

COMPAGNIE DE SAINT-GOBAIN

**STATUTORY AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended December 31, 2014

The Statutory Auditors

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

**KPMG Audit
Immeuble KPMG
1, cours Valmy
92923 Paris La Défense**

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This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Compagnie de Saint-Gobain S.A.

Les Miroirs
18, avenue d'Alsace
92400 Courbevoie

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements of Compagnie de Saint-Gobain;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

COMPAGNIE DE SAINT-GOBAIN
STATUTORY AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

Page 2

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the Note 3 of the consolidated financial statements which describes the impact of the adoption of IFRS 10 “Consolidated financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of interests in other entities” – and Interpretation IFRIC 21 “Levies” at January 1, 2014.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Measurement of property, plant and equipment and intangible assets

The Group regularly carries out impairment tests on its property, plant and equipment, goodwill and other intangible assets, and also assesses whether there is any indication of impairment of property, plant and equipment and amortizable intangible assets, based on the methods described in Note 1 to the consolidated financial statements (“Impairment of property, plant and equipment, intangible assets and goodwill”). We examined the methods applied in implementing these tests and the estimates and assumptions used, and we verified that the information disclosed in Notes 1 and 4 to the consolidated financial statements is appropriate.

**COMPAGNIE DE SAINT-GOBAIN
STATUTORY AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended December 31, 2014

Page 3

- Employee benefits

The methods applied for assessing employee benefits are set out in Note 1 to the consolidated financial statements (“Employee benefits – defined benefit plans”). These benefit obligations were reviewed by independent actuaries. Our work consisted of assessing the data and assumptions used, examining, on a test basis, the calculations performed and verifying that the information disclosed in Notes 1 and 15 to the consolidated financial statements is appropriate.

- Provisions

As specified in Note 1 to the consolidated financial statements (“Other current and non-current liabilities and provisions”), the Group books provisions to cover risks. The nature of the provisions recorded under “Other current and non-current liabilities and provisions” is described in Note 17 to the consolidated financial statements. Based on the information available at the time of our audit, we ensured that the methods and data used to determine provisions as well as the disclosures regarding said provisions provided in the note 28 “Litigation” to the consolidated financial statements are appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group’s management report.

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

Neuilly-sur-Seine and Paris La Défense, February 25, 2015

The Statutory Auditors

PricewaterhouseCoopers Audit

KPMG Audit
Department of KPMG S.A.

Pierre Coll Jean-Christophe Georghiou

Jean-Paul Thill

Philippe Grandclerc

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBRE 31, 2014

CONSOLIDATION REPORTING GROUP DEPARTMENT



CONSOLIDATED BALANCE SHEET

| <i>(in EUR million)</i> | Notes | Dec. 31, 2014 | Dec. 31, 2013 restated* |
|---|-------|----------------------|------------------------------------|
| ASSETS | | | |
| Goodwill | (4) | 10,462 | 10,401 |
| Other intangible assets | (5) | 3,085 | 3,128 |
| Property, plant and equipment | (6) | 12,657 | 12,438 |
| Investments in associates | (7) | 386 | 384 |
| Deferred tax assets | (16) | 1,348 | 1,125 |
| Other non-current assets | | 646 | 454 |
| Non-current assets | | 28,584 | 27,930 |
| Inventories | (9) | 6,292 | 5,953 |
| Trade accounts receivable | (10) | 4,923 | 4,857 |
| Current tax receivable | (16) | 156 | 236 |
| Other receivables | (10) | 1,356 | 1,315 |
| Assets held for sale | (2) | 0 | 974 |
| Cash and cash equivalents | (20) | 3,493 | 4,350 |
| Current assets | | 16,220 | 17,685 |
| Total assets | | 44,804 | 45,615 |
| LIABILITIES | | | |
| Capital stock | (11) | 2,248 | 2,221 |
| Additional paid-in capital and legal reserve | | 6,437 | 6,265 |
| Retained earnings and consolidated net income | | 10,411 | 10,677 |
| Cumulative translation adjustments | | (953) | (1,481) |
| Fair value reserves | | (63) | 7 |
| Treasury stock | (11) | (67) | (147) |
| Shareholders' equity | | 18,013 | 17,542 |
| Minority interests | | 405 | 345 |
| Consolidated total equity | | 18,418 | 17,887 |
| Long-term debt | (20) | 8,713 | 9,362 |
| Provisions for pensions and other employee benefits | (15) | 3,785 | 2,783 |
| Deferred tax liabilities | (16) | 634 | 715 |
| Other non-current liabilities and provisions | (17) | 1,225 | 2,185 |
| Non-current liabilities | | 14,357 | 15,045 |
| Current portion of long-term debt | (20) | 1,389 | 1,707 |
| Current portion of other liabilities | (17) | 409 | 477 |
| Trade accounts payable | (18) | 6,062 | 5,897 |
| Current tax liabilities | (16) | 97 | 66 |
| Other payables and accrued expenses | (18) | 3,460 | 3,269 |
| Liabilities held for sale | (2) | 0 | 473 |
| Short-term debt and bank overdrafts | (20) | 612 | 794 |
| Current liabilities | | 12,029 | 12,683 |
| Total liabilities | | 44,804 | 45,615 |

*The restatements are explained in Note 3.

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

CONSOLIDATED INCOME STATEMENT

| | Notes | 2014 | 2013 restated* |
|--|-------|--------------|----------------|
| <i>(in EUR million)</i> | | | |
| Net sales | (32) | 41,054 | 41,761 |
| Cost of sales | (23) | (31,075) | (31,795) |
| General expenses including research | (23) | (7,228) | (7,232) |
| Share in net income of business associates | (3) | 46 | 20 |
| Operating income | | 2,797 | 2,754 |
| Other business income | (23) | 481 | 186 |
| Other business expense | (23) | (1,069) | (1,057) |
| Business income | | 2,209 | 1,883 |
| Borrowing costs, gross | | (518) | (588) |
| Income from cash and cash equivalents | | 33 | 36 |
| Borrowing costs, net | | (485) | (552) |
| Other financial income and expense | (24) | (211) | (238) |
| Net financial expense | | (696) | (790) |
| Share in net income of non-business associates | | 0 | 2 |
| Income taxes | (16) | (513) | (463) |
| Net income | | 1,000 | 632 |
| Group share of net income | | 953 | 595 |
| Minority interests | | 47 | 37 |
| Income per share (in EUR) | | | |
| Weighted average number of shares in issue | | 557,672,194 | 538,912,431 |
| Net earnings per share | (26) | 1.71 | 1.10 |
| Weighted average number of shares assuming full dilution | | 560,186,531 | 541,981,225 |
| Diluted earnings per share | (26) | 1.70 | 1.10 |

*The restatements are explained in Note 3.

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

| | 2014 | 2013 restated* |
|--|--------------|----------------|
| <i>(in EUR million)</i> | | |
| Net income | 1,000 | 632 |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | |
| Translation adjustments | 541 | (1,018) |
| Changes in fair value | (70) | 22 |
| Tax on items that may be subsequently reclassified to profit or loss | 19 | (28) |
| <i>Items that will not be reclassified to profit or loss</i> | | |
| Changes in actuarial gains and losses | (835) | 696 |
| Tax on items that will not be reclassified to profit or loss | 287 | (260) |
| Income and expense recognized directly in equity | (58) | (588) |
| Total recognized income and expense for the year | 942 | 44 |
| Group share | 883 | 67 |
| Minority interests | 59 | (23) |

*The restatements are explained in Note 3.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

| Notes | 2014 | 2013 restated* |
|--|----------------------|----------------|
| <i>(in EUR million)</i> | | |
| Group share of net income | 953 | 595 |
| Minority interests in net income | (a) 47 | 37 |
| Share in net income of associates, net of dividends received | (7) (29) | (3) |
| Depreciation, amortization and impairment of assets | (23) 2,132 | 1,879 |
| Gains and losses on disposals of assets | (23) (408) | (99) |
| Unrealized gains and losses arising from changes in fair value and share-based payments | 2 | 34 |
| Changes in inventory | (9) (270) | (133) |
| Changes in trade accounts receivable and payable, and other accounts receivable and payable | (10)(18) 70 | 23 |
| Changes in tax receivable and payable | (16) 45 | (8) |
| Changes in deferred taxes and provisions for other liabilities and charges | (15)(16)(17) (1,179) | (154) |
| Net cash from operating activities | 1,363 | 2,171 |
| Purchases of property, plant and equipment [in 2014: (1,437), in 2013: (1,354)] and intangible assets | (5)(6) (1,568) | (1,419) |
| Increase (decrease) in amounts due to suppliers of fixed assets | (18) 12 | (8) |
| Acquisitions of shares in consolidated companies [in 2014: (69), in 2013: (65)], net of cash acquired | (2) (60) | (79) |
| Acquisitions of other investments | (8) (7) | (37) |
| Increase in investment-related liabilities | (17) 17 | 6 |
| Decrease in investment-related liabilities | (17) (6) | (3) |
| Investments | (1,612) | (1,540) |
| Disposals of property, plant and equipment and intangible assets | (5)(6) 93 | 190 |
| Disposals of shares in consolidated companies, net of cash divested | (2) 878 | 152 |
| Disposals of other investments | (8) 0 | 0 |
| Divestments | 971 | 342 |
| Increase in loans, deposits and short-term loans | (8) (157) | (59) |
| Decrease in loans, deposits and short-term loans | (8) 67 | 42 |
| Change in loans, deposits and short-term loans | (90) | (17) |
| Net cash from (used in) investment and divestment activities | (731) | (1,215) |
| Issues of capital stock | (a) 412 | 662 |
| (Increase) decrease in treasury stock | (a) (137) | 31 |
| Dividends paid | (a) (685) | (654) |
| Transactions with shareholders of parent company | (410) | 39 |
| Minority interests' share in capital increases of subsidiaries | 12 | 4 |
| Acquisitions of minority interests without gain of control | (19) | 0 |
| Disposals of minority interests without loss of control | 0 | 13 |
| Changes in investment-related liabilities following the exercise of put options of minority shareholders | 4 | 0 |
| Dividends paid to minority shareholders by consolidated companies and increase (decrease) in dividends payable | (37) | (58) |
| Transactions with minority interests | (40) | (41) |
| Increase (decrease) in bank overdrafts and other short-term debt | 6 | (577) |
| Increase in long-term debt | (b) 265 | 1,456 |
| Decrease in long-term debt | (b) (1,338) | (1,559) |
| Changes in gross debt | (1,067) | (680) |
| Net cash from (used in) financing activities | (1,517) | (682) |
| Increase (decrease) in cash and cash equivalents | (885) | 274 |
| Net effect of exchange rate changes on cash and cash equivalents | 20 | (75) |
| Net effect from changes in fair value on cash and cash equivalents | 8 | 0 |
| Cash and cash equivalents classified as assets held for sale | 0 | 1 |
| Cash and cash equivalents at beginning of year | 4,350 | 4,150 |
| Cash and cash equivalents at end of year | 3,493 | 4,350 |

*The restatements are explained in Note 3.

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

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

Income tax paid amounted to €461 million in 2014 (2013: €619 million) and interest paid net of interest received amounted to €526 million in 2014 (2013: €555 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 | Capital stock | Additional paid-in capital and legal reserve | Retained earnings and consolidated net income | Translation adjustments | Fair-value reserves | Treasury stock | Shareholders' equity | Minority interests | Total equity |
| At January 1, 2013 published | 531,125,642 | 526,434,577 | 2,125 | 5,699 | 10,313 | (523) | (15) | (181) | 17,418 | 412 | 17,830 |
| Restatements* | | | | | 16 | | | | 16 | | 16 |
| At January 1, 2013 restated* | 531,125,642 | 526,434,577 | 2,125 | 5,699 | 10,329 | (523) | (15) | (181) | 17,434 | 412 | 17,846 |
| Income and expenses recognized directly in equity | | | 0 | 0 | 408 | (958) | 22 | 0 | (528) | (60) | (588) |
| Net income for the year | | | | | 595 | | | | 595 | 37 | 632 |
| Total income and expense for the year | | | 0 | 0 | 1,003 | (958) | 22 | 0 | 67 | (23) | 44 |
| Issues of capital stock | | | | | | | | | | | |
| Group Savings Plan | 4,499,142 | 4,499,142 | 18 | 93 | | | | | 111 | | 111 |
| Stock option plans | 2,685,835 | 2,685,835 | 11 | 67 | | | | | 78 | | 78 |
| Dividends paid in shares | 16,866,171 | 16,866,171 | 67 | 406 | | | | | 473 | | 473 |
| Other | | | | | | | | | 0 | 4 | 4 |
| Dividends paid (EUR 1.24 per share) | | | | | (654) | | | | (654) | (60) | (714) |
| Shares purchased | | (1,799,334) | | | | | | (63) | (63) | | (63) |
| Shares sold | | 2,731,226 | | | (3) | | | 97 | 94 | | 94 |
| Share-based payments | | | | | 14 | | | | 14 | | 14 |
| Changes in Group structure | | | | | (12) | | | | (12) | 12 | 0 |
| At December 31, 2013 restated* | 555,176,790 | 551,417,617 | 2,221 | 6,265 | 10,677 | (1,481) | 7 | (147) | 17,542 | 345 | 17,887 |
| Income and expenses recognized directly in equity | | | 0 | 0 | (528) | 528 | (70) | 0 | (70) | 12 | (58) |
| Net income for the period | | | | | 953 | | | | 953 | 47 | 1,000 |
| Total income and expense for the year | | | 0 | 0 | 425 | 528 | (70) | 0 | 883 | 59 | 942 |
| Issues of capital stock | | | | | | | | | | | |
| Group Savings Plan | 4,303,388 | 4,303,388 | 17 | 128 | | | | | 145 | | 145 |
| Stock option plans | 1,914,199 | 1,914,199 | 8 | 16 | | | | | 24 | | 24 |
| Dividends paid in shares | 6,601,189 | 6,601,189 | 26 | 217 | | | | | 243 | | 243 |
| Other | | | | | | | | | 0 | 12 | 12 |
| Dividends paid (EUR 1.24 per share) | | | | | (685) | | | | (685) | (39) | (724) |
| Shares purchased | | (5,086,047) | | | | | | (187) | (187) | | (187) |
| Shares sold | | 1,235,620 | | | (4) | | | 54 | 50 | | 50 |
| Shares canceled | (6,100,000) | | (24) | (189) | | | | 213 | 0 | | 0 |
| Share-based payments | | | | | 10 | | | | 10 | | 10 |
| Changes in Group structure | | | | | (12) | | | | (12) | 28 | 16 |
| At December 31, 2014 | 561,895,566 | 560,385,966 | 2,248 | 6,437 | 10,411 | (953) | (63) | (67) | 18,013 | 405 | 18,418 |

*The restatements are explained in Note 3.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ACCOUNTING PRINCIPLES AND POLICIES

BASIS OF PREPARATION

The consolidated financial statements of Compagnie de Saint-Gobain and its subsidiaries (“the Group”) have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted for use in the European Union as at December 31, 2014.

The accounting policies applied are consistent with those used to prepare the financial statements for the year ended December 31, 2013, except for the application of the new standards and interpretations described below. The consolidated financial statements have been prepared using the historical cost convention, except for certain assets and liabilities that have been measured using the fair value model as explained in these notes.

The standards, interpretations and amendments to published standards applicable for the first time in 2014 (see table below) do not have a material impact on the Group’s consolidated financial statements. In this respect, the impact of standards IFRS 10, 11 and 12 concerning consolidation, partnerships and information on interests in other entities is presented in Note 3, and the 2013 data referenced in this note have been restated as a result.

The new standards, interpretations and amendments to existing standards applicable to accounting periods starting after January 1, 2015 or later (see table below) have not been adopted in advance by the Group, with the exception of interpretation IFRIC 21, the impact of which is presented in Note 3. The 2013 data referenced in this note have also been restated as a result.

These consolidated financial statements were adopted by the Board of Directors on February 25, 2015 and will be submitted to the Shareholders’ Meeting for approval. They are presented in million euros.

ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the balance sheet and the disclosure of contingent assets and liabilities in the notes to the financial statements, as well as the reported amounts of income and expenses during the period. These estimates and assumptions are based on past experience and on various other factors seen 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), share-based payments (Notes 12, 13 and 14), the measurement of employee benefit obligations (Note 15), deferred taxes (Note 16), provisions for other liabilities and charges (Note 17) and financial instruments (Note 21).

SUMMARY OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

| Standards, interpretations and amendments to existing standards applicable in 2014: | |
|--|--|
| IFRS 10 | Consolidated financial statements |
| IFRS 11 | Joint arrangements |
| IFRS 12 | Disclosure of interests in other entities |
| Amendment to IAS 27 | Separate financial statements |
| Amendment to IAS 28 | Investments in associates and joint ventures |
| Amendment to IAS 32 | Offsetting financial assets and financial liabilities |
| Amendment to IAS 36 | Recoverable amount disclosures for non-financial assets |
| Amendment to IAS 39 | Novation of derivatives and continuation of hedge accounting |
| Amendments to IFRS 10, IFRS12 and IAS 27 | Investment entities |
| Standards, interpretations and amendments to existing standards applicable in advance to 2014 financial statements: | |
| IFRIC 21 | Levies |
| Amendment to IAS 19 | Employee benefits |

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

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 2014 are presented in Note 2 and a list of the principal consolidated companies as at December 31, 2014 is provided in Note 33.

