CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2014

Consolidation and Group Reporting Department

CONSOLIDATED BALANCE SHEET

(in EUR millions)	Notes	June 30, 2014	Dec. 31, 2013 restated*
ASSETS			
Goodwill	(4)	10,276	10,401
Other intangible assets	(4)	3,161	3,128
Property, plant and equipment	(4)	12,304	12,438
Investments in associates		398	384
Deferred tax assets	(8)	1,192	1,125
Other non-current assets		527	454
Non-current assets		**27,858**	**27,930**
Inventories	(5)	6,455	5,953
Trade accounts receivable	(6)	5,991	4,857
Current tax receivable	(8)	151	236
Other receivables	(6)	1,394	1,315
Assets held for sale	(2)	0	974
Cash and cash equivalents	(10)	3,262	4,350
Current assets		**17,253**	**17,685**
Total Assets		**45,111**	**45,615**
EQUITY AND LIABILITIES			
Capital stock		2,271	2,221
Additional paid-in capital and legal reserve		6,623	6,265
Retained earnings and net income for the year		10,577	10,677
Cumulative translation adjustments		(1,260)	(1,481)
Fair value reserves		(46)	7
Treasury stock		(147)	(147)
Shareholders' equity		**18,018**	**17,542**
Minority interests		374	345
Total equity		**18,392**	**17,887**
Long-term debt	(10)	9,666	9,362
Provisions for pensions and other employee benefits	(7)	2,990	2,783
Deferred tax liabilities	(8)	657	715
Other non-current liabilities and provisions	(9)	1,160	2,185
Non-current liabilities		**14,473**	**15,045**
Current portion of long-term debt	(10)	1,143	1,707
Current portion of other liabilities	(9)	451	477
Trade accounts payable	(6)	5,878	5,897
Current tax liabilities	(8)	87	66
Other payables and accrued expenses	(6)	3,715	3,269
Liabilities held for sale	(2)	0	473
Short-term debt and bank overdrafts	(10)	972	794
Current liabilities		**12,246**	**12,683**
Total Equity and Liabilities		**45,111**	**45,615**

*The adjustments made are presented in Note 3.

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

CONSOLIDATED INCOME STATEMENT

(in EUR millions)	Notes	**First-half 2014**	**First-half 2013 restated***
Net sales	(19)	20,446	20,651
Cost of sales	(12)	(15,443)	(15,679)
Selling, general and administrative expenses including research	(12)	(3,694)	(3,757)
Share in net income of operating associates companies	(3)	21	9
Operating income		1,330	1,224
Other business income	(12)	421	113
Other business expense	(12)	(491)	(398)
Business income		**1,260**	**939**
Borrowing costs, gross		(269)	(306)
Income from cash and cash equivalents		16	20
Borrowing costs, net		(253)	(286)
Other financial income and expense	(14)	(101)	(114)
Net financial expense		**(354)**	**(400)**
Share in net income of non operating associates companies		(1)	3
Income taxes	(8)	(212)	(214)
Net income		**693**	**328**
Attributable to equity holders of the parent		**671**	**313**
Minority interests		22	15
Earnings per share (in EUR)			
Weighted average number of shares in issue		553,432,495	527,978,739
Basic earnings per share	(16)	1.21	0.59
Weighted average number of shares assuming full dilution		556,289,646	530,438,683
Diluted earnings per share	(16)	1.21	0.59

*The adjustments made are presented in Note 3.

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(in EUR millions)	**First-half 2014**	**First-half 2013 restated***
Net income	***693***	***328***
Items that may be subsequently reclassified to profit or loss		
Translation adjustments	229	(481)
Changes in fair value	(53)	(29)
Tax on items that may be subsequently reclassified to profit or loss	20	12
Items that will not be reclassified to profit or loss		
Changes in actuarial gains and losses	(211)	739
Tax on items that will not be reclassified to profit or loss	100	(251)
Income and expense recognized directly in equity	***85***	***(10)***
Total recognized income and expense for the year	778	318
Attributable to equity holders of the parent	748	326
Minority interests	30	(8)

*The adjustments made are presented in Note 3.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR millions)	Notes	First-half 2014	First-half 2013 restated*
Net income attributable to equity holders of the parent		**671**	**313**
Minority interests in net income	(a)	22	15
Share in net income of associates, net of dividends received		(11)	(3)
Depreciation, amortization and impairment of assets	(12)	1,119	824
Gains and losses on disposals of assets	(12)	(399)	(85)
Unrealized gains and losses arising from changes in fair value and share-based payments		(17)	10
Changes in inventories	(5)	(475)	(380)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(6)	(1,199)	(1,160)
Changes in tax receivable and payable		34	15
Changes in deferred taxes and provisions for other liabilities and charges	(7)(8)(9)	(1,129)	(37)
Net cash from operating activities		**(1,384)**	**(488)**
Purchases of property, plant and equipment [H1 2014: (449), H1 2013: (493)] and intangible assets	(4)	(499)	(528)
Increase (decrease) in amounts due to suppliers of fixed assets	(6)	(140)	(175)
Acquisitions of shares in consolidated companies [H1 2014: (29), H1 2013: (27)], net of cash acquired	(2)	(22)	(43)
Acquisitions of other investments		(19)	(16)
Increase in investment-related liabilities	(9)	1	10
Decrease in investment-related liabilities	(9)	(1)	(2)
Investments		**(680)**	**(754)**
Disposals of property, plant and equipment and intangible assets	(4)	35	38
Disposals of shares in consolidated companies, net of cash divested	(2)	853	138
Disposals of other investments		0	0
Divestments		**888**	**176**
Increase in loans and deposits		(57)	(39)
Decrease in loans and deposits		34	17
Changes in loans and deposits		**(23)**	**(22)**
Net cash from (used in) investing activities		**185**	**(600)**
Issues of capital stock	(a)	408	582
(Increase) decrease in treasury stock	(a)	0	11
Dividends paid	(a)	(685)	(654)
(Increase) decrease dividends payable		441	179
Transactions with shareholders of parent company		**164**	**118**
Minority interests' share in capital increases of subsidiaries		8	3
Disposals of minority interests without loss of control		0	12
Dividends paid to minority shareholders of consolidated subsidiaries		(35)	(55)
Transactions with minority interests		**(27)**	**(40)**
Increase (decrease) in bank overdrafts and other short-term debt		309	255
Increase in long-term debt	(b)	296	515
Decrease in long-term debt	(b)	(650)	(827)
Changes in gross debt		**(45)**	**(57)**
Net cash from (used in) financing activities		**92**	**21**
Increase (decrease) in cash and cash equivalents		**(1,107)**	**(1,067)**
Net effect of exchange rate changes on cash and cash equivalents		19	(36)
Net effect from changes in fair value on cash and cash equivalents		0	2
Cash and cash equivalents at beginning of year		**4,350**	**4,150**
Cash and cash equivalents at end of year		**3,262**	**3,049**

*The adjustments made are presented in Note 3.

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

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

Income tax paid amounted to €231 million in first-half 2014 (first-half 2013: €296 million). Interest paid net of interest received amounted to €239 million in first-half 2014 (first-half 2013: €250 million).

