SAINT-GOBAIN

Half year financial report

Consolidated financial accounts as at June 30, 2012

Operating performance

Overall, after a broadly satisfactory first quarter in line with the economic scenario anticipated by the Group early in the year, the **second quarter** was hit by a deterioration in the economic climate in Western Europe. This was particularly pronounced from May onwards, and was exacerbated by fewer working days than in 2011 (one day less; three days less in France in May), and by very average weather conditions. **Sales were down 2.3% on a like-for-like basis** (**down 4.2% in terms of volumes and up 1.9% in terms of prices**). With the exception of High-Performance Materials (HPM) and Packaging (Verallia), all of the Group's Business Sectors and Divisions suffered from a slowdown in the residential new-build and automotive markets in Western Europe. In addition, Asia and emerging countries showed no tangible signs of recovery in this second quarter. Flat Glass – which generates almost all of its sales in Western Europe and in Asia and emerging countries – was particularly hard hit by these adverse market conditions.
On a more positive note, the gradual recovery in residential construction across North America continued apace, while industrial output and capital spending performed well.

Amid a tougher economic environment than at the beginning of 2012, and in view of the hike in raw material and energy costs in this first half, **sales prices** remained a clear priority for the Group throughout the six months to June 30, and **gained 2.2% (2.6% excluding Flat Glass)**.

Overall, like-for-like **sales for the Group slipped 0.8%** in the first six months of 2012, with **volumes down 3.0% and prices up 2.2%**.

Despite profitability gains in North America, **the Group's operating margin narrowed to 7.0% for first-half 2012 compared to 8.2% for the same period in 2011**, due mainly to sluggish sales volumes (chiefly in Western Europe) and to a sharply negative price/cost spread in Flat Glass.

1°) Performance of Group Business Sectors

Along the lines of the first quarter, **Innovative Materials** sales fell 3.1% on a like-for-like basis over the first half, reflecting challenging market conditions in Flat Glass. High-Performance Materials delivered timid growth gains amid robust trading on most industrial markets worldwide – except automotive in Western Europe and solar power. Hit by slack profitability in Flat Glass, the operating margin for the Business Sector narrowed to 8.4% from 12.5% one year earlier.

- **Flat Glass sales retreated 6.5% on a like-for-like basis** over the first half owing to the combined adverse impact of several factors: a contraction in automotive production in Western Europe, the collapse of the solar market, a fall in prices (especially float glass) and a steep rise in raw material and energy costs. As a result, the **operating margin** for the business narrowed sharply, to **2.1% of sales** from 9.5% in first-half 2011.

- **HPM** delivered **timid 1.4% organic growth** over the first half – after an acceleration in the second quarter (up 2.6%) – thanks to the upward momentum in its sales prices. The **operating margin** – up against a record-high of 16.4% in the six months to June 30, 2011 – advanced compared to second-half 2011 (14.9%), at **15.6%.**

Construction Products (CP) sales inched down **0.3% on a like-for-like basis**, hit by the slowdown in sales volumes in Western Europe and in Asia, particularly in the second quarter. As a result, the **operating margin fell to 8.8%** from 9.7% in first-half 2011.

- **Interior Solutions** saw **organic growth creep up 0.7% over the first half**, on the back of vigorous sales price momentum (especially in the US), which helped offset the earnings impact of rising energy and raw material costs. Volumes were upbeat in North – and especially South – America, but retreated in both Western and Eastern Europe, and to a lesser extent in Asia. The **operating margin improved**, up to **8.7%** of sales from 7.9% in first-half 2011.

- **Exterior Solutions** saw **sales slip 1.2% on a like-for-like basis**, hit by the steep decline in Pipe sales – which could not be offset by growth in other Exterior Solutions businesses. Exterior Products continued to benefit from the upturn in the US housing market, reporting a robust rise in sales, owing chiefly to moves by building merchants in the first quarter to build up inventories. Industrial Mortars sales were once again driven by Asia and emerging countries, where the business delivered double-digit organic growth over the first half. For the Division as a whole, sales prices remained upbeat over the six months to June 30, 2012, but failed to fully offset the hike in raw material and energy costs affecting the Pipe business. As a result, the **operating margin narrowed, to 8.9%** of sales versus 11.1% in the same year-ago period.

Building Distribution reported **a slight 0.6% decrease in like-for-like sales as organic growth retreated in the second quarter (down 2.5%)**, with sales growth in Germany, Scandinavia and the US more than offset by sluggish trading in France and the UK along with persistent difficulties in Southern Europe and Benelux. The **operating margin for the Business Sector improved, up to 3.9%** from 3.6% in first-half 2011.

Packaging (Verallia) delivered **3.0% organic growth** over the first half, spurred by bullish trends in sales prices in its main markets. Trading remained robust in the US, France and Germany, but slackened in Southern and Eastern Europe. The **operating margin fell to 10.8% of sales** versus 12.4% in first-half 2011, mainly reflecting difficulties in Southern Europe and the time needed to feel the full benefit of efforts to pass costs on to prices.

2°) Analysis by geographic area

Along the lines of the first quarter, **stark contrasts persisted and deepened between Western Europe, where trading slowed, and North America, which delivered buoyant organic growth** over the first half. Trading in Asia and emerging countries was up slightly, concealing widely contrasting performances from one country to the next. Profitability improved in North America but retreated in Western Europe and in Asia and emerging countries.

- **France** and **other Western European countries** reported **a decline in like-for-like sales, of 2.9% and 3.2%, respectively**, due mainly to a double-digit fall in Flat Glass and Pipe sales. Other Construction Products divisions were also impacted overall in the second quarter by the souring economic environment in Western Europe, exacerbated by very average weather conditions and by fewer working days than in first-half 2011. In contrast, HPM, Building Distribution and Packaging (Verallia) sales held firm. The **operating margin slipped** both in France and in other Western European countries, down to **5.7% and 6.0%, respectively** (versus 7.2% and 6.2%, respectively, in first-half 2011).

- **North America** delivered **4.7% organic growth**. This reflects a positive contribution from all Business Sectors and particularly Construction Products (CP), lifted by the gradual recovery of the residential construction market. This upturn was especially strong in the first quarter, as builders' merchants built up their inventories. Sales prices advanced sharply over the first half, on the back of further price rises implemented since the beginning of the year. The **operating margin continued to recover, up to 11.6%** (from 11.2% in first-half 2011).

- **Sales for Asia and emerging countries** inched up **1.2%** on a like-for-like basis, as the downturn in our Asian operations – particularly Flat Glass and Pipe – was offset by a resilient performance from Latin America and by a timid recovery in Eastern Europe. The **operating margin** fell sharply, due mainly to challenging market conditions in Flat Glass, to stand at **6.1% of sales** compared to 10.1% one year earlier.

Analysis of the interim consolidated financial statements for first-half 2012

The interim consolidated financial statements set out below were authorized for issue by the Board of Directors on July 26, 2012:

	H1 2011 €m	H1 2012 €m	% change
Sales and ancillary revenue	**20,875**	**21,590**	**+3.4%**
Operating income	**1,720**	**1,512**	**-12.1%**
EBITDA (op. inc. + operating depreciation/amortization)	**2,479**	**2,284**	**-7.9%**
Non-operating costs	(150)	(224)	+49.3%
Capital gains and losses on disposals, asset write-downs, corporate acquisition fees and earn-out payments	(114)	(135)	+18.4%
Business income	**1,456**	**1,153**	**-20.8%**
Net financial expense	(298)	(356)	+19.5%
Income tax	(352)	(285)	-19.0%
Share in net income of associates	4	4	+0.0%
Income before minority interests	**810**	**516**	**-36.3%**
Minority interests	(42)	(10)	-76.2%
Recurring[1] net income	**902**	**651**	**-27.8%**
Recurring[1] earnings per share[2] (in €)	**1.68**	**1.23**	**-26.8%**
Net income	**768**	**506**	**-34.1%**
Earnings per share[2] (in €)	**1.43**	**0.95**	**-33.6%**
Operating depreciation and amortization	759	772	+1.7%
Cash flow from operations[3]	1,721	1,462	-15.0%
Cash flow from operations excluding capital gains tax[4]	**1,697**	**1,424**	**-16.1%**
Capital expenditure	641	754	+17.6%
Free cash flow (excluding capital gains tax)[4]	**1,056**	**670**	**-36.6%**
Investments in securities	182	277	+52.2%
Net debt	**9,055**	**9,828**	**+8.5%**

1 Excluding capital gains and losses on disposals, asset write-downs and material non-recurring provisions.

2 Calculated based on the number of shares outstanding at June 30 (531,052,614 shares in 2012 versus 535,334,213 in 2011). Based on the weighted average number of shares outstanding (526,833,258 shares in first-half 2012 versus 526,306,335 shares in first-half 2011), recurring earnings per share comes out at €1.24 (versus €1.71 in first-half 2011), and earnings per share comes out at €0.96 (versus €1.46 in first-half 2011).

3 Excluding material non-recurring provisions.

4 Excluding the tax effect of capital gains and losses on disposals, asset write-downs and material non-recurring provisions.

Sales advanced 3.4% to €21,590 million, compared to €20,875 million in first-half 2011. **Exchange rate fluctuations** had a **positive 1.6% impact**, mainly resulting from gains in the US dollar and pound sterling against the euro. **Changes in Group structure** also had a **positive 2.6% impact**, chiefly reflecting the consolidation of Build Center and Brossette with effect from November 1, 2011 and April 1, 2012, respectively, and the acquisition of Solar Gard in October 2011.
On a like-for-like basis (constant Group structure and exchange rates), sales **edged down 0.8%**, with the 2.2% rise in sales prices failing to fully offset the 3.0% decline in volumes.

Operating income was down 12.1%, hurt by lower sales volumes and a sharply negative price/cost spread in Flat Glass. As a result, the **operating margin** narrowed, **to 7.0% of sales (9.1% excluding Building Distribution)**, versus 8.2% (11.3% excluding Building Distribution) in first-half 2011.

EBITDA (operating income + operating depreciation and amortization) **retreated 7.9%**. The **consolidated EBITDA margin** came in at **10.6%** of sales (14.1**%** excluding Building Distribution), versus 11.9% (16.4% excluding Building Distribution) in the first six months of 2011.

Non-operating costs rose almost 50%, driven by the rise in restructuring costs, up to €224 million from €150 million in first-half 2011. This amount includes a €45 million accrual to the provision for asbestos-related litigation at CertainTeed in the US (i.e., 50% of the 2011 accrual).

The net balance of capital gains and losses on disposals, asset write-downs, and corporate acquisition fees was a negative €135 million. This amount includes €66 million in gains on asset disposals and €193 million in asset write-downs. Most of these write-downs result from the restructuring plans and site closures implemented during the period, and chiefly concern Flat Glass (for €116 million) as well as certain Building Distribution and Construction Products businesses in Spain.

Business income fell 20.8% to €1,153 million after taking into account the items mentioned above (non-operating costs, capital gains and losses on disposals and asset write-downs).

Net financial expense increased 19.5% or €58 million to €356 million, up from €298 million in first-half 2011, due chiefly to the increase in average net debt over the period. **The average cost of gross debt remained stable year-on-year, at 4.9%**.

In line with pre-tax income trends, **income tax** was down 19.0%, from €352 million to €285 million. The tax rate applicable to recurring net income was 32.7%, versus 28% in first-half 2011.

Recurring net income (excluding capital gains and losses, asset write-downs and material non-recurring provisions) **fell 27.8%** on first-half 2011 to €651 million. Based on the number of shares outstanding at June 30, 2012 (531,052,614 shares versus 535,334,213 shares at June 30, 2011), **recurring earnings per share** came out at €1.23, **down 26.8%** on the same year-ago period (€1.68).

Net income totaled €506 million, **a decline of 34.1%** on first-half 2011. Based on the number of shares outstanding at June 30, 2012 (531,052,614 shares versus 535,334,213 shares at June 30, 2011), **earnings per share** came out at €0.95, **down 33.6%** on first-half 2011 (€1.43).

Capital expenditure climbed **17.6%** to €754 million from €641 million in first-half 2011, representing **3.5% of sales** (3.1% of sales in first-half 2011). Almost half of capital spending consisted of growth Capex, around 80% of which related to selective growth projects in Asia and emerging countries and to businesses related to energy efficiency markets.

Cash flow from operations came in at €1,462 million, **down 15.0%** on first-half 2011. Before the tax impact of capital gains and losses on disposals and asset write-downs, cash flow from operations contracted 16.1% to €1,424 million, from €1,697 million in first-half 2011.

Given the increase in capital spending:

- free cash flow (cash flow from operations less capital expenditure) was down 34.4% to €708 million. Before the tax impact of capital gains and losses on disposals and asset write-downs, **free cash flow fell 36.6%** to €670 million, or **3.1% of sales** (versus 5.1% of sales in first-half 2011);

- the difference between EBITDA and capital expenditure was €1,530 million, **16.8% less** than in first-half 2011 (€1,838 million), and represented **7.1% of sales** (8.8% in the same period one year earlier).

Operating working capital requirements (WCR) improved sharply: amid a trading downturn, **operating WCR fell 5.1 days** over 12 months to stand at **41.5 days' sales** at June 30, 2012, a figure never yet achieved by the Group at June 30. This represents a gain of **€340 million over 12 months**, primarily as a result of action taken on inventories in the six months to June 30.

Consequently, **cash generation (free cash flow + change in operating WCR)** jumped **21%** over the last 12 months to €1,367 million, versus €1,129 million at June 30, 2011.

Investments in securities totaled €277 million, a **52.2% rise** on first-half 2011 (€182 million), mainly reflecting selective acquisitions signed in late 2011 on energy efficiency markets and in Building Distribution.

