



SAINT-GOBAIN

Half year financial report

Consolidated financial accounts as at June 30, 2013

Operating performance

Overall, after a particularly tough first quarter hit by both fewer working days than in the year-earlier period and by very poor weather, the **second quarter** saw underlying trends stabilize on the Group's main markets in Western Europe and market conditions continue to rally in other regions. However, like-for-like, the **second quarter** was down a slight **1.2%** on the same period in 2012, **with volumes off 2.2% and prices up 1.0%**. With the exception of Flat Glass – buoyed by a pick-up in growth in Asia and emerging countries – and Interior Solutions – lifted by the gradual improvement in the US construction market – all of the Group's Business Sectors and Divisions continued to suffer from sluggish European economies, albeit far less than in the first quarter.

In this persistently tough economic climate and despite the smaller rise in raw material and energy costs, **sales prices** remained a key priority for the Group throughout the first half, and **gained 1.0%**.

Overall, due to the ground lost in the first quarter, like-for-like **consolidated sales were down 3.2%** in the first six months of the year, with **volumes losing 4.2% and prices gaining 1.0%**.

Despite profitability gains in North America and in Asia and emerging countries, **the Group's operating margin narrowed, to 6.1% in first-half 2013** compared to 7.0% for the same period in 2012 and 6.3% for second-half 2012.

1°) Performance of Group Business Sectors

The deteriorating economic environment in Western Europe led to negative organic growth for all of the Group's Business Sectors in the six months to June 30, 2013.

Along the lines of the first quarter, **Innovative Materials** sales **fell 2.9% on a like-for-like basis** in the first half, hurt by a downturn in sales volumes, especially in Western Europe. **The operating margin for the Business Sector narrowed, to 6.7%** from 8.4% in first-half 2012 and 6.9% in second-half 2012.

- Like-for-like, **Flat Glass** sales **lost 1.3% over the first half, but were up 2.4% in the second quarter**. In the three months to June 30, the quicker pace of recovery in Asia and emerging countries (**double-digit growth**) more than offset the downturn in volumes and sales prices on Western European construction markets. Automotive Flat Glass sales stabilized over the second quarter in Western Europe, after a very tough first three months.

Over the first half as a whole, the price of commodity products (float glass) in Europe remained lower on average than in first-half 2012, despite the price increases implemented in the second quarter. As a result, and despite the large-scale restructuring measures rolled out, the **operating margin** for the Division slipped further, down to **1.5% of sales** versus 2.1% of sales in first-half 2012.

- **High-Performance Materials (HPM) sales shed 5.1%** on a like-for-like basis, reflecting the decline in businesses related to capital spending (Ceramics). HPM's other businesses (Abrasives, Plastics, Textile Solutions) proved resilient, especially in the US and in Asia and emerging countries. The **operating margin**, up against a very tough basis for comparison (15.6% in first-half 2012) came in at **13.0%**, an improvement on the six months to December 31, 2012 (12.7%).

Construction Products (CP) sales retreated 1.7% on a like-for-like basis, hit by the slowdown in sales in Western Europe, not wholly offset by growth in Asia and emerging countries. The **operating margin narrowed slightly, to 8.5%** from 8.8% in first-half 2012.

- **Interior Solutions** reported **timid 1.0% organic growth over the first half** on the back of continued strong momentum in its second-quarter sales in the US. After a very difficult start to the year, the business in Western Europe leveled off at the end of the first half, while trading in Asia and emerging countries remained upbeat. Although sales prices moved up across the Division, the **operating margin dropped to 7.6%** from 8.7% in first-half 2012 and 7.9% in second-half 2012, squeezed by the volume downturn in Western Europe.
- **Exterior Solutions sales contracted 4.1% on a like-for-like basis**, hit by the fall in Exterior Products sales in the US. Unlike the bullish first quarter, the three months to June 30, 2013 took an exceptional hit resulting from the large-scale destocking by our distributors. This destocking in no way reflects the underlying momentum of the US market. Pipe continued to feel the pinch of austerity measures in Europe, which the fledgling recovery in export sales has not yet been able to fully offset (the first deliveries under the USD 200 million contract with Kuwait began at the very end of the second quarter). Industrial Mortars enjoyed further vigorous growth in Asia and emerging countries, but were hit in Western Europe by the impact of the economic slowdown and poor weather conditions early in the year. Sales prices for the Division as a whole remained upbeat over the first half. As a result, the **operating margin widened, to 9.3%** of sales from 8.9% of sales in first-half 2012 and 7.7% of sales in the six months to December 31, 2012.

Building Distribution sales dropped 4.6% on a like-for-like basis over the first half, hard hit by fewer working days than in the year-earlier period (1.8 days less, representing a **negative impact of 1.4% on Business Sector volumes**) and by very harsh weather early in the year. However, the Sector's performance improved sharply in the second quarter, driven chiefly by a strong rebound in the UK, accelerated growth in Brazil, and stabilizing sales in Scandinavia. In France, trading continued to prove fairly resilient in a tough economic environment, with further gains in market share. Overall, sales prices remained upbeat across the Business Sector. The **operating margin** came out at **2.4%** versus 3.9% in first-half 2012, owing chiefly to the sharp downturn in volumes in the first quarter.

Packaging (Verallia) sales slipped 2.9% on a like-for-like basis over the six months to June 30, despite a 2.1% rise in sales prices. Volumes retreated in the US and in Western Europe, and remained stable in Russia and Latin America. **Operating income increased by €36 million, or 17.4%**, as a result of applying IFRS 5 (assets and liabilities held for sale) to Verallia North America (VNA) as of January 1, 2013, according to which depreciation of VNA's fixed assets (€36 million in the first half) is no longer charged to operating income. **Excluding this one-off item**, Verallia's operating income would be stable, at €207 million, and its **operating margin** – buoyed by a positive price/cost spread – **would be 11.4%**, versus 10.8% in first-half 2012. Regarding the planned divestment of VNA, Ardagh and Saint-Gobain are disappointed by the complaint filed by the FTC (Federal Trade Commission) on July 2, 2013, and intend to

vigorously defend the transaction in litigation, whilst at the same time working with the FTC to seek to resolve its concerns.

2°) Analysis by geographic area

In line with the economic scenario presented by the Group in February and consistent with the first quarter's underlying trends, trading by geographic area in the first six months of 2013 reveals a sharp contrast between Western Europe – which slowed despite some improvement towards the end of the period – and Asia and emerging countries which, on the whole, returned to growth. North America continued to enjoy strong trading momentum, fueled by the upturn in the construction market, although Exterior Products suffered the fall-out in the second quarter of its very strong start to the year.

Consequently, profitability improved in Asia and emerging countries and in North America, but declined in both France and in other Western European countries.

- **France and other Western European countries** saw like-for-like **sales decline 6.3% and 4.8%, respectively**. This downtrend reflects the very tough market conditions in the first quarter and, to a lesser extent, the general slowdown in European economies over the six months to June 30, 2013. These factors impacted all of the Group's Business Sectors and Divisions (particularly Innovative Materials), which all reported volume declines over the period. In contrast, sales prices held up well. In the **second quarter**, while Southern Europe, Benelux and to a lesser extent France continued to slow (albeit far less than in the first quarter), trading stabilized in Germany and Scandinavia and picked up in the UK, spurred by the rebound in the construction market at the end of the period. The **operating margin narrowed**, both in France and in other Western European countries, **to 4.9% and 3.1%, respectively** (5.7% and 6.0%, respectively, in first-half 2012).
- **North America** posted a **2.0% drop in like-for-like sales**, with trading down 6.6% in the second quarter after growing 3.1% in the first. The reversal in the trend is wholly due to Exterior Products which, after a very strong start to the year, suffered in the second quarter from exceptionally high destocking by building materials distributors. This destocking in no way reflects the underlying momentum of the US market. Sales prices were up sharply over the first half, buoyed by further rises implemented since the beginning of the year in Construction Products. The **operating margin continued to recover, up to 13.2%** from 11.6% in first-half 2012.
- After a fledgling recovery in the first quarter (up 1.5%), **Asia and emerging countries saw trading pick up pace in the three months to June 30 (up 6.1%)**, and reported **3.9% like-for-like sales growth over the first half**. This increase, which outpaced growth in the Group's underlying markets in the region, chiefly reflects the investments made in these countries over the past few years and continues to be led primarily by Latin America, with steep gains in Flat Glass and Interior Solutions. In contrast, Asia continued to decrease in the six-month period, despite advancing 2.7% in the second quarter, while Eastern Europe stabilized as vigorous momentum in Russia and the Baltics offset difficulties in Poland and the Czech Republic. The **operating margin** recovered, up to **7.1% of sales** versus 6.1% of sales one year earlier.

Analysis of the interim consolidated financial statements for first-half 2013

The interim consolidated financial statements set out below were approved and adopted by the Board of Directors on July 24, 2013. The comparative consolidated P&L presented in the financial statements for first-half 2012 has been restated to reflect the amendment to IAS 19 regarding employee benefits.

If the amended standard had been applied at January 1, 2012, it would have had the following impacts on the financial statements for the six months ended June 30, 2012 and for the year ended December 31, 2012, respectively:

- an increase of €44 million in financial expenses (€31 million after tax) for the six months ended June 30, 2012 and of €88 million for the year ended December 31, 2012 (€62 million after tax), as a result of applying a rate of return on plan assets equal to the discount rate used for employee benefit obligations, instead of the expected rate of return;
- an increase of €18 million in operating expenses (€12 million after tax) for the six months ended June 30, 2012 and the year ended December 31, 2012, due to the impacts of employee benefit plan amendments;
- a decrease of €14 million in equity (€9 million after tax) at January 1, 2012, due mainly to the immediate recognition of past service cost (€8 million impact). The combined impact of all these adjustments on closing equity at December 31, 2012 would have been a negative €32 million (€21 million after tax).