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 year	Cumulative translation adjustments	Fair value reserves	Treasury stock	**Share-holders' equity**	Minority interests	**Total equity**
At January 1, 2013 published	**531,125,642**	**526,434,577**	**2,125**	**5,699**	**10,313**	**(523)**	**(15)**	**(181)**	**17,418**	**412**	**17,830**
Restatements*					16				**16**		**16**
At January 1, 2013 restated*	**531,125,642**	**526,434,577**	**2,125**	**5,699**	**10,329**	**(523)**	**(15)**	**(181)**	**17,434**	**412**	**17,846**
Income and expenses recognized directly in equity			0	0	500	(458)	(29)	0	**13**	(23)	**(10)**
Net income for the year					313				**313**	15	**328**
Total recognized income and expense for the year			***0***	***0***	***813***	***(458)***	***(29)***	***0***	***326***	***(8)***	***318***
Issues of capital stock											
Group Savings Plan	4,499,142	4,499,142	18	93					**111**		**111**
Stock option plans	264,819	264,819	1	1					**2**		**2**
Dividends	16,866,171	16,866,171	67	402					**469**		**469**
Other									**0**	3	**3**
Dividends paid (EUR 1.24 per share)					(654)				**(654)**	(55)	**(709)**
Treasury stock purchased		(1,190,974)						(36)	**(36)**		**(36)**
Treasury stock sold		1,596,584			(10)			57	**47**		**47**
Share-based payments					6				**6**		**6**
Changes in Group structure					(12)				**(12)**	9	**(3)**
At June 30, 2013 restated*	**552,755,774**	**548,470,319**	**2,211**	**6,195**	**10,472**	**(981)**	**(44)**	**(160)**	**17,693**	**361**	**18,054**
Income and expenses recognized directly in equity			0	0	(92)	(500)	51	0	**(541)**	(37)	**(578)**
Net income for the year					282				**282**	22	**304**
Total recognized income and expense for the year			***0***	***0***	***190***	***(500)***	***51***	***0***	***(259)***	***(15)***	***(274)***
Issues of capital stock											
Stock option plans	2,421,016	2,421,016	10	66					**76**		**76**
Dividends				4					**4**		**4**
Other									**0**	1	**1**
Dividends paid (EUR 1.24 per share)									**0**	(5)	**(5)**
Treasury stock purchased		(608,360)						(27)	**(27)**		**(27)**
Treasury stock sold		1,134,642			7			40	**47**		**47**
Share-based payments					8				**8**		**8**
Changes in Group structure									**0**	3	**3**
At December 31, 2013 restated*	**555,176,790**	**551,417,617**	**2,221**	**6,265**	**10,677**	**(1,481)**	**7**	**(147)**	**17,542**	**345**	**17,887**
Income and expenses recognized directly in equity			0	0	(91)	221	(53)	0	**77**	8	**85**
Net income for the year					671				**671**	22	**693**
Total recognized income and expense for the year			***0***	***0***	***580***	***221***	***(53)***	***0***	***748***	***30***	***778***
Issues of capital stock											
Group Savings Plan	4,303,388	4,303,388	17	128					**145**		**145**
Stock option plans	1,753,254	1,753,254	7	12					**19**		**19**
Dividends	6,601,189	6,601,189	26	218					**244**		**244**
Other									**0**	8	**8**
Dividends paid (EUR 1.24 per share)					(685)				**(685)**	(35)	**(720)**
Treasury stock purchased		(631,381)						(26)	**(26)**		**(26)**
Treasury stock sold		635,666						26	**26**		**26**
Share-based payments					5				**5**		**5**
Changes in Group structure									**0**	26	**26**
At June 30, 2014	**567,834,621**	**564,079,733**	**2,271**	**6,623**	**10,577**	**(1,260)**	**(46)**	**(147)**	**18,018**	**374**	**18,392**

*The adjustments made are presented in Note 3.

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. They are condensed financial statements 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, 2013, 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, 2013 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 2014 (see table below) do not have a material impact on the Group's consolidated financial statements. The impact of IFRS 10 – Consolidated Financial Statements and IFRS 11 – Joint Arrangements is presented in Note 3 and the 2013 comparative figures have been adjusted accordingly.

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 July 1, 2014 (see table below), except for IFRIC 21, the impact of which is presented in Note 3. The 2013 comparative figures provided in Note 3 have also been adjusted accordingly.

These interim consolidated financial statements were adopted by the Board of Directors on July 30, 2014. 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 in the prevailing deteriorated economic and financial environment, which makes it difficult to predict future business performance. Actual amounts may differ from those obtained through the use of these estimates and assumptions.

The main estimates and assumptions described in these notes concern asset impairment tests (Note 1), the measurement of employee benefit obligations (Note 7), deferred taxes (Note 8), provisions for other liabilities and charges (Note 9), financial instruments (Note 11) and share-based payments (Note 13).

LIST OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

Standards, interpretations and amendments to existing standards early adopted in 2014	
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
Amendment to IAS 27	Separate financial statements
Amendment to IAS 28	Investments in associates and joint ventures
Amendment to IAS 32	Offsetting financial assets and financial liabilities
Amendment to IAS 36	Recoverable amount disclosures for non-financial assets
Amendment to IAS 39	Novation of OTC derivatives and continuing designation for hedge accounting
Amendments to IFRS 10, IFRS12 and IAS 27	Investment entities
Standards, interpretations and amendments to existing standards early adopted in 2014	
IFRIC 21	Levies

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 business plan. Tests are generally performed for the interim financial statements only in the event of an unfavorable change in impairment indicators.

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 7). 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.

SCOPE AND METHODS OF CONSOLIDATION

Scope

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 the first-half of 2014 are presented in Note 2 and a list of the principal consolidated companies at June 30, 2014 is provided in Note 20.

Consolidation methods

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

Under IFRS 11 – Joint Arrangements, the proportionate consolidation method is no longer allowed for jointly controlled companies. Joint arrangements that are classified as joint ventures are now accounted for by the equity method. For joint arrangements that are classified as joint operations, the Group accounts for its contractual share of the assets and liabilities, revenues and expenses of the joint operation.

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 two separate line items: as a component of business income under "Share in net income of operating associates" when the company's main business activity is an extension to the Group's operating activity, and as a component of income before tax under "Share in net income of non-operating associates" in all other cases.

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 assumed 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 12 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 12 months following the acquisition. Under IFRS 3R, any adjustments to the acquisition price beyond this 12-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, since 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 generally 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 three to five 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 five 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.

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.

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 whenever the Group has a legal or constructive obligation to restore a site in accordance with contractually determined conditions or in the event of a sudden or gradual deterioration in site 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 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 35 CGUs are monitored each year.

Goodwill is allocated mainly to the Gypsum CGU (€3,162 million at December 31, 2013), the Industrial Mortars CGU (€1,962 million at December 31, 2013) and the Building Distribution CGUs (€3,135 million at December 31, 2013) primarily in the United Kingdom, France and Scandinavia. Details of goodwill and unamortizable brands by Sector are provided in the segment information tables in Note 34 to the 2013 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 final 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 1.5%, except for emerging markets or businesses with a high organic growth potential where a 2% rate may be used). The basic discount rate applied to these cash flows was 7.25% in 2013. A country risk premium is also applied, where appropriate depending on the geographic area concerned. The discount rates including country risk

premiums applied in 2013 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.

At December 31, 2013, a 0.5-point decrease in projected average annual growth in cash flows to perpetuity for all the CGUs would have led to approximately €20 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 about €50 million.

At June 30, 2014, impairment losses were recorded on Pipe assets, mainly in China, and Building Distribution assets, for the most part in the United States and Spain, due to the less favorable outlook for these businesses. The breakdown of asset impairments by Sector and by Activity for first-half 2013 and 2014 is provided in the segment information tables in Note 19.

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.

The Group considers that its exposure to concentrations of credit risk is limited due to its diversified business line-up, broad customer base and global presence. Past-due trade receivables are regularly monitored and analyzed, and provisions are set aside when appropriate.

Trade and other accounts receivable and payable are mainly due within one year, with the result that their carrying amount approximates fair value.

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 (i.e. generally with maturities of less than three months), 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 10.

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 and IFRS 13. 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 and IFRS 13 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.

In accordance with the amendment to IAS 19 applicable since January 1, 2013, the effect of any plan amendments (past service cost) is recognized immediately in the income statement.

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 interest costs for these obligations and the expected return on the related plan assets are measured using the discount rate applied to estimate the obligation at the beginning of the period, and are recognized 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-option plans*

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 ten-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 four-year vesting period of the options.