Net debt came in **8.5% higher** year-on-year at €9.8 billion. Over the last 12 months, although free cash flow generation (after changes in operating working capital requirements) was 21% up on first-half 2011, it was unable to fully finance financial investments, the 2011 dividend payment of €646 million, and share buybacks for €183 million. Net debt represented **54% of consolidated equity** versus 50% at June 30, 2011. **The net debt to EBITDA ratio came out at 2.1**, compared to 1.8 at end-June 2011.

Update on asbestos claims in the US

Some 2,000 claims were filed against CertainTeed in the first half of 2012 (as in first-half 2011). At the same time, 7,000 claims were settled (versus 4,000 in first-half 2011), bringing the total number of outstanding claims to **47,000** at June 30, 2012 versus 52,000 at December 31, 2011.
A total of USD 70 million in indemnity payments were made in the US in the 12 months to June 30, 2012, versus USD 82 million in the 12 months to December 31, 2011.

Main related-party transactions

Related parties mainly relate to equity consolidated companies, proportionately consolidated companies and certain subsidiaries of the Wendel group.
In accordance with Group policy, these transactions with these related-party entities are carried out as part of its usual business on an arm's length basis. There has not been any significant change in related-party transactions during the first semester 2012.

Main risk factors

Group activities are facing certain macroeconomic, business, operational, market, industrial, environmental and legal risk factors. The main risk factors that Group could face are described in the section "Risk factors" of the management report of the 2011 annual report filed with the AMF under the reference D.12-0212 on March 23, 2012. There has not been any significant change in these risks during the first semester 2012.

Action plan to address the deteriorating economic environment

To address the deterioration in the economic environment observed in the second quarter of 2012, Saint-Gobain:

- **continued to give priority to sales prices**, which **rose 2.2%** over the first half (and **2.6% excluding Flat Glass)**;

- rolled out **new cost cutting measures (particularly in Flat Glass)**, with **cost savings in the first half** totaling **€170 million** in Western Europe and in Asia and emerging countries (chiefly in Flat Glass and Pipe). **For the year as a whole**, this program will lead to **cost savings of €500 million**, and its full-year impact (in 2013) will be **€750 million** (calculated on the 2011 cost base);

- slashed its operating working capital requirements **(WCR)**, with a **gain of 5.1 days (€340 million)** over the last 12 months, representing an improvement of **21%** in cash generated (free cash flow + change in operating WCR) over the past 12 months, at €1,367 million;

- **put any new acquisition projects on hold** (after having completed the acquisitions signed in late 2011 during the first half of 2012, for example Brossette).

This action plan will be pursued and firmly reinforced throughout the second half of 2012.

Outlook and objectives for full-year 2012

After a second quarter dampened by the deteriorating economic climate, especially in Europe, the Group expects the economic environment to remain tough overall in the second half of the year:

- **in Western Europe**, the automotive market should remain sluggish, while trading on other industrial markets should hold firm. The new-build and renovation markets should continue to slow, with stark contrasts persisting from one country to the next;

- **in North America**, industrial markets should enjoy further strong momentum, while construction markets look set to continue their gradual recovery;

- **in Asia and emerging countries**, growth is expected to pick up slowly;

- lastly, **household consumption markets** should hold firm across all regions.

Against this backdrop, trading for the Group is expected to remain subdued, despite a more favorable basis for comparison and positive seasonal effect than in the first six months of 2012.

In the second half, the Group will therefore press ahead with its action plan, by:

- **continuing to give priority to sales prices** in order to pass on the rise in raw material and energy costs over the year as a whole;

- pursuing **its new cost cutting measures**, with additional savings of €160 million in the second half, representing total cost savings of **€500 million over the year as a whole and a full-year impact (in 2013) of €750 million** (calculated on the 2011 cost base). This program will remain primarily focused on Europe;

- **maintaining a strict cash management policy**, with a decrease in capital expenditure and financial investments (**down €200 million and €350 million, respectively, in the second half** compared to second-half 2011);

- keeping a **tight rein on operating working capital**.

As a result of the above, and given the deterioration in the global economy since the start of the year, **for full-year 2012 the Group is now expecting:**

- a measured rise in its **sales prices**;

- a limited decline in its **volumes**;

- second-half operating income to be **moderately down** on operating income for first-half 2012;

- continuing **high levels of free cash flow** and a **strong balance sheet**.

STATEMENT BY THE PERSON RESPONSIBLE FOR THE 2012 INTERIM FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, that the resumed financial statements for the past 6 month have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of Compagnie de Saint-Gobain and its consolidated subsidiaries, and that the interim management report includes a fair review 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, as well as a description of the main risks and uncertainties for the second half of 2012.

Courbevoie, July 26, 2012

Chief Executive Officer Pierre-André de CHALENDAR	Chief Financial Officer Laurent GUILLOT

COMPAGNIE DE SAINT-GOBAIN

STATUTORY AUDITORS' REVIEW REPORT
ON THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

The Statutory Auditors

PricewaterhouseCoopers Audit	**KPMG Audit**
Crystal Park	**Immeuble KPMG**
63, rue de Villiers	**1, cours Valmy**
92208 Neuilly-sur-Seine Cedex	**92923 Paris La Défense**

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STATUTORY AUDITORS' REVIEW REPORT
ON THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Compagnie de Saint-Gobain
Les Miroirs
18, Avenue d'Alsace
92400 Courbevoie

To the Shareholders,

Following our appointment as statutory auditors by your Shareholders' Meeting and in accordance with 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 six-month period ended June 30, 2012,
- the verification of information contained in the half-yearly management report.

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

I - Conclusion on the financial statements

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

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

II – Specific verification

We have also verified the information given in the half-yearly management report on the condensed half-yearly consolidated financial statements that were 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.

Neuilly-sur-Seine and Paris La Défense, July 26, 2012

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit *Division of KPMG S.A.*
Pierre Coll Jean-Christophe Georghiou	Jean-Paul Vellutini Philippe Grandclerc

CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2012

SAINT-GOBAIN

Consolidation and Group Reporting Department

CONSOLIDATED BALANCE SHEET

(in EUR millions)	Notes	June 30, 2012	Dec. 31, 2011
ASSETS			
Goodwill	(3)	11,281	11,041
Other intangible assets	(3)	3,177	3,148
Property, plant and equipment	(3)	14,261	14,225
Investments in associates		180	167
Deferred tax assets	(7)	1,086	949
Other non-current assets		329	347
Non-current assets		**30,314**	**29,877**
Inventories	(4)	6,777	6,477
Trade accounts receivable	(5)	6,516	5,341
Current tax receivables	(7)	139	182
Other receivables	(5)	1,500	1,408
Cash and cash equivalents	(9)	3,488	2,949
Current assets		**18,420**	**16,357**
Total assets		**48,734**	**46,234**
EQUITY AND LIABILITIES			
Capital stock		2,124	2,142
Additional paid-in capital and legal reserve		5,698	5,920
Retained earnings and net income for the period		10,431	10,654
Cumulative translation adjustments		(238)	(476)
Fair value reserves		(4)	(22)
Treasury stock		(217)	(403)
Shareholders' equity		**17,794**	**17,815**
Minority interests		405	403
Total equity		**18,199**	**18,218**
Long-term debt	(9)	9,746	8,326
Provisions for pensions and other employee benefits	(6)	3,538	3,458
Deferred tax liabilities	(7)	840	893
Other non-current liabilities and provisions	(9)	2,156	2,143
Non-current liabilities		**16,280**	**14,820**
Current portion of long-term debt	(9)	1,174	1,656
Current portion of other liabilities	(9)	545	733
Trade accounts payable	(5)	6,528	6,018
Current tax liabilities	(7)	165	165
Other payables and accrued expenses	(5)	3,447	3,562
Short-term debt and bank overdrafts	(9)	2,396	1,062
Current liabilities		**14,255**	**13,196**
Total equity and liabilities		**48,734**	**46,234**

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

CONSOLIDATED INCOME STATEMENT

(in EUR millions)	Notes	First-half 2012	First-half 2011
Net sales	(18)	21,590	20,875
Cost of sales	(11)	(16,447)	(15,571)
Selling, general and administrative expenses including research	(11)	(3,631)	(3,584)
Operating income		1,512	1,720
Other business income	(11)	92	21
Other business expense	(11)	(451)	(285)
Business income		**1,153**	**1,456**
Borrowing costs, gross		(308)	(261)
Income from cash and cash equivalents		24	17
Borrowing costs, net		(284)	(244)
Other financial income and expense	(13)	(72)	(54)
Net financial expense		**(356)**	**(298)**
Share in net income of associates		4	4
Income taxes	(7)	(285)	(352)
Net income		**516**	**810**
Attributable to equity holders of the parent		**506**	**768**
Minority interests		10	42
Earnings per share (in EUR)			
Weighted average number of shares in issue		526,833,558	526,306,335
Basic earnings per share	(15)	0.96	1.46
Weighted average number of shares assuming full dilution		529,828,402	531,187,152
Diluted earnings per share	(15)	0.96	1.45

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in EUR millions)	Shareholders' equity – Before tax effect	Shareholders' equity – Tax effect	Minority interests	Total equity
First-half 2011				
Net income	***1,100***	***(332)***	***42***	***810***
Items that may be subsequently reclassified to profit or loss				
Translation adjustments	(359)		(13)	(372)
Changes in fair values	26	(9)		17
Other		10		10
Items that will not be reclassified to profit or loss				
Changes in actuarial gains and losses	17	(2)		15
Income and expense recognized directly in equity	***(316)***	***(1)***	***(13)***	***(330)***
Total recognized income and expense for the period	784	(333)	29	480
First-half 2012				
Net income	***781***	***(275)***	***10***	***516***
Items that may be subsequently reclassified to profit or loss				
Translation adjustments	238		(1)	237
Changes in fair values	18	(8)		10
Other		(10)		(10)
Items that will not be reclassified to profit or loss				
Changes in actuarial gains and losses	(399)	110		(289)
Income and expense recognized directly in equity	***(143)***	***92***	***(1)***	***(52)***
Total recognized income and expense for the period	638	(183)	9	464

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR millions)	Notes	First-half 2012	First-half 2011
Net income attributable to equity holders of the parent		**506**	**768**
Minority interests in net income	(*)	10	42
Share in net income of associates, net of dividends received		(2)	(1)
Depreciation, amortization and impairment of assets	(11)	964	886
Gains and losses on disposals of assets	(11)	(66)	(21)
Unrealized gains and losses arising from changes in fair value and share-based payments		(1)	4
Changes in inventories	(4)	(117)	(692)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(5)	(679)	(1,267)
Changes in tax receivable and payable	(7)	38	49
Changes in deferred taxes and provisions for other liabilities and charges	(6)(7)(8)	(448)	(127)
Net cash from (used in) operating activities		**205**	**(359)**
Purchase of property, plant and equipment [H1 2012: (754), H1 2011: (641)] and intangible assets	(3)	(792)	(676)
Increase (decrease) in amounts due to suppliers of fixed assets	(5)	(193)	(173)
Acquisitions of shares in consolidated companies [H1 2012: (276), H1 2011: (172)], net of cash acquired	(2)	(267)	(167)
Acquisitions of other investments		(1)	(10)
Increase in investment-related liabilities	(8)	46	2
Decrease in investment-related liabilities	(8)	(4)	(6)
Investments		**(1,211)**	**(1,030)**
Disposals of property, plant and equipment and intangible assets	(3)	51	74
Disposals of shares in consolidated companies, net of cash divested	(2)	50	(3)
Disposals of other investments		1	(6)
Divestments		**102**	**65**
Increase in loans and deposits		(56)	(19)
Decrease in loans and deposits		45	19
Net cash from (used in) investing activities		**(1,120)**	**(965)**
Issues of capital stock	(*)	125	150
Minority interests' share in capital increases of subsidiaries	(*)	7	1
Acquisitions of minority interests		0	0
Changes in investment-related liabilities following the exercise of minority shareholder puts	(8)	(27)	(12)
(Increase) decrease in treasury stock	(*)	(183)	(122)
Dividends paid	(*)	(646)	(603)
Dividends paid to minority shareholders of consolidated subsidiaries and increase (decrease) in dividends payable		(51)	(14)
Increase (decrease) in bank overdrafts and other short-term debt		1,339	1,138
Increase in long-term debt	(**)	2,334	253
Decrease in long-term debt	(**)	(1,444)	(911)
Net cash from (used in) financing activities		**1,454**	**(120)**
Increase (decrease) in cash and cash equivalents		**539**	**(1,444)**
Net effect of exchange rate changes on cash and cash equivalents		2	(43)
Net effect of changes in fair value on cash and cash equivalents		(2)	0
Cash and cash equivalents at beginning of period		**2,949**	**2,762**
Cash and cash equivalents at end of period		**3,488**	**1,275**

(*) References to the consolidated statement of changes in equity.