	H1 2012*	H1 2013	% change	H1 2012
	€m (A)	€m (B)	(B)/(A)	€m (C)
Sales and ancillary revenue	21,590	20,771	-3.8%	21,590
Operating income	1,494	1,260	-15.7%	1,512
EBITDA (op. inc. + operating depr./amort.)	2,266	1,983	-12.5%	2,284
Non-operating costs	(224)	(260)	+16.1%	(224)
Capital gains and losses on disposals, asset write-downs, corporate acquisition fees and earn-out payments	(135)	(26)	-80.7%	(135)
Business income	1,135	974	-14.2%	1,153
Net financial expense	(400)	(403)	-0.8%	(356)
Income tax	(266)	(231)	-13.2%	(285)
Share in net income of associates	4	7	+75.0%	4
Income before minority interests	473	347	-26.6%	516
Minority interests	(10)	(15)	+50.0%	(10)
Recurring¹ net income	608	422	-30.6%	651
Recurring¹ earnings per share² (in €)	1.14	0.76	-33.3%	1.23
Net income	463	332	-28.3%	506
Earnings per share² (in €)	0.87	0.60	-31.0%	0.95
Operating depreciation and amortization	772	723	-6.3%	772
Cash flow from operations ³	1,419	1,146	-19.2%	1,462
Cash flow from oper. excl. cap. gains tax⁴	1,381	1,165	-15.6%	1,424
Capital expenditure	754	519	-31.2%	754
Free cash flow (excluding capital gains tax)⁴	627	646	+3.0%	670
Investments in securities	277	41	-85.2%	277
Net debt	9,828	9,497	-3.4%	9,828

* Accounts restated to reflect the impacts of the amendment to IAS 19.

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

- 2 Calculated based on the number of shares outstanding at June 30 (552,755,774 shares in 2013, including the capital increase following the payment of a share dividend on July 5, 2013, versus 531,052,614 shares in 2012). Based on the weighted average number of shares outstanding (527,978,739 shares in first-half 2013 versus 526,833,258 shares in first-half 2012), recurring earnings per share comes out at €0.80 (versus €1.15 in first-half 2012), and earnings per share comes out at €0.63 (versus €0.88 in first-half 2012).
- 3 Excluding material non-recurring provisions.
- 4 Excluding the tax effect of capital gains and losses on disposals, asset write-downs and material non-recurring provisions.

The comments below refer to the restated interim financial statements for first-half 2012.

Consolidated sales fell 3.8% to €20,771 million, from €21,590 million in first-half 2012. **Exchange rate fluctuations** had a **negative 1.3% impact**, chiefly resulting from the depreciation against the euro of the currencies of the main emerging markets where the Group operates (particularly Latin America) and, to a lesser extent, the US dollar and British pound. In contrast, **changes in Group structure** had a **positive 0.7% impact** over the first half (but a negative impact in the second quarter), mainly reflecting the consolidation of Brossette as of April 1, 2012.

Like-for-like (constant exchange rates and Group structure), sales therefore **declined 3.2%**, with the **1.0%** rise in **sales prices** failing to offset the **4.2%** downturn in **volumes**.

Operating income shed **15.7%**, hit by slowing sales volumes. Consequently, **the operating margin** narrowed, to **6.1% of sales (8.6% excluding Building Distribution)**, versus 6.9% of sales (8.9% excluding Building Distribution) in first-half 2012 and 6.3% in second-half 2012 (8.0% excluding Building Distribution).

EBITDA (operating income + operating depreciation and amortization) **retreated 12.5%**. The consolidated **EBITDA margin** came in at **9.5%** of sales (13.5% excluding Building Distribution), versus 10.5% of sales (14.0% excluding Building Distribution) in first-half 2012.

Non-operating costs rose 16.1% to €260 million (€224 million in first-half 2012), driven by an increase in restructuring costs (particularly in Flat Glass). Non-operating costs for first-half 2013 include a €45 million accrual to the provision for asbestos-related litigation at CertainTeed in the US, unchanged compared to the first-half 2012 accrual.

The net balance of capital gains and losses on disposals, asset write-downs and corporate acquisition fees was a negative €26 million compared with a negative €135 million in the year-earlier period. This item includes €85 million in gains on disposals of assets relating mainly to the sale of the PVC Pipe & Foundations business, and €109 million in asset write-downs. The bulk of these write-downs are inherent to the restructuring plans and site closures implemented over the period, especially in Flat Glass (€87 million) and, to a lesser extent, in certain Construction Products businesses in Spain.

Business income fell **14.2%** to €974 million after taking into account the items mentioned above (non-operating costs, capital gains and losses on disposals and asset write-downs).

Net financial expense was practically unchanged, up 0.8% to €403 million from €400 million in first-half 2012, as the cost of gross debt stabilized over the period. Thanks to the Group's recent bond issues, **the average cost of gross debt over the first half fell to 4.7%** from 4.9% in first-half 2012.

In line with pre-tax income trends, **income tax** was down 13.2%, from €266 million to €231 million. The tax rate applicable to recurring net income was 32.7%, as in first-half 2012.

Recurring net income (excluding capital gains and losses, exceptional asset write-downs and material non-recurring provisions) **fell 30.6%** on first-half 2012 to €422 million. Based on the

number of shares outstanding at June 30, 2013 (552,755,774 shares including the capital increase following the payment of a share dividend on July 5, 2013, versus 531,052,614 shares at June 30, 2012), **recurring earnings per share** came out at €0.76, **33.3% lower** than in first-half 2012 (€1.14).

Net income was **down 28.3%** year-on-year at €332 million. Based on the number of shares outstanding at June 30, 2013 (552,755,774 shares including the capital increase following the payment of a share dividend on July 5, 2013, versus 531,052,614 shares at June 30, 2012), **earnings per share** came out at €0.60, **down 31.0%** on the year-earlier period (€0.87).

Capital expenditure was down 31.2% to €519 million (€754 million in first-half 2012), representing **2.5% of sales** (3.5% in first-half 2012). The bulk of these investments consisted of growth capex focused on Asia and emerging countries and on markets related to energy efficiency in Western Europe and in the US.

Cash flow from operations came in at €1,146 million, **down 19.2%** on the year-earlier period (€1,419 million). Before the tax impact of capital gains and losses on disposals and asset write-downs, cash flow from operations **contracted 15.6%**, to €1,165 million from €1,381 million in first-half 2012.

Given the decrease in capital spending:

- **free cash flow** (cash flow from operations less capital expenditure) **fell 5.7%** to €627 million. Before the tax impact of capital gains and losses on disposals and asset write-downs, **free cash flow advanced 3.0%** to €646 million, representing **3.1% of sales** (2.9% in first-half 2012);

- **the difference between EBITDA and capital expenditure** was €1,464 million, **3.2% less** than in first-half 2012 (€1,512 million), and represented **7.0% of sales**, as in the previous year.

Operating working capital requirements continued to improve in value terms (down €44 million to €4,982 million) and remained largely unchanged in terms of days' sales compared to first-half 2012, at **42.4 days** versus 41.5 days in the year-earlier period.

Investments in securities were down sharply, to just €41 million compared to €277 million in first-half 2012. They primarily concerned selective bolt-on acquisitions consistent with the Group's strategic goals, namely development in Asia and emerging countries and energy efficiency markets and consolidation in Building Distribution.

Net debt was **down 3.4%** year-on-year to €9.5 billion, spurred by the sharp reduction in capital expenditure and financial investments over the past 12 months. Net debt represented **52% of consolidated equity** versus 54% at June 30, 2012. The **net debt to EBITDA ratio came out at 2.3**, compared to 2.1 at end-June 2012.

Update on asbestos claims in the US

Some 2,000 claims were filed against CertainTeed in the first half of 2013 (as in first-half 2012). At the same time, 2,000 claims were settled (versus 7,000 in first-half 2012), bringing the total number of outstanding claims to **43,000** at June 30, 2013, unchanged from December 31, 2012. A total of USD 87 million in indemnity payments were made in the US in the 12 months to June 30, 2013, versus USD 67 million in the year to December 31, 2012.

Main related-party transactions

Related parties mainly relate to equity consolidated companies, proportionately consolidated companies and certain subsidiaries of the Wendel group.

In accordance with Group policy, these transactions with these related-party entities are carried out as part of its usual business on an arm's length basis. There has not been any significant change in related-party transactions during the first semester 2013.

Main risk factors

Group activities are facing certain macroeconomic, business, operational, market, industrial, environmental and legal risk factors. The main risk factors that Group could face are described in the section "Risk factors" of the management report of the 2012 annual report filed with the AMF under the reference D.13-0235 on March 28, 2013. There has not been any significant change in these risk factors during the first semester 2013.

Action plan to address the deteriorating economic environment

To address the deteriorating economic environment observed in Western Europe in first-half 2013, Saint-Gobain:

- **continued to give priority to sales prices**, which **rose 1.0%** over the first half;
- rolled out new **cost cutting measures**, with additional **cost savings of around €300 million in first-half 2013** compared to first-half 2012, chiefly in Western Europe (and Flat Glass in particular). These measures will be continued and stepped up in the second half, leading to **total annual cost savings of €580 million** in 2013, and of **€1,100 million compared to the 2011 cost base**;
- **stabilized its operating working capital requirements (WCR)** at 42 days' sales;
- **slashed its capital spending and financial investments** by €471 million year-on-year, driving net debt lower by 3.4%.

This action plan will be continued and intensified in the six months to December 31, 2013.