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 Plans ("PEG")*

The method used by Saint-Gobain to calculate the costs of its Group Savings Plans takes into account the fact that shares granted to employees under the plan are subject to a five- or ten-year lock-up period. The lock-up cost is measured and deducted from the 20% discount granted by the Group 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 twenty 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 and performance unit grants*

The Group set up a worldwide share grant plan in 2009 whereby each Group employee was awarded seven shares, while since 2009, performance share plans have been established for certain categories of employees. The plan ended in first-half 2014. 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 15 to the 2013 consolidated financial statements – 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. Since 2012, performance unit plans have been set up for certain employees in France. These plans are also subject to eligibility criteria based on the grantee's period of service with the Group and to certain performance criteria. The costs calculated under IFRS 2 therefore take into account these factors, as well as the fact that the units are cash-settled. IFRS 2 stipulates that for cash-settled share-based payment transactions, the granted instruments are initially measured at fair value at the grant date, then remeasured at each period end, with the cost adjusted accordingly pro rata to the rights that have vested at the period-end. The cost is recognized over the vesting period of the rights.

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. The Group's share in net income of associates whose business activity is an extension of that of the Group is also included in operating income.

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 non-operating 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.

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 16) 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 15.

PERFORMANCE INDICATORS

EBITDA

EBITDA corresponds to operating income before depreciation and amortization.

The method used for calculating EBITDA is explained in Note 15.

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 15.

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 15.

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 compared with prior years.

NOTE 2 – CHANGES IN GROUP STRUCTURE

Changes in the number of consolidated companies

	France	Outside France	Total
Controled companies			
At January 1, 2014 published	**162**	**684**	**846**
At January 1, 2014 restated IFRS 10 and 11	**163**	**685**	**848**
Newly consolidated companies	1	10	11
Merged companies	(1)	(22)	(23)
Deconsolidated companies	0	(6)	(6)
Change in consolidation method	0	5	5
At June 30, 2014	**163**	**672**	**835**
Companies accounted for by the equity method			
At January 1, 2014 published	**4**	**68**	**72**
At January 1, 2014 restated IFRS 10 and 11	**6**	**90**	**96**
Newly consolidated companies	0	4	4
Merged companies	0	(2)	(2)
Deconsolidated companies	0	(1)	(1)
Change in consolidation method	0	(5)	(5)
At June 30, 2014	**6**	**86**	**92**
TOTAL at January 1, 2014	**169**	**775**	**944**
TOTAL at June 30, 2014	**169**	**758**	**927**

Significant changes in Group structure

First-half 2014

On January 17, 2013, Saint-Gobain signed an agreement for the sale of Verallia North America (Saint-Gobain Containers, Inc. and its subsidiaries) to the Ardagh group. The transaction was completed on April 11, 2014 through the sale of all of the shares of Verallia North America to the Ardagh group based on an enterprise value of USD 1,694 million (€1,275 million).

At December 31, 2013, all of the assets and liabilities of Verallia North America were classified in the balance sheet as assets and associated liabilities held for sale in accordance with IFRS 5.

2013

On December 19, 2013, the Group signed an agreement for the sale of its US-based Fiber Cement siding business to Plycem USA, a subsidiary of Elementia of Mexico. This business was part of Saint-Gobain's Exterior Products Activity of the Construction Products Sector. It manufactures and sells fiber cement siding, trim and accessory products for the United States and Canadian residential and commercial construction markets. The transaction was finalized in early 2014.

On March 7, 2013, the Group signed an agreement for the sale of its PVC Pipe and Foundations business to North American Pipe Corporation, a subsidiary of Westlake Chemical Corporation. The sale was completed on May 1, 2013 once anti-trust approvals had been obtained.

NOTE 3 – IMPACTS OF NEW STANDARDS AND INTERPRETATIONS

Impacts of first-time application of IFRS 10 – Consolidated financial Statements and IFRS 11 – Joint Arrangements.

IFRS 10 and 11 are mandatory for financial periods beginning on or after January 1, 2014 and are applicable retrospectively. Following an analysis of the companies included in the scope of consolidation based on the criteria set out in these standards, most of the companies consolidated by the proportional method in prior periods are now accounted for by the equity method. These changes of consolidation method explain the €168 million increase in “Investments in associates” in the consolidated balance sheet.

Following the introduction of IFRS 11, the Group amended the classification of its share in net income of associates in the income statement. The Group's share in the net income of companies accounted for by the equity method whose main business activity is an extension of the Group's operating activity is recognized in the income statement under "Share in net income of operating associates". The Group's share in the net income of other companies accounted for by the equity method is recognized in the income statement under "Share in net income of non-operating associates".

Impacts of first-time application of IFRIC 21 – Levies

The IASB issued a new interpretation on the treatment of levies charged by public authorities on May 20, 2013. IFRIC 21 was adopted for use in the European Union on June 13, 2014 and is applicable for annual periods beginning on or after June 17, 2014.

The Group decided to early-adopt IFRIC 21 as of January 1, 2014. The main impact lies in the timing of recognition, with the expense now recognized in full in the interim period in which it is due, rather than deferred over the entire year. The interim financial statements at June 30, 2013 have been adjusted for comparative purposes.

The impacts of new standards and interpretations are summarized below.

- *Impacts on the consolidated balance sheet*

The balance sheet at December 31, 2013 is adjusted as follows:

(in EUR millions)	Dec. 31, 2013 published	IFRS 10 and 11 Impact	IFRIC 21 Impact	Dec. 31, 2013 restated
ASSETS				
Goodwill	10,413	(12)	0	10,401
Other intangible assets	3,131	(3)	0	3,128
Property, plant and equipment	12,635	(197)	0	12,438
Investments in associates	216	168	0	384
Deferred tax assets	1,125	0	0	1,125
Other non-current assets	407	47	0	454
Current assets	17,799	(114)	0	17,685
Total assets	**45,726**	**(111)**	**0**	**45,615**
EQUITY AND LIABILITIES				
Shareholders' equity	17,526	0	16	17,542
Minority interests	344	1	0	345
Long-term debt	9,395	(33)	0	9,362
Provisions for pensions and other employee benefits	2,785	(2)	0	2,783
Deferred tax liabilities	712	(6)	9	715
Other non-current liabilities and provisions	2,189	(4)	0	2,185
Current liabilities	12,775	(67)	(25)	12,683
Total equity and liabilities	**45,726**	**(111)**	**0**	**45,615**

- *Impacts on the consolidated income statement*

The effects on the consolidated income statement for the first half of 2013 can be summarized as follows:

(in EUR millions)	First-half 2013 published	IFRS 10 and 11 impact	IFRIC 21 impact	First-half 2013 restated
Net sales	20,771	(120)		20,651
Operating income	**1,260**	**(5)**	**(31)**	**1,224**
Business income	**974**	**(4)**	**(31)**	**939**
Net financial expense	**(403)**	**3**	**0**	**(400)**
Net income	**347**	**0**	**(19)**	**328**
Attributable to equity holders of the parent	**332**	**0**	**(19)**	**313**
Minority interests	15	0	0	15

- *Impacts on the statement of recognized income and expense*

The effects on the consolidated statement of recognized income and expense for the first half of 2013 can be summarized as follows:

(in EUR millions)	First-half 2013 published	IFRS 10 and 11 impact	IFRIC 21 impact	First-half 2013 restated
Net income	***347***	***0***	***(19)***	***328***
Items that may be subsequently reclassified to profit or loss				
Translation adjustments	(481)	0	0	(481)
Changes in fair value	(29)	0	0	(29)
Tax on items that may be subsequently reclassified to profit or loss	12	0	0	12
Items that will not be reclassified to profit or loss				
Changes in actuarial gains and losses	739	0	0	739
Tax on items that will not be reclassified to profit or loss	(251)	0	0	(251)
Income and expense recognized directly in equity	***(10)***	***0***	***0***	***(10)***
Total recognized income and expense for the year	337	0	(19)	318
Attributable to equity holders of the parent	345	0	(19)	326
Minority interests	(8)	0	0	(8)