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

Income tax paid amounted to €337 million in first-half 2012 and €299 million in first-half 2011. Interest paid net of interest received amounted to €264 million in both first-half 2012 and first-half 2011.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(number of shares)		*(in EUR millions)*								
	Issued	Outstanding (excluding treasury stock)	Capital stock	Additional paid-in capital and legal reserve	Retained earnings and net income for the period	Cumulative translation adjustments	Fair value reserves	Treasury stock	**Shareholder's equity**	Minority interests	**Total equity**
At January 1, 2011	**530,836,441**	**525,722,544**	**2,123**	**5,781**	**10,614**	**(383)**	**(43)**	**(224)**	**17,868**	**364**	**18,232**
Income and expenses recognized directly in equity			0	0	16	(359)	26	0	**(317)**	(13)	**(330)**
Net income for the period					768				**768**	42	**810**
Total recognized income and expense for the period			***0***	***0***	***784***	***(359)***	***26***	***0***	***451***	***29***	***480***
Issues of capital stock											
Stock dividends									**0**		**0**
Group Savings Plan	4,497,772	4,497,772	18	132					**150**		**150**
Other									**0**	1	**1**
Dividends paid (EUR 1.15 per share)					(603)				**(603)**	(16)	**(619)**
Treasury stock purchased		(5,917,262)				(1)		(259)	**(260)**		**(260)**
Treasury stock sold		3,245,171						138	**138**		**138**
Share-based payments	0	0			20				**20**		**20**
Changes in Group structure	0	0			2				**2**		**2**
At June 30, 2011	**535,334,213**	**527,548,225**	**2,141**	**5,913**	**10,817**	**(743)**	**(17)**	**(345)**	**17,766**	**378**	**18,144**
Income and expenses recognized directly in equity			0	0	(486)	266	(5)	0	**(225)**	(2)	**(227)**
Net income for the period					516				**516**	34	**550**
Total recognized income and expense for the period			***0***	***0***	***30***	***266***	***(5)***	***0***	***291***	***32***	***323***
Issues of capital stock											
Group Savings Plan									**0**		**0**
Stock option plans	229,510	229,510	1	7					**8**		**8**
Other									**0**	3	**3**
Dividends paid (EUR 1.15 per share)									**0**	(5)	**(5)**
Treasury stock purchased		(4,263,085)				1		(159)	**(158)**		**(158)**
Treasury stock sold		2,691,046			(7)			101	**94**		**94**
Forward purchases of treasury stock					(197)				**(197)**		**(197)**
Share-based payments					19				**19**		**19**
Changes in Group structure	0	0			(8)				**(8)**	(5)	**(13)**
At December 31, 2011	**535,563,723**	**526,205,696**	**2,142**	**5,920**	**10,654**	**(476)**	**(22)**	**(403)**	**17,815**	**403**	**18,218**
Income and expenses recognized directly in equity			0	0	(307)	238	18	0	**(51)**	(1)	**(52)**
Net income for the period					506				**506**	10	**516**
Total recognized income and expense for the period			***0***	***0***	***199***	***238***	***18***	***0***	***455***	***9***	***464***
Issues of capital stock											
Group Savings Plan	4,387,680	4,387,680	17	108					**125**		**125**
Stock option plans	641,211	641,211	3	(3)					**0**		**0**
Other									**0**	7	**7**
Dividends paid (EUR 1.24 per share)					(646)				**(646)**	(51)	**(697)**
Treasury stock purchased		(7,231,112)						(238)	**(238)**		**(238)**
Treasury stock sold		1,721,545			(4)			59	**55**		**55**
Treasury stock canceled	(9,540,000)		(38)	(327)				365	**0**		**0**
Forward purchases of treasury stock					197				**197**		**197**
Share-based payments					10				**10**		**10**
Changes in Group structure	0	0			21				**21**	37	**58**
At June 30, 2012	**531,052,614**	**525,725,020**	**2,124**	**5,698**	**10,431**	**(238)**	**(4)**	**(217)**	**17,794**	**405**	**18,199**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES AND POLICIES

BASIS OF PREPARATION

The interim consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries ("the Group") have been prepared in accordance with the accounting and measurement principles set out in International Financial Reporting Standards (IFRSs), as described in these notes. These condensed financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting.

These notes should be read in conjunction with the consolidated financial statements for the year ended December 31, 2011, prepared in accordance with the IFRSs adopted for use in the European Union and with the IFRSs issued by the International Accounting Standards Board (IASB).

The accounting policies applied are consistent with those used to prepare the financial statements for the year ended December 31, 2011, except for the application of the new standards and interpretations described below. 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.

The standards, interpretations and amendments to published standards applicable for the first time in 2012 (see the table below) do not have a material impact on the Group's interim consolidated financial statements.

The Group has not early adopted any new standards, interpretations or amendments to published standards that are applicable for accounting periods beginning on or after January 1, 2013 (see the table below).

These interim consolidated financial statements were adopted by the Board of Directors on July 26, 2012. They are presented in millions of euros.

ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of 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, including the prevailing economic environment. 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 (Note 6), provisions for other liabilities and charges (Note 8), asset impairment tests (Note 1), deferred taxes (Note 7), share-based payments (Note 12) and financial instruments (Note 10).

SUMMARY OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

Standards, interpretations and amendments to existing standards applicable in 2012	
Amendments to IFRS 7	Disclosures – transfers of financial assets
Standards, interpretations and amendments to existing standards early adopted in 2012	
Amendments to IAS 1	Presentation of items of Other Comprehensive Income
Amendments to IAS 1	Presentation of financial statements : comparative information
Amendment to IAS 19	Employee benefits
Amendment to IAS 16	Classification of servicing equipment
Amendment to IAS 32	Presentation of financial assets and financial liabilities: income tax consequences of distributions
Amendment to IAS 34	Interim reporting of segment assets

Standards adopted by the European Union may be consulted on the European Commission website, at http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

INTERIM FINANCIAL STATEMENTS

The interim financial statements, which are not intended to provide a measure of performance for the full year, include all period-end accounting entries deemed necessary by Group management in order to give a true and fair view of the information presented.

Goodwill and other intangible assets are systematically tested for impairment during the second half of the year as part of the preparation process for the five-year business plan. Tests are generally performed for the interim financial statements only in the event of an unfavorable change in impairment indicators.

The cost of the Group Savings Plan was recognized in full during the first half of the year, as the subscription period ended on June 30.

For the countries where the Group's pension and other post-employment benefit obligations are the most significant – i.e. the United States, the United Kingdom, France and the rest of the euro zone – actuarial valuations are updated at the end of June and the related provisions are adjusted accordingly (see Note 6). For the other host countries, actuarial valuations are performed as part of the annual budget procedure and provisions in the interim balance sheet are based on estimates made at the end of the previous year.

CONSOLIDATION

Scope of 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.

Significant changes in the Group's scope of consolidation during first-half 2012 are presented in Note 2 and a list of the principal consolidated companies at June 30, 2012 is provided in Note 19.

Consolidation methods

Companies over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated.

Interests in jointly controlled entities are proportionately consolidated. The Group has elected not to apply the alternative treatment permitted by IAS 31, under which jointly controlled companies may be accounted for by the equity method, and has maintained the proportionate consolidation method.

Companies over which the Group directly or indirectly exercises significant influence are accounted for by the equity method.

The Group's share of the profit of companies accounted for by the equity method is recognized in the income statement under "Share in net income of associates".

Business combinations

The Group has applied IFRS 3R and IAS 27A on a prospective basis starting from January 1, 2010. As a result, business combinations completed prior to that date are recognized in accordance with the previous versions of IFRS 3 and IAS 27.

- *Goodwill*

When an entity is acquired by the Group, the identifiable assets and liabilities of the entity are recognized at their fair value. Any adjustments to provisional values as a result of completing the initial accounting are recognized within twelve months and retrospectively at the acquisition date.

The final acquisition price (referred to as "consideration transferred" in IFRS 3R), including the estimated fair value of any earn-out payments or other deferred consideration (referred to as "contingent consideration"), is determined in the twelve months following the acquisition. Under IFRS 3R, any adjustments to the acquisition price beyond this twelve-month period are recorded in the income statement. Since January 1, 2010, all costs directly attributable to the business combination, i.e. costs that the acquirer incurs to effect a business combination such as professional fees paid to investment banks, attorneys, auditors, independent valuers and other consultants, are no longer capitalized as part of the cost of the business combination, but are recognized as expenses as incurred.

In addition, starting from January 1, 2010, goodwill is recognized only at the date that control is achieved (or joint control is achieved in the case of proportionately consolidated companies or significant influence is obtained in the case of entities accounted for by the equity method). Any subsequent increase in ownership interest is recorded as a change in equity attributable to the equity holders of the parent without adjusting goodwill.

Goodwill is recorded in the consolidated balance sheet as the difference between the acquisition-date fair value of (i) the consideration transferred plus the amount of any minority interests and (ii) the identifiable net assets of the acquiree. Minority interests are measured either as their proportionate interest in the net identifiable assets (partial goodwill method) or at their fair value at the acquisition date (full goodwill method). As the Group applies the partial goodwill method, goodwill calculated by the full goodwill method is not material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the assets and liabilities of the acquired entity. If the cost of the acquisition is less than the fair value of the net assets and liabilities acquired, the difference is recognized directly in the income statement.

- *Step acquisitions and partial disposals*

When the Group acquires control of an entity in which it already held an equity interest, the transaction is treated as a step acquisition (an acquisition in stages), as follows: (i) as a disposal of the previously-held interest, with recognition of any gain or loss in the consolidated financial statements, and (ii) as an acquisition of the entire interest, with recognition of the corresponding goodwill (on both the old and new acquisitions).

When the Group disposes of part of an equity interest, leading to the loss of control (with a minority interest retained), the transaction is also treated as both a disposal and an acquisition, as follows: (i) as a disposal of the entire interest, with recognition of any gain or loss in the consolidated financial statements, and (ii) as an acquisition of the retained non-controlling (minority) interest, measured at fair value.

- *Potential voting rights and share purchase commitments*

Potential voting rights conferred by call options on minority interests (non-controlling interests) are taken into account in determining whether the Group exclusively controls an entity only when the options are currently exercisable.

When calculating its percentage interest in controlled companies, the Group considers the impact of cross put and call options on minority interests in the companies concerned. This approach gives rise to the recognition in the financial statements of an investment-related liability (included within "Other liabilities") corresponding to the present value of the estimated exercise price of the put option, with a corresponding reduction in minority interests and equity attributable to equity holders of the parent. Any subsequent changes in the fair value of the liability are recognized by adjusting equity.

- *Minority interests*

Up to December 31, 2009, transactions with minority interests were treated in the same way as transactions with parties external to the Group. As from January 1, 2010, changes in minority interests (referred to as "non-controlling interests" in IFRS 3R) are accounted for as equity transactions between two categories of owners of a single economic entity in accordance with IAS 27A. As a result, they are recorded in the statement of changes in equity and have no impact on the income statement or balance sheet, except for changes in cash and cash equivalents.

Non-current assets and liabilities held for sale – Discontinued operations

Assets and liabilities that are immediately available for sale and for which a sale is highly probable are classified as non-current assets and liabilities held for sale. When several assets are held for sale in a single transaction, they are accounted for as a disposal group, which also includes any liabilities directly associated with those assets.

The assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. Depreciation ceases when non-current assets or disposal groups are classified as held for sale. When the assets held for sale are consolidated companies, deferred tax is recognized on the difference between the consolidated carrying amount of the shares and their tax basis, in accordance with IAS 12.

Non-current assets and liabilities held for sale are presented separately on the face of the consolidated balance sheet, and income and expenses continue to be recognized in the consolidated income statement on a line-by-line basis. Income and expenses arising on discontinued operations are recorded as a single amount on the face of the consolidated income statement.

At each balance sheet date, the value of the assets and liabilities is reviewed to determine whether any provision adjustments should be recorded due to a change in their fair value less costs to sell.

Intragroup transactions

All intragroup balances and transactions are eliminated in consolidation.

Translation of the financial statements of foreign companies

The consolidated financial statements are presented in euros, which is Compagnie de Saint-Gobain's functional and presentation currency.

Assets and liabilities of subsidiaries outside the euro zone are translated into euros at the closing exchange rate and income and expense items are translated using the average exchange rate for the period, except in the case of significant exchange rate volatility.

The Group's share of any translation gains or losses is included in equity under "Cumulative translation adjustments" until the foreign operations to which they relate are sold or liquidated, at which time they are taken to the income statement if the transaction results in a loss of control or recognized directly in the statement of changes in equity if the change in ownership interest does not result in a loss of control.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the closing rate and any exchange differences are recorded in the income statement. As an exception to this principle, exchange differences relating to loans and borrowings between Group companies are recorded, net of tax, in equity under "Cumulative translation adjustments", as in substance they are an integral part of the net investment in a foreign subsidiary.

BALANCE SHEET ITEMS

Goodwill

See the section above on "business combinations".

Other intangible assets

Other intangible assets primarily include patents, brands, software and development costs. They are measured at historical cost less accumulated amortization and impairment.

Acquired retail brands and certain manufacturing brands are treated as intangible assets with indefinite useful lives as they have a strong national and/or international reputation. These brands are not amortized but are tested for impairment on an annual basis. Other brands are amortized over their useful lives, not to exceed 40 years.

Costs incurred to develop software in-house – primarily configuration, programming and testing costs – are recognized as intangible assets. Patents and purchased computer software are amortized over their estimated useful lives, not exceeding 20 years for patents and 3 to 5 years for software.

Research costs are expensed as incurred. Development costs meeting the recognition criteria under IAS 38 are included in intangible assets and amortized over their estimated useful lives (not to exceed 5 years) from the date when the products to which they relate are first marketed.

Concerning greenhouse gas emissions allowances, a provision is recorded in the consolidated financial statements to cover any difference between the Group's emissions and the allowances granted.

Property, plant and equipment

Land, buildings and equipment are carried at historical cost less accumulated depreciation and impairment.

Cost may also include incidental expenses directly attributable to the acquisition, such as transfers from equity of any gains/losses on qualifying cash flow hedges of property, plant and equipment purchases.

Expenses incurred in exploring and evaluating mineral resources are included in property, plant and equipment when it is probable that associated future economic benefits will flow to the Group. They include mainly the costs of topographical or geological studies, drilling costs, sampling costs and all costs incurred in assessing the technical feasibility and commercial viability of extracting the mineral resource.