Consolidation methods

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

IFRS 11 eliminated the proportional consolidation method applicable to jointly controlled entities. Partnerships classified as co-enterprise partnerships are henceforth consolidated using the equity method, and items on the balance sheets and income statements of partnerships classified as joint activities are consolidated line by line, for the amount actually contributed the Group.

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

The Group's share of the profit of companies accounted for by the equity method is recognized in the income statement under two different lines. Income of companies accounted for by the equity method whose principal activity is expanding the Group's operational activities is presented in operating income under "share of income of core business associates," and income of other associates is combined under "share of income of non-core business associates" in pre-tax income.

Business combinations

The Group applied IFRS 3 as revised and IAS 27 as amended (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, and recognized within 12 months retroactively at the acquisition date.

The final acquisition price (referred to as “consideration transferred” in the new terminology of IFRS 3R), including, if required, 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 acquisition, i.e., costs that the acquirer incurs to effect a business combination, such as professional fees paid to investment banks, attorneys, auditors, independent appraisers and other consultants, are no longer capitalized as part of the cost of the business combination. They are recognized as expenses incurred for the period and are no longer included in the cost of acquisition.

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 entities accounted for by the equity method or proportionately consolidated companies). Any subsequent increase in ownership interest is recorded as a change in equity without adjusting goodwill.

Goodwill is recorded in the consolidated balance sheet as the difference between the acquisition date fair value price plus the amount of any minority interests in the acquisition - measured either at their fair value (full goodwill method), or as their proportionate interest in the fair value of the net identifiable assets acquired (partial goodwill method) - and the net amount of assets and liabilities at their fair value at the acquisition date. The Group generally applies the partial goodwill method, and consequently the amount of goodwill calculated with the full goodwill method is not material.

Any 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 is recorded as goodwill. Any negative difference between the cost of the acquisition and the fair value of the net assets and liabilities acquired is recognized in the income statement during the year of acquisition.

- *Step acquisitions and partial disposals*

When the Group acquires control of an entity in which it already holds an equity interest, the transaction is treated as a step acquisition (an acquisition in stages), as follows: as a disposal of the entire previously held interest, with recognition of any gain or loss in the consolidated financial statements, and as an acquisition of the entire equity, with recognition of the corresponding goodwill on the entire interest (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: as a disposal of the entire interest, with recognition of any gain or loss in the consolidated financial statements, and as an acquisition of a non-controlling (minority) interest, which is then measured at fair value.

- *Potential voting rights and share purchase commitments*

Potential voting rights conferred by call options on minority interests are taken into account in determining whether the Group exclusively controls an entity only when the Group has the control.

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, minority interests (referred to as “non-controlling interests” in the terminology of IFRS 3R) are considered as a category of shareholders (called the “single economic entity” approach), in accordance with IAS 27A. As a result, changes in minority interests without loss of control 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 are classified as held for sale.

Non-current assets and liabilities held for sale are presented separately on two lines of the consolidated balance sheet, and income and expenses continue to be recognized in the consolidated income statement on a line-by-line basis. In the case of assets and liabilities arising on discontinued operations, the income and expenses 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 held for sale 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 Eurozone 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 assets or liabilities and all foreign operations to which they relate are sold or liquidated. In this case, these translation differences are either 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 minority ownership interest does not result in a loss of control.

Foreign currency transactions

Expenses and income from operations in currencies other than the Company's functional currency are recorded 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 systematically for impairment on an annual basis. Other brands are amortized over their useful lives, not exceeding 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 in the fiscal year in which they are incurred. Development costs meeting the recognition criteria under IAS 38 are included in intangible assets and amortized over their estimated useful lives (not exceeding 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, as well as the impact of 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 if they are significant.

Property, plant and equipment are considered as having no residual value, as they consist for the most part of industrial assets that are intended to be used until the end of their useful lives.

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

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

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

Provisions for site restoration are recognized as components of assets whenever the Group has a legal obligation, implicit or contractual, to restore a site in accordance with contractually determined conditions and in the event of a sudden 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 financial leases that transfer to the Group substantially all of the risks and rewards of ownership (finance) are recognized as property, plant and equipment. They are recorded 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, guarantee deposits and sureties.

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 a decline in value that is other than temporary or material, 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. The recoverable amount is the higher of the asset’s fair value less costs to sell and its value in use, calculated by reference to the net present value of the future cash flows expected to be derived from the asset.

For 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 relevant 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 geographic area. It typically reflects the manner in which the Group organizes its business and analyzes its results for internal reporting purposes (36 CGUs at December 31, 2014, with the loss of the Verallia North America CGU and identification of a Distribution CGU in Latin America).

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 net present value of future cash flows excluding interest but including tax. Cash flows for the last year of the business plan are rolled forward over the following two years. For impairment tests of goodwill, normative cash flows (corresponding to cash flows at the mid-point in the business cycle) are then projected to perpetuity using a low annual growth rate (generally 1.5%, except for emerging markets or businesses with a high organic growth potential where a 2% rate is used). Growth data are supported by external data issued by prominent organizations. The discount rate applied to these cash flows corresponds to the Group’s average cost of capital (7.25% in 2014 and 2013) plus a country risk premium where appropriate depending on the geographic area concerned. The discount rates applied in 2014 for the main operating regions were 7.25% for the Eurozone 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.

Impairment losses on goodwill can never be reversed through income. For property, plant and equipment and other intangible assets, an impairment loss recognized in prior periods may be reversed, taking into account adjustment of amortization, 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 purchase costs, processing costs 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. Inventory costs 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 completion and selling costs. 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, other receivables and other 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 deems that its exposure to concentrations of credit risk is limited due to its diversified business line-up, broad customer base and global presence. Past-due trade receivables are regularly monitored and analyzed, and provisions are set aside when appropriate.

Trade and other accounts receivable and payable are due mainly 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 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 20.

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 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 qualified as fair value hedges and derivatives that do not qualify for hedge accounting during the period are taken to the income statement (in business income for operational foreign exchange derivatives and commodity derivatives not 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 qualified 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 and at the level of risk covered. As the loss or gain on the underlying hedged item offsets the effective portion of the gain or loss on the fair value hedge, 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). 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 derivatives by recording them in a hedging reserve in equity. This 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 derivatives 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. Instruments concerned mainly include cross-currency swaps; gas, currency and interest rate options; currency swaps and forward contracts.

Fair value of financial instruments

The fair value of financial assets and financial liabilities quoted in an active market, when such exists, corresponds to their quoted price, classified as level 1 in the fair value hierarchy defined in standards IFRS 7 and IFRS 13. The fair value of financial assets and financial liabilities not quoted in an active market and not classified as level 1, such as derivatives or financial instruments, 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. This fair value is classified as level 2 as defined in IFRS 7 and IFRS 13 fair value hierarchy.

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

Employee benefits - defined benefit plans

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

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

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

In accordance with the amendment to IAS 19 applicable 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.

Finally, provisions are also set aside on an actuarial basis for some 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 return on the related plan assets are measured by the Group 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.

The parameters applied are the following:

- 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 plan cost under IFRS 2.

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

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

▪ *Group Savings Plans*

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

- the exercise price, as set by the Board of Directors, corresponds to the average of the opening share prices quoted over the twenty trading days preceding the date of grant, less a 20% discount;
- the grant date of the options is the date on which the plan is announced to employees. For Saint-Gobain Group, this is the date when the plan’s terms and conditions are announced on the Group’s intranet;
- the interest rate used to estimate the cost of the lock-up feature of employee share awards is the rate that would be charged by a bank to an individual with an average risk profile for a general purpose five- or ten-year consumer loan repayable at maturity.

Leveraged plan costs are calculated under IFRS 2 in the same way as for non-leveraged plans, but also take into account the specific 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 shares and performance unit grants*

The Group set up a worldwide share grant plan in 2009 whereby each Group employee was awarded seven shares. This plan was fulfilled in the first half of 2014. Since 2009, performance share plans have also 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 as well as performance criteria – which are described in Note 14. Plan costs calculated under IFRS 2 take into account these criteria 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 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 yearly 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 by the Group's companies 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 different sectors and has been used by the Group as its key external and internal management indicator for many years. Foreign exchange gains and losses are included in operating income, as are changes in the fair value of financial instruments that do not qualify for hedge accounting when they relate to operating items. The share of income of associates whose activity is to expand that of the Group is also posted under operating income.

Other business income and expense

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

Business income

Business income includes all income and expenses other than borrowing costs and other financial income and expense, the Group's share in net income of non-core business 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 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 carry-forwards, 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.

For investments in subsidiaries, deferred tax is recognized on the difference between the consolidated carrying amount of the investments and their tax basis when it is probable that the temporary difference will reverse in the foreseeable future.

Deferred taxes are recognized as income or expense in the income statement, unless 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 of the Group outstanding during the period, excluding treasury stock.

Diluted earnings per share are calculated by adjusting earnings per share (see Note 26) and the average number of shares outstanding 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 25.

PERFORMANCE INDICATORS

EBITDA

EBITDA corresponds to operating income before depreciation and amortization of property, plant and equipment and intangible assets.

The method used for calculating EBITDA is explained in Note 25.

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 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 requirements, 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 25.

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 25.

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 2014 compared with prior years.

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

| | France | Outside France | Total |
|---|------------|----------------|------------|
| Fully consolidated companies | | | |
| At January 1, 2014 published | 162 | 684 | 846 |
| At January 1, 2014 restated by IFRS 10 and 11 | 163 | 685 | 848 |
| Newly consolidated companies | 1 | 25 | 26 |
| Merged companies | -3 | -66 | -69 |
| Deconsolidated companies | -1 | -7 | -8 |
| Change in consolidation method | | 6 | 6 |
| At December 31, 2014 | 160 | 643 | 803 |
| Companies accounted for by the equity method | | | |
| At January 1, 2014 published | 4 | 68 | 72 |
| At January 1, 2014 restated by IFRS 10 and 11 | 6 | 90 | 96 |
| Newly consolidated companies | | 7 | 7 |
| Merged companies | | -4 | -4 |
| Deconsolidated companies | -1 | -3 | -4 |
| Change in consolidation method | | -6 | -6 |
| At December 31, 2014 | 5 | 84 | 89 |
| Total at January 1, 2014 | 169 | 775 | 944 |
| Total at December 31, 2014 | 165 | 727 | 892 |

Significant changes in Group structure**2014**

On December 8, 2014, the Group announced its plan to acquire control of Sika, the global leader in construction chemicals. The plan consists of the Group acquiring the holding company Schenker Winkler Holding AG, which holds 16.1% of Sika's share capital and 52.4% of its voting rights. This deal is subject to authorization by the competent anti-trust authorities and is envisioned for no later than the second half of 2015. In accordance with the Group's currency risk hedging policy, an amount of CHF 2.75 billion was hedged in euros.

Following authorization given by the Board of Directors, on 8 December 2014 the Group also announced a plan to launch a competitive process for the sale of the Packaging Sector. As at December 31, 2014, however, no active plan for the sale had been commenced, as a result of which the sale of the Packaging Sector does not meet the criteria for classification as a "disposal group held for sale" according to the IFRS 5 definition. The Saint-Gobain Group has structured itself over the first quarter of 2015 in order to have the elements required for launching the active sale of this business. The formal competitive process will commence at the beginning of March 2015 and, after consultation with staff representative bodies, it is intended that an agreement with a purchaser will be reached before summer 2015.

On January 17, 2013, Compagnie de Saint-Gobain signed an agreement with Ardagh for the disposal of Verallia North America (Saint-Gobain Containers, Inc. and subsidiaries), effective April 11, 2014, through the effective sale of all shares of Verallia North America to the Ardagh group based on an enterprise value of US\$1,694 million (€1,275 million). Saint-Gobain, Ardagh, and the Pension Benefit Guaranty Corporation (PCBG) have also reached a settlement agreement regarding financing of the defined benefit plans for employees of Saint-Gobain Containers, Inc. At December 31, 2013, the assets and liabilities of Verallia North America (Saint-Gobain Containers, Inc. and subsidiaries) were classified among assets and liabilities held for

purposes of sale on the consolidated balance sheet, in accordance with IFRS 5.

2013

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

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

Impact on consolidated balance sheet

In 2014, the impact of changes to the scope and method of consolidation on items in the consolidated balance sheet was as follows:

| | Companies consolidated for the first time | Companies removed from the scope of consolidation | Total |
|---|---|--|--------------|
| <i>(in EUR million)</i> | | | |
| Impact on assets | | | |
| Non-current assets | 141 | (84) | 57 |
| Inventories | 30 | (47) | (17) |
| Trade accounts receivable | 17 | (44) | (27) |
| Other current assets excluding cash and cash equivalents | 9 | (982) | (973) |
| | 197 | (1,157) | (960) |
| Impact on equity and liabilities | | | |
| Shareholders' equity and minority interests | 20 | 396 | 416 |
| Provisions for pensions and other employee benefits | 1 | (9) | (8) |
| Non-current liabilities | 23 | (12) | 11 |
| Trade accounts payable | 10 | (16) | (6) |
| Other payables and accrued expenses | 13 | (482) | (469) |
| | 67 | (123) | (56) |
| Enterprise value of consolidated companies acquired/divested (a) | 130 | (1,034) | (904) |
| Impact on Group net debt* | | | |
| Impact on cash and cash equivalents | (9) | 5 | (4) |
| Impact on debt excluding cash and cash equivalents (b) | 70 | (156) | (86) |
| | 61 | (151) | (90) |
| Acquisitions/disposals of shares in consolidated companies net of cash acquired/divested (a) - (b) | 60 | (878) | (818) |

NOTE 3 – IMPACT OF CHANGES IN ACCOUNTING METHODS

Impacts of the initial application of IFRS 10, “consolidated statements”, and IFRS 11, “partnerships”

Standards IFRS 10 and 11 concerning consolidation and partnerships apply on a mandatory basis as of January 1, 2014, retrospectively to the current fiscal years. Implementation of these standards required the Group to analyze its scope of consolidation and resulted in a change in the consolidation method of most entities subject to proportional consolidation, which will henceforth be consolidated using the equity method. This change explains the €168 million increase in the “securities consolidated under the equity method” item in the 2013 balance sheet restatements.

As part of the implementation of IFRS 11, the Group changed the classification of equity method contributions on the income statement. Income from associates whose activity is to expand the Group’s activity is presented on the line “share of income of business associates”, with the others on the line “share of income of non-business associates”.

Impacts of the initial application of IFRS 12, “disclosure of interests in other entities”

Non-controlling interests do not constitute a significant share of the Group’s consolidated financial statements for fiscal years 2014 and 2013.

Impacts of the initial application of the interpretation IFRIC 21 “fees or taxes”

On May 20, 2013, the IASB published a new interpretation covering taxes withheld by a public authority. This interpretation was adopted by the European Union on June 13, 2014 for mandatory application in fiscal years commencing as of June 17, 2014.

The Group decided to apply this recommendation in advance starting January 1, 2014. The impact essentially lies in a different expense allocation at interim period ends. In effect, taking the due date of taxes into strict account results in a full recognition of expenses on this date, rather than spreading them out over the year. The consolidated financial statements of December 31, 2013 were adjusted to allow for the comparison.