- *Impacts on the consolidated cash flow statement*

The impacts on the consolidated cash flow statement for the first half of 2013 can be summarized as follows:

(in EUR millions)	First-half 2013 published	IFRS 10 and 11 impact	IFRIC 21 impact	First-half 2013 restated
Net income attributable to equity holders of the parent	**332**	**0**	**(19)**	**313**
Other profit or loss items	770	(9)	0	761
Changes in working capital	(1,568)	12	31	(1,525)
Changes in deferred taxes and provisions for other liabilities and charges	(25)	0	(12)	(37)
Net cash from operating activities	**(491)**	**3**	**0**	**(488)**
Net cash from (used in) investing activities	**(609)**	**9**	**0**	**(600)**
Net cash from (used in) financing activities	**42**	**(21)**	**0**	**21**
Increase (decrease) in cash and cash equivalents	**(1,058)**	**(9)**	**0**	**(1,067)**
Net effect of exchange rate changes on cash and cash equivalents	(38)	2	0	(36)
Net effect from changes in fair value on cash and cash equivalents	2	0	0	2
Cash and cash equivalents classified as assets held for sale	0	0	0	0
Cash and cash equivalents at beginning of year	**4,179**	**(29)**	**0**	**4,150**
Cash and cash equivalents at end of year	**3,085**	**(36)**	**0**	**3,049**

NOTE 4 – GOODWILL, OTHER INTANGIBLE ASSETS AND TANGIBLE ASSETS

(in EUR millions)	**Goodwill**	**Other intangible assets**	**Property, plant and equipment**	**Total intangible and tangible assets**
At January 1, 2014 restated				
Gross value	11,403	4,235	32,895	48,533
Accumulated depreciation and impairment	(1,002)	(1,107)	(20,457)	(22,566)
Net	**10,401**	**3,128**	**12,438**	**25,967**
Movements during the period				
Acquisitions		50	449	499
Disposals		0	(32)	(32)
Translation adjustments	107	35	117	259
Depreciation and impairment	(253)	(58)	(808)	(1,119)
Changes in Group structure and other movements	21	6	140	167
Total movements	**(125)**	**33**	**(134)**	**(226)**
At June 30, 2014				
Gross value	11,532	4,327	33,250	49,109
Accumulated depreciation and impairment	(1,256)	(1,166)	(20,946)	(23,368)
Net	**10,276**	**3,161**	**12,304**	**25,741**

In first-half 2014, movements in goodwill corresponded mainly to impairments recorded in the Construction Products and Building Distribution Sectors, and to translation adjustments.

NOTE 5 – INVENTORIES

(in EUR millions)	**June 30, 2014**	**December 31, 2013 restated**
Gross value		
Raw materials	1,483	1,397
Work in progress	264	247
Finished goods	5,147	4,791
Gross inventories	**6,894**	**6,435**
Provisions for impairment in value		
Raw materials	(142)	(143)
Work in progress	(8)	(9)
Finished goods	(289)	(330)
Provisions for impairment in value	**(439)**	**(482)**
Net	**6,455**	**5,953**

The increase in inventories mainly reflects seasonal fluctuations in business.

NOTE 6 – TRADE AND OTHER ACCOUNTS RECEIVABLE AND PAYABLE

(in EUR millions)	**June 30, 2014**	**December 31, 2013 restated**
Gross value	6,503	5,357
Provisions for impairment in value	(512)	(500)
Trade accounts receivable	**5,991**	**4,857**
Advances to suppliers	519	547
Prepaid payroll taxes	33	21
Other prepaid and recoverable taxes (other than income tax)	396	349
Other	449	402
Provisions for impairment in value	(3)	(4)
Other receivables	**1,394**	**1,315**
Trade accounts payable	**5,878**	**5,897**
Customer deposits	691	829
Payable to suppliers of non-current assets	147	277
Grants received	86	89
Accrued personnel expenses	1,087	1,131
Accrued taxes other than on income	604	368
Dividends payable	443	1
Other	657	574
Total other payables and accrued expenses	**3,715**	**3,269**

The increase in trade accounts receivable is primarily attributable to seasonal fluctuations in business.

NOTE 7 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

(in EUR millions)	**June 30, 2014**	**December 31, 2013 restated**
Pensions	2,154	2,006
Length-of-service awards	328	295
Post-employment healthcare benefits	377	352
Total provisions for pensions and other post-employment benefit obligations	**2,859**	**2,653**
Healthcare benefits	23	23
Long-term disability benefits	19	18
Other long-term benefits	89	89
Provisions for pensions and other employee benefits	**2,990**	**2,783**

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, 2014**	**December 31, 2013 restated**
Provisions for pensions and other post-employment benefit obligations	2,859	2,653
Pension plan surpluses	(74)	(77)
Net pension and other post-employment benefit obligations	**2,785**	**2,576**

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 Security 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 €131 million at June 30, 2014 (December 31, 2013: €130 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 in 2013 totaled €184 million.

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 for the main plans in first-half 2014 were as follows:

	France	Other European countries		United States
(in %)		Euro zone	United Kingdom	
Discount rate	3.50%	3.50%	4.45%	4.75%
Salary increases	2.50%	2.00% to 2.60%	2.00%*	3.00%
Return on plan assets	3.50%	3.50%	4.45%	4.75%
Inflation rate	1.90%	1.80% to 2.00%	2.25%	2.10%

*Cap on reference salaries for calculating benefit entitlements

The discount rates applied to calculate pension obligations were adjusted to take into account changes in interest rates and their level at June 30, 2014. The euro zone rate was reduced from 3.50% to 2.70%, the UK rate from 4.45% to 4.25% and the US rate from 4.75% to 4.25%. As these three regions account for substantially all of the pension obligation, the discount rate adjustments led to a €547 million increase in the obligation and the related provision.

Sensitivity calculations were not updated at June 30, 2014; if they had been, the results would not have been materially different to the analyses presented in the 2013 Annual Report (in Note 16 to the consolidated financial statements).

The actual return on plan assets for substantially all plans amounted to €472 million. This was €336 million more than the expected return (calculated using the discount rate), leading to a decrease in the provision of the same amount.

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). Actuarial gains and losses result from changes in actuarial assumptions and the impact of differences between the actual return on plan assets and the discount

rate.

Plan surpluses and the asset ceiling

When plan assets exceed the defined benefit obligation, the excess is recognized in other non-current assets under “Plan surplus” provided that it corresponds to future economic benefits. The asset ceiling corresponds to the maximum future economic benefit. 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, 2014 restated	
Net pension and post-employment benefit obligations	**2,576**
Movements during the period	
Service cost	80
Interest cost and return on plan assets	50
Actuarial gains and losses recognized during the period*	211
Contributions to plan assets and benefit payments	(134)
Changes in Group structure	(8)
Other (reclassifications and translation adjustments)	10
Total movements	**209**
At June 30, 2014	
Net pension and post-employment benefit obligations	**2,785**

* The total impact on equity was a negative €211 milion before tax (€111 million after tax).