Material borrowing costs incurred for the construction and acquisition of property, plant and equipment are included in the cost of the related asset.

Except for the head office building, which is the Group's only material non-industrial asset, property, plant and equipment are considered as having no residual value, as most items are intended to be used until the end of their useful lives and are not generally expected to be sold.

Property, plant and equipment other than land are depreciated using the components approach on a straight-line basis over the following estimated useful lives, which are regularly reviewed:

- Major factories and offices — 30-40 years
- Other buildings — 15-25 years
- Production machinery and equipment — 5-16 years
- Vehicles — 3-5 years
- Furniture, fixtures, office and computer equipment — 4-16 years

Gypsum quarries are depreciated over their estimated useful lives, based on the quantity of gypsum extracted during the year compared with the extraction capacity.

Provisions for site restoration are recognized as components of assets in the event of a sudden deterioration in site conditions and whenever the Group has a legal or constructive obligation to restore a site in accordance with contractually determined conditions. These provisions are reviewed periodically and may be discounted over the expected useful lives of the assets concerned. The component is depreciated over the same useful life as that used for mines and quarries.

Government grants for purchases of property, plant and equipment are recorded under "Other payables" and taken to the income statement over the estimated useful lives of the relevant assets.

Finance leases and operating leases

Assets held under leases that transfer to the Group substantially all of the risks and rewards of ownership (finance leases) are recognized as property, plant and equipment. They are recognized at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Property, plant and equipment acquired under finance leases are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset – determined using the same criteria as for assets owned by the Group – or the lease term. The corresponding liability is shown in the balance sheet net of related interest.

Rental payments under operating leases are expensed as incurred.

Non-current financial assets

Non-current financial assets include available-for-sale and other securities, as well as other non-current assets, which primarily comprise long-term loans and deposits.
Investments classified as "available-for-sale" are carried at fair value. Unrealized gains and losses on these investments are recognized in equity, unless the investments have suffered an other-than-temporary or material decline in value, in which case an impairment loss is recorded in the income statement.

Impairment of property, plant and equipment, intangible assets and goodwill

Property, plant and equipment, goodwill and other intangible assets are tested for impairment on a regular basis. These tests consist of comparing the asset's carrying amount to its recoverable amount. 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 present value of the future cash flows expected to be derived from the asset.

For property, plant and equipment and amortizable intangible assets, an impairment test is performed whenever revenues from the asset decline or the asset generates operating losses due to either internal or external factors, and no material improvement is forecast in the annual budget or the business plan.

For goodwill and other intangible assets (including brands with indefinite useful lives), an impairment test is performed at least annually based on the five-year business plan. Goodwill is reviewed systematically and exhaustively at the level of each cash-generating unit (CGU). The Group's reporting segments are its business sectors, which may each include several CGUs. A CGU is a reporting sub-segment, generally defined as a core business of the segment in a given geographical area. It typically reflects the manner in which the Group organizes its business and analyzes its results for internal reporting purposes. A total of 36 main CGUs are monitored each year.

Goodwill and brands are allocated mainly to the Gypsum and Industrial Mortars CGUs and to the Building Distribution CGUs primarily in the United Kingdom, France and Scandinavia. Details of goodwill and brands by sector are provided in the segment information tables in Note 32 to the 2011 consolidated financial statements.

The method used for these impairment tests is consistent with that employed by the Group for the valuation of companies acquired in business combinations or acquisitions of equity interests. The carrying amount of the CGUs is compared to their value in use, corresponding to the present value of future cash flows excluding interest but including tax. Cash flows for the fifth year of the business plan are rolled forward over the following two years. For impairment tests of goodwill, normative cash flows (corresponding to cash flows at the mid-point in the business cycle) are then projected to perpetuity using a low annual growth rate (generally 1%, except for emerging markets or businesses with a high organic growth potential where a 1.5% rate may be used). The discount rate applied to these cash flows corresponds to the Group's average cost of capital (7.25% both in first-half 2012 and in 2011) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in first-half 2012 and in 2011 for the main operating regions were 7.25% for the euro zone and North America, 8.25% for Eastern Europe and China and 8.75% for South America.

The recoverable amount calculated using a post-tax discount rate gives the same result as a pre-tax rate applied to pre-tax cash flows.

Different assumptions measuring the method's sensitivity are systematically tested using the following parameters:

- 0.5-point increase or decrease in the annual average rate of growth in cash flows projected to perpetuity;
- 0.5-point increase or decrease in the discount rate applied to cash flows.

When the annual impairment test reveals that the recoverable amount of an asset is less than its carrying amount, an impairment loss is recorded.

Tests performed in 2011 led to the recognition of a €201 million impairment loss on goodwill on Gypsum in North America, and Building Distribution in certain countries due to unfavorable changes in local market conditions. In first-half 2012, Building Distribution goodwill was written down by a further €45 million and various items of property, plant and equipment held by the other Sectors were also written down in response to the worsening economic conditions in certain regions. The breakdown of asset impairments by Sector and by Division for first-half 2012 and 2011 is provided in the segment information tables in Note 18.

Based on projections made at December 31, 2011, a 0.5-point decrease in projected average annual growth in cash flows to perpetuity for all the CGUs would have led to less than €100 million in additional write-downs of intangible assets, while a 0.5-point increase in the discount rate applied to all the CGUs would have resulted in additional write-downs of intangible assets of approximately €120 million.

Impairment losses on goodwill can never be reversed through income. For property, plant and equipment and other intangible assets, an impairment loss recognized in a prior period may be reversed if there is an indication that the impairment no longer exists and that the recoverable amount of the asset concerned exceeds its carrying amount.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories includes the costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. It is generally determined using the weighted-average cost method, and in some cases the First-In-First-Out (FIFO) method. Cost of inventories may also include the transfer from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of raw materials. Net realizable value is the selling price in the ordinary course of business, less estimated costs to completion and costs to sell. No account is taken in the inventory valuation process of the impact of below-normal capacity utilization rates.

Operating receivables and payables

Operating receivables and payables are stated at nominal value as they generally have maturities of less than three months. Provisions for impairment are established to cover the risk of total or partial non-recovery.

For trade receivables transferred under securitization programs, the contracts concerned are analyzed and if substantially all the risks associated with the receivables are not transferred to the financing institutions, they remain on the balance sheet and a corresponding liability is recognized in short-term debt.

Net debt

- *Long-term debt*

Long-term debt includes bonds, Medium Term Notes, perpetual bonds, participating securities and all other types of long-term financial liabilities including lease liabilities and the fair value of derivatives qualifying as interest rate hedges.
Under IAS 32, the distinction between financial liabilities and equity is based on the substance of the contracts concerned rather than their legal form. As a result, participating securities are classified as debt. At the balance sheet date, long-term debt is measured at amortized cost. Premiums and issuance costs are amortized using the effective interest method.

- *Short-term debt*

Short-term debt includes the current portion of the long-term debt described above, short-term financing programs such as commercial paper or "*billets de trésorerie*" (French commercial paper), bank overdrafts and other short-term bank borrowings, as well as the fair value of credit derivatives not qualifying for hedge accounting. At the balance sheet date, short-term debt is measured at amortized cost, with the exception of derivatives that are held as hedges of debt. Premiums and issuance costs are amortized using the effective interest method.

- *Cash and cash equivalents*

Cash and cash equivalents mainly consist of cash on hand, bank accounts and marketable securities that are short-term, highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Marketable securities are measured at fair value through profit or loss.

Further details about long- and short-term debt are provided in Note 9.

Foreign exchange, interest rate and commodity derivatives (swaps, options, futures)

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

In accordance with IAS 32 and IAS 39, all of these instruments are recognized in the balance sheet and measured at fair value, irrespective of whether or not they are part of a hedging relationship that qualifies for hedge accounting under IAS 39.

Changes in fair value of both derivatives that are designated and qualify as fair value hedges and derivatives that do not qualify for hedge accounting are taken to the income statement (in business income for foreign exchange and commodity derivatives qualifying for hedge accounting, and in net financial expense for all other derivatives). However, in the case of derivatives that qualify as cash flow hedges, the effective portion of the gain or loss arising from changes in fair value is recognized directly in equity, and only the ineffective portion is recognized in the income statement.

- *Fair value hedges*

Most interest rate derivatives used by the Group to swap fixed rates for variable rates are designated and qualify as fair value hedges. These derivatives hedge fixed-rate debts exposed to a fair value risk. In accordance with hedge accounting principles, debt included in a designated fair value hedging relationship is remeasured at fair value. As the effective portion of the gain or loss on the fair value hedge offsets the loss or gain on the underlying hedged item, the income statement is only impacted by the ineffective portion of the hedge.

- *Cash flow hedges*

Cash flow hedge accounting is applied by the Group mainly for derivatives used to fix the cost of future investments in financial assets or property, plant and equipment, future purchases of gas and fuel oil (fixed-for-variable price swaps) and future purchases of foreign currencies (forward contracts). The transactions hedged by these instruments are qualified as highly probable. The application of cash flow hedge accounting allows the Group to defer the impact on the income statement of the effective portion of changes in the fair value of these instruments by recording them in a special hedging reserve in equity. The reserve is reclassified into the income statement when the hedged transaction occurs and the hedged item affects income. In the same way as for fair value hedges, cash flow hedging limits the Group's exposure to changes in the fair value of these price swaps to the ineffective portion of the hedge.

- *Derivatives that do not qualify for hedge accounting*

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in the income statement. The instruments concerned mainly include cross-currency swaps; gas, currency and interest rate options; currency swaps; and futures and forward contracts.

Fair value of financial instruments

The fair value of financial assets and financial liabilities quoted in an active market corresponds to their quoted price, classified as level 1 in the fair value hierarchy defined in IFRS 7. The fair value of financial assets and financial liabilities not quoted in an active market is established by a recognized valuation technique such as reference to the fair value of another recent and similar transaction, or discounted cash flow analysis based on observable market data, classified as level 2 in the IFRS 7 fair value hierarchy.

The fair value of short-term financial assets and liabilities is considered as being the same as their carrying amount due to their short maturities.

Employee benefits – defined benefit plans

After retirement, the Group's former employees are eligible for pension benefits in accordance with the applicable laws and regulations in the respective countries in which the Group operates. There are also additional pension obligations in certain Group companies, both in France and in other countries.

In France, employees receive length-of-service awards on retirement based on years of service and the calculation methods prescribed in the applicable collective bargaining agreements.

The Group's obligation for the payment of pensions and length-of-service awards is determined at the balance sheet date by independent actuaries, using a method that takes into account projected final salaries at retirement and economic conditions in each country. These obligations may be financed by pension funds, with a provision recognized in the balance sheet for the unfunded portion.

The effect of any plan amendments (past service cost) is recognized on a straight-line basis over the remaining vesting period, or immediately if the benefits are already vested.

Actuarial gains or losses reflect year-on-year changes in the actuarial assumptions used to measure the Group's obligations and plan assets, experience adjustments (differences between the actuarial assumptions and what has actually occurred), and changes in legislation. They are recognized in equity as they occur.

In the United States, Spain and Germany, retired employees receive benefits other than pensions, mainly concerning healthcare. The Group's obligation under these plans is determined using an actuarial method and is covered by a provision recorded in the balance sheet.

Provisions are also set aside on an actuarial basis for other employee benefits, such as jubilees or other long-service awards, deferred compensation, specific welfare benefits, and termination benefits in various countries. Any actuarial gains and losses relating to these benefits are recognized immediately.

The Group has elected to recognize the interest costs for these obligations and the expected return on plan assets as financial expense or income.

Employee benefits – defined contribution plans

Contributions to defined contribution plans are expensed as incurred.

Employee benefits – share-based payments

- *Stock options*

The cost of stock option plans is calculated using the Black & Scholes option pricing model, based on the following parameters:

- Volatility assumptions that take into account the historical volatility of the share price over a rolling 10-year period, as well as implied volatility from traded share options. Periods of extreme share price volatility are disregarded.
- Assumptions relating to the average holding period of options, based on observed behavior of option holders.
- Expected dividends, as estimated on the basis of historical information dating back to 1988.
- A risk-free interest rate corresponding to the yield on long-term government bonds.
- The effect of any stock market performance conditions, which is taken into account in the initial measurement of the plan cost under IFRS 2.

The cost calculated using this method is recognized in the income statement over the vesting period of the options, ranging from three to four years.

For options exercised for new shares, the sum received by the Company when the options are exercised is recorded in "Capital stock" for the portion representing the par value of the shares, with the balance – net of directly attributable transaction costs – recorded under "Additional paid-in capital".

- *Group Savings Plan*

The method used by Saint-Gobain to calculate the costs of its Group Savings Plan ("PEG") takes into account the fact that shares granted to employees under the plan are subject to a five- or ten-year lock-up. The lock-up cost is measured and deducted from the 20% discount granted on employee share awards. The calculation parameters are defined as follows:

- The exercise price, as set by the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the date of grant, less a 20% discount.

- The grant date of the options is the date on which the plan is announced to employees. For the Saint-Gobain Group, this is the date when the plan's terms and conditions are announced on the Group's intranet.
- The interest rate used to estimate the cost of the lock-up feature of employee share awards is the rate that would be charged by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity.

Leveraged plan costs are calculated under IFRS 2 in the same way as for non-leveraged plans, but also take into account the advantage accruing to employees who have access to share prices with a volatility profile adapted to institutional investors.

The cost of the plans is recognized in full at the end of the subscription period.

- *Performance share grants*

The Group set up a worldwide share grant plan in 2009 whereby each Group employee was awarded seven shares, followed since 2009 by performance share plans for certain categories of employees. These plans are subject to eligibility criteria based on the grantee's period of service with the Group. The plan costs calculated under IFRS 2 take into account the eligibility criteria, the performance criteria – which are described in Note 12 – and the lock-up feature. They are determined after deducting the present value of forfeited dividends on the performance shares and are recognized over the vesting period, which ranges from two to four years depending on the country.