The impact of changes in accounting methods on each of the financial statements is presented below:

- *Impact on the consolidated balance sheet*

The balance sheet at December 31, 2013 has been restated as follows:

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

- *Impact on the consolidated income statement*

The impact on the 2013 consolidated income statement can be summarized as follows:

| <i>(in EUR million)</i> | 2013 published | Impact IFRS 10 and 11 | Impact IFRIC 21 | 2013 restated |
|---|-----------------------|----------------------------------|----------------------------|----------------------|
| Net sales and additional proceeds | 42,025 | (264) | | 41,761 |
| Operating income | 2,764 | (10) | | 2,754 |
| Business income | 1,891 | (8) | | 1,883 |
| Financial income | (795) | 5 | 0 | (790) |
| Consolidated net income | 631 | 1 | | 632 |
| Attributed to equity holders of the parent | 595 | 0 | 0 | 595 |
| Minority interests | 36 | 1 | 0 | 37 |

▪ *Impact on the statement of recognized income and expense*

The impact on the 2013 consolidated statement of recognized income and expense can be summarized as follows:

| <i>(in EUR million)</i> | 2013 published | Impact IFRS 10 and 11 | Impact IFRIC 21 | 2013 restated |
|--|----------------|--------------------------|-----------------|---------------|
| Consolidated net income | 631 | 1 | 0 | 632 |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | | | |
| Translation adjustments | (1,018) | 0 | 0 | (1,018) |
| Changes in fair value | 22 | 0 | 0 | 22 |
| Tax on items that may be subsequently reclassified to profit or loss | (28) | 0 | 0 | (28) |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Changes in actuarial gains and losses | 696 | 0 | 0 | 696 |
| Tax on items that will not be reclassified to profit or loss | (260) | 0 | 0 | (260) |
| Income and expense recognized directly in equity | (588) | 0 | 0 | (588) |
| Total income and expense for the year | 43 | 1 | 0 | 44 |
| Attributable to equity holders of the parent | 67 | 0 | 0 | 67 |
| Minority interests | (24) | 1 | 0 | (23) |

▪ *Impact on the consolidated statement of cash flows*

The impact on the 2013 consolidated statement of cash flows can be summarized as follows:

| <i>(in EUR million)</i> | 2013 published | Impact IFRS 10 and 11 | Impact IFRIC 21 | 2013 restated |
|--|----------------|--------------------------|-----------------|----------------|
| Net income attributable to equity holders of the parent | 595 | 0 | 0 | 595 |
| Other profit or loss items | 1,865 | (17) | 0 | 1,848 |
| Change in working capital | (121) | 3 | 0 | (118) |
| Changes in deferred taxes and provisions for other liabilities and charges | (153) | (1) | 0 | (154) |
| Net cash from operating activities | 2,186 | (15) | 0 | 2,171 |
| Net cash from (or used in) investing activities | (1,231) | 16 | 0 | (1,215) |
| Net cash from (or used in) financing activities | (664) | (18) | 0 | (682) |
| Increase (decrease) in cash | 291 | (17) | 0 | 274 |
| Net effect of exchange rate changes on cash | (80) | 5 | 0 | (75) |
| Net effect from changes in fair value on cash | 0 | 0 | 0 | 0 |
| Cash and cash equivalents classified as assets held for sale | 1 | 0 | 0 | 1 |
| Cash and cash equivalents at beginning of year | 4,179 | (29) | 0 | 4,150 |
| Cash and cash equivalents at end of year | 4,391 | (41) | 0 | 4,350 |

NOTE 4 – GOODWILL

| | 2014 | 2013 restated |
|--|---------------|----------------------|
| <i>(in EUR million)</i> | | |
| At January 1 | | |
| Gross value | 11,403 | 11,750 |
| Accumulated impairment | (1,002) | (829) |
| Net value | 10,401 | 10,921 |
| Movements during the year | | |
| Changes in Group structure | 43 | 12 |
| Reclassification to assets held for sale | 0 | 8 |
| Impairment | (360) | (216) |
| Translation adjustments | 378 | (324) |
| Total | 61 | (520) |
| At December 31 | | |
| Gross value | 11,899 | 11,403 |
| Accumulated impairment | (1,437) | (1,002) |
| Net | 10,462 | 10,401 |

In 2014, movements in goodwill mainly arose from impairment charged in the Construction and Building Distribution Sectors and translation adjustments. In 2013, movements in goodwill mainly arose from impairment of goodwill in the Building Distribution Sector and translation adjustments.

The net values of goodwill are detailed in the table below:

| | At Dec. 31, 2014 | At Dec. 31, 2013 |
|----------------------------|-----------------------------|-----------------------------|
| <i>(in EUR million)</i> | | |
| Flat Glass | 261 | 248 |
| High Performance Materials | 1,434 | 1,285 |
| Construction Products | 5,770 | 5,674 |
| Building Distribution | 2,942 | 3,135 |
| Packaging | 55 | 59 |
| Total | 10,462 | 10,401 |

Goodwill is allocated mainly to the Construction Products Sector, and chiefly relates to Gypsum (€3,356 million at December 31, 2014), Industrial Mortars (€1,915 million at December 31, 2014) and the Building Distribution Sector, 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 32.

Goodwill impairment test

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

In the first half of 2014, impairments recorded of €253 million are linked to the restructuring projects launched during this period, chiefly in Flat Glass in Europe, Pipe Systems in China and Spain, and to impairment of goodwill in the Building Distribution Sector in the USA (taking into account lower sales) and in Spain (taking into account the downturn there in the construction market). The tests carried out in the second half of 2014 led to an additional impairment of goodwill of €107 million, essentially linked to persistent problems in the housing fitting market in France, which led to additional impairment of net residual goodwill being recorded of €99 million, and an impairment of €136 million on unamortizable brands on Lapeyre Europe.

The breakdown of impairments on assets by Sector for fiscal years 2014 and 2013 is provided in the segment information tables in Note 32.

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

- 0.5 point increase or decrease in the discount rate applied to cash flows.
- 0.5 point increase or decrease in the annual average rate of growth in cash flows projected to perpetuity;
- 1 point decrease in the operating profit rate for industrial activities and of 0.5 points for distribution activities.

As at December 31, 2014, a 0.5 point decrease in the discount rate for all the CGUs would lead to approximately €98 million in additional write-downs of intangible assets, while the impact of a 0.5 point decrease in the average annual cash flow growth rate, projected to perpetuity, applied to all the CGUs would result in additional write-downs of intangible assets of around €83 million. The impact of a 1 point decrease in the operating profit rate for all industrial CGUs would have generated additional write-downs of the Group's intangible assets of roughly €29 million, and a 0.5 point decrease of the rate for distribution activities would have generated an additional write-down of €80 million.

| <i>(in EUR million)</i> | Impact of | | | |
|----------------------------|--|--------------------------|---------------------------------------|---|
| | +0.5% in the discount rate applied to cash flows | -0.5% in the growth rate | -1 point in the operating profit rate | -0.5 point in the operating profit rate |
| Flat Glass * | (28) | (24) | (29) | (21) |
| High Performance Materials | | | | |
| Construction Products | | | | |
| Building Distribution | (70) | (59) | | (59) |
| Packaging | | | | |
| Total | (98) | (83) | (29) | (80) |

*The €21 million refers solely to the distribution activity of Flat Glass (Glassolutions).

NOTE 5 – OTHER INTANGIBLE ASSETS

| | Patents | Non-amortizable brands | Software | Development costs | Other | Total |
|--|------------|------------------------|------------|-------------------|-------------|--------------|
| <i>(in EUR million)</i> | | | | | | |
| At January 1, 2013 restated | | | | | | |
| Gross value | 140 | 2,806 | 869 | 118 | 338 | 4,271 |
| Accumulated amortization and impairment | (112) | | (715) | (65) | (186) | (1,078) |
| Net | 28 | 2,806 | 154 | 53 | 152 | 3,193 |
| Movements during the year | | | | | | |
| Changes in Group structure and reclassifications | 1 | (1) | 6 | (4) | (15) | (13) |
| Reclassification to assets held for sale | 0 | 0 | 2 | 0 | 0 | 2 |
| Acquisitions | 3 | | 55 | 22 | 22 | 102 |
| Disposals | 0 | | (1) | 0 | (2) | (3) |
| Translation adjustments | (1) | (39) | (7) | (1) | (6) | (54) |
| Amortization and impairment | (4) | | (64) | (20) | (11) | (99) |
| Total movements | (1) | (40) | (9) | (3) | (12) | (65) |
| At December 31, 2013 restated | | | | | | |
| Gross value | 139 | 2,766 | 889 | 127 | 315 | 4,236 |
| Accumulated amortization and impairment | (112) | | (744) | (77) | (175) | (1,108) |
| Net | 27 | 2,766 | 145 | 50 | 140 | 3,128 |
| Movements during the year | | | | | | |
| Changes in Group structure and reclassifications | 0 | | 2 | 1 | 11 | 14 |
| Acquisitions | 0 | | 88 | 13 | 30 | 131 |
| Disposals | 0 | | (1) | (1) | (1) | (3) |
| Translation adjustments | 1 | 54 | 0 | 2 | 7 | 64 |
| Amortization and impairment | (4) | (145) | (60) | (25) | (15) | (249) |
| Total movements | (3) | (91) | 29 | (10) | 32 | (43) |
| At December 31, 2014 | | | | | | |
| Gross value | 149 | 2,821 | 969 | 121 | 365 | 4,425 |
| Accumulated amortization and impairment | (125) | (146) | (795) | (81) | (193) | (1,340) |
| Net | 24 | 2,675 | 174 | 40 | 172 | 3,085 |

The “Other” column includes amortizable manufacturing brands totaling €48 million at December 31, 2014 (December 31, 2013: €47 million).

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

| | Land and quarries | Buildings | Machinery and equipment | Assets under construction | Total |
|--|----------------------|--------------|----------------------------|------------------------------|----------------|
| <i>(in EUR million)</i> | | | | | |
| At January 1, 2013, restated | | | | | |
| Gross value | 2 496 | 8 655 | 21 115 | 1 431 | 33 697 |
| Accumulated depreciation and impairment | (451) | (4 682) | (14 953) | (100) | (20 186) |
| Net | 2 045 | 3 973 | 6 162 | 1 331 | 13 511 |
| Movements during the year | | | | | |
| Changes in Group structure and reclassifications | 17 | (24) | 20 | (15) | (2) |
| Reclassification to assets held for sale | 1 | 4 | (61) | (1) | (57) |
| Acquisitions | 17 | 49 | 258 | 993 | 1 317 |
| Disposals | (42) | (63) | (31) | (16) | (152) |
| Translation adjustments | (69) | (157) | (303) | (86) | (615) |
| Depreciation and impairment | (35) | (330) | (1 192) | (7) | (1 564) |
| Transfers | | 231 | 910 | (1 141) | 0 |
| Total movements | (111) | (290) | (399) | (273) | (1 073) |
| At December 31, 2013, restated | | | | | |
| Gross value | 2 392 | 8 489 | 20 900 | 1 113 | 32 894 |
| Accumulated depreciation and impairment | (458) | (4 806) | (15 137) | (55) | (20 456) |
| Net | 1 934 | 3 683 | 5 763 | 1 058 | 12 438 |
| Movements during the year | | | | | |
| Changes in Group structure and reclassifications | 42 | 51 | 76 | (4) | 165 |
| Acquisitions | 31 | 86 | 300 | 1 020 | 1 437 |
| Disposals | (29) | (25) | (43) | (7) | (104) |
| Translation adjustments | 40 | 70 | 101 | 33 | 244 |
| Depreciation and impairment | (32) | (336) | (1 149) | (6) | (1 523) |
| Transfers | | 227 | 804 | (1 031) | 0 |
| Total movements | 52 | 73 | 89 | 5 | 219 |
| At December 31, 2014 | | | | | |
| Gross value | 2 476 | 8 806 | 21 413 | 1 114 | 33 809 |
| Accumulated depreciation and impairment | (490) | (5 050) | (15 561) | (51) | (21 152) |
| Net | 1 986 | 3 756 | 5 852 | 1 063 | 12 657 |

In 2014, other movements in property, plant and equipment included assets acquired under finance leases for an amount of €12 million (December 31, 2013: €18 million). These finance leases are not included in the cash flow statement, in accordance with IAS 7. At December 31, 2014, total property, plant and equipment acquired under finance leases amounted to €72 million (December 31, 2013: €77 million) (see Note 27).

NOTE 7 – INVESTMENTS IN ASSOCIATES

| | 2014 | 2013 restated |
|---|-------------|----------------------|
| <i>(in EUR million)</i> | | |
| At January 1 | | |
| Equity in associates | 338 | 320 |
| Goodwill | 46 | 50 |
| Investments in associates | 384 | 370 |
| Movements during the year | | |
| Changes in Group structure | (22) | 18 |
| Translation adjustments | (2) | (33) |
| Transfers, share issues and other movements | (4) | 27 |
| Dividends paid | (16) | (20) |
| Group share in net income of associates | 46 | 22 |
| Total movements during the period | 2 | 14 |
| At December 31 | | |
| Equity in associates | 355 | 338 |
| Goodwill | 31 | 46 |
| Investments in associates | 386 | 384 |

The principal financial aggregates of associates are as follows:

| <i>(en millions d'euros)</i> | 2014 | | 2013 restated | |
|------------------------------|-------------|------------|----------------------|------------|
| | Associates | Affiliates | Associates | Affiliates |
| Net sales | 797 | 678 | 855 | 717 |
| Net income | 31 | 76 | 34 | 27 |
| Shareholders' equity | 623 | 359 | 603 | 403 |
| Total assets and liabilities | 1,145 | 579 | 1,110 | 804 |

NOTE 8 – OTHER NON-CURRENT ASSETS

| | Available-for- sale and other securities | Loans, deposits and surety | Pension plan surpluses | Total |
|--|--|----------------------------------|---------------------------|------------|
| <i>(in EUR million)</i> | | | | |
| At January 1, 2013 restated | | | | |
| Gross value | 59 | 311 | 57 | 427 |
| Provisions for impairment in value | (18) | (5) | | (23) |
| Net | 41 | 306 | 57 | 404 |
| Movements during the year | | | | |
| Changes in Group structure | (16) | 2 | | (14) |
| Increases / (decreases) | 37 | 17 | 21 | 75 |
| Provisions for impairment in value | 0 | 1 | | 1 |
| Translation adjustments | (2) | (21) | (1) | (24) |
| Transfers and other movements | (2) | 14 | | 12 |
| Total movements during the period | 17 | 13 | 20 | 50 |
| At December 31, 2013 restated | | | | |
| Gross value | 74 | 325 | 77 | 476 |
| Provisions for impairment in value | (16) | (6) | | (22) |
| Net | 58 | 319 | 77 | 454 |
| Movements during the year | | | | |
| Changes in Group structure | (32) | (94) | | (126) |
| Increases / (decreases) | 26 | 90 | 55 | 171 |
| Provisions for impairment in value | 0 | (1) | | (1) |
| Translation adjustments | 0 | 3 | 5 | 8 |
| Transfers and other movements | 0 | 140 | | 140 |
| Total movements during the period | (6) | 138 | 60 | 192 |
| At December 31, 2014 | | | | |
| Gross value | 66 | 462 | 137 | 665 |
| Provisions for impairment in value | (14) | (5) | | (19) |
| Net | 52 | 457 | 137 | 646 |

In 2014, changes in “transfers and other movements” of loans, deposits and surety are chiefly linked to reclassification of the long-term portion of the Tax Credit for Competitiveness and Employment (Crédit d’Impôt pour la Compétitivité et l’Emploi (CICE)) and the Research Tax Credit (Crédit Impôt Recherche (CIR)). The short-term portion is entered under other current receivables.

As discussed in Note 1, available-for-sale and other securities are measured at fair value.

NOTE 9 – INVENTORIES

| <i>(in EUR million)</i> | December 31, 2014 | December 31, 2013 restated |
|---|------------------------------|---------------------------------------|
| Gross value | | |
| Raw materials | 1,483 | 1,397 |
| Work in progress | 261 | 247 |
| Finished goods | 4,983 | 4,791 |
| Gross inventories | 6,727 | 6,435 |
| Provisions for impairment in value | | |
| Raw materials | (153) | (143) |
| Work in progress | (10) | (9) |
| Finished goods | (272) | (330) |
| Provisions for impairment in value | (435) | (482) |
| Net | 6,292 | 5,953 |

In 2014, cost of sales came to €31,075 million (2013: €31,795 million).

Impairment losses on inventories recorded in the 2014 income statement totaled €168 million (2013: €158 million). Impairment reversals, due to increases in the net realizable value of inventories, amounted to €132 million in 2014 (2013: €123 million) and were recorded as a deduction from impairment losses for the year.

NOTE 10 – TRADE AND OTHER ACCOUNTS RECEIVABLE

| <i>(in EUR million)</i> | December 31, 2014 | December 31, 2013 restated |
|---|------------------------------|---------------------------------------|
| Gross value | 5,393 | 5,357 |
| Provisions for impairment in value | (470) | (500) |
| Trade accounts receivable | 4,923 | 4,857 |
| Advances to suppliers | 537 | 547 |
| Prepaid payroll taxes | 26 | 21 |
| Other prepaid and recoverable taxes (other than income tax) | 367 | 349 |
| Other | 431 | 402 |
| Of which: | | |
| France | 95 | 96 |
| Other Western European countries | 148 | 149 |
| North America | 13 | 15 |
| Emerging countries and Asia | 175 | 142 |
| Provisions for impairment in value | (5) | (4) |
| Other receivables | 1,356 | 1,315 |

The change in impairment provisions for trade accounts receivable in 2014 primarily reflects €103 million in additions (2013: €125 million) and €135 million in reversals (2013: €102 million) - resulting from recoveries as well as write-offs. Bad debt write-offs are also reported under this caption for €82 million (2013: €83 million).

Net past-due trade receivables amounted to €968 million at December 31, 2014, after deducting provisions of €393 million (December 31, 2013: €932 million, after deducting provisions of €426 million), including €235 million over three months past due (December 31, 2013: €208 million).

NOTE 11 – EQUITY

Number of shares outstanding

At December 31, 2014, Compagnie de Saint-Gobain's capital stock comprised 561,895,566 shares of common stock with a par value of €4 each, all in the same class (December 31, 2013: 555,176,790 shares). At December 31, 2014, capital stock comprised a single share class.

During 2014, 4,303,388 new shares were issued to members of the 2014 Group Savings Plan at a price of €33.89, representing total proceeds of €145 million.

Treasury stock

Saint-Gobain shares held by Compagnie de Saint-Gobain and Saint-Gobain Corporation are shown as a deduction from equity under "Treasury stock" at acquisition cost. At December 31, 2014, 1,509,600 shares were held in treasury (December 31, 2013: 3,759,173 shares). 5,086,047 shares were bought back by the Group on the market during 2014 (2013: 1,799,334 shares) and 1,235,620 shares were sold (2013: 2,731,226 shares). Finally, 6,100,000 shares were canceled in 2014 and none in 2013.

The liquidity contract set up with EXANE BNP PARIBAS on November 16, 2007 was rolled over in 2014 and 2013. In addition, for the purposes of a compensation plan set up in January 2008 for certain employees in the United States, Compagnie de Saint-Gobain shares are held by a trust administered by Wachovia Bank, National Association. In the consolidated financial statements of the Group, these shares are treated as being controlled by Saint-Gobain Corporation.

NOTE 12 – STOCK OPTION PLANS

Compagnie de Saint-Gobain has stock option plans available to certain employees.

