liabilities)

The weighted average interest rate on total gross debt under IFRS and after hedging (interest rate swaps and cross-currency swaps) was 1.9% at June 30, 2022, compared with 2.1% at December 31, 2021.

The table below presents the breakdown by interest rate (fixed or variable) of the Group's gross debt at June 30, 2022, taking into account interest rate and cross-currency swaps.

(in € millions)	Gross debt, excluding lease liabilities		
	Variable rate	**Fixed rate**	**Total**
EUR	2,757	7,298	10,055
Other currencies	685	1,129	1,814
TOTAL	**3,442**	**8,427**	**11,869**
(in %)	29%	71%	100%
Accrued interest and other			99
TOTAL GROSS DEBT EXCLUDING LEASE LIABILITIES			**11,968**

10.4. Financial assets and liabilities

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

At June 30, 2022

		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				8,578	**8,578**				**0**
Loans, deposits and surety	(8)			427	**427**				**0**
Equity investments and other	(8)		161		**161**			161	**161**
Derivatives recorded in assets		26	37		**63**		63		**63**
Cash and cash equivalents		4,840		2,098	**6,938**	4,840			**4,840**
TOTAL FINANCIAL ASSETS		**4,866**	**198**	**11,103**	**16,167**	**4,840**	**63**	**161**	**5,064**
Trade and other accounts payable				(13,099)	**(13,099)**				**0**
Long- and short-term debt				(11,942)	**(11,942)**				**0**
Long- and short-term lease liabilities				(3,243)	**(3,243)**				**0**
Derivatives recorded in liabilities		(12)	(44)		**(56)**		(56)		**(56)**
TOTAL FINANCIAL LIABILITIES		**(12)**	**(44)**	**(28,284)**	**(28,340)**	**0**	**(56)**	**0**	**(56)**
FINANCIAL ASSETS AND LIABILITIES - NET		**4,854**	**154**	**(17,181)**	**(12,173)**	**4,840**	**7**	**161**	**5,008**

At December 31, 2021

		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				6,573	**6,573**				**0**
Loans, deposits and surety	(8)			398	**398**				**0**
Equity investments and other	(8)		130		**130**			130	**130**
Derivatives recorded in assets		18	27		**45**		45		**45**
Cash and cash equivalents		5,218		1,727	**6,945**	5,218			**5,218**
TOTAL FINANCIAL ASSETS		**5,236**	**157**	**8,698**	**14,091**	**5,218**	**45**	**130**	**5,393**
Trade and other accounts payable				(11,708)	**(11,708)**				**0**
Long- and short-term debt				(11,022)	**(11,022)**				**0**
Long- and short-term lease liabilities				(3,155)	**(3,155)**				**0**
Derivatives recorded in liabilities		(4)	(63)		**(67)**		(67)		**(67)**
TOTAL FINANCIAL LIABILITIES		**(4)**	**(63)**	**(25,885)**	**(25,952)**	**0**	**(67)**	**0**	**(67)**
FINANCIAL ASSETS AND LIABILITIES - NET		**5,232**	**94**	**(17,187)**	**(11,861)**	**5,218**	**(22)**	**130**	**5,326**

NOTE 11 SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

11.1. Equity

11.1.1. Equity

As of June 30, 2022, the number of shares composing the capital stock of Compagnie de Saint-Gobain was 520,062,038 shares each with a par value of €4 (524,017,595 shares at December 31, 2021).

11.1.2. Number of shares

	Number of shares	
	Issued	**Outstanding**
NUMBER OF SHARES AT DECEMBER 31, 2020	**532,683,713**	**530,033,505**
Group Savings Plan	5,562,855	5,562,855
Stock subscription option plans	14,201	14,201
Shares purchased		(16,865,006)
Shares sold		2,525,353
Shares canceled	(14,243,174)	
NUMBER OF SHARES AT DECEMBER 31, 2021	**524,017,595**	**521,270,908**
Group Savings Plan	4,916,097	4,916,097
Stock subscription option plans		
Shares purchased		(14,991,920)
Shares sold		1,107,418
Shares canceled	(8,871,654)	
NUMBER OF SHARES AT JUNE 30, 2022	**520,062,038**	**512,302,503**

11.1.3. Dividends

The Annual Shareholders' Meeting of June 2, 2022 approved the recommended dividend payout for 2021 representing €1.63 per share. The ex-dividend date was June 6 and the dividend was paid on June 8, 2022.