Outlook and objectives for full-year 2013

The first six months of 2013 remained tough, hit by a significantly negative calendar impact and by very poor weather early in the year, particularly in Europe. In the next few quarters, the Group expects trading to gradually improve, especially in North America and in Asia and emerging countries (regions which together represented 44% of consolidated operating income and 46% of the Group's fixed assets in 2012):

- **in North America**, the residential new-build and renovation markets should continue on a steady upward trend, while industrial output should remain at a good level;
- **in Asia and emerging countries**, trading should continue to improve, but stark contrasts will persist from one country to the next, with robust growth in Latin America, moderate growth in India and China, and stability in Eastern Europe;
- **in Western Europe**, industrial markets (particularly automotive) should stabilize, while construction market trends should remain challenging on the whole, albeit with sharply contrasting patterns from one country to the next. Regulatory measures promoting energy efficiency in new and existing homes should shore up demand, however, and allow the Group to outperform its underlying markets;
- lastly, **household consumption markets** should remain upbeat overall.

Against this backdrop, over the next few quarters the Group will press ahead with its action plan, focusing particularly on:

- **increasing its sales prices**, in a context of a slower rise in raw material and energy costs;
- **pursuing its cost cutting program**, in order to achieve **additional cost savings of €160 million** in the second half compared to the first six months of 2013 (or **€280 million** compared to second-half 2012). This will represent **€580 million in cost savings in 2013 as a whole** and **€1,100 million in cumulative cost savings** calculated on the 2011 cost base;
- keeping a **close watch on cash management** and **financial strength**.

Saint-Gobain will also **continue to pursue its strategic goals** (development in Asia and emerging countries, energy efficiency and energy markets, and consolidation in Building Distribution and Construction Products). Profitability will remain a constant focus, underpinned by strict financial discipline.

The Group is therefore **confirming its targets for full-year 2013:**

- **a recovery in operating income in the second half**, after having bottomed out in first-half 2013;
- **a high level of free cash flow**, thanks mainly to a €200 million reduction in capital expenditure;
- **a robust balance sheet, further strengthened by the disposal of Verallia North America.**


***STATEMENT BY THE PERSON RESPONSIBLE
FOR THE 2013 INTERIM FINANCIAL REPORT***

I hereby declare that, to the best of my knowledge, that the resumed financial statements for the past 6 month have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of Compagnie de Saint-Gobain and its consolidated subsidiaries, and that the interim management report includes a fair review of the material events that occurred in the first six months of the financial year, their impact on the financial statements and the main related-party transactions, as well as a description of the main risks and uncertainties for the second half of 2013.

Courbevoie, July 24, 2013



Chief Executive Officer
Pierre-André de CHALENDAR



Chief Financial Officer
Laurent GUILLOT

COMPAGNIE DE SAINT-GOBAIN

**STATUTORY AUDITORS' REVIEW REPORT
ON THE 2013 HALF-YEAR FINANCIAL INFORMATION**

The Statutory Auditors

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STATUTORY AUDITORS' REVIEW REPORT
ON THE 2013 HALF-YEAR FINANCIAL INFORMATION

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

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

To the Shareholders,

Following our appointment as statutory auditors by your Shareholders' Meeting and in accordance with article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Compagnie de Saint-Gobain for the six-month period ended June 30, 2013,
- the verification of information contained in the half-year management report.

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

I - Conclusion on the financial statements

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

**COMPAGNIE DE SAINT-GOBAIN
STATUTORY AUDITORS' REVIEW REPORT
ON THE 2013 HALF YEAR FINANCIAL INFORMATION**

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

II – Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements that were subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, July 24, 2013

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Division of KPMG S.A.

Pierre Coll Jean-Christophe Georghiou Jean-Paul Thill Philippe Grandclerc

CONSOLIDATED FINANCIAL STATEMENTS

**SIX MONTHS ENDED
JUNE 30, 2013**



SAINT-GOBAIN

**Consolidation and Group Reporting
Department**

CONSOLIDATED BALANCE SHEET

<i>(in EUR millions)</i>	Notes	June 30, 2013	Dec. 31, 2012
ASSETS			
Goodwill	(5)	10,775	10,936
Other intangible assets	(5)	3,107	3,196
Property, plant and equipment	(5)	13,111	13,696
Investments in associates		205	206
Deferred tax assets	(9)	1,198	1,236
Other non-current assets		372	359
Non-current assets		28,768	29,629
Inventories	(6)	6,376	6,133
Trade accounts receivable	(7)	6,160	5,017
Current tax receivable	(9)	221	204
Other receivables	(7)	1,359	1,425
Assets held for sale	(3)	1,007	936
Cash and cash equivalents	(11)	3,085	4,179
Current assets		18,208	17,894
Total Assets		46,976	47,523
EQUITY AND LIABILITIES			
Capital stock		2,211	2,125
Additional paid-in capital and legal reserve		6,195	5,699
Retained earnings and net income for the year		10,475	10,334
Cumulative translation adjustments		(981)	(523)
Fair value reserves		(44)	(15)
Treasury stock		(160)	(181)
Shareholders' equity		17,696	17,439
Minority interests		361	412
Total equity		18,057	17,851
Long-term debt	(11)	9,452	9,588
Provisions for pensions and other employee benefits	(8)	2,829	3,465
Deferred tax liabilities	(9)	769	792
Other non-current liabilities and provisions	(10)	2,239	2,171
Non-current liabilities		15,289	16,016
Current portion of long-term debt	(11)	1,517	1,732
Current portion of other liabilities	(10)	489	457
Trade accounts payable	(7)	6,069	6,143
Current tax liabilities	(9)	118	70
Other payables and accrued expenses	(7)	3,366	3,408
Liabilities held for sale	(3)	458	497
Short-term debt and bank overdrafts	(11)	1,613	1,349
Current liabilities		13,630	13,656
Total Equity and Liabilities		46,976	47,523

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

CONSOLIDATED INCOME STATEMENT

<i>(in EUR millions)</i>	Notes	First-half 2013	First-half 2012 restated IAS 19*	First-half 2012 published
Net sales	(20)	20,771	21,590	21,590
Cost of sales	(13)	(15,791)	(16,447)	(16,447)
Selling, general and administrative expenses including research	(13)	(3,720)	(3,649)	(3,631)
Operating income		1,260	1,494	1,512
Other business income	(13)	113	92	92
Other business expense	(13)	(399)	(451)	(451)
Business income		974	1,135	1,153
Borrowing costs, gross		(308)	(308)	(308)
Income from cash and cash equivalents		19	24	24
Borrowing costs, net		(289)	(284)	(284)
Other financial income and expense	(15)	(114)	(116)	(72)
Net financial expense		(403)	(400)	(356)
Share in net income of associates		7	4	4
Income taxes	(9)	(231)	(266)	(285)
Net income		347	473	516
Attributable to equity holders of the parent		332	463	506
Minority interests		15	10	10
Earnings per share (in EUR)				
Weighted average number of shares in issue		527,978,739	526,833,558	526,833,558
Basic earnings per share	(17)	0.63	0.88	0.96
Weighted average number of shares assuming full dilution		530,438,683	529,828,402	529,828,402
Diluted earnings per share	(17)	0.63	0.87	0.96

*The adjustments resulting from the application of the amendment to IAS 19 – Employee Benefits are presented in Note 4.

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

<i>(in EUR millions)</i>	First-half 2013	First-half 2012
<i>Net income</i>	347	516
<u>Items that may be subsequently reclassified to profit or loss</u>		
Translation adjustments	(481)	237
Changes in fair value	(29)	18
Tax on items that may be subsequently reclassified to profit or loss	12	(18)
<u>Items that will not be reclassified to profit or loss</u>		
Changes in actuarial gains and losses	739	(399)
Tax on items that will not be reclassified to profit or loss	(251)	110
<i>Income and expense recognized directly in equity</i>	(10)	(52)
Total recognized income and expense for the year	337	464
Attributable to equity holders of the parent	345	455
Minority interests	(8)	9

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

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in EUR millions)</i>	Notes	First-half 2013	First-half 2012
Net income attributable to equity holders of the parent		332	506
Minority interests in net income	(*)	15	10
Share in net income of associates, net of dividends received		(2)	(2)
Depreciation, amortization and impairment of assets	(13)	832	964
Gains and losses on disposals of assets	(13)	(85)	(66)
Unrealized gains and losses arising from changes in fair value and share-based payments		10	(1)
Changes in inventories	(6)	(387)	(117)
Changes in trade accounts receivable and payable, and other accounts receivable and payable	(7)	(1,198)	(679)
Changes in tax receivable and payable	(9)	17	38
Changes in deferred taxes and provisions for other liabilities and charges	(8)(9)(10)	(25)	(448)
Net cash from operating activities		(491)	205
Purchases of property, plant and equipment [H1 2013: (519), H1 2012: (754)] and intangible assets	(5)	(555)	(792)
Increase (decrease) in amounts due to suppliers of fixed assets	(7)	(177)	(193)
Acquisitions of shares in consolidated companies [H1 2013: (25), H1 2012: (276)], net of cash acquired	(2)	(24)	(267)
Acquisitions of other investments		(16)	(1)
Increase in investment-related liabilities	(10)	10	46
Decrease in investment-related liabilities	(10)	(2)	(4)
Investments		(764)	(1,211)
Disposals of property, plant and equipment and intangible assets	(5)	39	51
Disposals of shares in consolidated companies, net of cash divested	(2)	138	50
Disposals of other investments		0	1
Divestments		177	102
Increase in loans, deposits and short-term loans		(39)	(56)
Decrease in loans, deposits and short-term loans		17	45
Changes in loans and deposits		(22)	(11)
Net cash from (used in) investing activities		(609)	(1,120)
Issues of capital stock	(*)	582	125
(Increase) decrease in treasury stock	(*)	11	(183)
Dividends paid	(*)	(654)	(646)
Increase (decrease) in dividends payable	(*)	179	0
Transactions with shareholders of parent company		118	(704)
Minority interests' share in capital increases of subsidiaries		3	7
Acquisitions of minority interests without gain of control		0	0
Disposals of minority interests without loss of control		12	0
Changes in investment related liabilities following the exercise of put options of minority		0	(27)
Dividends paid to minority shareholders of consolidated subsidiaries		(55)	(51)
Transactions with minority interests		(40)	(71)
Increase (decrease) in bank overdrafts and other short-term debt		255	1,339
Increase in long-term debt	(**)	539	2,334
Decrease in long-term debt	(**)	(830)	(1,444)
Changes in gross debt		(36)	2,229
Net cash from (used in) financing activities		42	1,454
Increase (decrease) in cash and cash equivalents		(1,058)	539
Net effect of exchange rate changes on cash and cash equivalents		(38)	2
Net effect from changes in fair value on cash and cash equivalents		2	(2)
Cash and cash equivalents classified as assets held for sale	(3)	0	0
Cash and cash equivalents at beginning of year		4,179	2,949
Cash and cash equivalents at end of year		3,085	3,488