The Board of Directors grants options to grantees which are exercisable for Saint-Gobain shares at a price based on the average share price for the 20 trading days preceding the grant date. Since 1999, no stock options have been granted at a discount to the average price.

Since the November 2007 plan, all stock options are subject to a four-year vesting period. Under earlier plans, the vesting period was three years for non-residents and four years for tax residents. During this period, none of the options received may be exercised. Options must be exercised within 10 years of the date of grant. All rights to options are forfeited if the holder leaves the Group, unless expressly agreed otherwise by both the Chairman and Chief Executive Officer of Compagnie de Saint-Gobain and the Appointments, Compensation and Governance Committee of the Board of Directors.

Among the options current as at December 31, 2014, the options granted between 2005 and 2007 and in 2012 are subscription options for new shares. For plans launched between 2008 and 2011 and in 2013 and 2014, the Board of Directors has decided that it would determine the type of option, for subscription or purchase of shares, at the latest at the end of the vesting period, with any options exercised before the decision is made being exercised for new shares. The Board of Directors decided that options granted under the 2008, 2009 and 2010 plans would be exercisable for new shares.

Until 2008, options were subject to a performance condition for certain grantees only. Since 2009, the plans have been subject to a performance condition for all grantees.

For options granted under the 2014 plan, the value used to calculate the 30% *contribution sociale* tax due by grantees employed by French companies in the Group is €2.58 per option granted.

The following table presents changes in the number of outstanding options:

| | EUR 4 par value shares | Average exercise price (in EUR) |
|---|---------------------------|------------------------------------|
| Options outstanding at December 31, 2012 | 24,381,403 | 42.46 |
| Options granted | 247,250 | 38.80 |
| Options exercised | (2,497,850) | 31.26 |
| Options forfeited | (667,106) | 32.26 |
| Options outstanding at December 31, 2013 | 21,463,697 | 44.05 |
| Options granted | 234,550 | 34.13 |
| Options exercised | (718,204) | 33.38 |
| Options forfeited* | (4,797,204) | 38.41 |
| Options outstanding at December 31, 2014 | 16,182,839 | 46.04 |

* of which 3,679,814 options granted under the 2004 plan that had not been exercised when the plan expired on November 17, 2014, and 1,117,390 options granted under the 2010 plan that had lapsed as a result of failure to meet the performance conditions.

Stock option expense recorded in the income statement amounted to €2 million in 2014 (2013: €4 million). The fair value of options granted in 2014 amounted to €1 million.

The table below summarizes information about stock options outstanding at December 31, 2014, after taking into account partial fulfillment of the performance criteria attached to certain plans.

| Grant date | Options exercisable | | | Options not exercisable | | Total options outstanding | Type of options |
|--------------|----------------------------|----------------------|---|----------------------------|----------------------|------------------------------|---------------------------|
| | Exercise price (in EUR) | Number of options | Weighted average contractual life (in months) | Exercise price (in EUR) | Number of options | Number of options | |
| 2005 | 41.34 | 4,006,958 | 11 | | | 4,006,958 | Subscription |
| 2006 | 52.52 | 4,306,454 | 23 | | | 4,306,454 | Subscription |
| 2007 | 64.72 | 3,403,171 | 35 | | | 3,403,171 | Subscription |
| 2008 | 25.88 | 2,382,465 | 47 | | | 2,382,465 | Subscription |
| 2009 | 36.34 | 909,341 | 59 | | | 909,341 | Subscription |
| 2010 | 35.19 | 0 | 71 | | | 0 | Subscription |
| 2011 | | | 83 | 31.22 | 459,650 | 459,650 | Subscription or Purchase* |
| 2012 | | | 95 | 27.71 | 243,000 | 243,000 | Subscription |
| 2013 | | | 107 | 38.80 | 237,250 | 237,250 | Subscription or Purchase* |
| 2014 | | | 119 | 34.13 | 234,550 | 234,550 | Subscription or Purchase* |
| Total | | 15,008,389 | | | 1,174,450 | 16,182,839 | |

*2011, 2013 and 2014 plans: see text above.

At December 31, 2014, 15,008,389 stock options were exercisable (at an average exercise price of €47.09) and 1,174,450 options (average exercise price €32.61) had not yet vested.

NOTE 13 – GROUP SAVINGS PLAN

The Group Savings Plan (“PEG”) is an employee stock purchase plan open to all Group employees in France and 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 2014, the Group issued 4,303,388 shares with a par value of €4 (2013: 4,499,142 shares) to members of the PEG, for a total of €145 million (2013: €111 million).

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

- *Standard plans*

Under the standard plans, eligible employees are offered the opportunity to invest in Saint-Gobain stock at a 20% discount. The stock is subject to a 5- or 10-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 2014 (2013: €0 million), net of the lock-in cost for employees of €27 million (2013: €20 million).

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

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

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

- *Leverage plans*

No leveraged plans were set up in 2014 or 2013.

NOTE 14 – PERFORMANCE SHARE AND PERFORMANCE UNIT PLANS

Performance share plans

Various performance share plans have been set up by Saint-Gobain since 2009.

As of December 31, 2014, five performance share plans were outstanding:

- A performance share plan for eligible employees and officers of the Group in France and abroad authorized by the Board of Directors on November 18, 2010. The shares were subject to service and performance conditions, which were partially met. This plan consists of 737,550 performance share rights, as follows:
 - for eligible Group employees in France, the vesting period ended on March 29, 2013 and the shares were delivered on March 30, 2013 (185,905 shares were delivered, to which 590 shares delivered in advance must be added). 126,565 rights were forfeited because the performance conditions were not fully met and 12,000 rights were forfeited due to the grantees leaving the Group. The vesting period has been followed by a two-year lock-up, such that the shares may not be sold until March 31, 2015, except in the case of the grantee's death or disability.
 - for eligible Group employees in all other countries, the vesting period will end on March 30, 2015 and the shares will be delivered on March 31, 2015 (249,520 shares will be potentially deliverable, to which must be added the 700 shares delivered in advance). 143,320 rights were forfeited because the performance conditions were not fully met and 18,950 rights were forfeited due to the grantees leaving the Group. No lock-up period will apply.
- A performance share plan for eligible employees and officers of the Group in France and abroad authorized by the Board of Directors on November 24, 2011. The shares were subject to service and performance conditions, which were partially met. This plan consists of 942,920 performance share rights, as follows:
 - for eligible Group employees in France, the vesting period ended on March 29, 2014 and the shares were delivered on March 30, 2014 (172,682 shares delivered, to which must be added the 2,813 shares delivered in advance). 238,313 rights were forfeited because the performance conditions were not fully met and 1,752 rights were forfeited due to the grantees leaving the Group. The vesting period will be followed by a two-year lock-up, such that the shares may not be sold until March 31, 2016 except in the case of the grantee's death or disability;
 - for eligible Group employees in all other countries, the vesting period will end on March 30, 2016 and the shares will be delivered on March 31, 2016 (238,756 shares will be potentially deliverable, to which must be added 170 shares delivered in advance). 279,634 rights were forfeited because the performance conditions were not fully met and 8,800 rights were forfeited due to the grantees leaving the Group. No lock-up period will apply.
- A performance share plan for eligible employees and officers of the Group in France and abroad authorized by the Board of Directors on November 22, 2012. The shares are subject to service and performance conditions. This plan consists of a total of 542,370 performance share rights, of which 250 were delivered in advance. The vesting period will end on November 21, 2016 and the shares will be delivered on November 22, 2016. No lock-up period will apply.
- A performance share plan for eligible employees and officers of the Group outside France authorized by the Board of Directors on November 21, 2013. The shares are subject to service and performance conditions. This plan consists of a total of 541,655 performance share rights. The vesting period will end on November 20, 2017 and the shares will be delivered on November 21, 2017. No lock-up period will apply.

- A performance share plan for eligible employees and officers of the Group outside France authorized by the Board of Directors on November 20, 2014. The shares are subject to service and performance conditions. This plan consists of a total of 530,240 performance share rights. The vesting period will end on November 19, 2018 and the shares will be delivered on November 20, 2018. No lock-up period will apply.

The table below shows changes in the number of performance share rights:

| | Number of rights |
|--|-------------------------|
| Number of performance share rights at December 31, 2012 | 2,665,846 |
| Performance share rights granted in November 2013 | 541,655 |
| Shares issued/delivered | (188,055) |
| Lapsed and canceled rights | (1,960) |
| Number of performance share rights at December 31, 2013 | 3,017,486 |
| Performance share rights granted in November 2014 | 530,240 |
| Shares issued/delivered | (1,196,844) |
| Lapsed and canceled rights | (248,591) |
| Number of performance share rights at December 31, 2014 | 2,102,291 |

The fair value of the performance shares corresponds to the Saint-Gobain share price on the grant date less (i) the value of dividends not payable on the shares during the vesting period, and (ii) as for the Group Savings Plan, less the discount on restricted stock (i.e., stock subject to a 4-year lock-up), which has been estimated at around 30%. The compensation cost is recognized over the 2- or 4-year vesting period of the performance shares.

The cost recorded in the income statement in 2014 for the two plans amounted to €8 million (2013: €10 million).

The following table shows the expected dates when vested performance shares will be issued/delivered under the five plans, except in the case of the grantee's death or disability, and service and performance conditions remaining to be fulfilled:

| Grant date | Number of rights at December 31, 2014 | End of vesting period | Type of rights |
|-------------------|--|------------------------------|-----------------------|
| November 18, 2010 | 249,520 | end of March 2015 | transmitting |
| November 24, 2011 | 238,756 | end of March 2016 | transmitting |
| November 22, 2012 | 542,120 | end of November 2016 | existing |
| November 21, 2013 | 541,655 | end of November 2017 | existing |
| November 20, 2014 | 530,240 | end of November 2018 | existing |
| Total | 2,102,291 | | |

Performance unit plans

Performance unit plans were set up in 2012, 2013 and 2014. The units are subject to service and performance conditions. The units will not give rise to the allocation of new or existing shares of the Company, but will entitle grantees to deferred cash compensation determined by reference to the Company's share price.

As of December 31, 2014, three performance plans were outstanding:

- A long-term incentive plan involving the award of performance units for certain eligible employees and officers of the Group in France, approved in principle by the Board of Directors on November 22, 2012. This plan consists of 536,400 performance units which may be exercised from November 22, 2016 to November 21, 2022, subject to service and performance conditions. At the end of 2014, 13,600 performance units had been exercised in advance;
- A long-term incentive plan involving the award of performance units for certain eligible employees and officers of the Group in France, approved in principle by the Board of Directors on November 21, 2013. This plan consists of 588,535 performance units which may be exercised from November 21, 2017 to November 20, 2023, subject to service and performance conditions. At the end of 2014, 16,500 performance units had been exercised in advance;
- A long-term incentive plan involving the award of performance units for certain eligible employees and officers of the Group in France, approved in principle by the Board of Directors on November 20, 2014. This plan consists of 598,400 performance units which may be exercised from November 20, 2018 to November 19, 2024, subject to service and performance conditions.

The expense recognized in 2014 in respect of these plans amounted to €8 million (2013: €5 million).

NOTE 15 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions for pensions and other social commitments consist of the following:

| <i>(in EUR million)</i> | December 31, 2014 | December 31, 2013 restated |
|--|------------------------------|---------------------------------------|
| Pension commitments | 2,818 | 2,006 |
| Length-of-service awards | 371 | 295 |
| Post-employment healthcare benefits | 453 | 352 |
| Total provisions for pensions and other post-employment benefit obligations | 3,642 | 2,653 |
| Healthcare benefits | 26 | 23 |
| Long-term disability benefits | 19 | 18 |
| Other long-term benefits | 98 | 89 |
| Provisions for pensions and other employee benefits | 3,785 | 2,783 |

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

| <i>(in EUR million)</i> | December 31, 2014 | December 31, 2013 restated |
|---|------------------------------|---------------------------------------|
| Provisions for pensions and other post-employment benefit obligations | 3,642 | 2,653 |
| Pension plan surpluses | (137) | (77) |
| Net pension and other post-employment benefit obligations | 3,505 | 2,576 |

Changes in pension and other post-employment benefit obligations are as follows:

| <i>(in EUR million)</i> | Pension and other post- employment benefit obligations | Fair value of plan assets | Other | Net pension and other post- employment benefit obligations |
|---|---|--------------------------------------|--------------|---|
| At January 1, 2013 restated | 10,042 | (6,790) | 14 | 3,266 |
| Movements during the year | | | | |
| Service cost | 213 | | | 213 |
| Interest cost / return on plan assets* | 396 | (277) | | 119 |
| Contributions to pension | | (184) | | (184) |
| Employee contributions | | (11) | | (11) |
| Actuarial gains and losses and asset ceiling* | (595) | (107) | 6 | (696) |
| Currency translation adjustments | (292) | 224 | (1) | (69) |
| Benefit payments | (468) | 376 | | (92) |
| Past service cost | (58) | | | (58) |
| Changes in Group structure | | | | 0 |
| Curtailments / settlements | (31) | | | (31) |
| Changes in liabilities held for sale | 150 | (31) | | 119 |
| Total movements | (685) | (10) | 5 | (690) |
| At December 31, 2013 restated | 9,357 | (6,800) | 19 | 2,576 |
| Movements during the year | | | | |
| Service cost | 177 | | | 177 |
| Interest cost / return on plan assets* | 402 | (303) | | 99 |
| Contributions to pension | | (192) | | (192) |
| Employee contributions | | (11) | | (11) |
| Actuarial gains and losses and asset ceiling* | 1,716 | (871) | (10) | 835 |
| Currency translation adjustments | 613 | (478) | (1) | 134 |
| Benefit payments | (439) | 349 | | (90) |
| Past service cost | (2) | | | (2) |
| Changes in Group structure | (15) | 7 | | (8) |
| Curtailments / settlements | (13) | | | (13) |
| Total movements | 2,439 | (1,499) | (11) | 929 |
| At December 31, 2014 | 11,796 | (8,299) | 8 | 3,505 |

* The actual return on plan assets amounted to €1,174 million for the year (2013: €384 million).

The following tables show the funded status of pension and other post-employment benefit obligations by geographic area:

| 31 décembre 2014 | France | Other Western European countries | United Kingdom | North America | Rest of the World | Net total |
|--|--------|-------------------------------------|----------------|---------------|----------------------|--------------|
| <i>(in EUR million)</i> | | | | | | |
| Average duration <i>(in years)</i> | 14 | 16 | 19 | 13 | 10 | 16 |
| Defined benefit obligation - funded plans | 566 | 2,616 | 4,481 | 2,771 | 134 | 10,568 |
| Defined benefit obligations - unfunded plans | 425 | 348 | 0 | 430 | 25 | 1,228 |
| Fair value of plan assets | (275) | (1,515) | (4,376) | (2,017) | (116) | (8,299) |
| Deficit/(surplus) | 716 | 1,449 | 105 | 1,184 | 43 | 3,497 |
| Asset ceiling | | | | | | 8 |
| Net pension and other post-employment benefit obligations | | | | | | 3,505 |

| December 31, 2013 restated | France | Other Western European countries | United Kingdom | North America | Rest of the World | Net total |
|--|--------|-------------------------------------|----------------|---------------|----------------------|--------------|
| <i>(in EUR million)</i> | | | | | | |
| Average duration <i>(in years)</i> | 13 | 15 | 19 | 13 | 9 | 16 |
| Defined benefit obligation - funded plans | 476 | 2,126 | 3,568 | 2,085 | 122 | 8,377 |
| Defined benefit obligations - unfunded plans | 309 | 312 | 0 | 334 | 25 | 980 |
| Fair value of plan assets | (281) | (1,408) | (3,396) | (1,614) | (101) | (6,800) |
| Deficit/(surplus) | 504 | 1,030 | 172 | 805 | 46 | 2,557 |
| Asset ceiling | | | | | | 19 |
| Net pension and other post-employment benefit obligations | | | | | | 2,576 |

Description of defined benefit plans

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

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

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

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

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

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

Provisions for other long-term employee benefits amounted to €143 million at December 31, 2014 (December 31, 2013: €130 million), and covered all other employee benefits, notably long-service awards in France, jubilees in Germany and employee benefits in the United States. The related defined benefit obligation is generally calculated on an actuarial basis using the same rules as for pension obligations.

Measurement of pension and other post-employment benefit obligations

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

The Group's total pension and other post-employment benefit obligations amounted to €11,796 million at December 31, 2014 (December 31, 2013: €9,357 million).

Plan assets

For defined benefit plans, plan assets have been progressively built up by contributions, primarily in the United States, the United Kingdom and Germany. Contributions paid by the Group totaled €192 million (2013: €184 million). The actual return on plan assets came to €1,174 million for the year (2013: €384 million).

The fair value of plan assets - which totaled €8,299 million at December 31, 2014 (December 31, 2013: €6,800 million) - is deducted from the Group's defined benefit obligation, as estimated using the projected unit credit method, in order to calculate the unfunded obligation to be covered by a provision.

Plan assets are mainly composed of equities (33%) and bonds (46%), with the remaining 21% invested in other asset classes.

Projected contributions to pension plans for 2015 are estimated at around €180 million.