11.2. Earnings per share

11.2.1. Basic earnings per share

Basic earnings per share are as follows:

	First-half 2022	**First-half 2021**
Group share of net income *(in € millions)*	1,724	1,298
Weighted average number of shares in issue	516,797,123	529,188,715
BASIC EARNINGS PER SHARE, GROUP SHARE *(in €)*	3.34	2.45

11.2.2. Diluted earnings per share

Diluted earnings per share are as follows:

	First-half 2022	First-half 2021
Group share of net income *(in € millions)*	1,724	1,298
Weighted average number of shares assuming full dilution	520,639,280	533,084,200
DILUTED EARNINGS PER SHARE, GROUP SHARE *(in €)*	3.31	2.43

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 171,975 and 3,670,182 instruments, respectively, at June 30, 2022.

NOTE 12 TAX

12.1. 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 25.82% in first-half 2022 and 28.41% in first-half 2021, and can be analyzed as follows:

(in € millions)	First-half 2022	First-half 2021
Net income	1,774	1,340
Less:		
Share in net income of equity-accounted companies	33	27
Income taxes	(530)	(593)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	**2,271**	**1,906**
French tax rate	25.82%	28.41%
Theoretical tax expense at French tax rate	(586)	(541)
Impact of different tax rates	32	68
Asset impairment, capital gains and losses on asset disposals	(36)	(9)
Recognition of deferred tax assets and provisions for deferred tax assets	60	(7)
Liability method		(105)
Research tax credit and value-added contribution for businesses (CVAE)	(7)	(4)
Costs related to dividends	(14)	(21)
Other taxes and changes in provisions	21	26
TOTAL INCOME TAX EXPENSE	**(530)**	**(593)**

In first-half 2021, the increase in future tax rates for the United Kingdom from 19% to 25% (applicable as of April 1, 2023) led the Group to recognize a tax expense of €105 million in connection with the liability method.

The contribution of countries with low tax rates explains the impact of the different tax rates applicable outside France. The main contributors are Poland, Ireland, Sweden, the Czech Republic, Switzerland and Romania.

12.2. Deferred tax

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

(in € millions)	**Net deferred tax asset/(liability)**
NET VALUE at January 1, 2021	**305**
Deferred tax (expense)/benefit	(76)
Changes in deferred taxes relating to actuarial gains and losses (IAS 19)	(196)
Liability method on actuarial gains and losses*	60
Translation adjustments and restatement for hyperinflation	(11)
Changes in Group structure and other	(61)
NET VALUE at December 31, 2021	**21**
Deferred tax (expense)/benefit	57
Changes in deferred taxes relating to actuarial gains and losses (IAS 19)	(230)
Translation adjustments and restatement for hyperinflation	21
Assets and liabilities held for sale	2
Changes in Group structure and other	(89)
NET VALUE at June 30, 2022	**(218)**

* At June 30, 2021, the liability method on actuarial gains and losses mainly concerned the United Kingdom.

In 2021 and first-half 2022, changes in Group structure mainly concerned deferred taxes on brands and customer relationships recognized in connection with the purchase price accounting for Chryso.

NOTE 13 SUBSEQUENT EVENTS

None.

COMPAGNIE DE SAINT-GOBAIN

Société Anonyme

Tour Saint-Gobain
12, place de l'Iris
92400 Courbevoie Cedex

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2022

KPMG S.A.

Tour EQHO
2 Avenue Gambetta - CS 60055
92066 Paris-La Défense Cedex

S.A. au capital de 5 497 100 €
775 726 417 RCS Nanterre

Société de Commissariat aux Comptes inscrite
à la Compagnie Régionale de Versailles et du Centre

Deloitte & Associés

6, place de la Pyramide
92908 Paris-La Défense Cedex

S.A.S. au capital de 2 188 160 €
572 028 041 RCS Nanterre

Société de Commissariat aux Comptes inscrite
à la Compagnie Régionale de Versailles et du Centre

COMPAGNIE DE SAINT-GOBAIN

Société Anonyme

Tour Saint-Gobain
12, place de l'Iris
92400 Courbevoie Cedex

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2022

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. 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 construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' meetings 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-yearly consolidated financial statements of Compagnie de Saint-Gobain, for the period from January 1 to June 30, 2022,
- the verification of the information presented in the half-yearly management report.

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

KPMG S.A.

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1. 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-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense, July 27, 2022

Les commissaires aux comptes

The Statutory Auditors

French original signed by

KPMG S.A.

Deloitte & Associés

Pierre-Antoine Duffaud

Laurent Chillet

Frédéric Gourd

Bénédicte Margerin

STATEMENT BY THE PERSONS RESPONSIBLE

FOR THE INTERIM FINANCIAL REPORT AS OF JUNE 30, 2022

I hereby declare that, to the best of my knowledge, the condensed interim consolidated financial statements for the six-month period ended June 30, 2022 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 2022.

Courbevoie, July 27, 2022

Benoit Bazin
Chief Executive Officer
Compagnie de Saint-Gobain

Sreedhar N.
Chief Financial Officer
Compagnie de Saint-Gobain