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

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

Income tax paid amounted to €298 million in first-half 2013 (first-half 2012: €337 million). Interest paid net of interest received amounted to €250 million (first-half 2012: €264 million).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>(Number of shares)</i>		<i>(in EUR millions)</i>								
	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, 2012	535,563,723	526,205,696	2,142	5,920	10,654	(476)	(22)	(403)	17,815	403	18,218
Income and expenses recognized directly in equity			0	0	(307)	238	18	0	(51)	(1)	(52)
Net income for the year					506				506	10	516
Total recognized income and expense for the year			0	0	199	238	18	0	455	9	464
Issues of capital stock											
Group Savings Plan	4,387,680	4,387,680	17	108					125		125
Stock option plans	641,211	641,211	3	(3)					0		0
Other									0	7	7
Dividends paid (EUR 1.24 per share)					(646)				(646)	(51)	(697)
Treasury stock purchased		(7,231,112)						(238)	(238)		(238)
Treasury stock sold		1,721,545			(4)			59	55		55
Treasury stock canceled	(9,540,000)		(38)	(327)				365	0		0
Forward purchases of treasury stock					197				197		197
Share-based payments					10				10		10
Changes in Group structure					21				21	37	58
At June 30, 2012	531,052,614	525,725,020	2,124	5,698	10,431	(238)	(4)	(217)	17,794	405	18,199
Income and expenses recognized directly in equity			0	0	(345)	(285)	(11)	0	(641)	(18)	(659)
Net income for the year					260				260	20	280
Total recognized income and expense for the year			0	0	(85)	(285)	(11)	0	(381)	2	(379)
Issues of capital stock											
Group Savings Plan			1	(1)					0		0
Stock option plans	73,028	73,028		2					2		2
Other									0	6	6
Dividends paid (EUR 1.24 per share)									0	(3)	(3)
Treasury stock purchased		(1,496,109)						(42)	(42)		(42)
Treasury stock sold		2,132,638			(15)			78	63		63
Share-based payments					4				4		4
Changes in Group structure					(1)				(1)	2	1
At December 31, 2012 published	531,125,642	526,434,577	2,125	5,699	10,334	(523)	(15)	(181)	17,439	412	17,851
IAS 19 restatements*					(21)				(21)		(21)
At December 31, 2012 restated IAS 19*	531,125,642	526,434,577	2,125	5,699	10,313	(523)	(15)	(181)	17,418	412	17,830
Income and expenses recognized directly in equity			0	0	500	(458)	(29)	0	13	(23)	(10)
Net income for the year					332				332	15	347
Total recognized income and expense for the year			0	0	832	(458)	(29)	0	345	(8)	337
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
Dividend in shares**	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	552,755,774	548,470,319	2,211	6,195	10,475	(981)	(44)	(160)	17,696	361	18,057

*The adjustments resulting from the application of the amendment to IAS 19 – Employee Benefits are presented in Note 4.

** The capital increase resulting the payment of dividends in stock was officially placed on record in July but was considered as having been completed on June 30, 2013 for the purpose of preparing the first-half 2013 consolidated financial statements.

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, 2012, 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, 2012, 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 2013 do not have a material impact on the Group’s consolidated financial statements, except for the amendment to IAS 19 – Employee Benefits. The estimated impact of applying this amendment is presented in Note 4.

The Group has not early adopted any new standards, interpretations or amendments to published standards that are applicable for accounting periods beginning on or after January 1, 2014. Application of IFRS 10 – Consolidated Financial Statements and IFRS 11 – Joint Arrangements would have the effect of reducing consolidated revenue by less than 1%.

These consolidated financial statements were adopted by the Board of Directors on July 24, 2013. 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 8), deferred taxes (Note 9), provisions for other liabilities and charges (Note 10), financial instruments (Note 12) and share-based payments (Note 14).

LIST OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

Standards, interpretations and amendments to existing standards applicable in 2013:	
Amendment to IAS 1	Presentation of items of other comprehensive income
Amendments to IAS 12	Deferred taxes: recovery of underlying assets and incorporation into the standard of SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets
Amendments to IAS 19	Employee benefits
Amendments to IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters
Amendments to IFRS 7	Disclosures – offsetting financial assets and financial liabilities
IFRS 13	Fair value measurement
IFRIC 20	Stripping costs in the production phase of a surface mine
Standards, interpretations and amendments to existing standards early adopted in 2013:	
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

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 8). 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 2013 are presented in Note 2 and a list of the principal consolidated companies at June 30, 2013 is provided in Note 21.

Consolidation methods

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

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

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

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

Business combinations

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

- *Goodwill*

When an entity is acquired by the Group, the identifiable assets and 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.

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

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

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

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

Provisions for site restoration are recognized as components of assets 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 36 CGUs are monitored each year.

Goodwill is allocated mainly to the Gypsum CGU (€3264 million at December 31, 2012), the Industrial Mortars CGU (€1,991 million at December 31, 2012) and the Building Distribution CGUs (€3,435 million at December 31, 2012) 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 33 to the 2012 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%, except for emerging markets or businesses with a high organic growth potential where a 1.5% rate may be used). The discount rate applied to these cash flows corresponds to the Group's average cost of capital (7.25% in both 2013 and 2012) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in 2012 for the main operating regions were 7.25% for the euro zone and North America, 8.25% for Eastern Europe and China and 8.75% for South America.

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

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

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

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

Tests performed at end-2012 led to the recognition of a €45 million impairment loss on Building Distribution Sector goodwill, along with impairment losses on various items of property, plant and equipment held by the other Sectors, particularly the solar businesses. The breakdown of asset impairments by Sector and by Activity for first-half 2013 and first-half 2012 is provided in the segment information tables in Note 20.

At December 31, 2012, a 0.5-point decrease in projected average annual growth in cash flows to perpetuity for all the CGUs would have led to approximately €30 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 less than €100 million.

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

Inventories

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

Operating receivables and payables

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

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 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 11.

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

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

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

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

- *Fair value hedges*

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

- *Cash flow hedges*

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

- *Derivatives that do not qualify for hedge accounting*

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

Fair value of financial instruments

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

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

Employee benefits – defined benefit plans

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

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

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

In accordance with the amendment to IAS 19 applicable from 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 10-year period, as well as implied volatility from traded share options. Periods of extreme share price volatility are disregarded;
- assumptions relating to the average holding period of options, based on observed behavior of option holders;
- expected dividends, as estimated on the basis of historical information dating back to 1988;
- a risk-free interest rate corresponding to the yield on long-term government bonds;
- the effect of any stock market performance conditions, which is taken into account in the initial measurement of the plan cost under IFRS 2.

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

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

- *Group Savings Plan*

The method used by Saint-Gobain to calculate the costs of its Group Savings Plan (“PEG”) takes into account the fact that shares granted to employees under the plan are subject to a 5- or 10-year lock-up. 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 20 trading days preceding the date of grant, less a 20% discount;
- The grant date of the options is the date on which the plan is announced to employees. For the Saint-Gobain Group, this is the date when the plan’s terms and conditions are announced on the Group’s intranet;
- The interest rate used to estimate the cost of the lock-up feature of employee share awards is the rate that would be charged by a bank to an individual with an average risk profile for a general purpose 5- or 10-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. 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 14 – 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.

Other business income and expense

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

Business income

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

Net financial expense

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

Income taxes

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

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

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

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

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 17) 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 16.

PERFORMANCE INDICATORS

EBITDA

EBITDA corresponds to operating income before depreciation and amortization.

The method used for calculating EBITDA is explained in Note 16.

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 16.

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 16.

SEGMENT INFORMATION

In compliance with IFRS 8, segment information reflects the Group's internal presentation of operating results to senior management. The Group has chosen to present segment information by Sector and Activity, without any further aggregation compared with the internal presentation. There were no changes in the presentation of segment information in first-half 2013 with compared with prior periods.

NOTE 2 - CHANGES IN GROUP STRUCTURE**Changes in the number of consolidated companies**

	France	Outside France	Total
<u>Fully consolidated companies</u>			
At January 1, 2013	166	719	885
Newly consolidated companies	2	8	10
Merged companies	(3)	(11)	(14)
Deconsolidated companies		(2)	(2)
Change in consolidation method			0
At June 30, 2013	165	714	879
<u>Proportionately consolidated companies</u>			
At January 1, 2013	3	23	26
Newly consolidated companies			0
Deconsolidated companies			0
Change in consolidation method			0
At June 30, 2013	3	23	26
<u>Companies accounted for by the equity method</u>			
At January 1, 2013	4	78	82
Newly consolidated companies		3	3
Merged companies		(6)	(6)
Deconsolidated companies		(4)	(4)
Change in consolidation method			0
At June 30, 2013	4	71	75
TOTAL at January 1, 2013	173	820	993
TOTAL at June 30, 2013	172	808	980

Significant changes in Group structure***First-half 2013***

On March 7, 2013, the Group signed an agreement for the sale of its US 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.