Actuarial assumptions used to measure defined benefit obligations and plan assets

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

The assumptions used in 2014 for the Group's main plans were as follows:

| <i>(in %)</i> | France | Other European Countries | | United States |
|-----------------------|--------|--------------------------|----------------|---------------|
| | | Eurozone | United Kingdom | |
| Discount rate | 1.90% | 1.90% | 3.55% | 4.00% |
| Salary increases | 2.40% | 2.00% to 2.60% | 2.00%* | 3.00% |
| Return on plan assets | 1.90% | 1.90% | 3.55% | 4.00% |
| Inflation rate | 1.80% | 1.80% to 2.00% | 1.95% | 2.00% |

*A cap applies to the reference salaries used to calculate benefit entitlements.

The assumptions used in 2013 for the Group's main plans were as follows:

| <i>(in %)</i> | France | Other European Countries | | United States |
|-----------------------|--------|--------------------------|----------------|---------------|
| | | Eurozone | United Kingdom | |
| Discount rate | 3.50% | 3.50% | 4.45% | 4.75% |
| Salary increases | 2.50% | 2.00% to 2.60% | 2.00%* | 3.00% |
| Return on plan assets | 3.50% | 3.50% | 4.45% | 4.75% |
| Inflation rate | 1.90% | 1.80% to 2.00% | 2.25% | 2.10% |

*A cap applies to the reference salaries used to calculate benefit entitlements.

Discount rates were set by region or country based on observed bond rates at December 31, 2014.

A 0.5-point decrease (increase) in the discount rate would lead to an increase (decrease) in defined benefit obligations of around €200 million for the North American plans, €250 million for the Eurozone plans and €360 million for the UK plans. A 0.5-point increase in the inflation rate would lead to an overall increase in defined benefit obligations of €500 million.

The same assumptions concerning mortality, employee turnover and interest rates are used to determine the Group's defined benefit obligations for other long-term employee benefits. In the United States, retirees' healthcare costs are projected to rise by 7.38% per year. A one-point increase in this rate would lead to an increase in the related projected benefit obligation of around €60 million.

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 (Note 1). Actuarial differences result from changes in actuarial assumptions and the variances between the funds' actual rates of return and the discount rates applied. In 2014, €835 million was recognized in equity (increase in provisions). This amount corresponds to €1,716 million in actuarial differences, including a €90 million experience adjustment (corresponding to the effects of differences between previous actual assumptions and what has actually occurred), €10 million due to the raising of the asset ceiling, and a €871 million increase in plan assets.

Favorable equity and bond markets helped to add €1,174 million to the value of plan assets, compared with an estimated increase of €303 million at the discount rate applied. A 0.5-point increase or decrease in the actual return on plan assets would have an impact of approximately €40 million on equity.

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". 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 December 31, 2013, for an amount of €210 million. Including provisions for other long-term benefits in the amount of €18 million, the total amount reclassified as "Liabilities held for sale" was €228 million.

These amounts were recorded at the time of the sale of Verallia North America.

Employee benefits expense

The cost of the Group's pension and other post-employment benefit plans (excluding other employee benefits) is as follows:

| <i>(in EUR million)</i> | 2014 | 2013 restated |
|--|------------|---------------|
| Service cost | 177 | 213 |
| Interest cost | 402 | 396 |
| Expected return on plan assets | (303) | (277) |
| Curtailments and settlements | (15) | (89) |
| Pensions, length-of-service awards and other post-employment benefits | 261 | 243 |
| Employee contributions | (11) | (11) |
| Total | 250 | 232 |

Additional information about defined contribution plans

Contributions to defined contribution plans for 2014 represented an estimated €640 million (2013: €644 million), including €433 million for government-sponsored basic pension schemes (2013: €447 million), €138 million for government-sponsored supplementary pension schemes, mainly in France (2013: €138 million), and €69 million for corporate-sponsored supplementary pension plans (2013: €59 million).

NOTE 16 – CURRENT AND DEFERRED TAXES

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

| | 2014 | 2013 restated |
|---|--------------|----------------------|
| <i>(in EUR million)</i> | | |
| Consolidated net income | 1,000 | 632 |
| Less: | | |
| Share in net income of associates | 46 | 22 |
| Income taxes | (513) | (463) |
| Pre-tax income of consolidated companies | 1,467 | 1,073 |

Income tax expense breaks down as follows:

| | 2014 | 2013 restated |
|---------------------------------|--------------|----------------------|
| <i>(in EUR million)</i> | | |
| Current taxes | (506) | (611) |
| France | (121) | (123) |
| Outside France | (385) | (488) |
| Deferred taxes | (7) | 148 |
| France | 58 | 38 |
| Outside France | (65) | 110 |
| Total income tax expense | (513) | (463) |

The effective tax rate breaks down as follows:

| | 2014 | 2013 restated |
|--|-------------|----------------------|
| <i>(in %)</i> | | |
| Tax rate in France | 34.4 | 34.4 |
| Impact of tax rates outside France | (8.0) | (8.9) |
| Impact of Finance Law in France | 3.6 | 3.6 |
| Capital gains and losses and asset impairments | 1.3 | 12.1 |
| Provisions for deferred tax assets | 3.0 | 11.8 |
| Effect of changes in future tax rates | 0.8 | (6.6) |
| Research tax credit | (1.2) | (2.2) |
| Other deferred and miscellaneous taxes | 1.1 | (1.0) |
| Effective tax rate | 35.0 | 43.2 |

The impact of the change in tax rates abroad (-8% in 2014 compared with -8.9% in 2013) is explained by the contribution of some countries with low tax rates. The main contributing countries are the United Kingdom, Czech Republic, Poland, Switzerland, Sweden, Germany and Norway.

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

| | Net deferred tax assets/(liability) |
|--|--|
| <i>(in EUR million)</i> | |
| At January 1, 2013 restated | 450 |
| Deferred tax (expense)/benefit | 148 |
| Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 15) | (260) |
| Translation adjustments | (10) |
| Impact of changes in Group structure and other | 82 |
| At December 31, 2013 restated | 410 |
| Deferred tax (expense)/benefit | (7) |
| Changes in deferred taxes on actuarial gains and losses recognized in accordance with IAS 19 (Note 15) | 287 |
| Translation adjustments | 65 |
| Impact of changes in Group structure and other | (41) |
| At December 31, 2014 | 714 |

The table below shows the principal components of the deferred tax:

| <i>(in EUR million)</i> | December 31, 2014 | December 31, 2013 restated |
|---|----------------------|-------------------------------|
| Deferred tax assets | 1,348 | 1,125 |
| Deferred tax liabilities | (634) | (715) |
| Net deferred tax | 714 | 410 |
| Pensions | 1,007 | 680 |
| Brands | (700) | (738) |
| Depreciation & amortization, accelerated capital allowances and tax-driven provisions | (1,007) | (985) |
| Tax loss carry-forwards | 793 | 873 |
| Other | 621 | 580 |
| Total | 714 | 410 |

Deferred taxes are offset at the level of each tax entity, i.e., by tax group where applicable (mainly in France, the United Kingdom, Spain, Germany, the United States and the Netherlands).

Deferred tax assets of €1,348 million were recognized at December 31, 2014 (December 31, 2013: €1,125 million). They primarily include deferred tax assets of €649 million in the United States that are expected to be recovered within the maximum utilization period of 20 years and €249 million in Germany, where the “*Organschaft*” group relief system allows deferred tax assets to be recovered within a short period. Deferred tax liabilities recognized at December 31, 2014 amounted to €634 million (December 31, 2013: €715 million), including €158 million in France and €200 million in the United Kingdom. Deferred tax liabilities recognized in other countries represented considerably smaller amounts.

At December 31, 2014, deferred tax assets whose recovery is not considered probable totaled €426 million (December 31, 2013: €349 million) and are fully accrued.

Unrecognized deferred tax assets chiefly relate to the following countries: China, Germany, United States, Belgium and Spain. In these countries, tax loss carry-forwards may have indefinite expiry dates nevertheless, after analyzing each situation, the Group may decide to not recognize them.

NOTE 17 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS

| | Provisions for claims and litigation | Provisions for environmental risks | Provisions for restructuring costs | Provisions for personnel costs | Provisions for customer warranties | Provisions for other contingencies | Total provisions for other liabilities | Investment-related liabilities | Total |
|--|--------------------------------------|------------------------------------|------------------------------------|--------------------------------|------------------------------------|------------------------------------|--|--------------------------------|----------------|
| <i>(in EUR million)</i> | | | | | | | | | |
| At January 1, 2013 restated | | | | | | | | | |
| Current portion | 102 | 16 | 97 | 32 | 105 | 101 | 453 | 2 | 455 |
| Non-current portion | 1,446 | 133 | 87 | 35 | 151 | 261 | 2,113 | 82 | 2,195 |
| Total provisions for other debts and investment-related liabilities | 1,548 | 149 | 184 | 67 | 256 | 362 | 2,566 | 84 | 2,650 |
| Movements during the year | | | | | | | | | |
| Additions | 168 | 12 | 184 | 35 | 96 | 60 | 555 | | 555 |
| Reversals | (25) | (7) | (32) | (11) | (25) | (46) | (146) | | (146) |
| Utilizations | (109) | (9) | (140) | (16) | (50) | (37) | (361) | | (361) |
| Changes in Group structure | 0 | 0 | 0 | 0 | 0 | 1 | 1 | | 1 |
| Other (reclassifications and translation adjustments) | (18) | 13 | (1) | (4) | (8) | (34) | (52) | 15 | (37) |
| Total movements during the period | 16 | 9 | 11 | 4 | 13 | (56) | (3) | 15 | 12 |
| At December 31, 2013 restated | | | | | | | | | |
| Current portion | 111 | 27 | 112 | 28 | 148 | 50 | 476 | 1 | 477 |
| Non-current portion | 1,453 | 131 | 83 | 43 | 121 | 256 | 2,087 | 98 | 2,185 |
| Total provisions for other debts and investment-related liabilities | 1,564 | 158 | 195 | 71 | 269 | 306 | 2,563 | 99 | 2,662 |
| Movements during the year | | | | | | | | | |
| Additions | 111 | 11 | 148 | 31 | 60 | 58 | 419 | | 419 |
| Reversals | (215) | (6) | (37) | (7) | (20) | (31) | (316) | | (316) |
| Utilizations | (1,005) | (10) | (129) | (25) | (73) | (36) | (1,278) | | (1,278) |
| Changes in Group structure | 0 | 0 | 0 | 1 | 0 | 0 | 1 | | 1 |
| Other (reclassifications and translation adjustments) | 58 | 10 | (3) | 5 | 23 | 10 | 103 | 43 | 146 |
| Total movements during the period | (1,051) | 5 | (21) | 5 | (10) | 1 | (1,071) | 43 | (1,028) |
| At December 31, 2014 | | | | | | | | | |
| Current portion | 95 | 32 | 76 | 32 | 119 | 50 | 404 | 5 | 409 |
| Non-current portion | 418 | 131 | 98 | 44 | 140 | 257 | 1,088 | 137 | 1,225 |
| Total provisions for other debts and investment-related liabilities | 513 | 163 | 174 | 76 | 259 | 307 | 1,492 | 142 | 1,634 |

Provisions for claims and litigation

As at 31 December, 2014, the litigation provision mainly covered asbestos-related legal actions filed against the Group. The change in the provision may largely be explained by payment of the fine for competitive litigation for €715 million. These provisions are described in further detail in Note 28.

Provisions for environmental risks

Provisions for environmental risks cover costs relating to environmental protection measures, as well as site rehabilitation and clean-up costs.

Provisions for restructuring costs

Provisions for restructuring costs amounted to €174 million at December 31, 2014 (December 31, 2013: €195 million), including net additions of €111 million during the year. The provisions primarily concern Benelux (€65 million), Germany (€25 million), France (€22 million) and the United Kingdom (€14 million).

Provisions for personnel costs

These provisions primarily cover indemnities due to employees that are unrelated to the Group's reorganization plans.

Provisions for customer warranties

These provisions cover the Group's commitments under warranties granted to customers in the United States and other markets. They are determined on a statistical basis using a range of criteria and take into account contractual warranty payments made in prior years in the business and region concerned. In addition, specific provisions may be set aside for identified risks.

Provisions for other contingencies

At December 31, 2014, provisions for other contingencies amounted to €307 million and mainly concerned Germany (€88 million), France (€79 million), the United States (€49 million) and Latin America (€40 million).

Investment-related liabilities

Changes in investment-related liabilities primarily concerned liabilities arising from put options granted to minority shareholders in subsidiaries.

NOTE 18 – TRADE AND OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

| | December 31, 2014 | December 31, 2013 restated |
|--|----------------------|-------------------------------|
| <i>(in EUR million)</i> | | |
| Trade accounts payable | 6,062 | 5,897 |
| Customer deposits | 861 | 829 |
| Payables to suppliers of non-current assets | 307 | 277 |
| Grants received | 90 | 89 |
| Accrued personnel expenses | 1,163 | 1,131 |
| Accrued taxes other than on income | 396 | 368 |
| Other | 643 | 575 |
| France | 91 | 74 |
| Germany | 53 | 57 |
| Great Britain | 131 | 108 |
| Other Western European countries | 97 | 104 |
| North America | 49 | 41 |
| Emerging countries and Asia | 222 | 191 |
| Total other payables and accrued expenses | 3,460 | 3,269 |

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

NOTE 19 – RISK FACTORS

FINANCIAL RISKS

Liquidity Risk

- *Liquidity risk on financing*

In a crisis environment, the Group might be unable to raise the financing or refinancing needed to cover its investment plans on the credit or capital markets, or to obtain such financing or refinancing on acceptable terms.

The Group's overall exposure to liquidity risk on its net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain, the Group's parent company. The subsidiaries conclude their short- or long-term financing arrangements, except where there are local obstacles to doing so, with Compagnie de Saint-Gobain or with the treasury pool of the regional Delegation.

The Group policy aims to secure the timely renewal of its financings at an optimal cost. Long-term debt therefore systematically represents a high percentage of overall debt. Similarly, the maturity schedule for long-term debt issues is managed so that refinancings are spread across different periods.

The Group main source of long-term financing is constituted by bond issues which generally are issued under the Medium Term Notes program. In addition, it has recourse to perpetual bonds, participating securities, a long-term securitization program, bank borrowings and lease financing.

Short-term debt is composed of borrowings under a French Commercial Paper (*Billets de Trésorerie*) program and on occasion under Euro Commercial Paper or US Commercial Paper program, but also under a receivables securitization program and bank financing. Short-term financial assets comprise marketable securities and cash or cash equivalents.

To reinforce the availability of short term financing, Compagnie de Saint-Gobain has in place two confirmed syndicated lines of credit.

A breakdown of long- and short-term debt is provided by type and maturity in Note 20. The main characteristics of the Group's financing programs and confirmed credit lines are also set out in Note 20.

The BBB rating of Saint-Gobain's long-term debt was confirmed by Standard & Poors on December 9, 2014, with a stable outlook.

The Baa2 rating of Saint-Gobain's long-term debt was also confirmed by Moody's on December 9, 2014, with a stable outlook.

There is no guarantee that the Company will be in a position to maintain its credit risk ratings at current levels. Any deterioration in the Group's credit risk rating could limit its capacity to raise funds and could lead to higher rates of interest on future borrowings.

- *Liquidity risk on investments*

Short-term investments consist of bank deposits and mutual fund units. To reduce liquidity and volatility risk, where the investment is not a bank deposit, they are always in money-market or bond funds.

Market risks

- *Interest rate risks*

The Group's overall exposure to interest rate risk on net debt is managed by the Treasury and Financing Department of Compagnie de Saint-Gobain. The subsidiaries which use derivatives to hedge interest rate risks generally have Compagnie de Saint-Gobain, the Group's parent company, as their counterparty.

The Group's policy is aimed at securing the cost of its medium-term debt against interest rate risk and, subject to this overriding objective, optimizing its cost. Under Group policy, the derivative financial instruments used to hedge these risks comprise, among others, interest rate swaps, cross-currency swaps, options - including caps, floors and swaptions - and forward rate agreements.

The table below gives an analysis, as at December 31, 2014, of the sensitivity of the pre-tax income and pre-tax equity to the impact of interest rate fluctuations on the Group's net debt after hedging operations:

| <i>(in EUR million)</i> | Impact on pre-tax income | Impact on pre-tax equity |
|---|--------------------------|--------------------------|
| Interest rate increase of 50 basis points | 9 | 6 |
| Interest rate decrease of 50 basis points | (9) | (6) |

Please refer to Note 21 of the Notes to the Consolidated Financial Statements for more detail on interest rate risk hedging instruments and on the distribution of gross debt by rate type (fixed or variable) after hedging.

- *Foreign exchange risk*

The currency hedging policies described below could be insufficient to protect the Group against unexpected or sharper than expected fluctuations in exchange rates resulting from economic and financial market conditions.

Foreign exchange risks are managed by hedging commercial transactions entered into by Group entities in currencies other than the functional currency of the particular entity. Compagnie de Saint-Gobain and its subsidiaries use options and foreign exchange contracts to hedge exposures arising from current and future commercial transactions.

The subsidiaries generally contract with the Group's parent company, Compagnie de Saint-Gobain, which then carries out corresponding exchange rate hedging operations; otherwise the subsidiary would deal either with the cash pool of its relevant regional Delegation, or failing this with one of the subsidiary's banks.

Most forward contracts have short maturities, of around 3 months. However, forward contracts taken out with respect to certain commercial orders may have longer terms.