Equity

- *Additional paid-in capital and legal reserve*

This item includes capital contributions in excess of the par value of capital stock as well as the legal reserve which corresponds to a cumulative portion of the net income of Compagnie de Saint-Gobain.

- *Retained earnings and net income for the year*

Retained earnings and net income for the year correspond to the Group's share in the undistributed earnings of all consolidated companies.

- *Treasury stock*

Treasury stock is measured at cost and recorded as a deduction from equity. Gains and losses on disposals of treasury stock are recognized directly in equity and have no impact on net income for the period.

Forward purchases of treasury stock are treated in the same way. When a fixed number of shares is purchased forward at a fixed price, this amount is recorded in "Other liabilities" and as a deduction from equity under "Retained earnings and net income for the year".

Other current and non-current liabilities and provisions

- *Provisions for other liabilities and charges*

A provision is booked when (i) the Group has a present legal or constructive obligation towards a third party as a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) the amount of the obligation can be estimated reliably.

If the timing or the amount of the obligation cannot be measured reliably, it is classified as a contingent liability and reported as an off-balance sheet commitment.

Provisions for other material liabilities and charges whose timing can be estimated reliably are discounted to present value.

- *Investment-related liabilities*

Investment-related liabilities correspond to put options granted to minority shareholders of subsidiaries and liabilities relating to the acquisition of shares in Group companies, including additional purchase consideration. They are reviewed on a periodic basis and any subsequent changes in the fair value of minority shareholder puts are recognized by adjusting equity.

INCOME STATEMENT ITEMS

Revenue recognition

Revenue generated by the sale of goods or services is recognized net of rebates, discounts and sales taxes (i) when the risks and rewards of ownership have been transferred to the customer, or (ii) when the service has been rendered, or (iii) by reference to the stage of completion of the services to be provided.

Construction contracts are accounted for using the percentage of completion method, as explained below. When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recovered. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction contract revenues are not material in relation to total consolidated net sales.

Operating income

Operating income is a measure of the performance of the Group’s business sectors and has been used by the Group as its key external and internal management indicator for many years. Foreign exchange gains and losses are included in operating income, as are changes in the fair value of financial instruments that do not qualify for hedge accounting when they relate to operating items.

Other business income and expense

Other business income and expense mainly include movements in provisions for claims and litigation and environmental provisions, gains and losses on disposals of assets, impairment losses, restructuring costs incurred upon the disposal or discontinuation of operations and the costs of workforce reduction measures.

Business income

Business income includes all income and expenses other than borrowing costs and other financial income and expense, the Group's share in net income of associates, and income taxes.

Net financial expense

Net financial expense includes borrowing and other financing costs, income from cash and cash equivalents, interest cost for pension and other post-employment benefit plans, net of the return on plan assets, and other financial income and expense such as exchange gains and losses and bank charges.

Income taxes

Current income tax is the estimated amount of tax payable in respect of income for a given period, calculated by reference to the tax rates that have been enacted or substantively enacted at the balance sheet date, plus any adjustments to current taxes recorded in previous financial periods.

Deferred taxes are recorded using the balance sheet liability method for temporary differences between the carrying amount of assets and liabilities and their tax basis. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realized or the liability settled, based on the tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized only if it is considered probable that there will be sufficient future taxable income against which the temporary difference can be utilized. They are reviewed at each balance sheet date and written down to the extent that it is no longer probable that there will be sufficient taxable income against which the temporary difference can be utilized. In determining whether to recognize deferred tax assets for tax loss carryforwards, the Group applies a range of criteria that take into account the probable recovery period based on business plan projections and the strategy for the long-term recovery of tax losses applied in each country.

No deferred tax liability is recognized in respect of undistributed earnings of subsidiaries that are not intended to be distributed.

In accordance with interpretation SIC 21, a deferred tax liability is recognized for brands acquired in a business combination.

Deferred taxes are recognized as income or expense in the income statement, except when they relate to items that are recognized directly in equity, in which case the deferred tax is also recognized in equity.

Earnings per share

Basic earnings per share are calculated by dividing net income by the weighted average number of shares in issue during the period, excluding treasury stock.

Diluted earnings per share are calculated by adjusting earnings per share (see Note 15) and the average number of shares in issue for the effects of all dilutive potential common shares, such as stock options and convertible bonds. The calculation is performed using the treasury stock method, which assumes that the proceeds from the exercise of dilutive instruments are assigned on a priority basis to the purchase of common shares in the market.

Recurring net income

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

The method used for calculating recurring net income is explained in Note 14.

PERFORMANCE INDICATORS

EBITDA

EBITDA corresponds to operating income before depreciation and amortization.

The method used for calculating EBITDA is explained in Note 14.

Return on capital employed

Return on capital employed (ROCE) corresponds to annualized operating income adjusted for changes in the scope of consolidation, expressed as a percentage of total assets at the period-end. Total assets include net property, plant and equipment, working capital, net goodwill and other intangible assets, but exclude deferred tax assets arising from non-amortizable brands and land.

Cash flow from operations

Cash flow from operations corresponds to net cash generated from operating activities before the impact of changes in working capital requirement, changes in current taxes and movements in provisions for other liabilities and charges and deferred taxes. Cash flow from operations is adjusted for the effect of material non-recurring provision charges.

The method used for calculating cash flow from operations is explained in Note 14.

Cash flow from operations before tax on capital gains and losses and non-recurring provisions

This item corresponds to cash flow from operations less the tax effect of asset disposals and of non-recurring provision charges and reversals.

The method used for calculating cash flow from operations before tax on capital gains and losses and non-recurring provisions is explained in Note 14.

SEGMENT INFORMATION

In compliance with IFRS 8, segment information reflects the Group's internal presentation of operating results to senior management. The Group has chosen to present segment information by Sector and Activity, without any further aggregation compared with the internal presentation. There were no changes in the presentation of segment information in first-half 2012 compared with prior periods.

NOTE 2 - CHANGES IN GROUP STRUCTURE

Changes in the number of consolidated companies

	France	Outside France	Total
FULLY CONSOLIDATED COMPANIES			
At January 1, 2012	**173**	**768**	**941**
Newly consolidated companies	2	6	8
Merged companies	(2)	(46)	(48)
Deconsolidated companies	(1)		(1)
Change in consolidation method	(1)	(1)	(2)
At June 30, 2012	**171**	**727**	**898**
PROPORTIONATELY CONSOLIDATED COMPANIES			
At January 1, 2012	**2**	**27**	**29**
Newly consolidated companies			0
Deconsolidated companies		(1)	(1)
Change in consolidation method	1	(3)	(2)
At June 30, 2012	**3**	**23**	**26**
COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD			
At January 1, 2012	**6**	**71**	**77**
Newly consolidated companies		1	1
Merged companies			0
Deconsolidated companies			0
Change in consolidation method		4	4
At June 30, 2012	**6**	**76**	**82**
Total at January 1, 2012	**181**	**866**	**1,047**
Total at June 30, 2012	**180**	**826**	**1,006**

Significant changes in Group structure

First-half 2012

On March 30, 2012, Saint-Gobain completed the acquisition of Brossette company from Wolseley, after the transaction was approved by France’s competition authorities on March 23. Brossette is a distributor of plumbing-heating-sanitaryware products in France. It was consolidated as from April1, 2012.

2011

On November 30, 2011, the Group's Abrasives Activity expanded its presence in South America by acquiring Abrasivos Argentinos S.A. and Dancan S.A. and their subsidiaries. The two groups are specialized in the production of coated abrasives and masking tapes. They have been consolidated as from December 1, 2011.

On August 11, 2011, the Group signed an agreement with Belgian group Bekaert for the acquisition of 100% of its Specialty Films subsidiaries. This business, operating under the name Solar Gard, is specialized in the development, manufacturing and distribution of coated films used in the habitat market, the automotive market and various industrial applications. The Solar Gard subsidiaries have been consolidated as from November 1, 2011.

On July 25, 2011, the Group signed an agreement with UK building materials distributor Wolseley for the acquisition of its British Build Center network. This business has been consolidated as from November 1, 2011.

On May 31, 2011, Saint-Gobain announced that it had signed an agreement to acquire Sezal Glass Limited's float glass business in India. The business was consolidated at June 30, 2011.

In first-half 2011, Saint-Gobain signed an agreement for the buy-out of Alver by the Group's Packaging Sector (Verallia). A State-owned company, Alver is one of Algeria's leading glass packaging manufacturers and distributors. It has been consolidated as from the second half of 2011.

On June 20, 2011, Saint-Gobain announced the postponement of the initial public offering of a minority interest in Verallia due to very adverse market conditions.

NOTE 3 – GOODWILL, OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in EUR millions)	Goodwill	Other intangible assets	Property, plant and equipment	Total
At January 1, 2012				
Gross value	11,903	4,167	34,169	50,239
Accumulated depreciation and impairment	(862)	(1,019)	(19,944)	(21,825)
Net	**11,041**	**3,148**	**14,225**	**28,414**
Movements during the period				
Acquisitions	0	38	761	799
Disposals	0	(2)	(36)	(38)
Translation adjustments	155	40	107	302
Depreciation and impairment	(45)	(41)	(878)	(964)
Changes in Group structure and other movements	130	(6)	82	206
Total movements	**240**	**29**	**36**	**305**
At June 30, 2012				
Gross value	12,209	4,237	34,959	51,405
Accumulated depreciation and impairment	(928)	(1,060)	(20,698)	(22,686)
Net	**11,281**	**3,177**	**14,261**	**28,719**

Acquisitions of property, plant and equipment during first-half 2012 included assets acquired under finance leases for an amount of €7 million. These new finance leases are not included in the cash flow statement, in accordance with IAS 7.

NOTE 4 – INVENTORIES

(in EUR millions)	**June 30, 2012**	**Dec. 31, 2011**
Gross value		
Raw materials	1,639	1,634
Work in progress	286	279
Finished goods	5,360	5,027
Gross inventories	**7,285**	**6,940**
Provisions for impairment in value		
Raw materials	(142)	(132)
Work in progress	(9)	(8)
Finished goods	(357)	(323)
Provisions for impairment in value	**(508)**	**(463)**
Net inventories	**6,777**	**6,477**

The increase in inventories mainly reflects seasonal fluctuations in business and changes in scope of consolidation.

NOTE 5 – TRADE AND OTHER ACCOUNTS RECEIVABLE AND PAYABLE

(in EUR millions)	**June 30, 2012**	**Dec. 31, 2011**
Gross value	7,020	5,821
Provisions for impairment in value	(504)	(480)
Trade accounts receivable	**6,516**	**5,341**
Advances to suppliers	513	550
Prepaid payroll taxes	33	25
Other prepaid and recoverable taxes (other than income tax)	449	380
Other	508	456
Provisions for impairment in value	(3)	(3)
Total other receivables	**1,500**	**1,408**
Trade accounts payable	**6,528**	**6,018**
Customer deposits	695	791
Payable to suppliers of non-current assets	190	374
Grants received	98	99
Accrued personnel expenses	1,139	1,177
Accrued taxes (other than income tax)	637	434
Other	688	687
Total other payables and accrued expenses	**3,447**	**3,562**

The increase in trade accounts receivable is primarily attributable to seasonal fluctuations in business and changes in scope of consolidation.

NOTE 6 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

(in EUR millions)	June 30, 2012	Dec. 31, 2011
Pensions	2,552	2,544
Length-of-service awards	287	237
Post-employment healthcare benefits	520	504
Total provisions for pensions and other post-employment benefit obligations	**3,359**	**3,285**
Healthcare benefits	50	46
Long-term disability benefits	30	29
Other long-term benefits	99	98
Provisions for pensions and other employee benefits	**3,538**	**3,458**

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

(in EUR millions)	June 30, 2012	Dec. 31, 2011
Provisions for pensions and other post-employment benefit obligations	3,359	3,285
Pension plan surpluses	(36)	(52)
Net pension and other post-employment benefit obligations	**3,323**	**3,233**

Description of defined benefit plans

The Group's main defined benefit plans are as follows:

In France, in addition to length-of-service awards, there are three defined benefit plans all of which are final salary plans. These plans were closed to new entrants by the companies concerned between 1969 and 1997. Effective March 1, 2012, a new defined benefit plan complying with article L.137-11 of France's Social Securite Code was set up by Compagnie de Saint-Gobain.

In Germany, retirement plans provide pensions and death and disability benefits for employees. These plans have been closed to new entrants since 1996.

In the Netherlands, ceilings have been introduced for defined benefit supplementary pension plans, above which they are converted into defined contribution plans.

In the United Kingdom, retirement plans provide pensions as well as death and permanent disability benefits. These defined benefit plans – which are based on employees' average salaries over their final years of employment – have been closed to new entrants since 2001.

In the United States and Canada, the Group's defined benefit plans are final salary plans. Since January 1, 2001, new employees have been offered a defined contribution plan.

Provisions for other long-term employee benefits amounted to €179 million at June 30, 2012 (December 31, 2011: €173 million), and covered all other employee benefits, notably long-service awards in France, jubilees in Germany and employee benefits in the United States. The related defined benefit obligation is generally calculated on an actuarial basis using the same rules as for pension obligations.

Measurement of pension and other post-employment benefit obligations

Pensions and other post-employment benefit obligations are determined on an actuarial basis using the projected unit credit method, based on estimated final salaries.

Plan assets

For defined benefit plans, plan assets have been progressively built up by contributions, primarily in the United States, the United Kingdom and Germany. Contributions paid by the Group totaled €239 million in 2011.