NOTE 8 – CURRENT AND DEFERRED TAXES

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

(in EUR millions)	**First-half 2014**	**First-half 2013 restated**
Net income	693	328
Less:		
Share in net income of associates	20	12
Income taxes	(212)	(214)
Pre-tax income of consolidated companies	**885**	**530**

The effective tax rate breaks down as follows:

(in %)	First-half 2014	First-half 2013 restated
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(5.6)	(2.9)
Impact of Finance Law in France	3.6	1.7
Capital gains and losses and asset impairments	(8.2)	7.0
Provisions for deferred tax assets	0.9	5.5
Effect of changes in future tax rates	0.0	0.0
Research tax credit	(0.6)	(2.0)
Other deferred and miscellaneous taxes	(0.5)	(3.3)
Effective tax rate	**24.0**	**40.4**

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

(in EUR millions)	Net deferred tax assets/(liability)
At January 1, 2014 restated	**410**
Deferred tax (expense)/benefit	53
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (note 7)	100
Translation adjustments	(3)
Impact of changes in Group structure and other	(25)
At June 30, 2014	**535**

NOTE 9 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS

(in EUR millions)	Provisions for claims and litigation	Provisions for environ-mental risks	Provisions for restruc-turing costs	Provisions for personnel costs	Provisions for customer warranties	Provisions for other contin-gencies	Total provision for other liabilities	Investment-related liabilities	Total
At January 1, 2014 restated									
Current portion	111	27	112	28	148	50	476	1	477
Non-current portion	1,453	131	83	43	121	256	2,087	98	2,185
Total	**1,564**	**158**	**195**	**71**	**269**	**306**	**2,563**	**99**	**2,662**
Movements during the year									
Additions	72	4	103	16	26	27	248		248
Reversals	(214)	(3)	(18)	(4)	(10)	(17)	(266)		(266)
Utilizations	(946)	(5)	(53)	(10)	(18)	(22)	(1,054)		(1,054)
Changes in Group structure	0	0	0	0	(1)	0	(1)		(1)
Other (reclassifications and translation adjustments)	5	1	2	4	3	3	18	4	22
Total movements	**(1,083)**	**(3)**	**34**	**6**	**0**	**(9)**	**(1,055)**	**4**	**(1,051)**
At June 30, 2014									
Current portion	108	25	86	31	148	49	447	4	451
Non-current portion	373	130	143	46	121	248	1,061	99	1,160
Total	**481**	**155**	**229**	**77**	**269**	**297**	**1,508**	**103**	**1,611**

The change in other current and non-current liabilities and provisions is mainly due to the settlement of a fine related to competition litigation (Note 18).

NOTE 10 – NET DEBT

Long- and short-term debt

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

(in EUR millions)	June 30, 2014	December 31, 2013 restated
Bond issues and Medium-Term Notes	8,589	8,374
Perpetual bonds and participating securities	203	203
Securitizations long-term	400	400
Other long-term debt including finance leases	425	350
Fair value of interest rate hedges	49	35
Total long-term debt (excluding current portion)	**9,666**	**9,362**
Current portion of long-term debt	**1,143**	**1,707**
Short-term financing programs (US CP, Euro CP, *Billets de trésorerie*)	90	110
Securitizations short-term	201	91
Bank overdrafts and other short-term bank borrowings	683	595
Fair value of derivatives not qualified as hedges of debt	(2)	(2)
Short-term debt and bank overdrafts	**972**	**794**
TOTAL GROSS DEBT	**11,781**	**11,863**
Cash at bank	(1,356)	(1,281)
Mutual funds and other marketable securities	(1,906)	(3,069)
Cash and cash equivalents	**(3,262)**	**(4,350)**
TOTAL NET DEBT, INCLUDING ACCRUED INTEREST	**8,519**	**7,513**

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €10.4 billion at June 30, 2014, for a carrying amount of €9.6 billion. The fair value of bonds corresponds to the market price on the last day of the year. For other borrowings, fair value is considered as being equal to the amount repayable.

Debt repayment schedule

Debt at June 30, 2014 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	686	3 830	3 579	8,095
	GBP	0	374	681	1,055
	JPY	0	36	0	36
	NOK	0	89	0	89
Perpetual bonds and participating securities	EUR			203	203
Securitizations long-term	EUR	118	400		518
Other long-term debt including finance leases	All currencies	116	230	195	541
Fair value of interest rate hedges	All currencies			49	49
Accrued interests long-term debt	All currencies	223			223
TOTAL LONG-TERM DEBT		**1,143**	**4,959**	**4,707**	**10,809**
Borrowings due within one year and other short-term financing	All currencies	961			961
Fair value of derivatives not qualified as hedges of debt	All currencies	(2)			(2)
Accrued interests short-term debt	All currencies	13			13
TOTAL SHORT-TERM DEBT		**972**	**0**	**0**	**972**
TOTAL GROSS DEBT		**2,115**	**4,959**	**4,707**	**11,781**

At June 30, 2014, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain were due as follows:

(in EUR millions)	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on gross long-term debt	380	1,029	875	2,284

Interest on perpetual bonds and participating securities is calculated through to 2038.

Bond issues

During the first half of 2014, Compagnie de Saint-Gobain carried out the following debt management transactions to extend the average maturity of debt while reducing average borrowing costs:

- On March 24, the €100 million 3.875% private placement due March 2033 was increased to €226 million through two tap issues for €100 million and €26 million respectively.
- On March 27, a €40 million 3.625% private placement due 2038 was carried out.

On April 25, Saint-Gobain Nederland redeemed a €501 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).

Up to June 30, 2014, 18,496 perpetual bonds had been bought back and canceled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

The bonds pay interest at a variable rate indexed to Euribor.

The bonds are not redeemable and the interest paid on them is reported under “Borrowing costs”.

Participating securities

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

Some of these securities have been bought back over the years. At June 30, 2014, 606,883 securities were outstanding with an aggregate face value of €92.5 million.

Interest on the securities ranges from 75% to 125% of the average bond rate ("TMO"), depending on the level of Saint-Gobain's consolidated net income.

In April 1984, Compagnie de Saint-Gobain also issued 194,633 participating securities with a face value of ECU 1,000 (now €1,000).

Some of these securities have been bought back over the years. At June 30, 2014, 77 516 securities were outstanding with an aggregate face value of €77.5 million.

Interest comprises (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 consolidated net income of the previous year, subject to the cap specified in the issue agreement. In all, depending on the level of consolidated net income, the interest rate ranges from a minimum of 4.5% to a maximum of 6.75% if the TMOE rate is below 5% or TMOE + 175bps if the TMOE rate is above 5%. .

These securities are not redeemable and the interest paid on them is reported under “Borrowing costs”.

Financing programs

Compagnie de Saint-Gobain 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, 2014, issuance under these programs was as follows:

(in EUR millions)	**Maturities**	**Authorized program at June 30, 2014**	**Outstanding issues at June 30, 2014**	**Outstanding issues at December 31, 2013**
Medium Term Notes		15,000	8,841	9,375
US Commercial Paper	Up to 12 months	732*	0	0
Euro Commercial Paper	Up to 12 months	732*	0	0
Billets de trésorerie	Up to 12 months	3,000	90	110

*Equivalent to USD 1,000 million based on the exchange rate at June 30, 2014.

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 various 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 €1.5 billion syndicated line of credit obtained in December 2012, expiring in December 2017. It was renegotiated in December 2013 and rolled over until December 2018.
- A second €2.5 billion syndicated line of credit obtained in December 2013, expiring in December 2018 with two one-year rollover options.

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

Neither of these lines of credit was drawn down at June 30, 2014.

Receivables securitization programs

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

The €600 million French program was set up on December 2, 2013. At June 30, 2014, it amounted to €518 million at June 30, 2014 (December 31, 2013: €581 million). Based on observed seasonal fluctuations in receivables included in the program and on the contract's features, €400 million of this amount was classified as non-current and the balance as current.

The US program, which can be rolled over annually, amounted to €201 million at June 30, 2014 (December31, 2013: €91 million).

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.