The Group monitors its exposure to foreign exchange risk using a monthly reporting system that captures the foreign exchange exposure of his subsidiaries. At December 31, 2014, 98% of the Group's foreign exchange exposure eligible for hedging was hedged.

The residual net foreign exchange exposure of subsidiaries for the currencies presented below was as follows at December 31, 2014:

| <i>(in million euro equivalents)</i> | Long | Short |
|--------------------------------------|-------------|--------------|
| EUR | 1 | 5 |
| USD | 7 | 6 |
| Other currencies | 0 | 6 |
| Total | 8 | 17 |

The table below gives an analysis, as at December 31, 2014, of the sensitivity of the Group's pre-tax income to a 10% increase in the exchange rates of the following currencies given the subsidiaries' said residual net foreign exchange exposure:

| <i>(in EUR million)</i> | Impact on pre-tax income |
|-------------------------|---------------------------------|
| EUR | (0,4) |
| USD | 0,1 |
| Other currencies | (0,6) |
| Total | (0,9) |

At December 31, 2014, a 10% fall in the exchange rates for these currencies would have the opposite impact, assuming that all other variables were unchanged.

Please refer to Note 21 of the Notes to the Consolidated Financial Statements for more detail on interest rate risk hedging instruments.

- *Energy and raw materials risk*

The Group is exposed to changes in the price of the energy it consumes and the raw materials used in its activities. The energy and raw materials hedging programs may be insufficient to protect the Group against significant or unforeseen price swings that could result from the prevailing financial and economic environment.

The Group may on occasion limit its exposure to energy price fluctuations by using swaps and options to hedge part of its fuel oil, natural gas and electricity purchases. The swaps and options are mainly contracted in the functional currency of the entities concerned. Hedges of fuel oil, gas and electricity purchases are managed by a steering committee comprising members of the Group Finance Department, the Group Purchasing Department (Saint-Gobain Achats) and the relevant Delegations.

Hedges of energy purchases (excluding fixed-price purchases negotiated directly with suppliers by the Purchasing Department) are generally arranged by the Group Treasury and Financing Department (or with the Delegations' treasury departments) in accordance with instructions received from Saint-Gobain Achats.

The Group may, from time to time, enter into contracts to hedge purchases of other commodities, in accordance with the same principles as those outlined above for energy purchases.

Please refer to Note 21 of the Notes to the Consolidated Financial Statements for more detail on instruments used for hedging energy and raw materials risk.

Saint-Gobain share price risk

The Group is exposed to changes in the Saint-Gobain share price as a result of its performance units-based long-term incentive plan. To reduce its exposure to fluctuations in the share price, the Group uses hedging instruments such as equity swaps.

As a result, if the price of the Saint-Gobain share changes, any expense variation recorded in the income statement will be fully offset by the hedge(s) in place.

Please refer to Note 21 of the Notes to the Consolidated Financial Statements for more detail on these share risk hedging instruments.

Financial counterparty credit risk

The Group is exposed to the risk of default by the financial institutions that manage its cash or other financial instruments, since such default could lead to losses for the Group.

The Group limits its exposure to risk of default by its counterparties by dealing solely with reputable financial institutions and regularly monitoring their credit ratings. However, the quality of credit of a financial counterparty can change rapidly, and a high credit rating cannot eliminate the risk of a rapid deterioration of its financial position. As a result, the Group's policy in relation to the selection and monitoring of its counterparties is unable to entirely eliminate exposure to a risk of default.

To limit the Group's exposure to counterparty risk, the Treasury and Financing Department deals primarily with counterparties with a long-term rating of A- or above from Standard & Poor's or A3 or above from Moody's. Concentrations of credit risk are also closely monitored to ensure that they remain at reasonable levels, taking into account the relative CDS ("Credit Default Swap") level of each counterparty.

NOTE 20 – NET DEBT**Long- and short-term debt**

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

| <i>(in EUR million)</i> | December 31, 2014 | December 31, 2013 restated |
|---|------------------------------|---------------------------------------|
| Bond issues and Medium-Term Notes | 7,690 | 8,374 |
| Perpetual bonds and participating securities | 203 | 203 |
| Long-term securitization | 400 | 400 |
| Other long-term debt including finance leases | 380 | 350 |
| Fair value of interest rate hedges | 40 | 35 |
| Total long-term debt (excluding current portion) | 8,713 | 9,362 |
| Current portion of long-term debt | 1,389 | 1,707 |
| Short-term financing programs (US CP, Europe CP, <i>Billets de trésorerie</i>) | 0 | 110 |
| Securitized short-term | 107 | 91 |
| Bank overdrafts and other short-term bank borrowings | 508 | 595 |
| Fair value of derivatives not qualified as hedges of debt | (3) | (2) |
| Short-term debt and bank overdrafts | 612 | 794 |
| TOTAL GROSS DEBT | 10,714 | 11,863 |
| Cash at bank | (1,285) | (1,281) |
| Mutual funds and other marketable securities | (2,208) | (3,069) |
| Cash and cash equivalents | (3,493) | (4,350) |
| TOTAL DEBT, INCLUDING ACCRUED INTEREST | 7,221 | 7,513 |

The fair value of gross long-term debt (including the current portion) managed by Compagnie de Saint-Gobain amounted to €10 billion at December 31, 2014, for a carrying amount of €9 billion. The fair value of bonds corresponds to the market price on the last day of the year. For other borrowings, fair value is considered as being equal to the amount repayable.

Debt repayment schedule

Debt at December 31, 2014 can be analyzed as follows by maturity:

| <i>(in EUR million)</i> | Currency | Within 1 year | 1 to 5 years | Beyond 5 years | Total |
|---|----------------|---------------|--------------|----------------|---------------|
| Bond issues and Medium-Term Notes | EUR | 999 | 3,786 | 2,701 | 7,486 |
| | GBP | | 385 | 701 | 1,086 |
| | JPY | | 34 | | 34 |
| | NOK | | 83 | | 83 |
| Perpetual bonds and participating securities | EUR | | | 203 | 203 |
| Long-term securitizations | EUR | 116 | 400 | | 516 |
| Other long-term debt including finance leases | All currencies | 104 | 196 | 184 | 484 |
| Fair value of interest rate hedges | All currencies | | | 40 | 40 |
| Accrued interest long-term debt | All currencies | 170 | | | 170 |
| TOTAL LONG-TERM DEBT | | 1,389 | 4,884 | 3,829 | 10,102 |
| TOTAL SHORT-TERM DEBT | | 612 | 0 | 0 | 612 |
| TOTAL GROSS DEBT | | 2,001 | 4,884 | 3,829 | 10,714 |

At December 31, 2014, 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 million)</i> | Within 1 year | 1 to 5 years | Beyond 5 years | Total |
|--|---------------|--------------|----------------|-------|
| Future interest payments on gross long-term debt | 369 | 937 | 904 | 2,210 |

Interest on perpetual bonds and participating securities is calculated through to 2049.

Bonds

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

- On March 24, 2014, the private placement of €100 million maturing March 2033 with a coupon of 3.875% was increased to €226 million through two additions of €100 million and €26 million;
- On May 27, 2014, a private placement of €40 million maturing May 2038 was issued with a coupon of 3.625%;
- On September 5, 2014, a private placement of €34 million maturing September 2034 was issued with a coupon of 3%;
- On December 23, 2014, a private placement of €30 million maturing December 2049 was issued with a coupon of 3%.

On April 25, 2014, Saint-Gobain Nederland repaid a bond commitment of €501 million that had matured.

On July 28, 2014, Compagnie de Saint-Gobain repaid a bond commitment of €686 million that had matured.

Perpetual bonds

In 1985, Compagnie de Saint-Gobain issued €125 million worth of perpetual bonds (25,000 bonds with a face value of €5,000).

Up to December 31, 2014, 18,496 perpetual bonds had been bought back and cancelled, and 6,504 perpetual bonds were outstanding, representing a total face value of €33 million.

The bonds bear interest at a variable rate indexed to Euribor. The amount paid out per bond in 2014 was €33.28.

The bonds are not redeemable and interest on them is classified as a component of finance 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 translation into euros in 1999.

A certain number of participating securities have been bought back over the years. At December 31, 2014, 606,883 securities were outstanding with an aggregate face value of €92.5 million.

Interest on the securities ranges from 75% to 125% of the average corporate bond rate (TMO), based on the Saint-Gobain Group's consolidated income. The amount paid out per security in 2014 was €4.69.

In April 1984, 194,633 non-voting participating securities were issued with a face value of ECU 1,000, now €1,000.

A certain number of securities have been bought back over the years. At December 31, 2014, 77,516 securities were outstanding with an aggregate face value of €77.5 million.

Interest comprises (i) a fixed portion of 7.5% paid per year applicable to 60% of the nominal amount of the security, and (ii) a variable portion applicable to the remaining 40% of the nominal amount of the participating security, which is linked to consolidated net income of the previous fiscal year and to the Libor EUR 6-month reference rate +7/8% replacing, pursuant to the agreement governing the life of the notes ("*contrat d'émission*"), the TMOE rate from the time when its publication by the Luxembourg Stock Exchange on July 1, 2014 ceased. The amount paid per security in 2014 is €58.60, paid in two installments (€30.15 + €28.45).

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

Financing programs

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

At December 31, 2014, issuance under these programs was as follows:

| | Authorized drawings | Authorized limits at December 31, 2014 | Outstanding issues at December 31, 2014 | Outstanding issues at December 31, 2013 |
|------------------------------|---------------------|--|---|---|
| <i>(in EUR million)</i> | | | | |
| Medium Term Notes | | 15,000 | 8,219 | 8,675 |
| US Commercial Paper | up to 12 months | 824 * | 0 | 0 |
| Euro Commercial Paper | up to 12 months | 824 * | 0 | 0 |
| <i>Billets de trésorerie</i> | up to 12 months | 3,000 | 0 | 110 |

*Equivalent of USD 1,000 million based on the exchange rate at December 31, 2014.

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

Syndicated lines of credit

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

- An initial €1.5 billion syndicated line of credit expiring in December 2017, which was obtained in December 2012. The facility was renegotiated in December 2013 and rolled over until December 2018.
- A second €2.5 billion syndicated line of credit expiring in December 2018, with two one-year rollover options that was obtained in December 2013. As part of the first rollover option, this syndicated line of credit was extended in December 2014 by one additional year, bringing its maturity to December 2019.

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

Neither of these two lines of credit was drawn down at December 31, 2014.

Receivables securitization programs

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

The €600 million French program was set up on December 2, 2013. At December 31, 2014, it amounted to €516 million (December 31, 2013: €581 million). Based on observed seasonal fluctuations in receivables included in the program and on the contract's features, €400 million of this amount was classified as non-current and the balance as current.

The US program, which is rolled over each year, amounted to €107 million at December 31, 2014 (December 31, 2013: €91 million).

Bank overdrafts and other short-term bank borrowings

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

Collateral

At December 31, 2014, €16 million of Group debt was secured by various non-current assets (real estate and securities).

NOTE 21 – FINANCIAL INSTRUMENTS**Derivatives**

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

| <i>(in EUR million)</i> | Fair value at December 31, 2014 | | | Fair value at nominal value broken down by maturity at December 31, 2013 | | | | Total |
|--|---------------------------------|-------------------------------------|-------------|--|---------------|--------------|----------------|--------------|
| | Derivatives recorded in assets | Derivatives recorded in liabilities | Total | December 31, 2013 | Within 1 year | 1 to 5 years | Beyond 5 years | |
| Fair value hedges | | | 0 | 0 | | | | 0 |
| <u>Cash flow hedges</u> | | | | | | | | |
| Currency | 2 | (9) | (7) | 8 | 2,497 | 18 | 0 | 2,515 |
| Interest rate | 0 | (40) | (40) | (35) | 0 | 0 | 416 | 416 |
| Energy and commodities | 0 | (9) | (9) | 0 | 43 | 3 | 0 | 46 |
| Other risks | 0 | (1) | (1) | 3 | 0 | 55 | 0 | 55 |
| Cash flow hedges - total | 2 | (59) | (57) | (24) | 2,540 | 76 | 416 | 3,032 |
| <u>Derivatives not qualifying for hedge accounting</u> | | | | | | | | |
| Currency | 6 | (3) | 3 | (5) | 1,582 | 0 | 0 | 1,582 |
| Interest rate | | | 0 | 0 | | | | 0 |
| Energy and commodities | | | 0 | 0 | | | | 0 |
| Derivatives not qualifying for hedge accounting - total | 6 | (3) | 3 | (5) | 1,582 | 0 | 0 | 1,582 |
| TOTAL | 8 | (62) | (54) | (29) | 4,122 | 76 | 416 | 4,614 |
| of which derivatives used to hedge net debt | 5 | (42) | (37) | (33) | | | | |

Currency instruments

- *Currency swaps*

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

- *Forward foreign exchange contracts and currency options*

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

Interest rate instruments

- *Interest rate swaps*

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

- *Cross-Currency swaps*

The Group uses cross-currency swaps to convert foreign currency debt (euro debt) into euro debt (foreign currency debt).

Energy and commodity instruments

- *Energy and commodity swaps*

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

Other risks

- *Equity derivatives*

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

Credit value adjustments to derivative instruments

Credit value adjustments to derivative instruments are calculated in accordance with IFRS 13 based on historical probabilities of default derived from calculations performed by a leading rating agency and on the estimated loss given default. At December 31, 2014, credit value adjustments were not material.

Impact on equity of financial instruments qualifying for hedge accounting

At December 31, 2014, the cash flow hedge reserve carried in equity in accordance with IFRS had a debit balance of €64 million, consisting mainly of:

- a debit balance of €34 million in relation to qualified cross-currency swaps for hedging future cash flows, enabling the translation of a bond issue into euros,
- a debit balance of €13 million corresponding to changes in the value of qualified energy hedges and raw materials hedges for hedging future cash flows,
- a debit balance of €9 million corresponding to changes in the value of qualified energy hedges and raw materials hedges for hedging future cash flows,
- a debit balance of €7 million corresponding to changes in the value of qualified energy hedges and raw materials hedges for hedging future cash flows.

Derivatives classified as cash flow hedges showed no material effectiveness.

Impact on income of financial instruments not qualifying for hedge accounting

The fair value of derivatives taken out by Compagnie de Saint-Gobain classified as financial assets and liabilities at fair value through profit or loss represented a €3 million gain at December 31, 2014 (December 31, 2013: €5 million loss).

Embedded derivatives

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

At December 31, 2014, no embedded derivatives deemed to be material at Group level were identified.

Group debt structure

The weighted average interest rate on total debt under IFRS, after hedging (using currency swaps, cross-currency swaps and interest rate swaps) was 4.3% at December 31, 2014 (December 31, 2013: 4.4%).

The average internal yield on the most important item of the Group's long-term debt before hedging (bond issues

and medium-term notes) is 4.5% as at December 31, 2014, compared with 4.9% as at December 31, 2013.