Actuarial assumptions used to measure defined benefit obligations and plan assets

Assumptions related to mortality, employee turnover and future salary increases take into account the economic conditions specific to each country and company.

The assumptions used at December 31, 2011 and first-half 2012 in the countries for the main plans were as follows:

	France	**Other European countries**		**United States**
(in %)		**Euro zone**	**United Kingdom**	
Discount rate	4.75%	4.75%	4.65%	4.50%
Salary increases	2.40%	1.80% to 2.60%	3.30%	3.00%
Expected return on plan assets	5.00%	4.00% to 5.25%	5.85%	8.75%
Inflation rate	1.80%	1.50% to 2.00%	2.80%	2.10%

In light of interest rate trends and their level at June 30, 2012, the discount rates used to calculate definite benefit obligations were reduced from 4.75% to 3.75% for Euro zone plans and from 4.65% to 4.50% for United Kingdom plans, while the rate for United States plans was kept at 4.50%. As these three regions account for substantially all of the defined benefit obligation, the discount rate adjustments led to a €408 million increase in the obligation and the related provision.

Sensitivity calculations were not updated at June 30, 2012. If they had been, the results would have been substantially similar to the analyses presented in the 2011 Annual Report (in Note 14 to the consolidated financial statements).

Expected rates of return on plan assets are estimated by country and by plan, taking into account the different classes of assets held by the plan and the outlook in the various financial markets. The actual return on plan assets for substantially all plans amounted to €206 million. This is €18 million more than previously estimated, leading to a reduction in the provision of the same amount.

Since December 31, 2011, the inflation rate used by the Group to adjust pension benefits in the United Kingdom has been based on the Consumer Price Index (CPI). In addition, calculation assumptions in the United Kingdom have been partly modified by the introduction, in 2012, of a cap on reference salaries and the adjustment of benefit entitlements for employees taking early retirement or retiring for health reasons. The resulting reduction in the related benefit obligation, for the amount of £140 million, has been recognized in first-half 2012 under “Past service cost”*.

Actuarial gains and losses

In 2006, the Group elected to apply the option available under IAS 19 and to record in equity actuarial gains and losses and the change in the asset ceiling (see Note 1). As a result, deferred actuarial gains and losses relate only to the effects of plan adjustments (past service cost).

Plan surpluses and the asset ceiling

When plan assets exceed the projected benefit obligation, the excess is recognized in other non-current assets under “Plan surplus” provided that it corresponds to future economic benefits. Changes in the asset ceiling are recognized in equity.

Movements in provisions for pensions and other post-employment benefit obligations, excluding other employee benefits

(in EUR millions)	**Net pension obligations**
At January 1, 2012	
Net pension and post-employment benefit obligations	**3,233**
Movements during the period	
Service cost*	(94)
Interest cost and return on plan assets	21
Actuarial gains and losses recognized during the period (1)	399
Contributions to plan assets and benefit payments	(302)
Changes in Group structure	16
Other (reclassifications and translation adjustments)	50
Total movements	**90**
At June 30, 2012	
Net pension and post-employment benefit obligations	**3,323**

(1) The total negative impact on equity was €399 million before tax (€289 million after tax).

NOTE 7 – CURRENT AND DEFERRED TAXES

The pre-tax income of consolidated companies is as follows:

(in EUR millions)	**First-half 2012**	**First-half 2011**
Net income	516	810
Less:		
Share in net income of associates	4	4
Income taxes	(285)	(352)
Pre-tax income of consolidated companies	**797**	**1,158**

Income tax expense breaks down as follows:

(in EUR millions)	**First-half 2012**	**First-half 2011**
Current taxes	**(375)**	**(348)**
France	(81)	(48)
Outside France	(294)	(300)
Deferred taxes	**90**	**(4)**
France	35	(20)
Outside France	55	16
Total income tax expense	**(285)**	**(352)**

The effective tax rate breaks down as follows:

(in %)	**First-half 2012**	**First-half 2011**
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(3.8)	(4.5)
Impact of 2011 Finance Act in France (5% surtax)	1.7	1.7
Capital gains and losses and asset impairments	1.7	1.3
Provisions for impairment of deferred tax assets	1.7	0.6
Effect of changes in future tax rates	(2.2)	(0.7)
Research tax credit	(1.1)	(0.7)
Other deferred and miscellaneous taxes	3.4	(1.7)
Effective tax rate	**35.8**	**30.4**

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

(in EUR millions)	**Net deferred tax liabilities**
At January 1, 2012	**(56)**
Deferred tax expense/ (benefit)	(90)
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (note 6)	(110)
Translation adjustments	(12)
Impact of changes in Group structure and other	22
At June 30, 2012	**(246)**

NOTE 8 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS

(in EUR millions)	**Provisions for claims and litigation**	**Provisions for enviro-nmental risks**	**Provisions for restructu-ring costs**	**Provisions for personnel costs**	**Provisions for customer warranties**	**Provisions for other contin-gencies**	**Total provisions for other liabilities**	**Invest-ment related liabilities**	**Total**
At January 1, 2012									
Current portion	117	33	93	36	113	137	529	204	733
Non-current portion	1,384	136	90	37	142	229	2,018	125	2,143
Total	**1,501**	**169**	**183**	**73**	**255**	**366**	**2,547**	**329**	**2,876**
Movements during the period									
Additions	80	4	63	14	37	22	220		220
Reversals	0	(1)	(15)	(5)	(9)	(10)	(40)		(40)
Utilizations	(44)	(5)	(57)	(12)	(32)	(14)	(164)		(164)
Changes in Group structure				1			1		1
Other (reclassifications and translation adjustments)	12	3	1	2	4	(13)	9	(201)	(192)
Total movements	**48**	**1**	**(8)**	**0**	**0**	**(15)**	**26**	**(201)**	**(175)**
At June 30, 2012									
Current portion	110	30	92	35	108	124	499	46	545
Non-current portion	1,439	140	83	38	147	227	2,074	82	2,156
Total	**1,549**	**170**	**175**	**73**	**255**	**351**	**2,573**	**128**	**2,701**

The change in investment-related liabilities in first-half 2012 was mainly due to the settlement during the period of forward purchases of treasury stock.

NOTE 9 – NET DEBT

Long- and short-term debt

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

(in EUR millions)	June 30, 2012	Dec. 31, 2011
Bond issues and Medium-Term Notes	9,148	7,620
Perpetual bonds and participating securities	203	203
Other long-term debt including finance leases	396	347
Debt recognized at fair value under the fair value option	0	156
Fair value of interest rate hedges	(1)	0
Total long-term debt (excluding current portion)	**9,746**	**8,326**
Current portion of long-term debt	**1,174**	**1,656**
Short term financing programs (US CP, Euro CP, b*illets de trésorerie*)	1,436	76
Bank overdrafts and other short-term bank borrowings	679	627
Securitizations	278	357
Fair value of derivatives not qualified as hedges of debt	3	2
Short-term debt and bank overdrafts	**2,396**	**1,062**
TOTAL GROSS DEBT	**13,316**	**11,044**
Cash and cash equivalents	(3,488)	(2,949)
TOTAL NET DEBT, INCLUDING ACCRUED INTEREST	**9,828**	**8,095**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounts to €10.8 billion at June 30, 2012, for an accounted amount of €10.2 billion. The fair value of bonds corresponds to the market price on the last trading day of the period. For other borrowings, fair value is considered as being equal to the amount repayable.

Long-term debt repayment schedule

Long-term debt at June 30, 2012 can be analyzed as follows by maturity:

(in EUR millions)	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium-Term Notes	EUR	575	4,932	3,424	8,931
	JPY		50		50
	GBP		371	371	742
Perpetual bonds and participating securities	EUR			203	203
Other long-term debt including finance leases	All currencies	198	249	147	594
Debt recognized at fair value under the fair value option	EUR	156			156
Fair value of interest rate hedges	EUR			(1)	(1)
TOTAL, EXCLUDING ACCRUED INTEREST		**929**	**5,602**	**4,144**	**10,675**

At June 30, 2012, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain are as follows:

(in EUR millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on gross long-term debt	490	1,330	766	2,586

Interests on perpetual bonds and participating securities are calculated until 2032.

Bonds

In first-half 2012, Compagnie de Saint-Gobain carried out the following transactions in order to extend the average debt maturity and optimize the average financing cost.

Bonds issues:

- March 28, 2012: €750 million, 10-year (term 2022) with a 3.625% coupon;
- June 15, 2012: €750 million, 9-year (term 2021) with a 3.625% coupon.

Tap issues:

- The €750 million bond with a term 2019, was increased to €950 million through three tap issues carried out on January 18 and 19, 2012 for a total of €200 million;
- The €750 million bond with a term 2022, was increased to €900 million through two tap issues carried out on May 16, 2012 for a total of €150 million.

Private placements:

- January 13, 2012: a 5-year private placement for an amount of JPY 5 billion (due 2017) with a 1.90% coupon;
- June 4, 2012: two 20-year private placements (due 2032) for a total amount of €90 million with a 4% coupon;

- June 28, 2012: two 12-year private placements (due 2024) for a total amount of €95 million indexed on the 10-year CMS rate (swapped at a fixed rate of approximately 4.1%).

On April 11, 2012, Compagnie de Saint-Gobain redeemed a €1,250 million bond issue that had reached maturity.

Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued €125 million worth of perpetual bonds – 25,000 bonds with a face value of €5,000 – paying interest at a variable rate indexed on Euribor. These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".

At June 30, 2012, 18,496 perpetual bonds have been bought back and canceled, and 6,504 perpetual bonds are outstanding, representing a total face value of €33 million.

Non-voting participating securities

In the 1980s, Compagnie de Saint-Gobain issued 1,288,299 non-voting participating securities indexed on the average bond rate (TMO) and 194,633 non-voting participating securities indexed on Euribor (minimum). These securities are not redeemable and the interest paid on them is reported under "Borrowing costs".

Some of these securities have been bought back on the market. At June 30, 2012, there were 606,883 TMO-indexed securities and 77,516 Euribor-indexed securities outstanding, representing an aggregate face value of €170 million.

Interest on the 606,883 TMO-indexed securities consists of a fixed portion and a variable portion based on the Group's earnings, subject to a cap of 1.25 times the TMO. Interest on the 77,516 Euribor-indexed securities is made of (i) a fixed portion of 7.5% per year applicable to 60% of the security, and (ii) a variable portion applicable to the remaining 40% of the security, which is linked to the previous year consolidated net income, in limits specified in the issue agreement.

Financing programs

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

At June 30, 2012, issuance under these programs was as follows:

Programs (in millions of currency units)	Currency	Maturities	Authorized program at June 30, 2012	Outstanding issues at June 30, 2012	Outstanding issues at Dec. 31, 2011
Medium Term Notes	EUR	1 to 30 years	12,000	8,787	7,951
US Commercial Paper	USD	Up to 12 months	1,000 *	0	0
Euro Commercial Paper	USD	Up to 12 months	1,000 *	0	0
Billets de Trésorerie	EUR	Up to 12 months	3,000	1,436	76

* Equivalent to €794 million based on the exchange rate at June 30, 2012.

In accordance with market practices, *Billets de Trésorerie*, Euro Commercial Paper and US Commercial Paper are generally issued with maturities of one to six months. They are treated as variable-rate debt, because they are rolled over at frequent intervals.

Syndicated lines of credit

Compagnie de Saint-Gobain has confirmed syndicated lines of credit that are intended to provide a secure source of financing for the Group (including as additional backing for its US Commercial Paper, Euro-Commercial Paper and *Billets de Trésorerie* programs). They include:

- A €2.5 billion syndicated line of credit obtained in June 2009. Renegotiated in 2010, the facility has been extended until June 2013 and the amount reduced to €1 billion.
  The facility agreement includes a covenant stipulating that the Group’s net debt/operating income, excluding depreciation and amortization of property, plant and equipment and intangible assets ratio, as measured annually at December 31, must at all times represent less than 3.75.

  This ratio was in compliance at December 31, 2011.

- A €3 billion syndicated line of credit expiring in December 2015 that was obtained in December 2010. This facility is not subject to any covenants based on financial ratios.

Neither of these confirmed lines of credit was drawn down at June 30, 2012.

Bank overdrafts and other short-term bank borrowings

This item includes bank overdrafts, local short-term bank borrowings taken out by subsidiaries, and accrued interest on short-term debt.

Receivables securitization programs

The Group has set up a securitization program through its United States subsidiary, Saint-Gobain Receivables Corporation. This program does not transfer the credit risk to the financial institution.

The program amounted to €278 million at June 30, 2012 (€177 million at December 31, 2011).

The difference between the face value of the receivables sold and the sale proceeds is treated as a financial expense, and that amounted to €1.1 million in first-half 2012 (first-half 2011: €1.3 million).

The UK program expired and was discontinued on March 6, 2012. It amounted to €180 million at December 31, 2011. The related financial expense recorded in the first half of 2012 amounts to €0.4 million (first-half 2011: €0.8 million).