2012

On January 17, 2013, after consulting the Works Council, which expressed its support for the plan, Saint-Gobain accepted an offer received from Ardagh to acquire Verallia North America. Consequently, Verallia North America's assets and liabilities were reclassified as held for sale in the consolidated balance sheet at December 31, 2012. Details of assets and liabilities held for sale are presented in Note 3.

On June 8, 2012, Saint-Gobain signed an agreement for the acquisition of the Celotex Group, one of the UK's leading manufacturers of high-performance insulating foam. The transaction was completed in the second half of the year and Celotex was consolidated as from September 1, 2012.

On March 30, 2012, Saint-Gobain completed the acquisition of Brossette from Wolseley, after the transaction was approved by France's competition authorities on March 23. Brossette is a distributor of plumbing-heating-sanitaryware products in France. It was consolidated as from April 1, 2012.

NOTE 3 – ASSETS AND LIABILITIES HELD FOR SALE

On January 17, 2013, Saint-Gobain announced that it had accepted the Ardagh Group's offer for Verallia North America, noting that the transaction was subject to authorization by the US Federal Trade Commission (FTC). On July 1, the FTC filed a complaint in Federal Court seeking to prevent the sale from being consummated. Ardagh and Saint-Gobain are disappointed by the action taken by the Commission, and intend to vigorously defend the transaction in litigation, whilst at the same time working with the FTC to seek to resolve its concerns.

As required by IFRS 5, the assets and liabilities of Verallia North America are reported in the consolidated balance sheet at June 30, 2013 under "Assets held for sale" and "Liabilities held for sale".

A deferred tax asset relating to the cumulative reserves carried in respect of Verallia North America was recognized at December 31, 2012 for an amount of €20 million, in accordance with IAS 12. This asset was reduced to €17 million at June 30, 2013, based on an updated estimate.

Assets and liabilities held for sale

	June 30, 2013	Dec. 31, 2012
<i>(in EUR millions)</i>		
Goodwill and other intangible assets, net	196	195
Property, plant and equipment, net	495	449
Other non-current assets	10	12
Inventories, trade accounts receivable and other accounts receivable	305	279
Cash and cash equivalents	1	1
Total assets held for sale	1,007	936
Provisions for pensions and other employee benefits	239	348
Deferred tax liabilities and other non-current liabilities	77	6
Trade accounts payable, other payables and accrued expenses, and other current liabilities	142	143
Short term debt and bank overdrafts	0	0
Total liabilities held for sale	458	497

Commitments

Verallia North America's off-balance sheet commitments have been excluded from the Group's off-balance sheet

commitments at June 30, 2013. They concern future minimum lease payments due under operating leases and other commitments for approximately €45 million (Note 18)

Employees

The average number of employees of Verallia North America (4,396 in first-half 2013 and 4,416 in 2012) is included in the average number of Group employees for the period.

NOTE 4 – IMPACT OF CHANGES IN ACCOUNTING METHODS AND ESTIMATES

In the consolidated income statement, first-half 2012 comparatives have been restated to reflect the amendment to IAS 19 regarding Employee Benefits.

If the amended standard had been applied at January 1, 2012, the impact on the first-half 2012 financial statements would have been as follows:

- Financial expenses would have been €44 million higher (€31 million after tax), as a result of calculating the return on plan assets using the discount rate applied to the projected benefit obligation instead of the expected rate of return;
- Operating expenses would have been €18 million higher (€12 million after tax), due to the recognition under this caption of the effects of plan amendments (past service cost);
- Opening equity at January 1, 2012 would have been €14 million lower (€9 million after tax), due mainly to the immediate recognition of past service costs (€8 million impact). The combined impact of all of these adjustments on closing equity at December 31, 2012 would have been a negative €32 million (€21 million after tax).

The effects on the consolidated income statement for the first-half of 2012 can be summarized as follows:

	First-half 2012 published	Return on plan assets effect	Past service cost effect	First-half 2012 restated IAS 19*
<i>(in EUR millions)</i>				
Business income	1,153	0	(18)	1,135
Borrowing costs, net	(284)			(284)
Other financial income and expense	(72)	(44)		(116)
Net financial expense	(356)	(44)	0	(400)
Share in net income of associates	4			4
Income taxes	(285)	13	6	(266)
Net income	516	(31)	(12)	473
Attributable to equity holders of the parent	506	(31)	(12)	463
Minority interests	10			10

The full year 2012 impact would be an estimated €74-million reduction in net income (€88 million increase in financial expenses and €18 million increase in operating expenses, less an estimated €32 million reduction in income tax expense) and a €62 million change in actuarial gains and losses recognized directly in equity.

NOTE 5 – GOODWILL, OTHER INTANGIBLE ASSETS AND TANGIBLE ASSETS

	Goodwill	Other intangible assets	Property, plant and equipment	Total
<i>(in EUR millions)</i>				
At January 1, 2013				
Gross value	11,765	4,276	34,086	50,127
Accumulated depreciation and impairment	(829)	(1,080)	(20,390)	(22,299)
Net	10,936	3,196	13,696	27,828
Movements during the period				
Acquisitions	0	36	519	555
Disposals	0	(3)	(23)	(26)
Translation adjustments	(165)	(61)	(261)	(487)
Depreciation and impairment	(7)	(48)	(777)	(832)
Changes in assets held for sale	(1)	0	(46)	(47)
Changes in Group structure and other movements	12	(13)	3	2
Total movements	(161)	(89)	(585)	(835)
At June 30, 2013				
Gross value	11,597	4,212	33,744	49,553
Accumulated depreciation and impairment	(822)	(1,105)	(20,633)	(22,560)
Net	10,775	3,107	13,111	26,993

In first-half 2013, movements in goodwill corresponded mainly to translation adjustments.

Other movements include €9 million corresponding to new finance leases not reflected in the statement of cash flows in accordance with IAS 7.

NOTE 6 – INVENTORIES

	June 30, 2013	December 31, 2012
<i>(in EUR millions)</i>		
Gross value		
Raw materials	1,467	1,463
Work in progress	269	249
Finished goods	5,132	4,910
Gross inventories	6,868	6,622
Provisions for impairment in value		
Raw materials	(136)	(134)
Work in progress	(10)	(10)
Finished goods	(346)	(345)
Provisions for impairment in value	(492)	(489)
Net inventories	6,376	6,133

The increase in inventories mainly reflects seasonal fluctuations in business and translation adjustments.

NOTE 7 – TRADE AND OTHER ACCOUNTS RECEIVABLE AND PAYABLE

	June 30, 2013	Dec. 31, 2012
<i>(in EUR millions)</i>		
Gross value	6,672	5,512
Provisions for impairment in value	(512)	(495)
Trade accounts receivable	6,160	5,017
Advances to suppliers	503	621
Personnel and social receivable	33	20
Other prepaid and recoverable taxes (other than income tax)	385	351
Other	442	438
Provisions for impairment in value	(4)	(5)
Total other receivables	1,359	1,425
Trade accounts payable	6,069	6,143
Customer deposits	646	795
Payable to suppliers of non-current assets	134	298
Grants received	103	125
Accrued personnel and social expenses	1,116	1,173
Accrued taxes (other than income tax)	567	408
Other	800	609
Total other payables and accrued expenses	3,366	3,408

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

NOTE 8 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

<i>(in EUR millions)</i>	June 30, 2013	December 31, 2012
Pensions	1,934	2,526
Length-of-service awards	303	292
Post-employment healthcare benefits	449	502
Total provisions for pensions and other post-employment benefit obligations	2,686	3,320
Healthcare benefits	25	27
Long-term disability benefits	24	23
Other long-term benefits	94	95
Provisions for pensions and other employee benefits	2,829	3,465

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

<i>(in EUR millions)</i>	June 30, 2013	December 31, 2012
Provisions for pensions and other post-employment benefit obligations	2,686	3,320
Pension plan surpluses	(52)	(57)
Net pension and other post-employment benefit obligations	2,634	3,263

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 €143 million at June 30, 2013 (December 31, 2012: €145 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 2012 totaled €470 million.

As explained in Note 1, following adoption of the amendment to IAS 19, the return on plan assets is now estimated using the discount rate applied to calculate the projected benefit obligation rather than the expected rate of return. As a result, the interest cost for defined benefit plans corresponds to the net interest on the unfunded benefit obligation calculated using the same discount rate.

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 2013 were as follows:

<i>(in %)</i>	France	Other European countries		United States
		Euro zone	United Kingdom	
Discount rate	3.25%	3.25%	4.15%	3.75%
Salary increases	2.50%	2.00% to 2.60%	2.00%	3.00%
Return on plan assets	3.25%	3.25%	4.15%	3.75%
Inflation rate	1.90%	1.75% to 2.00%	1.65%	2.00%

The discount rates applied to calculate defined benefit obligations were adjusted to take into account changes in interest rates and their level at June 30, 2013. The euro zone rate was increased from 3.25% to 3.40%, the UK rate from 4.15% to 4.50% and the US rate from 3.75% to 4.75%. As these three regions account for substantially all of the defined benefit obligations, the discount rate adjustments led to a €790 million decrease in the obligation and the related provision.

Sensitivity calculations were not updated at June 30, 2013. If they had been, the results would not have been materially different to the analyses presented in the 2012 Annual Report (in Note 15 to the consolidated financial statements).

The actual return on plan assets for substantially all plans amounted to €81 million. This was €46 million less than the expected return (calculated using the discount rate), leading to an increase in the provision of the same amount.