NOTE 11 – FINANCIAL INSTRUMENTS

Derivatives

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

	Fair value at June 30, 2014			Fair value at	Nominal value broken down by maturity at June 30, 2014			
(in EUR millions)	Derivatives recorded in assets	Derivatives recorded in liabilities	Total	December 31, 2013	Within 1 year	1 to 5 years	Beyond 5 years	Total
Fair value hedges	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cash flow hedges								
Currency	1	(3)	(2)	8	205	18	0	223
Interest rate	0	(49)	(49)	(35)	0	0	407	407
Energy and commodity	1	(3)	(2)	0	38	3	0	41
Other risks	6	0	6	3	0	0	43	43
Cash flow hedges - total	**8**	**(55)**	**(47)**	**(24)**	**243**	**21**	**450**	**714**
Derivatives not qualifying for hedge accounting								
Currency	3	(1)	2	(5)	1,443	0	0	1,443
Interest rate	0	0	0	0	0	0	0	0
Energy and commodity	0	0	0	0	0	0	0	0
Derivatives non qualifying for hedge accounting - total	**3**	**(1)**	**2**	**(5)**	**1,443**	**0**	**0**	**1,443**
TOTAL	**11**	**(56)**	**(45)**	**(29)**	**1,686**	**21**	**450**	**2,157**
"o/w derivatives used to hedge net debt"	3	(50)	(47)	(33)				

Currency instruments

- *Currency swaps*

The Group uses currency swaps mainly to convert euro-denominated funds into foreign currencies for cash management purposes.

- *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.

Interest rate instruments

- *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.

- *Cross-currency swaps*

The Group uses cross-currency swaps to convert foreign currency debt into euro debt and vice versa.

Energy and commodity instruments

- *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.

Other risks

- *Equity derivatives*

Equity derivatives are used to hedge the risk of changes in the Saint-Gobain share price in connection with the performance units-based long-term incentive plan.

Credit value adjustments to derivative instruments

Credit value adjustments to derivative instruments are calculated in accordance with IFRS 13 based on historical probabilities of default derived from calculations performed by a leading rating agency and on the estimated loss given default. At June 30, 2014, credit value adjustments were not material.

Impact on equity of financial instruments qualifying for hedge accounting

At June 30, 2014, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €46 million, mainly comprising a €49 million debt balance corresponding to the interest rate component of qualifying cross currency swaps used to convert a bond issue into euro-denominated debt.

The ineffective portion of gains and losses on qualifying 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 €2 million gains at June 30, 2014 (December 31, 2013: €5 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, 2014, 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, cross-currency swaps and interest rate swaps) was 4.5% at June 30, 2014 (December 31, 2013: 4.4%).

The table below presents the breakdown by type of interest rate (fixed or variable) of the Group's gross debt at June 30, 2014, after giving effect to interest rate swaps, cross-currency swaps and currency swaps.

	Gross debt after hedging		
(in EUR millions)	**Variable rate**	**Fixed rate**	**Total**
EUR	1,268	8,479	9,747
Other currencies	760	991	1,751
Total	**2,028**	**9,470**	**11,498**
	18%	82%	100%
Fair value of related derivatives			47
Accrued interest			236
Total gross debt			**11,781**

NOTE 12 – BUSINESS INCOME BY EXPENSE TYPE

(in EUR millions)	First-half 2014	First-half 2013 restated
Net sales	**20,446**	**20,651**
Personnel costs		
Salaries and payroll taxes	(4,077)	(4,226)
Share-based payments[(a)]	(8)	(8)
Pensions[(b)]	(92)	(92)
Depreciation and amortization	(667)	(715)
Other[(c)]	(14,272)	(14,386)
Operating income	**1,330**	**1,224**
Other business income[(d)]	421	113
Negative goodwill recognized in income	0	0
Other business income	**421**	**113**
Restructuring costs[(e)]	(149)	(157)
Provisions and expenses relating to claims and litigation[(f)]	141	(76)
Impairment of assets and other business expenses[(g)]	(475)	(139)
Other	(8)	(26)
Other business expense	**(491)**	**(398)**
Business income	**1,260**	**939**

(a) Details of share-based payments (IFRS 2 expense) are provided in Note 13

(b) Changes in pension costs are presented in Note 7 "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 research and development costs recorded under operating expenses in the amount of €205 million (first-half 2013: €228 million).

(d) In first-half 2014, this item corresponds mainly to the gain on the sale of Verallia North America and capital gains on disposals of property, plant and equipment and intangible assets.

(e) Restructuring costs in first-half 2014 mainly consisted of employee termination benefits in an amount of €101 million (first-half 2013: €119 million).

(f) In both periods presented, provision movements and expenses relating to claims and litigation corresponded for the most part to asbestos-related litigation and the provision for the competition litigation discussed in Notes 9 and 18.

(g) Impairment losses on assets in first-half 2014 included €253 million on goodwill (first-half 2013: €7 million) and €199 million on property, plant and equipment and intangible assets (first-half 2013: €102 million). The caption "Other" includes capital losses on asset disposals and scrapping for €22 million (first-half 2013: €28 million) and acquisition costs incurred in connection with business combinations for €2 million (first-half 2013: €1 million).

NOTE 13 – SHARE-BASED PAYMENTS

Stock options

Compagnie de Saint-Gobain has stock option plans available to certain employees. No stock options were granted in the first half of 2014. Under IFRS 2, the expense attributable to the amortization of stock options granted under previous plans totaled €1 million infirst-half 2014 (first-half 2013: €2 million).

Group Savings Plans ("PEG")

The PEG Group Savings Plans are employee stock purchase plans 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 opening share price over the 20 trading days preceding the pricing date.

In the first half of 2014, the Group issued 4,303,388 new shares with a par value of €4 (2013: 4,499,142 shares) to members of the PEG, for a total of €145 million(2013: €111 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 2014 and 2013, net of the lock-up cost for employees of €27 million (first-half 2013: €20 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in first-half 2014 and first-half 2013.

		2014	2013
	Plan characteristics		
	Grant date	21 March	25 March
	Plan duration (in years)	5 or 10	5 or 10
	Benchmark price (in EUR)	42.36	30.96
	Purchase price (in EUR)	33.89	24.77
	Discount (in %)	20.00%	20.00%
(a)	Total discount on the grant date (in %)	19.29%	16.82%
	Employee investments (in EUR millions)	145.8	111.4
	Total number of shares purchased	4,303,388	4,499,142
	Valuation assumptions		
	Interest rate paid by employees*	6.00%	5.80%
	5-year risk-free interest rate	0.96%	0.89%
	Repo rate	0.41%	0.94%
(b)	Lock-up discount (in %)	22.20%	23.50%
	Total cost to the Group (in %) (a-b)	-2.91%	-6.68%

* A 0.5-point decline in borrowing costs for the employee would have no impact on first-half 2014 cost as calculated in accordance with IFRS 2.

- *Leveraged plans*

No leveraged plans were set up in first-half 2014 or 2013.

Performance share plans

Various performance share plans have been set up by Saint-Gobain since 2009. No new performance share or performance unit plans were set up in first-half 2014. The expense recognized during the period in respect of the earlier plans amounted to €4 million (first-half 2013: €4 million).

Performance unit plans

Performance unit plans were was set up in 2012 and 2013. The units will not give rise to the allocation of new or existing shares of the Company, but will entitle grantees to deferred cash compensation determined by reference to the Company's share price. The expense recognized during the period in respect of the two plans amounted to €3 million (first-half 2013: €2 million).

NOTE 14 – NET FINANCIAL EXPENSE

Breakdown of other financial income and expense

(in EUR millions)	First-half 2014	First-half 2013 restated
Interest cost - pension and other post-employment benefit obligations	(204)	(203)
Expected return on plan assets	153	139
Interest cost - pension and other post-employment benefit obligations - net	**(51)**	**(64)**
Other financial expense	(57)	(58)
Other financial income	7	8
Other financial income and expense	**(101)**	**(114)**

NOTE 15 – EBITDA – RECURRING NET INCOME – CASH FLOW FROM OPERATIONS

EBITDA

EBITDA amounted to €1,997 million in first-half 2014 (first-half 2013: €1,939 million), calculated asfollows:

(in EUR millions)	First-half 2014	First-half 2013 restated
Operating income	1,330	1,224
Depreciation and amortization	667	715
EBITDA	**1,997**	**1,939**

Recurring net income

Recurring net income totaled €511 million in first-half 2014 (first-half 2013: €402 million). Based on the weighted average number of shares outstanding at June 30 (553,432,495 shares in 2014, 527 978 739 shares in 2013), recurring earnings per share amounted to €0.92 in first-half 2014 and €0.76 in first-half 2013.