Collateral

At June 30, 2012, €53 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 10 - FINANCIAL INSTRUMENTS

Derivatives

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

(in EUR millions)	Fair value at June 30, 2012 Derivatives recorded in assets	Derivatives recorded in liabilities	Total	Fair value at Dec. 31, 2011	Nominal value broken down by maturity at June 30, 2012 Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges								
Interest rate swaps	0	0	0	0				**0**
Fair value hedges - total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cash flow hedges								
Forward foreign exchange contracts	3	(2)	1	(4)	241	0	0	**241**
Currency swaps								**0**
Currency options								**0**
Interest rate swaps	1	0	1	(10)			95	**95**
Energy and commodity swaps	1	(6)	(5)	(8)	56	6	0	**62**
Cash flow hedges - total	**5**	**(8)**	**(3)**	**(22)**	**297**	**6**	**95**	**398**
Derivatives not qualifying for hedge accounting								
Interest rate swaps	1	0	1	1	155	0	0	**155**
Currency swaps	3	(6)	(3)	(4)	1,722	0	0	**1,722**
Energy and commodity swaps	0	0	0	0	1			**1**
Forward foreign exchange contracts	1	0	1	1	99	0	0	**99**
Derivatives not qualifying for hedge accounting - total	**5**	**(6)**	**(1)**	**(2)**	**1,977**	**0**	**0**	**1,977**
TOTAL	**10**	**(14)**	**(4)**	**(24)**	**2,274**	**6**	**95**	**2,375**
"o/w derivatives used to hedge net debt"	5	(7)	(2)	(12)				0

- *Interest rate swaps*

The Group uses interest rate swaps to convert part of its fixed (variable) rate bank debt and bond debt to variable (fixed) rates.

- *Currency swaps*

The Group uses currency swaps for day-to-day cash management purposes and, in some cases, to permit the use of euro-denominated funds to finance foreign currency assets.

- *Forward foreign exchange contracts and currency options*

Forward foreign exchange contracts and currency options are used to hedge foreign currency transactions, particularly commercial transactions (purchases and sales) and investments.

- *Energy and commodity swaps*

Energy and commodity swaps are used to hedge the risk of changes in the price of certain purchases used in the subsidiaries' operating activities, particularly energy (fuel oil, natural gas and electricity) purchases.

Impact on equity of financial instruments qualifying for hedge accounting

At June 30, 2012, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €3 million, breaking down as follows:

- €1 million corresponding to the remeasurement at fair value of interest rate swaps designated as cash flow hedges that are used to fix the interest rate on bonds.
- €4 million loss corresponding to the remeasurement at fair value of other cash flow hedges to be reclassified to income when the hedged items affect income.

The ineffective portion of gains and losses on cash flow hedges is not material.

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 represented a €1 million loss at June 30, 2012 (December 31, 2011: €2 million loss).

Embedded derivatives

Saint-Gobain regularly analyzes its contracts in order to separately identify financial instruments classified as embedded derivatives under IFRS.

At June 30, 2012, no embedded derivatives deemed to be material at Group level were identified.

Group debt structure

The weighted average interest rate on total debt under IFRS, after hedging (using currency swaps and interest rate swaps), was 4.5% at June 30, 2012 versus 4.8% at December 31, 2011.

The average internal rates of return for the main components of long-term debt before hedging were as follows at June 30, 2012 and December 31, 2011:

Internal rate of return on long-term debt (in %)	**June 30, 2012**	**December 31, 2011**
Bonds and Medium Term Notes	5.20	5.19
Perpetual bonds and participating securities	4.41	4.85

The table below presents the breakdown by currency and by interest rate (fixed or variable) of the Group's gross debt at June 30, 2012, after hedging with interest rate swaps and currency swaps.

Gross debt denominated in foreign currencies *(in EUR millions)*	**After hedging** Variable rate	Fixed rate	**Total**
EUR	1,390	9,023	10,413
GBP	(201)	742	541
USD	475	17	492
SEK, NOK and DKK	514	4	518
Other currencies	841	260	1,101
TOTAL	**3,019**	**10,046**	**13,065**
	23%	77%	100%
Fair value of related derivatives			2
Accrued interest			249
TOTAL GROSS DEBT			**13,316**

Interest rate repricing schedule for debt

The table below shows the interest rate repricing schedule at June 30, 2012 for gross debt after hedging:

(in EUR millions)	**Within 1 year**	**1 to 5 years**	**Beyond 5 years**	**Total**
Gross debt	3,960	5,527	3,829	13,316
Impact of interest rate swaps	(95)	0	95	0
GROSS DEBT AFTER HEDGING	**3,865**	**5,527**	**3,924**	**13,316**

NOTE 11 – BUSINESS INCOME BY EXPENSE TYPE

(in EUR millions)	**First-half 2012**	**First-half 2011**
Net sales	**21,590**	**20,875**
Personnel costs:		
Salaries and payroll taxes	(4,290)	(4,050)
Share-based payments [a]	(10)	(20)
Pensions [b]	78	(93)
Depreciation and amortization	(772)	(759)
Other [c]	(15,084)	(14,233)
Operating income	**1,512**	**1,720**
Other business income [d]	92	21
Negative goodwill recognized in income	0	0
Other business income	**92**	**21**
Restructuring costs [e]	(123)	(52)
Provisions and expenses relating to claims and litigation [f]	(97)	(94)
Impairment of assets and other business expenses [g]	(227)	(135)
Other	(4)	(4)
Other business expense	**(451)**	**(285)**
Business income	**1,153**	**1,456**

(a) Details of share-based payments are provided in Note 12.

(b) Changes in pension costs are presented in Note 6 "Provisions for pensions and other employee benefits".

(c) This item corresponds to Building Distribution Sector cost of sales, supplier discounts and selling expenses, and to transport costs, raw materials costs, and other production costs for the other Sectors. It also includes net foreign exchange gains and losses, representing a net gain of €6 million in first-half 2012 (first-half 2011: net gain of €1 million). In first-half 2012, research and development costs recorded under operating expenses amounted to €225 million (first-half 2011: €214 million).

(d) Including capital gains on disposals of property, plant and equipment and intangible assets.

(e) Restructuring costs in first-half 2012 mainly consisted of employee termination benefits in an amount of €80 million (first-half 2011: €30 million).

(f) In the periods presented, provisions and expenses relating to claims and litigation corresponded for the most part to asbestos-related litigation and the provision for the competition litigation presented in Notes 8 and 17.

(g) In first-half 2012, impairment of assets and other business expenses included impairment losses of €45 million on goodwill (first-half 2011: €66 million), €147 million on property, plant and equipment and intangible assets (first-half 2011: €61 million) and €1 million on financial assets and current assets (first-half 2011: €1 million). The caption "Other" includes capital losses on disposals of assets for €26 million and acquisition costs incurred in connection with business combinations for €8 million.

NOTE 12 – SHARE-BASED PAYMENTS

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 2012. Under IFRS 2, the expense attributable to the amortization of stock options granted under previous plans totaled €1.3 million in first-half 2012 (first-half 2011: €4.8 million).

Group Savings Plan

The PEG Group Savings Plan ("PEG") is an employee stock purchase plan open to all Group employees in France and in most other countries where the Group does business. Eligible employees must have completed a minimum of three months' service with the Group. The purchase price of the shares, as set by the Chairman and Chief Executive Officer on behalf of the Board of Directors, corresponds to the average of the opening share prices quoted over the 20 trading days preceding the pricing date.

In first-half 2012, the Group issued 4,387,680 shares with a par value of €4 (2011 fiscal year: 4,497,772 shares) to members of the PEG, for a total of €125 million (2011 fiscal year: €150 million).

In some years, as well as the standard plans, leveraged plans are offered to employees in countries where this is allowed under local law and tax rules.

- *Standard plans*

Under the standard plans, eligible employees are offered the opportunity to invest in Saint-Gobain stock at a 20% discount. The stock is subject to a five or ten-year lock-up, except following the occurrence of certain events. The compensation cost recorded in accordance with IFRS 2 is measured by reference to the fair value of a discount offered on restricted stock (i.e. stock subject to a lock-up). The cost of the lock-up for the employee is defined as the cost of a two-step strategy that involves first selling the restricted stock forward five or ten years and then purchasing the same number of shares on the spot market and financing the purchase with debt. The borrowing cost is estimated at the rate that would be charged by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity (see Note 1 for details of the calculation).

The standard plan cost recorded in the income statement amounted to €0 in first-half 2012 (2011 fiscal year: €6.7 million), net of the lock-up cost for employees of €18.7 million (2011 fiscal year: €20.6 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2012 and in 2011.

		2012	2011
	Plan characteristics		
	Grant date	March 26	March 28
	Plan duration (in years)	5 or 10	5 or 10
	Benchmark (in EUR)	35.73	41.77
	Purchase price (in EUR)	28.59	33.42
	Discount (in %)	20.00%	20.00%
(a)	Total discount on the grant date (in %)	17.60%	22.50%
	Employee investments (in EUR millions)	125.4	150.3
	Total number of shares purchased	4,387,680	4,497,772
	Valuation assumptions		
	Interest rate paid by employees (*)	6.35%	6.50%
	5-year risk-free interest rate	1.75%	2.86%
	Repo rate	0.40%	0.40%
(b)	Lock-up discount (in %)	20.18%	16.97%
	Total cost to the Group (in %) **(a-b)**	(2.58%)	5.53%

*A 0.5-point decline in borrowing costs for the employee would have no impact on 2012 cost as calculated in accordance with IFRS 2.

- *Leveraged plan*

No leveraged plans were set up in first-half 2012 or in 2011.

Performance share plans

Various performance share plans have been set up by Saint-Gobain since 2009. No new performance share plans were set up in first-half 2012. The expense recognized during the period in respect of the plans set up in prior years amounted to €8.8 million (first-half 2011: €8.7 million).

NOTE 13 – NET FINANCIAL EXPENSE

Breakdown of other financial income and expense

(in EUR millions)	**First-half 2012**	**First-half 2011**
Interest cost - pension and other post-employment benefit obligations	(222)	(220)
Return on plan assets	199	205
Interest cost - pension and other post-employment benefit obligations - net	**(23)**	**(15)**
Other financial expense	(57)	(48)
Other financial income	8	9
Other financial income and expense	**(72)**	**(54)**

NOTE 14 – EBITDA – RECURRING NET INCOME – CASH FLOW FROM OPERATIONS

EBITDA amounted to €2,284 million in first-half 2012 (first-half 2011: €2,479 million), calculated as follows:

(in EUR millions)	**First-half 2012**	**First-half 2011**
Operating income	1,512	1,720
Depreciation and amortization	772	759
EBITDA	**2,284**	**2,479**

Recurring net income totaled €651 million in first-half 2012 (first-half 2011: €902 million). Based on the weighted average number of shares outstanding at June 30 (526,833,558 shares in 2012 and 526,306,335 shares in 2011), recurring earnings per share amounted to €1.24 in first-half 2012 (first-half 2011: €1.71).

(in EUR millions)	**First-half 2012**	**First-half 2011**
Net income attributable to equity holders of the parent	**506**	**768**
Less:		
Gains and disposals of assets	66	21
Impairment of assets and business combination costs	(201)	(135)
Provision for competition litigation and other non-recurring provision charges	(51)	(43)
Impact of minority interests	3	(1)
Tax impact	38	24
Recurring net income attributable to equity holders of the parent	**651**	**902**

Cash flow from operations for first-half 2012 amounted to €1,462 million (first-half 2011: €1,721 million). Excluding tax on capital gains and losses and non-recurring provisions, cash flow from operations came to €1,424 million in first-half 2012 (first-half 2011: €1,697 million).These amounts are calculated as follows:

(in EUR millions)	**First-half 2012**	**First-half 2011**
Net income attributable to equity holders of the parent	**506**	**768**
Minority interests in net income	10	42
Share in net income of associates, net of dividends received	(2)	(1)
Depreciation, amortization and impairment of assets	964	886
Gains and losses on disposals of assets	(66)	(21)
Non-recurring charges to provisions	51	43
Unrealized gains and losses arising from changes in fair values and share-base	(1)	4
Cash flow from operations	**1,462**	**1,721**
Tax on gains and losses and non-recurring charges to provisions	(38)	(24)
Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions	**1,424**	**1,697**

NOTE 15 – EARNINGS PER SHARE

The calculation of earnings per share is shown below.

	Adjusted net income attributable to equity holders of the parent (in EUR millions)	**Number of shares**	**Earnings per share** (in EUR)
First-half 2012			
Weighted average number of shares outstanding	**506**	526,833,558	**0.96**
Weighted average number of shares assuming full dilution	**506**	529,828,402	**0.96**
First-half 2011			
Weighted average number of shares outstanding	**768**	526,306,335	**1.46**
Weighted average number of shares assuming full dilution	**768**	531,187,152	**1.45**

The weighted average number of shares outstanding is calculated by deducting treasury stock (5,327,594 shares at June 30, 2012) from the average number of shares outstanding during the period.

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 corresponding to a weighted average of 856,725 shares in first-half 2012 and performance share grants corresponding to a weighted average of 2,138,119 shares in first-half 2012.

NOTE 16 – COMMITMENTS

The main changes in commitments over the first six months of the year are described below:

Commitments related to shares in subsidiaries and associates

Puts granted to minority shareholders are carried in the balance sheet under investment-related liabilities. They are reviewed on a periodic basis and any subsequent changes in their fair value are recognized by adjusting equity.

Financing-related commitments

The Group's commitments related to debt and financial instruments are discussed in Notes 9 and 10, respectively.

Commitments related to operating activities

- *Lease commitments*

Changes in lease commitments in first-half 2012 were not material.

- *Non-cancelable purchase commitments*

Non-cancelable purchase commitments include commitments to purchase raw materials and services and firm orders for property, plant and equipment.

The €97 million decrease in non-cancelable purchase commitments in first-half 2012 was mainly due to completion of Brossette share purchase.

- *Guarantee and commercial commitments*

At June 30, 2012, the Group had issues guarantees amounting to €111 million, an increase of €10 million compared with the December 31, 2011 figure.

Pledged assets at June 30, 2012 amounted to approximately €819 million (December 31, 2011: €301 million). The increase mainly concerned fixed assets in the United Kingdom. There were no material changes in secured debt and other commitments given by the Group in first-half 2012.