Calculation assumptions in the United Kingdom were partly modified by the introduction, in 2012, of a cap on reference salaries and the adjustment of benefit entitlements for employees taking early retirement or retiring for health reasons. The resulting reduction in the related benefit obligation, for the amount of £140 million in 2012, was recognized under "Past service cost" in the table analyzing changes in pension and other post-employment benefit obligations (see Note 15 to the 2012 consolidated financial statements).

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.

For 2013 period, the following table compares the return on plan assets determined in accordance with IAS 19, and the estimated actual return.

<i>(in %)</i>	France	Other European countries		United States
		Euro zone	United Kingdom	
Return on plan assets (discount rate)	3.25%	3.25%	4.15%	3.75%
Estimated return on plan assets *	5.00%	4.00% to 5.25%	5.85%	8.75%
Difference	1.75%	0.75% to 2.00%	1.70%	5.00%

* Rates of return on plan assets are estimated by country and by plan, taking into account the different classes of assets held by the plan and the outlook in the various financial markets.

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.

Plan surpluses and provisions for pensions and other post-employment benefits classified as assets and liabilities held for sale

In accordance with IFRS 5, the provisions for pensions and other post-employment benefits for employees of Verallia North America were classified as liabilities held for sale at June 30, 2013, for an amount of €220 million (December 31, 2012: €329 million). Including provisions for other long-term benefits in the amount of €19 million (December 31, 2012: €19 million), the total amount reclassified as "Liabilities held for sale" was 239 million ((December 31, 2012: €348 million) (see Note 3).

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

<i>(in EUR millions)</i>	Net pension obligations
At January 1, 2013	
Net pension and post-employment benefit obligations	3,263
Movements during the period	
Service cost	80
Interest cost and return on plan assets	61
Actuarial gains and losses recognized during the period*	(739)
Contributions to plan assets and benefit payments	(138)
Changes in Group structure	0
Changes in liabilities held for sale	109
Other (reclassifications and translation adjustments)	(2)
Total movements	(629)
At June 30, 2013	
Net pension and post-employment benefit obligations	2,634

*The total impact on equity was a positive €739 million before tax (€488 million after tax).

NOTE 9 – CURRENT AND DEFERRED TAXES

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

<i>(in EUR millions)</i>	First-half 2013	First-half 2012
Net income	347	516
Less:		
Share in net income of associates	7	4
Income taxes	(231)	(285)
Pre-tax income of consolidated companies	571	797

Income tax expense breaks down as follows:

<i>(in EUR millions)</i>	First-half 2013	First-half 2012
Current taxes	(315)	(375)
France	(45)	(81)
Outside France	(270)	(294)
Deferred taxes	84	90
France	39	35
Outside France	45	55
Total income tax expense	(231)	(285)

The effective tax rate breaks down as follows:

<i>(in %)</i>	First-half 2013	First-half 2012
Tax rate in France	34.4	34.4
Impact of tax rates outside France	(2.9)	(3.8)
Impact of 2011 Finance Law in France (add-in 5%)	1.7	1.7
Capital gains and losses and asset impairments	6.6	1.7
Provisions for deferred tax assets	5.3	1.7
Effect of changes in future tax rates	0.0	(2.2)
Research tax credit	(1.9)	(1.1)
Other deferred and miscellaneous taxes	(2.7)	3.4
Effective tax rate	40.5	35.8

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

<i>(in EUR millions)</i>	Net deferred tax assets/(liabilities)
At January 1, 2013	444
Deferred tax (expense)/benefit	84
Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (note 8)	(251)
Translation adjustments	20
Changes in liabilities held for sale	71
Impact of changes in Group structure and other	61
At June 30, 2013	429

NOTE 10 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS

<i>(in EUR millions)</i>	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 contingencies	Total provision for other liabilities	Investment- related liabilities	Total
At January 1, 2013									
Current portion	102	16	98	32	105	102	455	2	457
Non-current portion	1,446	135	87	35	151	235	2,089	82	2,171
Total	1,548	151	185	67	256	337	2,544	84	2,628
Movements during the period									
Additions	96	4	103	13	44	24	284		284
Reversals	(20)		(7)	(5)	(6)	(19)	(57)		(57)
Utilizations	(57)	(5)	(48)	(10)	(26)	(22)	(168)		(168)
Changes in Group structure						2	2		2
Other (reclassifications and translation adjustments)	3	13	(2)	1	2	(4)	13	26	39
Total movements	22	12	46	(1)	14	(19)	74	26	100
At June 30, 2013									
Current portion	116	26	141	28	117	59	487	2	489
Non-current portion	1,454	137	90	38	153	259	2,131	108	2,239
Total	1,570	163	231	66	270	318	2,618	110	2,728

NOTE 11 – NET DEBT**Long- and short-term debt**

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

<i>(in EUR millions)</i>	June 30, 2013	December 31, 2012
Bond issues and Medium-Term Notes	8,798	8,989
Perpetual bonds and participating securities	203	203
Other long-term debt including finance leases	405	374
Fair value of interest rate hedges	46	22
Total long-term debt (excluding current portion)	9,452	9,588
Current portion of long-term debt	1,517	1,732
Short-term financing programs (US CP, Euro CP, <i>Billets de trésorerie</i>)	780	691
Securitizations	192	89
Bank overdrafts and other short-term bank borrowings	637	570
Fair value of derivatives not qualified as hedges of debt	4	(1)
Short-term debt and bank overdrafts	1,613	1,349
TOTAL GROSS DEBT	12,582	12,669
Cash at bank	(1,396)	(1,400)
Mutual funds and other marketable securities	(1,689)	(2,779)
Cash and cash equivalents	(3,085)	(4,179)
TOTAL NET DEBT, INCLUDING ACCRUED INTEREST	9,497	8,490

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €10.8 billion at June 30, 2013, for a carrying amount of €10.2 billion. The fair value of bonds corresponds to the market price on the last trading day of the period. For other borrowings, fair value is considered as being equal to the amount repayable.

Long-term debt repayment schedule

Long-term debt at June 30, 2013 can be analyzed as follows by maturity:

<i>(in EUR millions)</i>	Currency	Within 1 year	1 to 5 years	Beyond 5 years	Total
Bond issues and Medium-Term Notes	EUR	1,104	3,830	3,849	8,783
	GBP		349	637	986
	NOK		95		95
	JPY		38		38
Perpetual bonds and participating securities	EUR			203	203
Other long-term debt including finance leases	All currencies	145	251	154	550
Fair value of interest rate hedges	EUR			46	46
Accrued interest on long-term debt	All currencies	268			268
TOTAL LONG-TERM DEBT		1,517	4,563	4,889	10,969
Short-term bank loans and other short-term financing	All currencies	1,597			1,597
Fair value of derivatives not qualified as hedges of debt	All currencies	4			4
Accrued interest on short-term debt	All currencies	12			12
TOTAL SHORT-TERM DEBT		1,613	0	0	1,613
TOTAL GROSS DEBT		3,130	4,563	4,889	12,582

At June 30, 2013, future interest payments on gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain were due as follows:

<i>(in EUR millions)</i>	Within 1 year	1 to 5 years	Beyond 5 years	Total
Future interest payments on gross long-term debt	446	1,155	856	2,457

Interest on perpetual bonds and participating securities is calculated through to 2033.

Bond issues

During the first-half of 2013, 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 27, NOK 750 million, 5-year 4% bond issue, due 2018;
- on March 28, €100 million 20-year 3.875% private placement notes issue due 2033;
- on June 5, €164 million 10.5-year 2.875% private placement notes issue due December 2023.

On 3 July, the €164 million issue was increased to €234 million through a €70 million tap issue.

On January 29, Compagnie de Saint-Gobain repaid a €155 million bank loan that became due on that date.

On May 20, Compagnie de Saint-Gobain redeemed a €57 million bond issue that had reached maturity.

Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued €125 million worth of perpetual bonds – 25,000 bonds with a face value of €5,000 – paying interest at a variable rate indexed to Euribor. Up to June 30, 2013, 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.

These securities 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, following their conversion into euros in 1999. Some of the securities have been bought back over the years. At June 30, 2013, 606,883 securities were outstanding, representing a total nominal amount 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 the securities have been bought back over the years. At June 30, 2013, 77,516 securities were outstanding, representing a total nominal amount 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, 2013, issuance under these programs was as follows:

Programs (in millions of currency units)	Currency	Maturities	Authorized program at June 30, 2013	Outstanding issues at June 30, 2013	Outstanding issues at December 31, 2012
Medium Term Notes	EUR	1 to 30 years	12,000	9,035	9,246
US Commercial Paper	USD	Up to 12 months	1,000 *	0	0
Euro Commercial Paper	USD	Up to 12 months	1,000 *	0	0
<i>Billets de Trésorerie</i>	EUR	Up to 12 months	3,000	780	691

Equivalent to €765 million based on the exchange rate at June 30, 2013.

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.

The authorized ceiling on the Medium Term Notes programs was raised to €15 billion on July 17, 2013.

Syndicated lines of credit

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

- A €3 billion syndicated line of credit expiring in December 2015. The facility was obtained in December 2010 and its amount was reduced to €2.5 billion in December 2012. It is not subject to any hard covenants ;
- A second €1.5 billion syndicated line of credit expiring in December 2017. The facility was obtained in December 2012. Based on Saint-Gobain's current credit rating for long-term debt issues, the facility is not subject to any hard covenants.

Neither of these confirmed lines of credit was drawn down at June 30, 2013.

Receivables securitization programs

The Group has set up a securitization program through its US subsidiary, Saint-Gobain Receivables Corporation.

The program, which can be rolled over annually, amounted to €192 million at June 30, 2013 (December 31, 2012: €89 million).