The table below presents the breakdown by interest rate (fixed or variable) of the Group's gross debt at December 31, 2014, after giving effect to interest rate swaps, cross-currency swaps and currency swaps.

| <i>(in EUR million)</i> | Gross debt after hedging | | |
|------------------------------------|--------------------------|--------------|---------------|
| | Variable rate | Fixed rate | Total |
| EUR | 1,673 | 7,865 | 9,538 |
| Other currencies | (61) | 1,020 | 959 |
| Total | 1,612 | 8,885 | 10,497 |
| | 15% | 85% | 100% |
| Fair value of restated derivatives | | | 37 |
| Accrued interest | | | 180 |
| Total Gross Debt | | | 10,714 |

NOTE 22 – FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are classified as follows in accordance with IFRS 7:

| <i>(in EUR million)</i> | At December 31, 2014 | | | | Total financial instruments measured at fair value | Other financial instruments | | | Total financial instruments | Financial instruments at fair value hierarchy under IFRS 7 | | | Total financial instruments measured at fair value |
|---|--|-------|--|----------------------------------|--|---|-------------------------------------|-----------------------|-----------------------------|--|---------------------------------|--|--|
| | Balance sheet headings and classes of instrument | Notes | Financial instruments through profit or loss | Derivatives designated as hedges | | Assets and liabilities measured at fair value (fair value option) | Available-for-sale financial assets | Loans and receivables | | Liabilities at amortized cost | Level 1: quoted prices and cash | Level 2: internal model using observable factors | |
| Trade and other accounts receivable | (10) | | | | 0 | | 6,279 | | 6,279 | | | | 0 |
| Loans, deposits and surety | (8) | | | | 0 | | 457 | | 457 | | | | 0 |
| Available-for-sale and other securities | (8) | | | | 0 | 52 | | | 52 | | | | 0 |
| Derivatives recorded in assets | (20)(21) | 5 | 0 | | 5 | | | | 5 | | 5 | | 5 |
| Cash and cash equivalents | (20) | | | 3,493 | 3,493 | | | | 3,493 | 3,493 | | | 3,493 |
| Total assets | | 5 | 0 | 3,493 | 3,498 | 52 | 6,736 | 0 | 10,286 | 3,493 | 5 | 0 | 3,498 |
| Trade and other accounts payable | (18) | | | | 0 | | | (9,522) | (9,522) | | | | 0 |
| Long- and short-term debt | (20) | | | | 0 | | | (10,677) | (10,677) | | | | 0 |
| Derivatives recorded in liabilities | (20)(21) | (2) | (40) | | (42) | | | | (42) | | (42) | | (42) |
| Total liabilities | | (2) | (40) | 0 | (42) | 0 | 0 | (20,199) | (20,241) | 0 | (42) | 0 | (42) |
| Total | | 3 | (40) | 3,493 | 3,456 | 52 | 6,736 | (20,199) | (9,955) | 3,493 | (37) | 0 | 3,456 |

| At December 31, 2013 restated | | Financial instruments at fair value | | | Total financial instruments measured at fair value | Other financial instruments | | | Total financial instruments | Financial instruments at fair value hierarchy under IFRS 7 | | | Total financial instruments measured at fair value |
|-------------------------------------|----------|-------------------------------------|--|---|--|---|-------------------------------------|-----------------------|-----------------------------|--|---------------------------------|--|--|
| <i>(in EUR million)</i> | | Notes | Financial instruments through profit or loss | Derivatives designated as hedges measured at fair value (fair value option) | | Assets and liabilities measured at fair value | Available-for-sale financial assets | Loans and receivables | | Liabilities at amortized cost | Level 1: quoted prices and cash | Level 2: internal model using observable factors | |
| Trade and other accounts | (10) | | | | 0 | | 6,172 | | 6,172 | | | | 0 |
| Loans, deposits and surety | (8) | | | | 0 | | 319 | | 319 | | | | 0 |
| Available-for-sale and other | (8) | | | | 0 | 58 | | | 58 | | | | 0 |
| Derivatives recorded in assets | (20)(21) | | 3 | 11 | 14 | | | | 14 | | 14 | | 14 |
| Cash and cash equivalents | (20) | | | | 4,350 | | | | 4,350 | 4,350 | | | 4,350 |
| Total assets | | | 3 | 11 | 4,350 | 58 | 6,491 | 0 | 10,913 | 4,350 | 14 | 0 | 4,364 |
| Trade and other accounts payable | (18) | | | | 0 | | | (9,166) | (9,166) | | | | 0 |
| Long- and short-term debt | (20) | | | | 0 | | | (11,830) | (11,830) | | | | 0 |
| Derivatives recorded in liabilities | (20)(21) | | (8) | (39) | (47) | | | | (47) | | (47) | | (47) |
| Total liabilities | | | (8) | (39) | 0 | 0 | 0 | (20,996) | (21,043) | 0 | (47) | 0 | (47) |
| Total | | | (5) | (28) | 4,350 | 58 | 6,491 | (20,996) | (10,130) | 4,350 | (33) | 0 | 4,317 |

NOTE 23 – BUSINESS INCOME BY EXPENSE TYPE

| | 2014 | 2013 restated |
|--|----------------|----------------|
| <i>(in EUR million)</i> | | |
| Net sales | 41,054 | 41,761 |
| Personnel costs: | | |
| Salaries and payroll taxes | (7,906) | (8,166) |
| Share-based payments ^(a) | (18) | (19) |
| Pensions ^(b) | (170) | (129) |
| Depreciation and amortization | (1,354) | (1,407) |
| Share of net income of business associates | 46 | 20 |
| Other ^(c) | (28,855) | (29,306) |
| Operating income | 2,797 | 2,754 |
| Other business income ^(d) | 481 | 186 |
| Negative goodwill recognized in income | 0 | 0 |
| Other business income | 481 | 186 |
| Restructuring costs ^(e) | (252) | (306) |
| Provisions and expenses relating to claims and litigation ^(f) | 102 | (145) |
| Impairment of assets and other business expenses ^(g) | (879) | (568) |
| Other | (40) | (38) |
| Other business expense | (1,069) | (1,057) |
| Business income | 2,209 | 1,883 |

- (a) Details of share-based payments (IFRS 2 expense) are provided in Notes 12, 13 and 14.
- (b) Changes in pension costs are presented in Note 15 “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 research and development costs recorded under operating expenses, amounting to €398 million in 2014 (2013: €415 million).
- (d) In 2014, this item primarily included proceeds from the disposal of Verallia North America and capital gains on disposals of property, plant and equipment and intangible assets.
- (e) Restructuring costs in 2014 mainly consisted of employee termination benefits totaling €151 million (2013: €186 million).
- (f) In both 2014 and 2013, provisions and reversals and expenses relating to litigation corresponded for the most part to asbestos-related litigation and the provision for the competition litigation discussed in Notes 17 and 28.
- (g) Impairment losses on assets in 2014 included €360 million on goodwill (2013: €216 million) and €418 million on property, plant and equipment and intangible assets (2013: €256 million), and €24 million on provisions on financial assets or current assets (€4 million in 2013). The caption “Other” includes capital losses on disposals of assets and scrapping for €73 million (2013: €87 million), and acquisition costs incurred in connection with business combinations for €4 million (2013: €5 million).

NOTE 24 – NET FINANCIAL EXPENSE

Breakdown of other financial income and expense

| <i>(in EUR million)</i> | 2014 | 2013 restated |
|--|--------------|----------------------|
| Interest cost - pension and other post-employment benefit obligations | (407) | (403) |
| Expected return on plan assets | 303 | 277 |
| Interest cost - pension and other post-employment benefit obligations - net | (104) | (126) |
| Other financial expense | (119) | (129) |
| Other financial income | 12 | 17 |
| Other financial income and expense | (211) | (238) |

Recognition of financial instruments

Net financial expense amounted to €696 in 2014 (2013: €790 million). Of this amount, €519 million (2013: €522 million) relates to instruments carried at amortized cost by Compagnie de Saint-Gobain and Saint-Gobain Nederland. Instruments measured at fair value by these two entities resulted in a positive impact of €2 million (2013: €4 million).

NOTE 25 – EBITDA - RECURRING NET INCOME - CASH FLOW FROM OPERATIONS**EBITDA**

EBITDA amounted to €4,151 million in 2014 (2013: €4,161 million), calculated as follows:

| <i>(in EUR million)</i> | 2014 | 2013 restated |
|---|--------------|----------------------|
| Operating income | 2,797 | 2,754 |
| Depreciation of intangible assets and property, plant and equipment | 1,354 | 1,407 |
| EBITDA | 4,151 | 4,161 |

Recurring net income

Recurring net income totaled €1,103 million in 2014 (2013: €1,027 million). Based on the weighted average number of shares outstanding at December 31 (557,672,194 shares in 2014 and 538,912,431 shares in 2013), recurring earnings per share amounted to €1.98 in 2014 and €1.91 in 2013.

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

| <i>(in EUR million)</i> | 2014 | 2013 restated |
|--|--------------|----------------------|
| Net income attributable to equity holders of the parent | 953 | 595 |
| Less: | | |
| Gains on disposals of assets | 408 | 99 |
| Impairment of assets and acquisition costs incurred in connection with business combinations | (806) | (480) |
| Provision for anti-trust litigation and other non-recurring provision charges | 187 | (77) |
| Impact of minority interest | (10) | 0 |
| Tax impact | 71 | 26 |
| Recurring net income attributable to equity holders of the parent | 1,103 | 1,027 |

Cash flow from operations

Cash flow from operations for 2014 amounted to €2,510 million (2013: €2,520 million). Excluding tax on capital gains and non-recurring provision charges, cash flow from operations amounted to €2,439 million in 2014 (2013: €2,493 million). These amounts are calculated as follows:

| | 2014 | 2013 restated |
|---|--------------|---------------|
| <i>(in EUR million)</i> | | |
| Net income attributable to equity holders of the parent | 953 | 595 |
| Minority interests in net income | 47 | 37 |
| Share in net income of associates, net of dividends received | (29) | (3) |
| Depreciation, amortization and impairment of assets | 2,132 | 1,879 |
| Gains and losses on disposals of assets | (408) | (99) |
| Non-recurring charges to provisions | (187) | 77 |
| Unrealized gains and losses arising from changes in fair value and share-based payments | 2 | 34 |
| Cash flow from operations | 2,510 | 2,520 |
| Tax on capital gains and losses and non-recurring charges to provisions | (71) | (27) |
| Cash flow from operations before tax on capital gains and losses and non-recurring charges to provisions | 2,439 | 2,493 |

NOTE 26 – EARNINGS PER SHARE

The calculation of earnings per share is shown below.

| | Net income attributable to equity holders of the parent (in EUR million) | Number of shares | Earnings per share (in EUR) |
|--|--|---------------------|-----------------------------------|
| 2014 | | | |
| Weighted average number of shares outstanding | 953 | 557,672,194 | 1.71 |
| Weighted average number of shares assuming full dilution | 953 | 560,186,531 | 1.70 |
| 2013 restated | | | |
| Weighted average number of shares outstanding | 595 | 538,912,431 | 1.10 |
| Weighted average number of shares assuming full dilution | 595 | 541,981,225 | 1.10 |

The weighted average number of shares outstanding is calculated by deducting treasury stock (1,509,600 shares at December 31, 2014, from the average number of shares outstanding during the year.

The weighted average number of shares assuming full dilution is calculated based on the weighted average number of shares outstanding, assuming conversion of all dilutive instruments. The Group's dilutive instruments include stock options and performance share grants corresponding to a weighted average of 957,895 and 1,556,442 shares respectively in 2014.

NOTE 27 – COMMITMENTS**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 20 and 21, respectively.

Commitments related to operating activities

- *Obligations under finance leases*

Non-current assets acquired under finance leases are recognized as an asset and a liability in the balance sheet.

In 2014, €24 million of future minimum lease payments due under finance leases was for land and buildings. Total assets held under finance leases recorded in consolidated assets amounted to €72 million in 2014 (2013: €77 million).

| | 2014 | 2013 restated |
|---|-------------|----------------------|
| <i>(in EUR million)</i> | | |
| Future minimum lease payments | | |
| Due within 1 year | 18 | 19 |
| Due in 1 to 5 years | 44 | 42 |
| Due beyond 5 years | 9 | 14 |
| Total future minimum lease payments | 71 | 75 |
| Less finance charge | (9) | (12) |
| Present value of future minimum lease payments | 62 | 63 |

- *Obligations under operating leases*

The Group leases equipment, vehicles and office, manufacturing and warehouse space under various non-cancellable operating leases. Lease terms generally range from one to nine years. The liabilities for the total future minimum payments over the lease terms are discounted. The leases contain rollover options for varying periods of time and some include clauses covering the payment of real estate taxes and insurance. In most cases, management expects that these leases will be rolled over or replaced by other leases in the normal course of business.

Net rental expense for non-cancellable leases was €847 million in 2014, comprised of rental expense of €865 million - of which €574 million for property leases - less €18 million in revenue from subleases.

Future minimum payments due under non-cancellable operating leases are as follows:

| <i>(in EUR million)</i> | Total 2014 | Payments due by period | | | Total 2013 restated |
|-------------------------|--------------|------------------------|-----------------|-------------------|------------------------|
| | | Within 1 year | In 1 to 5 years | Beyond 5 years | |
| Operating leases | | | | | |
| Rental expense | 3,079 | 723 | 1,505 | 851 | 3,064 |
| Subletting revenue | (62) | (15) | (29) | (18) | (60) |
| Total | 3,017 | 708 | 1,476 | 833 | 3,004 |

- *Non-cancellable purchase commitments*

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

| <i>(in EUR million)</i> | Total 2014 | Payments due by period | | | Total 2013 restated |
|--|--------------|------------------------|-----------------|-------------------|------------------------|
| | | Within 1 year | In 1 to 5 years | Beyond 5 years | |
| Non-cancelable purchase commitments | | | | | |
| Non-current assets | 58 | 49 | 9 | 0 | 58 |
| Raw materials and energy | 1,349 | 372 | 777 | 200 | 1,100 |
| Services | 320 | 129 | 167 | 24 | 312 |
| Investments and other | 2,400 | 2,347 | 31 | 22 | 40 |
| Total | 4,127 | 2,897 | 984 | 246 | 1,510 |

Non-cancellable purchase commitments in 2014 include the commitment on an equity holding in the Sika Group totaling €2,293 million.

- *Guarantee commitments*

In some cases, the Group grants seller's warranties to the buyers of divested businesses. A provision is set aside whenever a risk is identified and the related cost can be estimated reliably.

The Group also receives guarantees, amounting to €146 million at December 31, 2014 (December 31, 2013: €118 million).

- *Commercial commitments*

| <i>(in EUR million)</i> | Total 2014 | Commitment amounts by period | | | Total 2013 restated |
|-------------------------------|------------|------------------------------|-----------------|-------------------|------------------------|
| | | Within 1 year | In 1 to 5 years | Beyond 5 years | |
| Commercial commitments | | | | | |
| Security for borrowings | 50 | 14 | 21 | 15 | 49 |
| Other commitments given | 179 | 84 | 46 | 49 | 166 |
| Total | 229 | 98 | 67 | 64 | 215 |

At December 31, 2014, pledged assets amounted to €819 million (December 31, 2013: €612 million). This year-on-year net decline mainly reflected an increase in pledges of financial assets in the United Kingdom.

Guarantees given to the Group in respect of receivables amounted to €116 million at December 31, 2014 (December 31, 2013: €122 million).

- *Other commitments*

Greenhouse gas emissions allowances granted to Group companies under the 2008-2012 plan represent approximately 6.9 million metric tons of CO₂ emissions per year. The 2014 and 2013 allowances are above the greenhouse gas emissions for those years and, consequently, no provision has been recorded in this respect in the Group accounts.

NOTE 28 – LITIGATION

The legal risks to which the Group is most exposed are risks of asbestos-related litigation, in France and the United States, and competition-related risks.

Asbestos-related litigation

Asbestos-related litigation in France

- **Inexcusable fault lawsuits**

In France, further individual lawsuits were filed in 2014 by former employees (or persons claiming through them) of Everite and Saint-Gobain PAM (“the employers”) - which in the past had carried out fiber-cement operations - for asbestos-related occupational diseases, with the aim of obtaining supplementary compensation over and above the amounts paid by the French Social Security authorities in this respect. As at December 31, 2014 a total of 781 such lawsuits had been issued against the two companies since 1997.

As of December 31, 2014, 722 of these 781 lawsuits had been completed in terms of both liability and quantum. In all these cases, the employers were held liable on the grounds of “inexcusable fault”.

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

Concerning the 59 lawsuits outstanding against Everite and Saint-Gobain PAM at December 31, 2014, the merits of three have been decided but the compensation awards have not yet been made, pending issue of medical reports or Appeal Court rulings. A further 27 of these 59 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 29 remaining lawsuits, at December 31, 2014 the procedures relating to the merits of 26 cases were at different stages, with six in the process of being investigated by the French Social Security authorities and 20 pending before the Social Security courts. The final three suits have been struck down. The plaintiffs can ask for them to be re-activated at any time within a two-year period.

In addition, as of December 31, 2014, 212 similar suits had been filed since the outset by current or former employees of fifteen other French companies in the Group (excluding Saint-Gobain Desjonquères and Saint-Gobain Vetrotex, which have been sold), in particular involving circumstances where equipment containing asbestos had been used to protect against heat from furnaces.

As of December 31, 2014, 149 lawsuits had been completed. In 76 of these cases, the employer was held liable for inexcusable fault.

Compensation paid by the companies totaled approximately €1.08 million.

For the 63 suits outstanding at December 31, 2014, arguments were being prepared by the French Social Security authorities in four cases, 44 were being investigated - including 30 pending before the Social Security courts and 14 before the Appeal Courts – and ten had been completed in terms of liability but not in terms of quantum or liability for paying the compensation, of which six were pending before the Appeal Courts and four before the Court of Cassation. The final five suits have been struck down. The plaintiffs can ask for them to be re-activated at any time within a two-year period.

- **Anxiety claims**

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

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

At December 31, 2014, a total of 816 suits had been brought by current or former employees claiming compensation for various damages suffered as a result of their alleged exposure to asbestos. None of these plaintiffs were suffering from an asbestos-related disease and some of them were not receiving the ACAATA benefit. Of these 816 suits, 154 have been terminated. Three plaintiffs had their claims dismissed, while 151 others were recognized as having been exposed to an asbestos risk, and their claims were accepted, leading to payment of total compensation of €2.2 million. Of the remaining 662 suits, 233 are pending before the competent Appeal Courts, 288 before the competent labor tribunals, 134 have been struck down, and six suits have been dismissed by the competent labor tribunals. Finally, one claimant has vacated the suit brought by him.

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 many 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 which have been manufacturers, distributors, installers or users of products containing asbestos.

- **Developments in 2014**

About 4,000 new claims were filed against CertainTeed in 2014, compared to about 4,500 in 2013, 4,000 in 2012 and 2011, and 5,000 in 2010. Over the last five years the number of new claims has remained relatively stable.

Almost all of the claims against CertainTeed are settled out of court or dismissed. Approximately 6,500 of the pending claims were resolved in 2014, compared to 4,500 in 2013, 9,000 in 2012, 8,000 in 2011, and 13,000 in 2010 and approximately 3,500 claims were designated as inactive as they did not meet required minimum medical impairment criteria.

Taking into account the 43,000 outstanding claims at the end of 2013 and the new claims having arisen during the year, as well as claims settled or designated as inactive, some 37,000 claims were outstanding at December 31, 2014. A large number of these pending claims were filed more than five years ago by individuals without any significant asbestos-related impairment, and it is likely that many of these claims ultimately will be dismissed.