Guarantees given to the Group in respect of receivables amounted to €138 million at June 30, 2012 (December 31, 2011: €109 million).

- *Other commitments*

Greenhouse gas emissions allowances granted to Group companies under the 2008-2012 plan represent approximately 6.9 million metric tons of CO_2 emissions per year. The 2012 allowances are above expected greenhouse gas emissions for the year and, consequently, no provision has been recorded in this respect in the Group accounts.

NOTE 17 – LITIGATION

Asbestos-related litigation in France

In France, 10 new individual lawsuits were filed in first-half 2012 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM ("the employers") – which in the past had carried out fiber-cement operations – for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect. A total of 752 such lawsuits have been issued against the two companies since 1997.

At June 30, 2012, 674 of these 752 lawsuits had been completed in terms of both liability and quantum. In all of these cases, the employers were held liable on the grounds of "inexcusable fault".

Since the outset, Everite and Saint-Gobain PAM have been held liable to pay a total amount of less than €1.3 million in compensation in settlement of these lawsuits.

Concerning the 78 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2012, the merits of 10 have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. In all of these cases bar 2, the compensation will be payable by the Social Security authorities for procedural reasons (non-opposability) and because the statute of limitations has expired. A further 35 of these 78 lawsuits have been completed in terms of both liability and quantum, but liability for the payment of compensation has not yet been assigned.

Out of the 33 remaining lawsuits, at June 30, 2012 the procedures relating to the merits of 30 cases were at different stages, with 2 in the process of being investigated by the French Social Security authorities and 28 pending before the Social Security courts. The final 3 suits have been withdrawn by the plaintiffs who can ask for them to be re-activated at any time.

In addition, as of June 30, 2012, 173 suits based on inexcusable fault had been filed (included 9 since January 1, 2012) by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 111 lawsuits had been completed. In 42 of these cases, the employer was held liable for inexcusable fault.

In all the compensation awards made against these 12 companies since outset have represented less than €220,000.
For the 62 suits outstanding at June 30, 2012, arguments were being prepared by the French Social Security authorities in 5 cases, 39 were being investigated – including 34 pending before the Social Security courts, 4 before the Courts of Appeal and 1 before the Court of Cassation – and 9 had been completed in terms of liability, including 3 also in terms of quantum and 6 for which liability for the payment of the compensation has also been decided. The final 9 suits have been withdrawn by the plaintiffs who can ask for them to be re-activated at any time.

Asbestos-related litigation in the United States

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

The estimated number of new asbestos-related claims filed against CertainTeed in the United States in the first half of 2012 came to approximately 2,000. On a rolling 12 month basis, new claims remain stable at approximately 4,000 at end-June 2012 compared to 4,000 end-December 2011 and 5,000 end-June 2011.

Some 7,000 claims were resolved in the first six months of 2012. Some 47,000 claims were outstanding at June 30, 2012 – slightly below December 31, 2011 (52,000) and December 31, 2010 (56,000).

An additional estimated provision of €45 million ($58 million) was recorded in the consolidated financial statements for the first half of 2012 in relation to CertainTeed's asbestos claims. As in every year since 2002, a precise assessment of the provision required for the full year will be performed at the year-end.

Total compensation paid during the twelve-month period ending June 30, 2012 for claims against CertainTeed (including claims settled prior to June 30, 2011 but only paid during the past twelve months), as well as compensation paid (net of insurance coverage) during the twelve-month period ending June 30, 2012 by other United States Group businesses involved in asbestos litigation, amounted to about €54 million ($70 million), versus €59 million ($82 million) in 2011.

***

In Brazil, former Group employees suffering from asbestos-related occupational illness are offered either exclusively financial compensation or lifetime medical assistance combined with financial compensation. Only a small number of asbestos-related lawsuits brought by former employees (or persons claiming through them) were outstanding at June 30, 2012, and they do not currently represent a material risk for the companies concerned.

Ruling by the European Commission following the investigation into the automotive glass industries

In the November 12, 2008 decision concerning its investigation into automotive glass manufacturers, the European Commission held that Saint-Gobain Glass France, Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland Gmbh had violated Article 81 of the Treaty of Rome and fined them €896 million. Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount.

The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the General Court of the European Union.
The European Commission has granted them a stay of payment until the appeal has been heard, in exchange for a bond covering the €896 million fine and the related interest, calculated at the rate of 5.25% from March 9, 2009. The necessary steps were taken to set up this bond within the required timeframe.

The provision set aside to cover the fine, the late interest, the cost of the above bond and the related legal costs amounted to €1,090 million at June 30, 2012.

The appeal against the November 12, 2008 decision is currently pending before the General Court of the European Union in Luxembourg.

NOTE 18 – SEGMENT INFORMATION

Segment information by Sector and Activity

Segment information is presented as follows:

- Innovative Materials (IM) Sector
  - Flat Glass
  - High-Performance Materials (HPM)
- Construction Products (CP) Sector
  - Interior Solutions: Insulation and Gypsum
  - Exterior Solutions: Industrial Mortars, Pipe and Exterior Fittings
- Building Distribution Sector
- Packaging Sector

Management uses several different internal indicators to measure operational performance and to make resource allocation decisions. These indicators are based on the data used to prepare the consolidated financial statements and meet financial reporting requirements. Intragroup ("internal") sales are generally carried out on the same terms as sales to external customers and are eliminated in consolidation. The accounting policies used are the same as those applied for consolidated financial reporting purposes, as described in Note 1. The column "Other" corresponds solely to the holding companies and certain cross-sector support functions such as tax, cash management, purchasing…

First-half 2012	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other *	**Total**
(in EUR millions)	Flat Glass	High Performance Materials	Intra-segment eliminations	Total	Interior Solutions	Exterior Solutions	Intra-segment eliminations	Total				
External sales	2,571	2,203		4,774	2,549	2,896		5,445	9,454	1,908	9	21,590
Internal sales	26	69	(16)	79	297	188	(27)	458	2	0	(539)	0
Net sales	2,597	2,272	(16)	4,853	2,846	3,084	(27)	5,903	9,456	1,908	(530)	21,590
Operating income/(loss)	54	354		408	247	273		520	370	207	7	1,512
Business income/(loss)	(76)	341		265	205	247		452	275	201	(40)	1,153
Share in net income/(loss) of associates	1			1	1			1	1	1		4
Depreciation and amortization	160	83		243	160	95		255	135	126	13	772
Impairment of assets	116	(3)		113	28	1		29	51			193
Capital expenditure	246	80		326	122	82		204	102	116	13	761
Cash flow from operations				392				377	255	248	190	1,462
EBITDA	214	437		651	407	368		775	505	333	20	2,284

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

First-half 2011	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other *	Total
(in EUR millions)	Flat Glass	High Performance Materials	Intra-segment eliminations	Total	Interior Solutions	Exterior Solutions	Intra-segment eliminations	Total				
External sales	2,745	2,019		4,764	2,426	2,824		5,250	9,041	1,818	2	20,875
Internal sales	19	63	(19)	63	295	193	(25)	463	2	0	(528)	0
Net sales	2,764	2,082	(19)	4,827	2,721	3,017	(25)	5,713	9,043	1,818	(526)	20,875
Operating income/(loss)	261	341		602	216	336		552	327	226	13	1,720
Business income/(loss)	189	286		475	195	309		504	267	220	(10)	1,456
Share in net income/(loss) of associates	0	0		0	3	0		3	0	1	0	4
Depreciation and amortization	160	80		240	158	93		251	135	121	12	759
Impairment of assets	31	26		57	13	13		26	43	0	1	127
Capital expenditure	253	72		325	88	59		147	71	92	10	645
Cash flow from operations				600				424	252	261	184	1,721
EBITDA	421	421		842	374	429		803	462	347	25	2,479

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

Information by geographic area

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
First-half 2012						
Net sales	6,148	8,901	3,192	4,263	(914)	**21,590**
Capital expenditure	123	175	133	330		**761**

(in EUR millions)	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
First-half 2011						
Net sales	6,138	8,828	2,772	4,149	(1,012)	**20,875**
Capital expenditure	82	191	113	259		**645**

NOTE 19 – PRINCIPAL FULLY CONSOLIDATED COMPANIES

The table below shows the Group's principal consolidated companies, typically those with annual sales of over €100 million.

INNOVATIVE MATERIALS SECTOR

Flat Glass		
Saint-Gobain Glass France	France	100.00%
Saint-Gobain Sekurit France	France	100.00%
Saint-Gobain Glass Logistics	France	100.00%
Saint-Gobain Sekurit Deutschland GmbH & CO Kg	Germany	99.99%
Saint-Gobain Glass Deutschland GmbH	Germany	99.99%
SG Deutsche Glas GmbH	Germany	99.99%
Saint-Gobain Glass Benelux	Belgium	99.97%
Saint-Gobain Sekurit Benelux SA	Belgium	99.99%
Saint-Gobain Autover Distribution SA	Belgium	99.99%
Koninklijke Saint-Gobain Glass	Netherlands	100.00%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.99%
Saint-Gobain Sekurit Hanglas Polska Sp Zoo	Poland	97.61%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Cristaleria SA	Spain	99.83%
Glassolutions Saint-Gobain Ltd (Solaglas)	United Kingdom	99.99%
Saint-Gobain Glass UK Limited	United Kingdom	99.99%
Saint-Gobain Glass Italia	Italy	100.00%
Saint-Gobain Sekurit Italia	Italy	100.00%
Hankuk Glass Industries, Inc.	South Korea	80.47%
Hankuk Sekurit Limited	South Korea	90.13%
Saint-Gobain Glass India	India	98.71%
Saint-Gobain Glass Mexico	Mexico	99.83%
High Performance Materials		
Saint-Gobain Abrasifs	France	99.97%
Société Européenne des Produits Réfractaires	France	100.00%
Saint-Gobain Abrasives Gmbh	Germany	100.00%
Saint-Gobain Abrasives Inc.	United States	100.00%
Saint-Gobain Ceramics & Plastics Inc.	United States	100.00%
Saint-Gobain Performance Plastics Corp.	United States	100.00%
SG Abrasives Canada Inc.	Canada	100.00%
Saint-Gobain Abrasivi	Italy	99.97%
SEPR Italia	Italy	100.00%
Saint-Gobain Abrasivos Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives BV	Netherlands	100.00%
Saint-Gobain Abrasives Ltd	United Kingdom	99.99%
Saint-Gobain Vertex SRO	Czech Republic	100.00%
Saint-Gobain Solar Gard, LLC	United States	100.00%

CONSTRUCTION PRODUCTS SECTOR

Interior Solutions

Saint-Gobain Isover	France	100.00%
Saint-Gobain Isover G+H AG	Germany	99.91%
Saint-Gobain Construction Products Belgium NV	Belgium	100.00%
CertainTeed Corporation	United States	100.00%
Saint-Gobain Isover AB	Sweden	100.00%
Saint-Gobain Ecophon Group	Sweden	100.00%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
BPB Plc	United Kingdom	100.00%
Certain Teed Gypsum & Ceillings USA	United States	100.00%
Certain Teed Gypsum Canada Inc.	Canada	100.00%
Saint-Gobain Gyproc South Africa	South Africa	100.00%
Saint-Gobain Placo Iberica	Spain	99.83%
Saint-Gobain PPC Italia S.p.a	Italy	100.00%
British Gypsum Ltd	United Kingdom	100.00%
Gypsum Industries Ltd	Irland	100.00%
Placoplatre SA	France	99.75%
Saint-Gobain Rigips GmbH	Germany	100.00%
Thai Gypsum Products PLC	Thaïland	99.66%
Mag Isover K.K.	Japan	99.95%
Izocam Ticaret	Turkey	47.53%

Exterior Solutions

Saint-Gobain Weber	France	100.00%
Saint-Gobain Do Brazil Ltda	Brazil	100.00%
Saint-Gobain Weber Cemarksa SA	Spain	99.83%
Maxit Group AB	Sweden	100.00%
Saint-Gobain Weber AG	Switzerland	100.00%
Saint-Gobain Weber GmbH	Germany	100.00%
CertainTeed Corporation	United States	100.00%
Saint-Gobain PAM SA	France	100.00%
Saint-Gobain PAM Deutschland GmbH	Germany	100.00%
Saint-Gobain PAM UK Ltd	United Kingdom	99.99%
Saint-Gobain PAM España SA	Spain	99.83%
Saint-Gobain PAM Italia S.p.a	Italy	100.00%
Saint-Gobain Canalizaçao Ltda	Brazil	100.00%
Saint-Gobain Xuzhou Pipe Co Ltd	China	100.00%
SG Pipelines Co Ltd	China	100.00%

BUILDING DISTRIBUTION SECTOR

Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Distribucion Construccion, S.L	Spain	99.83%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.99%
Saint-Gobain Distribution The Netherlands B.V	Netherlands	100.00%
Saint-Gobain Distribution Nordic Ab	Sweden	100.00%
Saint-Gobain Dystrybucja Budowlana Sp Zoo	Poland	99.99%
Optimera As	Norway	100.00%
Saint-Gobain Distribution Denmark	Denmark	100.00%
Sanitas Troesch Ag	Switzerland	100.00%
Norandex Building Material Distribution Inc.	United States	100.00%

PACKAGING SECTOR

Saint-Gobain Emballage	France	100.00%
Saint-Gobain Vidros SA	Brazil	100.00%
Saint-Gobain Oberland Ag	Germany	96.67%
Saint-Gobain Vicasa SA	Spain	99.75%
Saint-Gobain Containers Inc.	United States	100.00%
Saint-Gobain Vetri S.p.a	Italy	99.99%

NOTE 20 – SUBSEQUENT EVENTS

None.

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