The difference between the face value of the sold receivables and the sale proceeds is treated as a financial expense, and amounted to €1.2 million in first-half 2013 (first-half 2012: €1.1 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.

Collateral

At June 30, 2013, €54 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 12 - FINANCIAL INSTRUMENTS**Derivatives**

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

(in EUR millions)	Fair value at June 30, 2013			Fair value at Nominal value broken down by maturity at June 30, 2013 December 31,				Total
	Derivatives recorded in assets	Derivatives recorded in liabilities	Total	2012	Within 1 year	1 to 5 years	Beyond 5 years	
Fair value hedges			0	0				0
<u>Cash flow hedges</u>								
Currency instruments	4	(20)	(16)	1	1,161	8	0	1,169
Interest rate instruments	2	(48)	(46)	(22)	0	0	387	387
Energy and commodity instruments	0	(1)	(1)	(2)	48	0	0	48
Other risks	0	0	0	0	0	0	16	16
Cash flow hedges - total	6	(69)	(63)	(23)	1,209	8	403	1,620
<u>Derivatives not qualifying for hedge accounting</u>								
Currency instruments	1	(6)	(5)	6	1,087	2	0	1,089
Interest rate instruments			0	0				0
Energy and commodity instruments			0	0				0
Derivatives not qualifying for hedge accounting - total	1	(6)	(5)	6	1,087	2	0	1,089
TOTAL	7	(75)	(68)	(17)	2,296	10	403	2,709
"o/w derivatives used to hedge net debt"	3	(53)	(50)	(21)				0

Currency instruments

- *Currency swaps*

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

- *Forward foreign exchange contracts and currency options*

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

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.

Impact on equity of financial instruments qualifying for hedge accounting

At June 30, 2013, the cash flow hedging reserve carried in equity in accordance with IFRS had a debit balance of €44 million, mainly breaking down as follows:

- €25 million debit balance corresponding to the interest rate component of cross-currency swaps designated as cash flow hedges that are used to convert a bond issue into euros;
- €19 million debit balance corresponding to the remeasurement at fair value of other cash flow hedges to be reclassified to income when the hedged items affect income.
- €0.3 million credit balance corresponding to the change in the intrinsic value of currency options qualified as cash flow hedges.

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

Impact on income of financial instruments not qualifying for hedge accounting

The fair value of derivatives classified as financial assets and liabilities at fair value through profit or loss represented a €5 million loss at June 30, 2013 (December 31, 2012: €6 million profit).

Embedded derivatives

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

At June 30, 2013, no embedded derivatives deemed to be material at Group level were identified, apart from the equity derivative described above.

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 4.6% at June 30, 2013 (December 31, 2012: 4.7%).

The average internal rates of return for the main components of long-term debt before hedging were as follows at June 30, 2013 and December 31, 2012:

Internal rate of return on long-term debt (in %)	June 30, 2013	December 31, 2012
Bonds and Medium Term Notes	5.06	5.17
Perpetual bonds and participating securities	3.64	4.30

The table below presents the breakdown by type of interest rate (fixed or variable) of the Group's gross debt at June 30, 2013, after giving effect to interest rate swaps, cross-currency swaps and currency swaps.

Gross debt denominated in foreign currencies <i>(in EUR millions)</i>	After hedging		Total
	Variable rate	Fixed rate	
Euro	784	9,164	9,948
Other currencies	1,369	935	2,304
TOTAL	2,153	10,099	12,252
	18%	82%	100%
Fair value of related derivatives			50
Accrued interest			280
TOTAL GROSS DEBT			12,582

NOTE 13 – BUSINESS INCOME BY EXPENSE TYPE

<i>(in EUR millions)</i>	First-half 2013	First-half 2012
Net sales	20,771	21,590
Personnel costs:		
Salaries and payroll taxes	(4,251)	(4,290)
Share-based payments ^(a)	(6)	(10)
Pensions ^(b)	(92)	78
Depreciation and amortization	(723)	(772)
Other ^(c)	(14,439)	(15,084)
Operating income	1,260	1,512
Other business income ^(d)	113	92
Negative goodwill recognized in income	0	0
Other business income	113	92
Restructuring costs ^(e)	(158)	(123)
Provisions and expenses relating to claims and litigation ^(f)	(76)	(80)
Impairment of assets and other business expenses ^(g)	(139)	(227)
Other	(26)	(21)
Other business expense	(399)	(451)
Business income	974	1,153

(a) Details of share-based payments are provided in Note 14.

(b) Changes in pension provisions are presented in Note 8 “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. This item also includes net foreign exchange gains and losses, representing a net gain of €4 million in first-half 2013 (first-half 2012: net gain of €6 million). In first-half 2013, research and development costs recorded under operating expenses amounted to €229 million (first-half 2012: €225 million).

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

(e) Restructuring costs in first-half 2013 mainly consisted of employee termination benefits in an amount of €120 million (first-half 2012: €80 million).

(f) In the periods presented, provisions and expenses relating to claims and litigation corresponded for the most part to asbestos-related litigation and the provision for the competition litigation discussed in Notes 10 and 19.

(g) Impairment losses on assets in first-half 2013 included €7 million on goodwill (first-half 2012: €45 million), €102 million on property, plant and equipment and intangible assets (first-half 2012: €147 million). No impairment losses on financial assets or current assets were reversed during the period (first-half 2012: recognition of a €1 million impairment loss). The caption “Other” includes capital losses on asset disposals

and scrapping for €28 million (first-half 2012: €26million) and acquisition costs incurred in connection with business combinations for €1 million (first-half 2012: €8 million).

NOTE 14 – 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 2013. Under IFRS 2, the expense attributable to the amortization of stock options granted under previous plans totaled €2 million in first-half 2013 (first-half 2012: €1 million).

Group Savings Plan

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

In the first-half of 2013, the Group issued 4,499,142 new shares with a par value of €4 (2012: 4,387,80 shares) to members of the PEG, for a total of €111 million (2012: €125 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 2013 (first-half 2012: €0), net of the lock-up cost for employees of €20 million (first-half 2012: €19 million).

The following table shows the main features of the standard plans, the amounts invested in the plans and the valuation assumptions applied in 2013 and in 2012.

	2013	2012
Plan characteristics		
Grant date	25 March	26 March
Plan duration (in years)	5 or 10	5 or 10
Benchmark price (in EUR)	30.96	35.73
Purchase price (in EUR)	24.77	28.59
Discount (in %)	20.00%	20.00%
^(a) Total discount on the grant date (in %)	16.82%	17.60%
Employee investments (in EUR millions)	111.4	125.4
Total number of shares purchased	4,499,142	4,387,680
Valuation assumptions		
Interest rate paid by employees *	5.80%	6.35%
5-year risk-free interest rate	0.89%	1.75%
Repo rate	0.94%	0.40%
^(b) Lock-up discount (in %)	23.50%	20.18%
Total cost to the Group (in %) (a-b)	-6.68%	-2.58%

* A 0.5-point decline in borrowing costs for the employee would have no impact on 2013 cost as calculated in accordance with IFRS 2.

- *Leveraged plans*

No leveraged plans were set up in 2013 or in 2012.

Performance share and performance unit plans

Various performance share plans have been set up by Saint-Gobain since 2009 and a performance unit plan was set up in 2012. No new performance share or performance unit plans were set up in first-half 2013. The expense recognized during the period in respect of the earlier plans amounted to €4 million (first-half 2012: €9 million).

NOTE 15 – NET FINANCIAL EXPENSE**Breakdown of other financial income and expense**

<i>(in EUR millions)</i>	First-half 2013	First-half 2012
Interest cost - pension and other post-employment benefit obligations	(203)	(222)
Return on plan assets	139	199
Interest cost - pension and other post-employment benefit obligations - net	(64)	(23)
Other financial expense	(57)	(57)
Other financial income	7	8
Other financial income and expense	(114)	(72)

In first-half 2012, application of the amendment to IAS 19 would have had the effect of reducing the estimated return on pension plan assets by €44 million.

Adjusted for this impact, the net interest cost for pension and other post-employment benefit obligations would have been €67 million, while other financial income and expense represented a net expense of €116 million (see Note 4).

NOTE 16 – EBITDA – RECURRING NET INCOME – CASH FLOW FROM OPERATIONS**EBITDA**

EBITDA amounted to €1,983 million in first-half 2013 (first-half 2012: €2,284 million), calculated as follows:

<i>(in EUR millions)</i>	First-half 2013	First-half 2012
Operating income	1,260	1,512
Depreciation and amortization	723	772
EBITDA	1,983	2,284

Recurring net income

Recurring net income totaled €422 million in first-half 2013 (first-half 2012: €651 million). Based on the weighted average number of shares outstanding at June 30 (527,978,739 shares in 2013, 526,833,558 shares in 2012), recurring earnings per share amounted to €0.80 in first-half 2013 and €1.24 in first-half 2012.