The difference between net income and recurring net income (attributable to equity holders of the parent) corresponds to the following items:

(in EUR millions)	First-half 2014	First-half 2013 restated
Net income attributable to equity holders of the parent	**671**	**313**
Less:		
Gains on disposals of assets	399	85
Impairment of assets and acquisition costs incurred in connexion with business combinations	(454)	(111)
Provision for competition litigation and other non-recurring provision charges	187	(44)
Impact of minority interests	(8)	0
Tax impact	36	(19)
Recurring net income attributable to equity holders of the parent	**511**	**402**

Cash flow from operations

Cash flow from operations for first-half 2014 amounted to €1,198 million (first-half 2013: €1,118 million). Excluding tax on capital gains and non-recurring provision charges, cash flow from operations came to €1,162 million in first-half 2014 (first-half 2013: €1,137 million). These amounts are calculated as follows:

(in EUR millions)	First-half 2014	First-half 2013 restated
Net income attributable to equity holders of the parent	**671**	**313**
Minority interests in net income	22	15
Share in net income of associates, net of dividends received	(11)	(3)
Depreciation, amortization and impairment of assets	1,119	824
Gains and losses on disposals of assets	(399)	(85)
Non-recurring charges to provisions	(187)	44
Unrealized gains and losses arising from changes in fair value and share-based payments	(17)	10
Cash flow from operations	**1,198**	**1,118**
Tax on capital gains and losses and non-recurring charges to provisions	(36)	19
Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions	**1,162**	**1,137**

NOTE 16 – EARNINGS PER SHARE

The calculation of earnings per share is shown below.

	Net income attributable to equity holders of the parent (in EUR millions)	**Number of shares**	**Earnings per share** (in EUR)
First-half 2014			
Weighted average number of shares outstanding	**671**	553,432,495	**1.21**
Weighted average number of shares assuming full dilution	**671**	556,289,646	**1.21**
First-half 2013 restated			
Weighted average number of shares outstanding	**313**	527,978,739	**0.59**
Weighted average number of shares assuming full dilution	**313**	530,438,683	**0.59**

The weighted average number of shares outstanding is calculated by deducting treasury stock (3,754,888 shares at June 30, 2014) 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 consist of stock options and performance share grants corresponding to a weighted average of 1,663,709 shares and 1,193,442 shares respectively at June 30, 2014.

NOTE 17 – COMMITMENTS

Changes in commitments under operating leases in first-half 2014 were not material. At June 30, 2014, they amounted to €3,034 million. Non-cancelable purchase commitments increased by €269 million during the period, mainly due to higher energy purchase commitments. At June 30, 2014, pledged assets amounted to €706 million (December 31, 2013: €612 million). This item mainly concerned fixed assets in the United Kingdom. Changes in other off-balance sheet commitments in first-half 2014 were not material.

NOTE 18 – LITIGATION

Asbestos-related litigation in France

- **"Inexcusable fault" proceedings**

In France, further individual lawsuits were filed in first-half 2014 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 775 such lawsuits have been issued against the two companies since 1997.

At June 30, 2014, 719 of these 775 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".

Compensation paid by Everite and Saint-Gobain PAM since 1997 in settlement of these lawsuits totals approximately €1.4 million.

Concerning the 56 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2014, the merits of four have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. A further 27 of these 56 lawsuits have been completed in terms of both liability and quantum, but liability for the payment of compensation has not yet been assigned.

Of the 25 remaining lawsuits, at June 30, 2014 the procedures relating to the merits of 23 cases were at different stages, with four in the process of being investigated by the French Social Security authorities, 18 pending before the Social Security courts and one pending before an appeal court. The final two suits have been struck out. The plaintiffs can ask for them to be re-activated at any time within a two-year period.

In addition, as of June 30, 2014, 205 similar suits had been filed since the outset by current or former employees of fifteen 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.

As of June 30, 2014, 139 lawsuits had been completed. In 66 of these cases, the employer was held liable for inexcusable fault.

Compensation paid by the companies totaled approximately €0.9 million.

For the 66 suits outstanding at June 30, 2014, arguments were being prepared by the French Social Security authorities in five cases, 48 were being investigated – including 30 pending before the Social Security courts and 18 before the Courts of Appeal – and seven had been completed in terms of liability but not in terms of quantum or liability for paying the compensation, of which six pending before the Courts of Appeal and one before the Court of Cassation. The final six suits have been struck out. The plaintiffs can ask for them to be re-activated at any time within a two-year period.

- **Anxiety claims**

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

"Facilities classified as presenting an asbestos hazard" are defined as manufacturing facilities that have been closed or are still operating which previously manufactured materials containing asbestos or used asbestos protection and insulation equipment and are included on the official list of facilities whose current or former employees are entitled to the asbestos workers benefit (ACAATA).

At June 30, 2014, a total of 783 suits had been brought by current or former employees claiming compensation for various damages suffered as a result of their alleged exposure to asbestos. None of these plaintiffs were suffering from an asbestos-related disease and some of them were not receiving the ACAATA benefit. Of these 783 suits, 142 have been terminated. Three plaintiffs had their claims dismissed, while the 139 others were recognized as having been exposed to an asbestos risk, and their claims were accepted, leading to payment of total compensation of approximately €2 million. Of the remaining 641 suits, 214 are pending before the competent Courts of Appeal - including one where the appellant is the plaintiff, 292 are pending before the competent labor tribunals, 128 have been struck out by the labor tribunals, with the plaintiffs entitled to ask for them to be re-activated at any time within a two-year period, six have been considered by the labor tribunal's conciliation board as having lapsed and one suit has been withdrawn.

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 2014 came to approximately 2,000. On a rolling 12 month basis, new claims remain stable at approximately 4,000 at end-June 2014 compared to 4,500 end-December 2013.

Some 3,000 claims were resolved in the first six months of 2014 and approximately 4,000 claims were moved into inactive dockets, bringing the total number of outstanding claims to approximately 38,000 at June 30, 2014, down from 43,000 at December 31, 2013 and same level of 43,000 at December 31, 2012.

An additional estimated provision of €45 million (USD 62 million) was recorded in the consolidated financial statements for the first half of 2014 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, 2014 for claims against CertainTeed (including claims settled prior to June 30, 2013 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, 2014 by other U.S. Group businesses involved in asbestos litigation, amounted to about €47 million (USD 65 million), versus €66 million (USD 88 million) in full year 2013.

***

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, 2014, 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 actions carried out between 1998 and 2003 by 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. The fine was subsequently reduced to €880 million in a decision dated February 23, 2013 due to a material error.

Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount. The companies concerned believed the fine was excessive and disproportionate, and appealed the decision before the General Court of the European Union.

In a decision handed down on March 27, 2014, the General Court reduced the fine to €715 million. Neither the European Commission nor the companies concerned chose to appeal this decision, which is now final. The amount of €715 million has been paid and the corresponding provision has been released.

Investigation by the Swiss competition authorities into the sanitaryware market

Since 2011, the Swiss competition authorities have been investigating allegations of price fixing in the country's sanitaryware market. In May 2014, the authorities issued a statement of objections to the various companies concerned. The statement of objections describes the alleged breaches of competition law and mentions a fine of approximately CHF 117 million (€96 million) for Sanitas Troesch. The statement of objections is currently being analyzed by the Group's lawyers who have identified serious challenges that will be presented to the authorities. A hearing should take place before the end of the year. The authorities' ruling should be handed down in late 2014 or early 2015.

At this stage in the procedure, it is very difficult to make a reliable estimate of the related risk.

NOTE 19 – 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 holding companies and certain corporate support functions (tax, cash management, purchasing, etc.)