- **Impact on the Group's accounts**

The Group recorded a €90 million charge in 2014 to cover future developments in relation to claims. This amount is identical to the amount recorded in 2013, 2012 and 2011, and lower than the €97 million recorded in 2010. At December 31, 2014, the Group reserve for asbestos-related claims against CertainTeed in the United States amount to €470 million (USD 571 million), compared with €407 million (USD 561 million), €417 million (USD €550 million) at December 2012, €389 million (USD 504 million) at December 31, 2011, and €375 million, (USD 501 million) at December 31, 2010.

- **Cash-flow impact**

Compensation paid in respect of these claims against CertainTeed, including claims settled prior to 2014 but only paid out in 2014, and those fully resolved and paid in 2014, and compensation paid (net of insurance) in 2014 by other Group businesses in connection with asbestos-related litigation, amounted to € 51 million (USD 68 million), compared to €66 million (USD 88 million) in 2013, €52 million (USD 67 million) in 2012, €59 million (USD 82 million) in 2011, and €78 million (USD 103 million) in 2010.

Situation in Brazil

In Brazil, former employees of Group companies suffering from asbestos-related occupational illness linked to asbestos are offered, depending on the case, solely financial compensation, or otherwise lifetime medical assistance combined with financial compensation; only a small number of former employee litigants or their legal successors were outstanding at December 31, 2014, and they do not present a material risk for the subsidiaries concerned.

Competition law and related proceedings

Proceedings in the automotive glass industries

By decision of November 12, 2008 concerning the automotive glass case, the European Commission fined Saint-Gobain Glass France, Saint-Gobain Sekurit France and Saint-Gobain Sekurit Deutschland GmbH, jointly and severally with Compagnie de Saint-Gobain, €896 million for price-fixing agreements with competitors.

Following appeals by the companies concerned, by decision of March 27, 2014 the European Union Tribunal reduced this fine amount to €715 million. Neither the European Commission nor the companies concerned appealed this decision. The total of the fine and the related interest amounts were thus paid and the provision reversed during fiscal year 2014. This case is now legally closed.

Investigation by the Swiss Antitrust Commission in the sanitary market sector

In November 2011, the Swiss Antitrust Commission [*Commission Suisse de la Concurrence*] opened an investigation of anti-competitive practices in the sanitary products wholesale sector.

In May 2014, the Commission Secretariat issued a notification of complaints against Sanitas Troesch and against other wholesalers in the sector. According to the terms of this notification, the Secretariat requested the Commission to declare a fine of approximately CHF 117 million on Sanitas Troesch, on grounds that Sanitas Troesch and some of its competitors had, among other things, agreed in 2005 and 2012 to lower gross prices.

These allegations have been challenged in their entirety by Sanitas Troesch, which was heard by the Swiss Commission on January 26, 2015.

At this stage of the proceeding, it is not possible to determine what form the Commission's decision will take, nor, if a fine is imposed, how large it will be.

Investigation by the French Competition Authority in the building insulation products sector

On August, 6, 2014, Saint-Gobain Isover received a notice of complaints from the French Competition Authority. The only complaint made was of having exchanged allegedly strategic and confidential information, between March 2002 and March 2007, relating to a certification request lodged by Actis for one of its products, and to a dispute between Actis and the mineral wool manufacturers' association (FILMM), of which Saint-Gobain Isover was a member, before the Versailles Commercial Court.

Saint-Gobain Isover is challenging this complaint and submitted its statement of defense on November 6, 2014. It is now waiting for the report from the Competition Authority.

Parallel with this, Saint-Gobain Isover is challenging the visit and seizure operations that took place at its premises in 2009. On February 4, 2014 it appealed the order issued by the Versailles court on January 31, 2014 that validated these operations. The hearing before the appeal court will take place on March 11, 2015.

In the civil law area, in March 2013 Actis served a civil liability writ on Saint-Gobain Isover, the Centre Scientifique et Technique du Bâtiment, and the FILMM before the Paris Supreme Court (*Tribunal de Grande Instance*) for the adverse consequences of facts forming the subject of the investigation by the Competition Authority. In an order dated December 16, 2014, the pre-trial judge declared a stay of proceedings while waiting for the decision from the Competition Authority.

Some of the Group's companies may also be the subject of other claims made by their employees or by the tax authorities.

Apart from the proceedings and litigation described above, to the best of the Company's knowledge no other government, court or arbitration proceedings exist (including pending proceedings or proceedings where the Company and/or the Group might be threatened) which could have or which has had, in the last twelve months, a significant impact on the financial or profit position of the Company and/or Group.

NOTE 29 – RELATED-PARTY TRANSACTIONS**Balances and transactions with associates**

| | 2014 | 2013 restated |
|------------------------------------|------|---------------|
| <i>(in EUR million)</i> | | |
| Assets | | |
| Financial receivables | 2 | 3 |
| Inventories | 0 | 0 |
| Short-term receivables | 10 | 5 |
| Cash and cash equivalents | 0 | 0 |
| Provisions for impairment in value | 0 | 0 |
| Liabilities | | |
| Short-term debt | 2 | 1 |
| Cash advances | 0 | 0 |
| Expenses | | |
| Purchases | 5 | 3 |
| Income | | |
| Sales | 47 | 30 |

Transactions with key shareholders

Some subsidiaries of the Saint-Gobain Group, particularly in the Building Distribution Sector, carry out transactions with subsidiaries of the Wendel group. All of these transactions are on an arm's-length basis.

NOTE 30 – MANAGEMENT COMPENSATION

Direct and indirect compensation and benefits paid to members of the Board of Directors and the Group's senior management were as follows in 2014 and 2013:

| <i>(in EUR million)</i> | 2014 | 2013 |
|---|-------------|-------------|
| Attendance fees | 0.8 | 0.8 |
| Direct and indirect compensation (gross) | | |
| Fixed portion | 9.0 | 9.0 |
| Variable portion | 4.2 | 4.0 |
| Estimated compensation cost - pensions and other employee benefits (IAS 19) | 2.1 | 2.0 |
| IFRS 2 expense - Share-based payments | 4.2 | 3.6 |
| Compensations in termination, retirement or other benefits | 1.5 | 0.9 |
| Total | 21.8 | 20.3 |

Direct and indirect compensation and benefits paid in 2014 to members of the Group's senior management by the French and foreign companies in the Group amounted to €14.7 million (2013: €13.9 million), including €4.2 million (2013: €4.0 million) in variable compensation and €1.5 million in termination, retirement or other benefits (2013: €0.9 million).

Provisions for pensions and other post-employment benefits (defined-benefit obligations in respect of retirement bonuses and pensions) accruing to the Group's officers totaled €60.6 million at December 31, 2014 (December 31, 2013: €47.2 million).

NOTE 31 – EMPLOYEES

| | 2014 2013 restated | |
|--------------------------------------|---------------------------|----------------|
| <i>(average number of employees)</i> | | |
| Fully consolidated companies | | |
| Managers | 26,844 | 26,956 |
| Administrative employees | 76,440 | 77,628 |
| Other employees | 77,449 | 81,609 |
| Total | 180,733 | 186,193 |

At December 31, 2014, the total number of employees was 178,799 (December 31, 2013: 183,835) for fully consolidated companies.

NOTE 32 – 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.).

| 2014 | 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 million)</i> | | | | | | | | | | | | |
| External sales | 4,862 | 4,119 | | 8,981 | 5,487 | 5,053 | | 10,540 | 18,803 | 2,705 | 25 | 41,054 |
| Internal sales | 31 | 113 | (10) | 134 | 569 | 317 | (65) | 821 | 3 | 0 | (958) | 0 |
| Net sales | 4,893 | 4,232 | (10) | 9,115 | 6,056 | 5,370 | (65) | 11,361 | 18,806 | 2,705 | (933) | 41,054 |
| Operating income/(loss) | 289 | 565 | | 854 | 533 | 487 | | 1,020 | 661 | 275 | (13) | 2,797 |
| Business income/(loss) | 245 | 472 | | 717 | 483 | 286 | | 769 | 186 | 629 | (92) | 2,209 |
| Share in net income/(loss) of associates | 22 | 3 | | 25 | 7 | 10 | | 17 | 1 | 2 | 1 | 46 |
| Depreciation and amortization | 297 | 151 | | 448 | 306 | 146 | | 452 | 259 | 167 | 28 | 1,354 |
| Impairment of assets | 105 | 59 | | 164 | 49 | 168 | | 217 | 397 | 0 | 0 | 778 |
| Capital expenditure** | 235 | 183 | | 418 | 282 | 239 | | 521 | 264 | 213 | 21 | 1,437 |
| Cash flow from operations | | | | 717 | | | | 780 | 486 | 274 | 253 | 2,510 |
| EBITDA | 586 | 716 | | 1,302 | 839 | 633 | | 1,472 | 920 | 442 | 15 | 4,151 |
| Goodwill, net | 261 | 1,434 | | 1,695 | | | | 5,770 | 2,942 | 55 | 0 | 10,462 |
| Net amortizable brands | | | | 0 | | | | 876 | 1,799 | 0 | 0 | 2,675 |
| Total segment assets and liabilities*** | | | | 7,368 | | | | 12,111 | 7,919 | 1,410 | 28 | 28,836 |

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

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

*** Segment assets and liabilities include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

| 2013 restated | 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 million)</i> | | | | | | | | | | | | |
| External sales | 4,778 | 3,989 | | 8,767 | 5,331 | 5,256 | | 10,587 | 18,769 | 3,616 | 22 | 41,761 |
| Internal sales | 40 | 97 | (11) | 126 | 574 | 323 | (57) | 840 | 4 | 0 | (970) | 0 |
| Net sales | 4,818 | 4,086 | (11) | 8,893 | 5,905 | 5,579 | (57) | 11,427 | 18,773 | 3,616 | (948) | 41,761 |
| Operating income/(loss) | 123 | 520 | | 643 | 488 | 514 | | 1,002 | 638 | 463 | 8 | 2,754 |
| Business income/(loss) | (223) | 460 | | 237 | 446 | 468 | | 914 | 329 | 424 | (21) | 1,883 |
| Share in net income/(loss) of associates | 6 | 0 | | 6 | 7 | 5 | | 12 | 1 | 2 | 1 | 22 |
| Depreciation and amortization | 302 | 155 | | 457 | 313 | 171 | | 484 | 261 | 175 | 30 | 1,407 |
| Impairment of assets | 141 | 26 | | 167 | 15 | 75 | | 90 | 210 | 5 | 0 | 472 |
| Capital expenditure** | 206 | 178 | | 384 | 246 | 178 | | 424 | 205 | 270 | 34 | 1,317 |
| Cash flow from operations | | | | 566 | | | | 719 | 420 | 436 | 379 | 2,520 |
| EBITDA | 425 | 675 | | 1,100 | 801 | 685 | | 1,486 | 899 | 638 | 38 | 4,161 |
| Goodwill, net | 248 | 1,285 | | 1,533 | | | | 5,674 | 3,135 | 59 | 0 | 10,401 |
| Net amortizable brands | | | | 0 | | | | 847 | 1,919 | 0 | 0 | 2,766 |
| Total segment assets and liabilities*** | | | | 6,935 | | | | 11,841 | 8,150 | 1,956 | 177 | 29,059 |

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

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

*** Segment assets and liabilities include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

Information by geographic area

| 2014 | France | Other Western European countries | North America | Emerging countries and Asia | Internal sales | TOTAL |
|--|--------|----------------------------------|---------------|-----------------------------|----------------|--------|
| <i>(in EUR million)</i> | | | | | | |
| Net sales | 11,526 | 17,971 | 5,038 | 8,455 | (1,936) | 41,054 |
| Capital expenditure* | 300 | 452 | 220 | 465 | | 1,437 |
| Total segment assets and liabilities** | 6,583 | 11,722 | 4,323 | 6,208 | | 28,836 |

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

** Segment assets and liabilities include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

| 2013 restated | France | Other Western European countries | North America | Emerging countries and Asia | Internal sales | TOTAL |
|--|--------|----------------------------------|---------------|-----------------------------|----------------|--------|
| <i>(in EUR million)</i> | | | | | | |
| Net sales | 11,682 | 17,537 | 5,896 | 8,406 | (1,760) | 41,761 |
| Capital expenditure* | 247 | 371 | 245 | 454 | | 1,317 |
| Total segment assets and liabilities** | 6,786 | 11,906 | 4,268 | 6,099 | | 29,059 |

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

** Segment assets and liabilities include net property, plant and equipment, working capital, goodwill and net other intangible assets, after deducting deferred taxes on brands and land.

NOTE 33 – PRINCIPAL 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 | Country | Percentage held directly and indirectly |
|---|-------------------|----------------|--|
| 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 | 100.00% |
| Saint-Gobain Autover Distribution SA | | Belgium | 100.00% |
| 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 | 99.00% |
| 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 | 100.00% |
| Saint-Gobain Glass UK Limited | | United Kingdom | 100.00% |

HIGH PERFORMANCE MATERIALS

| | | Country | Percentage held directly and indirectly |
|---|--|----------------|--|
| Saint-Gobain Abrasifs | | France | 99.98% |
| 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 | 99.98% |
| SEPR Italia S.p.a | | Italy | 100.00% |
| Saint-Gobain Abrasives BV | | Netherlands | 100.00% |
| Saint-Gobain Abrasives Ltd | | United Kingdom | 100.00% |
| Saint-Gobain Adfors CZ S.R.O. | | Czech Republic | 100.00% |

CONSTRUCTION PRODUCTS SECTOR

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

| | EXTERIOR SOLUTIONS | Country | Percentage held directly and indirectly |
|-------------------------------------|---------------------------|----------------|--|
| 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 | 100.00% |
| Saint-Gobain Byggprodukter AB | | Sweden | 100.00% |
| Saint-Gobain Weber AG | | Switzerland | 100.00% |

BUILDING DISTRIBUTION SECTOR

| | Country | Percentage held directly and indirectly |
|---|----------------|--|
| Distribution Sanitaire Chauffage | France | 100.00% |
| Lapeyre | France | 100.00% |
| Saint-Gobain Distribution France | 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 Building Distribution Ltd | United Kingdom | 100.00% |
| 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

| | Country | Percentage held directly and indirectly |
|--|----------------|--|
| Saint-Gobain Emballage | France | 100.00% |
| Saint-Gobain Oberland Aktiengesellschaft | Germany | 96.67% |
| Saint-Gobain Vidros SA | Brazil | 100.00% |
| Saint-Gobain Vicasa SA | Spain | 99.75% |
| Saint-Gobain Vetri S.p.a | Italy | 99.99% |

NOTE 34 – SUBSEQUENT EVENTS

None.

CONTENTS

| | |
|--|-----------|
| CONSOLIDATED BALANCE SHEET | 1 |
| CONSOLIDATED INCOME STATEMENT | 2 |
| CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE | 3 |
| CONSOLIDATED STATEMENT OF CASH FLOWS..... | 4 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 5 |
| NOTE 1 – ACCOUNTING PRINCIPLES AND POLICIES | 6 |
| NOTE 2 – CHANGES IN GROUP STRUCTURE..... | 21 |
| NOTE 3 – IMPACT OF CHANGES IN ACCOUNTING METHODS..... | 23 |
| NOTE 4 – GOODWILL..... | 26 |
| NOTE 5 – OTHER INTANGIBLE ASSETS | 28 |
| NOTE 6 – PROPERTY, PLANT AND EQUIPMENT | 29 |
| NOTE 7 – INVESTMENTS IN ASSOCIATES | 30 |
| NOTE 8 – OTHER NON-CURRENT ASSETS..... | 31 |
| NOTE 9 – INVENTORIES..... | 32 |
| NOTE 10 – TRADE AND OTHER ACCOUNTS RECEIVABLE | 32 |
| NOTE 11 – EQUITY | 33 |
| NOTE 12 – STOCK OPTION PLANS | 33 |
| NOTE 13 – GROUP SAVINGS PLAN..... | 35 |
| NOTE 14 – PERFORMANCE SHARE AND PERFORMANCE UNIT PLANS | 36 |
| NOTE 15 – PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS | 38 |
| NOTE 16 – CURRENT AND DEFERRED TAXES | 43 |
| NOTE 17 – OTHER CURRENT AND NON-CURRENT LIABILITIES AND PROVISIONS | 46 |
| NOTE 18 – TRADE AND OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES | 47 |
| NOTE 19 – RISK FACTORS..... | 48 |
| NOTE 20 – NET DEBT | 52 |
| NOTE 21 – FINANCIAL INSTRUMENTS..... | 56 |
| NOTE 22 – FINANCIAL ASSETS AND LIABILITIES | 58 |
| NOTE 23 – BUSINESS INCOME BY EXPENSE TYPE | 59 |
| NOTE 24 – NET FINANCIAL EXPENSE..... | 60 |
| NOTE 25 – EBITDA - RECURRING NET INCOME - CASH FLOW FROM OPERATIONS | 61 |
| NOTE 26 – EARNINGS PER SHARE | 62 |
| NOTE 27 – COMMITMENTS..... | 63 |
| NOTE 28 – LITIGATION | 65 |
| NOTE 29 – RELATED-PARTY TRANSACTIONS..... | 69 |
| NOTE 30 – MANAGEMENT COMPENSATION..... | 69 |
| NOTE 31 – EMPLOYEES..... | 70 |
| NOTE 32 – SEGMENT INFORMATION | 70 |
| NOTE 33 – PRINCIPAL CONSOLIDATED COMPANIES..... | 72 |
| NOTE 34 – SUBSEQUENT EVENTS | 75 |