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

<i>(in EUR millions)</i>	First-half 2013	First-half 2012
Net income attributable to equity holders of the parent	332	506
Less:		
Gains on disposals of assets	85	66
Impairment of assets and acquisition costs incurred in connexion with business combinations	(111)	(201)
Provision for competition litigation and other non-recurring provision charges	(44)	(51)
Impact of minority interests	(1)	3
Tax impact	(19)	38
Recurring net income attributable to equity holders of the parent	422	651

Cash flow from operations

Cash flow from operations for first-half 2013 amounted to €1,146 million (first-half 2012: €1,462 million). Excluding tax on capital gains and non-recurring provision charges, cash flow from operations came to €1,165 million in first-half 2013 (first-half 2012: €1,424 million). These amounts are calculated as follows:

<i>(in EUR millions)</i>	First-half 2013	First-half 2012
Net income attributable to equity holders of the parent	332	506
Minority interests in net income	15	10
Share in net income of associates, net of dividends received	(2)	(2)
Depreciation, amortization and impairment of assets	832	964
Gains and losses on disposals of assets	(85)	(66)
Non-recurring charges to provisions	44	51
Unrealized gains and losses arising from changes in fair value and share-based payments	10	(1)
Cash flow from operations	1,146	1,462
Tax on capital gains and losses and non-recurring charges to provisions	19	(38)
Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions	1,165	1,424

NOTE 17 – 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 2013			
Weighted average number of shares outstanding	332	527,978,739	0.63
Weighted average number of shares assuming full dilution	332	530,438,683	0.63
First-half 2012			
Weighted average number of shares outstanding	506	526,833,558	0.96
Weighted average number of shares assuming full dilution	506	529,828,402	0.96

The weighted average number of shares outstanding is calculated by deducting treasury stock (4,285,455 shares at June 30, 2013) 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 499,724 shares and 1,960,220 shares respectively at June 30, 2013.

NOTE 18 – COMMITMENTS

The main changes between December 31, 2012 and June 30, 2013 are as follows:

Commitments related to shares in subsidiaries and associates

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

Financing-related commitments

The Group's commitments related to debt and financial instruments are discussed in Notes 11 and 12, respectively.

Commitments related to operating activities

- *Lease commitments*

Changes in finance lease commitments in first-half 2013 were not material.

Commitments under operating leases increased by a net €74 million, reflecting €86 million in new lease on land and buildings, partly offset by an €11 million reduction in commitments under leases for machinery and equipment as well as by rental income from sub-leases.

- *Non-cancelable purchase commitments*

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

The €42 million decrease in non-cancelable purchase commitments in first-half 2013 mainly concerned raw materials purchases.

- *Guarantee and commercial commitments*

The Group had received guarantees amounting to €107 million at June 30, 2013, a decrease of €3 million compared with the December 31, 2012 figure.

At June 30, 2013, pledged assets amounted to €710 million (December 31, 2012: €708 million). This item mainly concerned fixed assets in the United Kingdom. Changes in secured borrowings and other commitments given by the Group during first-half 2013 were not material.

Guarantees given to the Group in respect of receivables amounted to €113 million at June 30, 2013 (December 31, 2012: €136 million).

NOTE 19 – LITIGATION

Asbestos-related litigation in France

- **“Inexcusable fault” proceedings**

In France, further individual lawsuits were filed in the first-half of 2013 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 765 such lawsuits have been issued against the two companies since 1996.

At June 30, 2013, 696 of these 765 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 1996 in settlement of these lawsuits totals approximately €1.3 million.

Concerning the 69 lawsuits outstanding against Everite and Saint-Gobain PAM at June 30, 2013, the merits of eight have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. A further 34 of these 69 lawsuits have been completed in terms of both liability and quantum, but liability for the payment of compensation has not yet been assigned.

Out of the 27 remaining lawsuits, at June 30, 2013 the procedures relating to the merits of 23 cases were at different stages, with two in the process of being investigated by the French Social Security authorities and 20 pending before the Social Security courts and one before the Court of Appeal. The final four suits have been withdrawn by the plaintiffs or struck out. The plaintiffs can ask for them to be re-activated at any time within a 2-year period.

In addition, as of June 30, 2013, 192 suits based on inexcusable fault had been filed by current or former employees of 12 other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

At that date, 127 lawsuits had been completed. In 54 of these cases, the employer was held liable for inexcusable fault.

Compensation paid by the companies totaled approximately €0.6 million.

For the 65 suits outstanding at June 30, 2013, arguments were being prepared by the French Social Security authorities in six cases, 39 were being investigated – including 27 pending before the Social Security courts and 12 before the Courts of Appeal – and 12 had been completed in terms of liability but not in terms of quantum or liability for paying the compensation, of which 1 pending before the Social Security courts, 10 before the Courts of Appeal and one before the Court of Cassation. The final eight suits have been withdrawn by the plaintiffs or struck out. The plaintiffs can ask for them to be re-activated at any time within a 2-year period.

- **Anxiety claims**

Seven of the Group's French subsidiaries, including five 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, 2013, a total of 631 suits had been brought, including 617 by current or former employees of facilities classified as presenting an asbestos hazard, claiming compensation for various damages suffered as a result of 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 631 suits, 50 have been terminated. Three plaintiffs had their claims dismissed. For the 47 others, who were recognized as having been exposed to an asbestos risk, the damage was accepted, leading to payment of total compensation of €0.6 million. Of the remaining 581 suits, 29 are pending before the competent Courts of Appeal – including one where the appellant is the plaintiff and 28 where the appellants are the companies concerned – and 550 before the competent labor tribunals. Two have been dismissed or ruled to have expired by the labor tribunal's conciliation board.

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 2013 came to approximately 2,000. On a rolling 12 month basis, new claims remain stable at approximately 4,000 at end-June 2013 compared to 4,000 end-December 2012 and 4,000 end-June 2012.

Some 2,000 claims were resolved in the first six months of 2013. Some 43,000 claims were outstanding at June 30, 2013 – same level as at December 31, 2012 (43,000) and slightly below December 31, 2011 (52,000).

An additional estimated provision of €45 million (\$59 million) was recorded in the consolidated financial statements for the first-half of 2013 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, 2013 for claims against CertainTeed (including claims settled prior to June 30, 2012 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, 2013 by other U.S. Group businesses involved in asbestos litigation, amounted to about €66 million (\$87 million), versus €54 million (\$70 million) in 2012.

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, 2013, 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. Compagnie de Saint-Gobain was held jointly and severally liable for the payment of this amount.

The companies concerned believe the fine is excessive and disproportionate, and have appealed the decision before the General Court of the European Union.

The European Commission has granted them a stay of payment until the appeal has been heard, in exchange for a bond covering the €896 million fine and the related interest, calculated at the rate of 5.25% from March 9, 2009. The necessary steps were taken to set up this bond within the required timeframe.

The hearing before the General Court of the European Union in Luxembourg took place on December 11, 2012. The ruling is expected to be handed down within six to twelve months.

Notwithstanding the ongoing appeal process, on February 28, 2013, the November 12, 2008 decision was rectified, leading to a €16 million reduction in the fine.

The provision set aside to cover the fine, the late interest, the cost of the above bond and the related legal costs amounted to €1,108 million at June 30, 2013.

NOTE 20 – 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 2013	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBU- TION	PACKAGING	Other [*]	Total
	Flat Glass	High Performance Materials	Intra- Segment Elimi- nations	Total	Interior Solutions	Exterior Solutions	Intra- Segment Elimi- nations	Total				
<i>(in EUR millions)</i>												
External sales	2,497	2,059		4,556	2,582	2,714		5,296	9,097	1,813	9	20,771
Internal sales	22	52	(7)	67	288	168	(28)	428	2	0	(497)	0
Net sales	2,519	2,111	(7)	4,623	2,870	2,882	(28)	5,724	9,099	1,813	(488)	20,771
Operating income/(loss)	38	274		312	218	267		485	215	243	5	1,260
Business income/(loss)	(162)	260		98	193	320		513	173	221	(31)	974
Share in net income/(loss) of associates	1	0		1	4	0		4	1	1	0	7
Depreciation and amortization	164	76		240	158	89		247	132	88	16	723
Impairment of assets	86	1		87	11	5		16	1	5		109
Capital expenditure	113	80		193	81	51		132	68	110	16	519
Cash flow from operations				261				304	123	215	243	1,146
EBITDA	202	350		552	376	356		732	347	331	21	1,983

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

First-half 2012	INNOVATIVE MATERIALS				CONSTRUCTION PRODUCTS				BUILDING DISTRIBUTION	PACKAGING	Other*	Total
	Flat Glass	High Performance Materials	Intra-Segment Eliminations	Total	Interior Solutions	Exterior Solutions	Intra-Segment Eliminations	Total				
<i>(in EUR millions)</i>												
External sales	2,571	2,203		4,774	2,549	2,896		5,445	9,454	1,908	9	21,590
Internal sales	26	69	(16)	79	297	188	(27)	458	2	0	(539)	0
Net sales	2,597	2,272	(16)	4,853	2,846	3,084	(27)	5,903	9,456	1,908	(530)	21,590
Operating income/(loss)	54	354		408	247	273		520	370	207	7	1,512
Business income/(loss)	(76)	341		265	205	247		452	275	201	(40)	1,153
Share in net income/(loss) of associates	1	0		1	1	0		1	1	1	0	4
Depreciation and amortization	160	83		243	160	95		255	135	126	13	772
Impairment of assets	116	(3)		113	28	1		29	51	0	0	193
Capital expenditure	245	80		325	121	82		203	97	116	13	754
Cash flow from operations				392				377	255	248	190	1,462
EBITDA	214	437		651	407	368		775	505	333	20	2,284

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

Information by geographic area

First-half 2013	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
<i>(in EUR millions)</i>						
Net sales	5,919	8,477	3,078	4,182	(885)	20,771
Capital expenditure	71	127	113	208		519

First-half 2012	France	Other Western European countries	North America	Emerging countries and Asia	Internal sales	TOTAL
<i>(in EUR millions)</i>						
Net sales	6,148	8,901	3,192	4,263	(914)	21,590
Capital expenditure	119	174	133	328		754

NOTE 21 – 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%
Celotex Group Limited	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	99.66%
Izocam Ticaret VE Sanayi A.S.	Turkey	47.53%

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 Cemarsa 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 Distribuição 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 Dystrybucja Budowlana Sp Zoo	Poland	99.99%
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 Containers, Inc.	United States	100.00%
Saint-Gobain Vetri S.p.a	Italy	99.99%

NOTE 22 – SUBSEQUENT EVENTS

None.

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