First-half 2014	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRI-BUTION	PACKAGING	Other*	Total
(in EUR millions)	Flat Glass	High Performance Materials	Intra-Segment Elimi-nations	Total	Interior Solutions	Exterior Solutions	Intra-Segment Elimi-nations	Total				
External sales	2,377	2,037		4,414	2,663	2,558		5,221	9,285	1,500	26	20,446
Internal sales	21	54	(5)	70	291	161	(30)	422	2	0	(494)	0
Net sales	2,398	2,091	(5)	4,484	2,954	2,719	(30)	5,643	9,287	1,500	(468)	20,446
Operating income/(loss)	131	278		409	251	257		508	265	147	1	1,330
Business income/(loss)	131	228		359	235	88		323	105	515	(42)	1,260
Share in net income/(loss) of associates	9	3		12	3	4		7	0	1	0	20
Depreciation and amortization	143	74		217	152	72		224	129	83	14	667
Impairment of assets	96	30		126	20	156		176	150	0	0	452
Capital expenditure**	75	54		129	79	71		150	76	86	8	449
Cash flow from operations				344				369	199	123	163	1,198
EBITDA	274	352		626	403	329		732	394	230	15	1,997

* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.
** Capital expenditure does not include the cost of acquiring non-current assets under finance leases.

First-half 2013 restated	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRI-BUTION	PACKAGING	Other*	Total
(in EUR millions)	Flat Glass	High Performance Materials	Intra-Segment Elimi-nations	Total	Interior Solutions	Exterior Solutions	Intra-Segment Elimi-nations	Total				
External sales	2,416	2,061		4,477	2,583	2,670		5,253	9,097	1,813	11	20,651
Internal sales	22	50	(5)	67	287	165	(28)	424	2	0	(493)	0
Net sales	2,438	2,111	(5)	4,544	2,870	2,835	(28)	5,677	9,099	1,813	(482)	20,651
Operating income/(loss)	27	272		299	218	263		481	198	240	6	1,224
Business income/(loss)	(171)	258		87	193	314		507	156	219	(30)	939
Share in net income/(loss) of associates	2	0		2	4	3		7	1	1	1	12
Depreciation and amortization	158	77		235	158	87		245	132	88	15	715
Impairment of assets	85	1		86	11	5		16	1	6	0	109
Capital expenditure**	89	80		169	81	49		130	68	110	16	493
Cash flow from operations				252				298	112	213	243	1,118
EBITDA	185	349		534	376	350		726	330	328	21	1,939

* "Other" corresponds to a) the elimination of intragroup transactions for internal sales and b) holding company transactions for the other captions.
** Capital expenditure does not include the cost of acquiring non-current assets under finance leases.

Information by geographic area

First-half 2014 *(in EUR millions)*	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
Net sales	5,948	8,835	2,641	4,024	(1,002)	**20,446**
Capital expenditure*	80	139	83	147		**449**

* Capital expenditure does not include the cost of acquiring non-current assets under finance leases.

First-half 2013 restated *(in EUR millions)*	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	Total
Net sales	5,892	8,456	3,068	4,107	(872)	**20,651**
Capital expenditure*	70	127	113	183		**493**

* Capital expenditure does not include the cost of acquiring non-current assets under finance leases.

NOTE 20 – 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%
Saint-Gobain 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%
Cebrace Cristal Plano Ltda	Brazil	50.00%
Saint-Gobain Do Brasil Ltda	Brazil	100.00%
Hankuk Glass Industries Inc.	South Korea	80.47%
Hankuk Sekurit Limited	South Korea	90.13%
Saint-Gobain Cristaleria S.L	Spain	99.83%
Saint-Gobain Glass India Ltd	India	98.71%
Saint-Gobain Glass Italia S.p.a	Italy	100.00%
Saint-Gobain Sekurit Italia	Italy	100.00%
Saint-Gobain Glass Mexico	Mexico	99.83%
Koninklijke Saint-Gobain Glass Nederland	Netherlands	100.00%
Saint-Gobain Glass Polska Sp Zoo	Poland	99.99%
Saint-Gobain Sekurit Hanglas Polska Sp Zoo	Poland	97.61%
Glassolutions Saint-Gobain Ltd (Solaglas)	United Kingdom	99.99%
Saint-Gobain Glass UK Limited	United Kingdom	99.99%
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 Do Brasil Ltda	Brazil	100.00%
Saint-Gobain Abrasives Canada, Inc.	Canada	100.00%
Saint-Gobain Abrasives, Inc.	United States	100.00%
Saint-Gobain Ceramics & Plastics, Inc.	United States	100.00%
Saint-Gobain Performance Plastics Corporation	United States	100.00%
Saint-Gobain Solar Gard, LLC	United States	100.00%
Saint-Gobain Abrasivi S.p.a	Italy	99.97%
SEPR Italia S.p.a	Italy	100.00%
Saint-Gobain Abrasives BV	Netherlands	100.00%
Saint-Gobain Abrasives Ltd	United Kingdom	99.99%
Saint-Gobain Adfors CZ S.R.O.	Czech Republic	100.00%

CONSTRUCTION PRODUCTS SECTOR

INTERIOR SOLUTIONS

Placoplatre SA	France	99.75%
Saint-Gobain Isover	France	100.00%
Saint-Gobain Rigips GmbH	Germany	100.00%
Saint-Gobain Isover G+H AG	Germany	99.91%
Saint-Gobain Construction Products Belgium	Belgium	100.00%
Saint-Gobain Construction Products South Africa Ltd	South Africa	100.00%
Certain Teed Gypsum Canada, Inc.	Canada	100.00%
Saint-Gobain Placo Iberica	Spain	99.83%
CertainTeed Corporation	United States	100.00%
Certain Teed Gypsum & Ceillings USA, Inc.	United States	100.00%
Gypsum Industries Ltd	Ireland	100.00%
Saint-Gobain PPC Italia S.p.a	Italy	100.00%
Mag-Isover K.K.	Japan	99.98%
BPB United Kingdom Ltd	United Kingdom	100.00%
BPB Plc	United Kingdom	100.00%
Saint-Gobain Construction Product Russia Insulation	Russia	100.00%
Saint-Gobain Isover AB	Sweden	100.00%
Saint-Gobain Ecophon AB	Sweden	100.00%
Thai Gypsum Products PLC	Thailand	99.69%
Izocam Ticaret VE Sanayi A.S.	Turkey	47.53%
Celotex Group Limited	United Kingdom	100.00%

EXTERIOR SOLUTIONS

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

BUILDING DISTRIBUTION SECTOR

Distribution Sanitaire Chauffage	France	100.00%
Lapeyre	France	100.00%
Point.P	France	100.00%
Saint-Gobain Building Distribution Deutschland GmbH	Germany	100.00%
Saint-Gobain Distribuiçao Brasil Ltda	Brazil	100.00%
Saint-Gobain Distribution Denmark	Denmark	100.00%
Saint-Gobain Distribucion Construccion, S.L	Spain	99.83%
Norandex Building Material Distribution, Inc.	United States	100.00%
Optimera As	Norway	100.00%
Saint-Gobain Distribution The Netherlands B.V	Netherlands	100.00%
Saint-Gobain Building Distribution Ltd	United Kingdom	99.99%
Saint-Gobain Building Distribution CZ, Spol S.R.O.	Czech Republic	100.00%
Saint-Gobain Distribution Nordic Ab	Sweden	100.00%
Sanitas Troesch Ag	Switzerland	100.00%

PACKAGING SECTOR

Saint-Gobain Emballage	France	100.00%
Saint-Gobain Oberland Aktiengesellschaft	Germany	96.67%
Saint-Gobain Vidros SA	Brazil	100.00%
Saint-Gobain Vicasa SA	Spain	99.75%
Saint-Gobain Vetri S.p.a	Italy	99.99%

NOTE 21 – SUBSEQUENT EVENTS

None.

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